INTEK GROUP

ANNUAL FINANCIAL REPORT
YEAR 2017

Board of Directors
of 28 March 2018

Registered and Administrative Office:
20121 Milan - Foro Buonaparte, 44
Share capital Euro 335,069,009.80 fully paid-up
Tax Code and Companies Register of Milan no. 00931330583

www.itkgroup.it

Contents

Solidarity

The **Dynamo Camp Onlus Association** offers **Recreational Therapy** programs free of charge to children and teenagers aged 6 to 17 years, affected by serious or chronic illnesses, mainly oncohaematological, neurological and diabetes, whether they are in treatment or in the post hospitalisation period. Dynamo Camp's mission is to offer these children the opportunity to once again simply "be kids". Opened in 2007 in the province of Pistoia, **the Camp hosts over 1,800 children and families free of charge** during vacation and recreation periods, assisting them to find peace, carefreeness and trust in themselves. With the **Outreach project**, the Association also takes Recreational Therapy outside the Camp to **hospitals and family homes.** The benefits of Recreational Therapy are usually of a long term, often permanent nature and help children deal with their illness.

The approach to Recreational Therapy that the programmes are based on aims to involve the children and their families in entertaining and fun activities that stimulate their abilities and renew their trust in themselves.

Dynamo guests are used to challenges and the Camp offers many entertaining ones, which are constructive but without featuring elements of competition: horse riding, archery, climbing, recreational water activities and special projects involving radio, art and photography. Medical supervision is available 24/7 through the well-equipped infirmary and specialised doctors and nurses.

The objective for the future is to continue to offer Recreational Treatment to as many children and families as possible and, to achieve this, our efforts are concentrated on various levels: increasing the number of eligible pathologies, in particular serious neurological pathologies that require increasingly complex handling, increasing accessibility by 15% to 100 children hosted in each individual session; the extension of the network of collaboration with hospitals and associations; quality training to the staff and over 880 volunteers who donate their time, intelligence and hearts each year; annual increase in the support instruments provided to the individuals and the companies who are always at our side. The professionally structured and organised fund raising allows us to ensure continuity and excellence.

The fund raising is targeted to individuals, companies, foundations and public entities, while its sustainability horizon is of the medium to long term. The role of individuals and their capacity to bring others together is of strategic importance: in 2017, 132 ambassadors and 34 local groups, consisting of persons who support Dynamo Camp and promote its cause, have organised 228 fund raising initiatives throughout Italy, building a network of around 18,000 persons, and 470 persons from all over Italy who participated in the fourth edition of Dynamo Team Challenge, collecting 1,908 donations totalling Euro 242,812 for Dynamo Camp.

In the 11 years of its operation, over 30,000 people, including ailing children and entire families have laughed, played and challenged their limits thanks to the Dynamo Camp Recreational Therapy.

Company Bodies

Board of Directors *

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

A. Independent Director
B. Executive Director
C. Member of the Control and Risk Committee (*Chairman:* Giuseppe Lignana)

Board of Statutory Auditors *

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

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

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

2017 Directors' Report on operations

Dear Shareholders,

The main element in 2017 for Intek Group SpA (hereinafter also "Intek Group" or "the Company") consists of the first tangible increases in the profitability of the main investment, in the copper sector, resulting from the numerous, intense restructuring interventions that took place over the last few years the purpose of which was to increase its value.

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

Intek Group invests with a medium-term horizon mainly, with the objective of creating and maintaining a flexible portfolio of assets and with shorter investment cycles.

The management of the company monitors and analyses the performance of the markets in which it has made its investments to ensure that the best opportunities are taken, focusing attention on the sectors that are the most performing and promising, while exit from counterparties, whether industrial or financial, that are no longer in line with the management policies is pursued when they present fewer perspectives of profitability or longer realization times.

The management of the Company, in line with this strategic line, believes that the overall appreciation of the Intek Group's performances and value must be made by considering, not only the assessment of the economic results for the period, but also and above all the changes in value over time recorded by the individual assets and by their capacity to create value for shareholders.

The management of the Company is focused on ensuring that the parent company 's separate financial statements represented the equity and income structure as well as the Company's economic development in a more effective way compared to the consolidated financial statements.

The separate financial statements are therefore the information element on which the communication of the corporate result is based, including in consideration of the company's qualification as an investment entity since 2014. This involves measurement at fair value of investments except for equity investments in companies that are instrumental to Intek group's activities which are measured at cost and consolidated fully.

This annual report for 2017 is therefore presented, on an ongoing basis compared to the separate and consolidated financial statements as at 31 December 2016 and the financial statements as at 30 June 2017, employing the accounting standards required for investment entities. This requires fair value measurement for both the separate and consolidated financial statements, with equity investments held as investments recognised in profit and loss, of which the most significant direct equity investment is KME AG, holding company of the KME Group, which operates in the copper sector.

It is hereby noted that the operations of Intek Group are not considered as collective management of savings and, therefore, the Company is not required to be registered in the Register provided for by article 20 of Legislative Decree 58/98

Following are the main activities that characterized Intek Group and its main subsidiaries in 2017.

(i) Restructuring of the copper sector

- **(a)** The reorganization of the copper sector continued and future strategic developments are expected that could lead to agreements with third parties in relation to the sale of some business units and the enhancement of others, which are considered to be interesting and in synergy with the KME activities, through acquisitions from third parties;
- **(b)** as indicated in the introduction, thanks to the streamlining and flexibility adopted in the last two years, in 2017 the EBITDA was equal to Euro 76.6 million, up by 22.6% compared to 2016, when it was at Euro 62.4 million.
- **(c)** Regarding the financial structure of the KME Group, in 2017 the pool credit lines increased by Euro 45 million, with the addition of two new banks.

In January 2018, supported by significant international capital market operators, KME AG issued a bond restricted to qualified institutional buyers (QIBs) of Euro 300 million which matures in 2023 and bears a fixed interest rate of 6.75%. The resulting resources were used to reduce the amount of the existing pool bank loan and the corresponding interests by approximately Euro 197 million, repay the loans and the relative interests to Intek Group of over Euro 42 million and, in general, support the requirements of the KME Group.
This refinancing made it possible to significantly diversify the K ME Group financial structure, concurrently extending the relative maturities; KME AG concluded amendments agreements and extensions of 3 years of the pool loan contract and the factoring contracts with the financial institutions, with the option, upon consent of the financing institutions, to extend for a further 2 years.
Another significant element is the marked reduction, from Euro 475 million to Euro 100 million, of the maximum amount of the guarantee issued in 2014 by Intek Group to the pool of banks in the interests of KME AG.

Again, in January 2018, Intek Group granted KME AG a credit line of up to Euro 30 million for working capital needs and to assist the aforementioned pool loan.

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

(ii) Listing of Culti Milano SpA

(a) in July, the Culti Milano SpA (hereinafter "**Culti**")'s shares were admitted to trading on the AIM market, following the placement of 865,500 newly issued ordinary shares that resulted from a capital increase backed by the contribution of financial resources worth Euro 4.5 million, which made it possible to accelerate the company's commercial development strategy in the second half of the year. The listing price was set at Euro 5.20 per share. The company's free float is equal to 27.96% of its share capital;

(b) In 2017, the company recorded a positive performance, with a significant increase in the main economic indicators from the prior year and in line with the budget. Overall sales reached Euro 6.1 million (+ 23.55% compared to 2016), adjusted EBITDA was equal to Euro 1.1 million (Euro 0.4 million as at 31 December 2016), up by 168%. Net profit was equal to Euro 0.4 million (loss of Euro 0.2 million in 2016).

(c) The *Net financial position* shows availability of Euro 3.7 million compared to the financial debt of Euro 1.4 million as at 31 December 2016. At the end of the year, the company had available cash and cash equivalents of Euro 3.9 million.

(iii) Sale of ErgyCapital photovoltaic systems

In December 2017, ErgyCapital sold the equity investments that held and managed photovoltaic installations to ContourGlobal Energetica Srl against Euro 21.2 million, thus exiting this sector altogether.

The consideration was collected in full upon closing, significantly improving the net financial position.

(iv) Simplification and reorganisation of the Group's corporate structure.

At the end of 2017, the merger by incorporation of ErgyCapital into Intek entered into effect; this merger had been approved by the respective extraordinary shareholders' meetings in June. The accounting and tax effects of the ErgyCapital merger apply retrospectively to 1 January 2017.

Pursuant to the merger and the previous sale of the photovoltaic sector, the remaining activities in the geothermal and biogas fields were taken over by Intek and actions to increase their value are already under way.

18,914,116 new ordinary Intek shares without nominal value, with dividend entitlement from 1 January 2017 were issued to service the swap with the former ErgyCapital shareholders (except Intek).

The merger is part of the reorganisation process that started in 2016 with the mergers of KME Partecipazioni SpA and FEB - Ernesto Breda SpA into Intek.

Again, with the purpose of optimizing economic and cash flows, with the objective of containing the operating costs and simplifying the organizational structure by shortening the chain of investors and eliminating duplicate functions, at the end of December Rede Immobiliare Srl, Tecno Servizi Srl and I2 Real Estate Srl were merged by incorporation into Immobiliare Pictea; these were all real estate companies which were held entirely by Intek Group whether directly or indirectly.

This latter merger entered into effect for statutory purposes on 28 December 2017. In this case as well, the accounting and tax effects began from 1 January 2017.

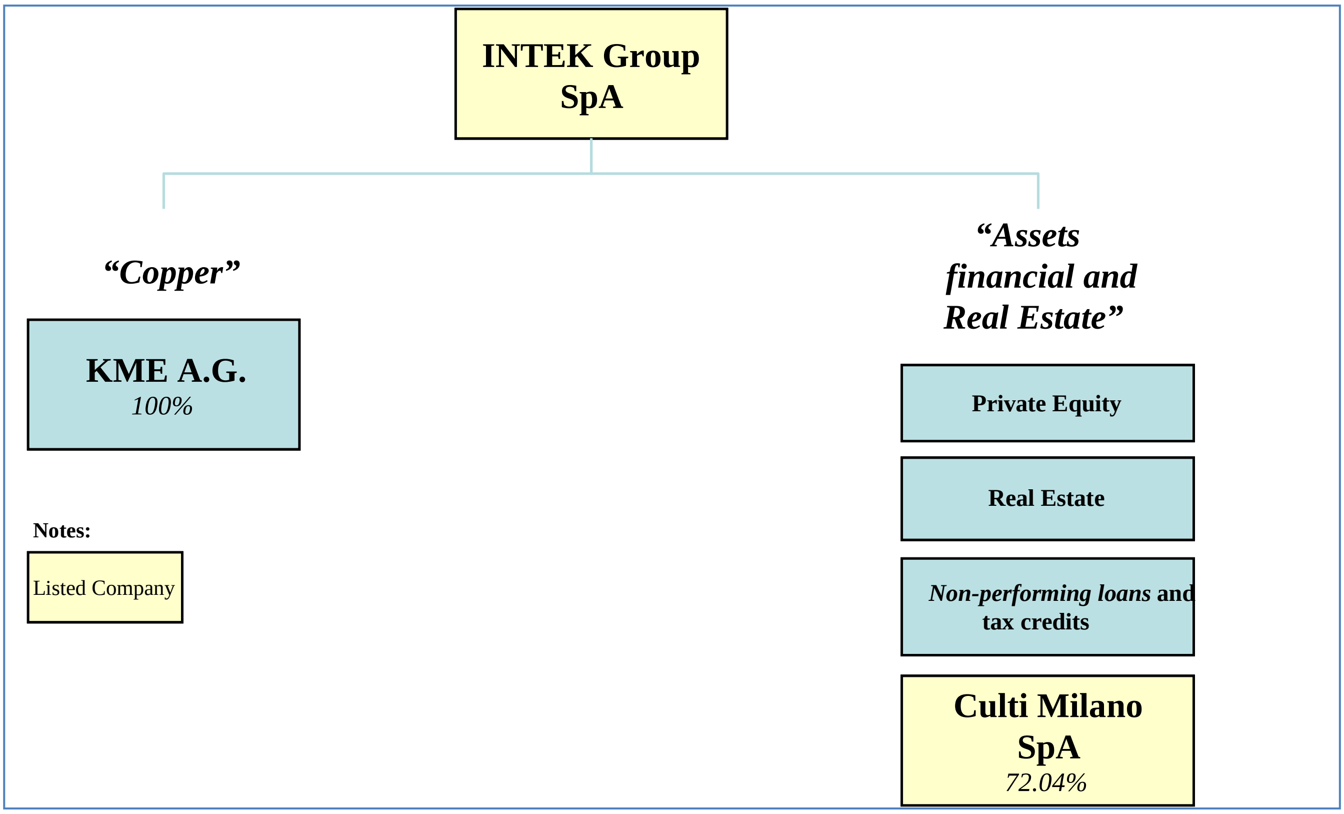
(v) Activities of the I2 Capital Partners fund

Intek Group holds 19.15% of the I2 Capital Partners fund (hereinafter also the "*Fund*"); the management thereof, which focuses on realizing the residual investments, allowed for reimbursements of approximately Euro 4.8 million to investors during 2017 (of these Euro 0.9 million referred to Intek), mainly arising from Isno 4 Srl in liquidazione and Safim Leasing SpA in liquidazione and the divestitures of Nuovi investimenti SIM (hereinafter also “NIS”) and its subsidiary Alpi Fondi SGR.

In fact, 100% of Alpi Fondi and 68% of NIS which belonged to the Fund were sold during 2017 against an overall amount of Euro 6.2 million (of which Euro 0.8 million are blocked as a guarantee to the buyer until June 2019).

In February 2018, the sale of the remaining 23% of NIS which belongs to the fund was completed against Euro 1.3 million and an additional Euro 1.2 million which is contractually set to be collected at the end of June 2018.

Summary of the Group's corporate structure at 31 December 2017



After the sale of the ErgyCapital activities in the photovoltaic sector, Intek Group is currently operating in the following investment sectors:

- the copper sector, which includes the production and marketing of copper and copper-alloy semi-finished products, under the German subsidiary KME AG;
- the "financial and real estate assets" sector, which includes the private equity activity, carried out mainly through the Fund, and the management of receivables (tax receivables, non-performing loans and receivables arising from insolvency proceedings) and real estate. It is hereby noted that the equity investment in ErgyCapital, which was incorporated into Intek Group in 2017, was included in the financial and real estate activities in 2016.

As for financial and real estate operations, the Company continued with its work to sell the assets held. In 2017, besides the amounts paid by the Fund, the Group received the following amounts:

- Euro 0.6 million from the former Fime and Isno 2 operations;
- Euro 1.2 million arising from tax receivables.

In the private equity area, we proceeded to realize the remaining investments held by Fondo I2 Capital Partners which, having obtained an extension of 12 months on its duration, was to definitively close its operations at the end of July 2018.

In consideration of the delay in the issuing of the Genoa court of appeals ruling on the case between Isno 3 and Crédit Agricole and the collection of other assets, on 19 March 2018 the investors were requested for further extension of 12 months; the response is currently still being awaited.

The Parent KME Group S.p.A.

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

The choice made by management in allocating financial resources rewards those sectors which appear high-performing and promising while facilitates the exit from both industrial and real estate and financial segments with limited potential for value creation or a long payback period. The value of the assets under management is optimized through the definition of the business strategies implemented by the management of the individual subsidiaries and constant monitoring of the activities and performance thereof. Additionally, Intek Group is involved in identifying possible agreements and/or partnership opportunities with third parties, who are interested in the subsidiaries or their individual businesses in varying capacities, so as to ensure optimized profitability including through the pursuit of extraordinary operations.

Intek Group's financial highlights as at 31 December 2017, compared to 31 December 2016, can be summarised as follows:

Condensed separate statement of financial position

(in thousands of Euro)	*31 Dec 2017*		*31 Dec 2016*	
Copper	**463,976**	**89.26%**	**454,616**	**86.99%**
Financial and real estate assets				
Private Equity	*5,924*		*6,209*	
Non-operating assets	*5,728*		*7,176*	
Real Estate/Others	*31,013*		*25,341*	
Culti/Other services	*12,087*		*21,411*	
Total financial and real estate assets	**54,752**	**10.53%**	**60,137**	**11.51%**
Other assets/liabilities	**1,070**	**0.21%**	**7,836**	**1.50%**
Net investments	**519,798**	**100.00%**	**522,589**	**100.00%**
Outstanding bonds (*)	*(105,590)*		*(105,379)*	
Net cash from third parties	*36,935*		*15,981*	
Net financial debt to third parties	**(68,655)**		**(89,398)**	
Cash investments in KME	*35,000*		*9,000*	
Net financial debt of the holding company to third parties	**(33,655)**	**6.47%**	**(80,398)**	**15.38%**
Total equity	**486,143**	**93.53%**	**442,191**	**84.62%**

Notes:

- *In the table, investments are expressed net of any financial receivable/payable transactions outstanding with the Intek Group.*
- *(*) including accruing interests.*

Investments

The Net investments held by the Company amounted to Euro 519.8 million as at 31 December 2017 (Euro 522.6 million at the end of 2016), of which 89% were in the “copper” sector and the remaining in financial and real estate assets.

The item "Culti/Other Services" (previously named "ErgyCapital/Other Services") has been affected by the merger of ErgyCapital and the sale of the photovoltaic installations held by the latter.

The net investment in Immobiliare Pictea, previously classified under “Other assets and liabilities" as its operations were solely instrumental, has now been added to the item "Real Estate/Others" following the completed merger after which it became the holding company of all of Intek's real estate assets.

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 former FIME and Isno 2 positions and the collection of tax receivables.

Equity

The holding company's equity amounted to Euro 486.1 million, compared to Euro 442.2 million as at 31 December 2016; the decline was attributable for Euro 36.7 million to the result for the period and for Euro 7.2 million to the merger by incorporation of ErgyCapital.

At the end of September 2017, the convertible bond Intek Group 2012-2017 matured, and was automatically converted into new ordinary Intek Group shares. 24,710,692 new ordinary Intek Group shares were issued to service the convertible bond, all of which were assigned to Quattroduedue SpA, after cancellation of 3,474 bonds also held by the shareholder Quattroduedue. The remaining 526 bonds, all held by the Issuer, were cancelled.

In accounting terms, the effects of the conversion did not modify that total shareholders' equity in any way, as the share capital item increased by Euro 20,844,000 concurrently cancelling out the item "Convertible bond" of an equal amount which was present in the 2016 balance sheet.

It is hereby noted that 18,914,116 new ordinary Intek Group shares were issued to service the merger of ErgyCapital into Intek Group, effective from December 2017 with accounting effect from 1 January 2017; these were assigned to the ErgyCapital shareholders other than the parent company, without any share capital increase since these were shares without a nominal value.

Equity per share is Euro 1.12 compared to 1.13 at the end of December 2016.

The Share Capital as at 31 December 2017 was Euro 335,069,009.80 compared to Euro 314,225,009.80 as at 31 December 2016, divided into 389,131,478 ordinary shares and 50,109,818 savings shares. None of the shares have a nominal value. The changes in the amount of Euro 20,844,000 results from the above-mentioned issue of new ordinary shares servicing the Intek Group 2012 -2017 convertible bond.

As at 31 December 2017, Intek held 5,713,572 ordinary treasury shares (1.47% of the share type capital) and 11,801 own savings shares (0.024% of the share type capital), unchanged compared to 31 December 2016.

Financial management

Net financial debt of the holding company to third parties (excluding intra-group loans) totalled Euro 33.7 million as at 31 December 2017. The balance as at 31 December 2016 was Euro 80.4 million.

At the end of December 2017, Intek Group had cash and cash equivalents of Euro 28.1 million, of which Euro 18.5 million were the cash and cash equivalents of the incorporated entity ErgyCapital at the time of the incorporation. In February 2018, the company's liquidity further increased due to the repayment of the Euro 35 million loan by KME AG.

In addition to the bonds issued in 2015 which mature in February 2020 of Euro 105.6 million, there are no other financial debts to third parties except for a loan totalling Euro 1.2 million relative to ErgyCapital which is due at the end of 2019.

Intek Groups's reclassified net financial position as at 31 December 2017, compared to 31 December 2016, can be broken down as follows:

Reclassified net financial position			
(in thousands of Euro)		*31 Dec 2017*	*31 Dec 2016*
Cash and cash equivalents		(28,066)	(9,216)
Other financial assets		(150)	(6,775)
Current financial receivables from subsidiaries		(42,018)	(23,966)
(A) Net financial assets	**(A)**	**(70,234)**	**(39,957)**
Short-term financial payables		5,181	4,395
Financial payables to subsidiaries\		5,721	11,812
(B) Short-term financial payables	**(B)**	**10,902**	**16,207**
(C) Short-term net financial position	**(A) - (B)**	**(59,332)**	**(23,750)**
Long-term financial payables		476	4
Intek Group Bonds 2015 - 2020		101,215	100,990
(D) Medium to long-term financial payables		**101,691**	**100,994**
(E) Net financial position	**(C) - (D)**	**42,359**	**77,244**
Non-current financial receivables from subsidiaries		(931)	(35,722)
Non-current financial receivables from third parties		(10,000)	-
(F) Non-current financial receivables		**(10,931)**	**(35,722)**
(G) Reclassified net financial position	**(E) + (F)**	**31,428**	**41,522**

Notes:

- *(E) Defined as per CONSOB communication DEM/6064293 of 28 July 2006 enforcing the CESR recommendations of 10 February 2005.*

Reclassified income statement		
(in thousands of Euro)	*2017*	*2016*
Fair value changes and other gains/losses from investment management	44,707	(115)
Investment management costs	(543)	(281)
Gross profit/(loss) from investments	**44,164**	**(396)**
Commission income on guarantees given (a)	3,932	4,005
Net operating costs (b)	(4,602)	(4,161)
Overheads (a) - (b)	*(670)*	*(156)*
Operating profit/(loss)	**43,494**	**(552)**
Net finance expense	**(3,817)**	**(3,612)**
Profit/(loss) before taxes and non-recurring items	**39,677**	**(4,164)**
Non-recurring income/(expenses)	(2,938)	(1,054)
Profit/(loss) before taxes	**36,739**	**(5,218)**
Taxes for the year	8	777
Net profit (loss) for the period	**36,747**	**(4,441)**

The results for the year has benefited from the effects of the fair value measurement of the equity investment in KME AG of Euro 44.8 million. Due to the retroactive accounting, the economic components of the year include those that refer to the incorporated entity ErgyCapital.

Cash flows for the years 2016 and 2017 can be summarised as follows:

Statement of cash flows – indirect method		
(in thousands of Euro)	*2017*	*2016*
(A) Cash and cash equivalents at the beginning of the year	**9,216**	**7,785**
Profit/(loss) before taxes	36,739	(5,218)
Amortisation and depreciation	66	63
Impairment of non-current non-financial assets	-	798
Impairment/(reversal of impairment) of current and non-current financial assets	(44,727)	(388)
Changes in pension funds, post-employment benefits and stock options	(156)	(1)
Changes in provisions for risks and charges	(641)	(460)
(Increase)/decrease in equity investments	-	(1,354)
(Increase)/decrease in other financial investments	10,451	22,245
Increase/(decrease) in financial payables to related companies	(6,091)	(387)
(Increase)/decrease in financial receivables from related companies	26,032	(15,227)
Dividends received	129	-
(Increase)/decrease in current receivables	8,343	(1,749)
Increase/(decrease) in current payables	(2,183)	(27)
(B) Total cash flows from/(used in) operating activities	**27,962**	**(1,705)**
(Increase) in non-current intangible assets and property, plant and equipment	(38)	(44)
Decrease in non-current intangible assets and property, plant and equipment	9	75
Increase/decrease in other non-current assets/liabilities	(779)	(93)
(C) Cash flows from/(used in) investing activities	**(808)**	**(62)**
Payment of interests on bonds	(5,085)	(5,085)
Increase/(decrease) in current and non-current financial payables	4,918	5,294
(Increase)/decrease in current and non-current financial receivables	(8,150)	671
(D) Cash flows from/(used in) financing activities	**(8,317)**	**880**

(E) Change in cash and cash equivalents	**(B) + (C)**	**18,837**	**(887)**
(F) Cash contributed by merged companies		**13**	**2,318**
(G) Cash and cash equivalents at the end of the period	**(E) + (F)**	**28,066**	**9,216**

* * *

Regarding the business outlook, this year as well the fees for commissions on financial guarantees granted to subsidiaries will accrue albeit for amounts that are lower in relation to the considerable reduction in the guarantees issued on behalf of KME AG and it is considered that disinvestments of former Intek operations would take place. As regards performance of the individual equity investments of the Group, please refer to the provisions of the following sections on performance in the sectors that the Group is involved in.

Performance in the various investment sectors

Below is the performance of Intek's main investments existing as at 31 December 2017, which consist of the equity investments in: KME AG and Culti Milano, and the direct investment by Intek Group in the I2 Capital Partners fund (19.15%).

It is hereby noted that in 2016 the equity investment in ErgyCapital, incorporated by Intek Group at the end of 2017, with accounting and tax effects dating back to 1 January 2017 was included among the investments.

It is hereby reiterated that the equity investments held for investment purposes are measured at fair value through profit or loss.

The other equity investments, on the other hand, have been considered to be instrumental to the Company's operations and include: I2 Capital Partners SGR S.p.A. and Immobiliare Pictea Srl. In 2016, I2 Real Estate Srl, incorporated into Immobiliare Pictea in December 2017 was also included among the investments.

Pursuant to the application of the accounting standard on Investment Entities, these are the only companies included in the scope of consolidation together with the parent company Intek Group. With regard to the above, following the comment on the investments, we provide a brief summary of the equity, income and cash flow performance for the year 2017.

* * *

<u>Copper sector</u>

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

(in thousands of Euro)	*31 Dec 2017*	*31 Dec 2016*
KME AG investment	456,368	411,546
KME Beteiligungsgesellsch.mbH investment	1,143	1,300
Financial receivables from KME AG	-	35,000
Other	6,465	6,770
Total “copper”	**463,976**	**454,616**

The fair value as at 31 December 2017 was estimated at Euro 456.4 million, against Euro 411.5 million as at 31 December 2016, with a 10.9% increase.

The Group which KME AG belongs to is one of the main global operators in the transformation and marketing of copper and it is characterized by a vast range of products and a particularly articulated and complex production and organizational structure.

The various types of products can be grouped into four independent business units (special products, laminates, tubes and rods) all with very different characteristics and reference markets. As a consequence, the company has developed an approach to the enhancement of its own investments that reflects of the peculiarity of each section, which specific strategic options for each business area. This approach is also reflected in the methods adopted to ensure profitability, which includes the pursuit of opportunities connected to the individual businesses, in addition to solutions for the entire equity investment in KME AG.

These policies are therefore periodically assessed and, if appropriate, updated in relation to changes in the macroeconomic scenarios and/or the evolution of the individual reference markets.

Very briefly, the divestment strategy is structured mainly along <u>two types of interventions</u>:

1) Initiatives which aim to contain and/or eliminate non-performing areas of operation (or which are undergoing significant operating losses), whether through the reduction of the operations of the production sites or the sale thereof to third parties[1];

2) Initiatives aimed at reinforcing the Group's performing areas of operation (or which are reasonably assessed to have the potential as such). The following initiatives are undertaken for reinforcement of:

   a) the industrial, economic or asset structure of the KME Group, through actions aimed at ensuring increasing operating efficiency, organizational simplification and a focus on the business resources with the most added value and in the geographic areas that are the most dynamic and guarantee development and stable earnings in the long term[2]; and

   b) the financial structure of the KME Group[3].

Regarding the initiatives involving the divestment of KME Group assets, we note that during the last 3 years, a series of negotiations have been initiated with both financial and industrial operators, focused on the individual businesses. We reiterate finally that the possible listing of the KME Group on the regulated German market was explored, beginning from 2016. Though this process was slowed down compared to the initial expectations, in consideration of certain difficulties in its realization, it is an option that is still viable.

Regarding the operating performance of the KME Group, the recovery of the worldwide economy continued to strengthen from the end of 2016 and thereafter transformed into solid recovery for global commerce. Implementation of a fiscal expansion policy by the new United States government could support economic activity, though the characteristics of this administration still remain uncertain. Moreover, the risk has arisen that global recovery may be stopped by protectionist measures and turbulences in emerging economies and in the political battle fields of the key regions.

In the Euro area, where the KME Group is mostly present, growth proceeds at a moderate but progressively increasing rate, thanks to the push of internal demand. Uncertainty regarding the performance of the global economy, which is partially affected by geopolitical tensions, is the greatest risk factor insofar as economic activity is concerned.

The difficult macroeconomic scenario of the last years has led the units operating in the "copper" sector to reinforce their operational efficiency and organisational flexibility and to rationalise the business portfolio, in order to concentrate resources on a series of high added value markets and companies with a greater growth potential. This led to a clear strategic focus and the launch of a package of investments for the expansion of the alloy strip products in Germany which have a higher added value for applications involving electric mobility and digitalization with a strong demand for conductor elements.

Regarding operational efficiency, restructuring projects were completed in many production plants, aiming to reduce excess production capacity, rationalise the structure and optimise operating costs, with a significant impact on operations in terms of efficiency and profitability recovery.

In the first half of 2017, an agreement was reached for partial restructuring of the "maritime applications" business unit, which led to 67 jobs being reduced at the end of August 2017.

In Italy, the production using the Loma furnace began according to plan. Moreover, the Italian laminates organisation benefited from the consolidation of capacity achieved following the closure of an establishment by an Italian competitor and was able to conquer market shares in the brass laminates sector.

As for the strategy that focuses on markets with the greatest growth potential, the KMD joint venture's project for the construction of a new plant for rolled products for connectors in China is now at an advanced

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[1]Restructuring in Germany through concentration of the German production of tubes within the Menden plant, with closure of the same production operations previously carried out in the Osnabruck plant (with the departure of a total of 350 employees); agreement with the Cupori Group, a Finnish operator in the copper sector, for the sale of the controlling interest in i KME France S.a.s.

[2] These initiatives are realized, among other things, through separation of the management of the special products, brass rods and the German standard products business from the standard products business in Italy, France and Spain; JV in China in the connectors sectors; reduction of personnel and trade union agreements for flexible application of redundancy arrangements.

[3] In this context we note: the renewal of the loan contracts with the pool of banks led by Deutsche bank and the factoring contracts with Mediocredito Italiano SpA and Factofrance (formerly GE Factofrance), carrying an important confirmation of the support of the banks to the Group; assessments regarding the possible issuing of a bond by KME that would improve the financial structure of the Group especially with regard to extending the debt maturities.

stage. The cold lamination line and the annealing line were completed in autumn 2017, while the foundry and the hot lamination line are expected to be completed in the first half of 2018. Meanwhile, Chinese customers were able to sample and approve the quality of the first finished products to be distributed in China, obtained starting from semi-finished products from the German production plant of Stolberg or other KME Group units. The Henan structure operated according to the growth plan throughout 2017.

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

The sales volumes and prices of plumbing tubes for the building sector, instead, were slightly lower in 2017 compared to 2016. Market demand for industrial tubing increased by 2% in Europe in 2017.

The evolution of the demand for *copper and copper-alloy semi-finished products for the industrial sector*, which KME Group intends to support as a significant partner by providing its metallurgical know-how, is confirming signs of stability, although not uniform, through the various segments. The trend is positive in all the electronic and automotive-related applications, while traditional sectors remained more or less stable; there are interesting growth prospects also in the e-mobility sector.

In the second quarter of 2017, the special products division was very strongly affected by two not operating events. The first was a fire in April that took place in the electroplating department for engineered products at Osnabrueck, which led to production stopping and required reconstruction. The second was the implementation of restructuring that resulted in personnel cuts, mainly in the "maritime applications" unit, but which also involved other areas of the special products division. Despite the fire in the electroplating division, the products division was able to recover most of its lost production volumes beginning from August 2017.

Maritime products and tube bundles

The market conditions have not changed significantly insofar as difficulties reported in 2016. The business unit's sales are considerably below the expected objectives, which is connected to the already mentioned restructuring measures. In September 2017, the integration of the production assets acquired in Jacksonville USA began to support the increasing focus on the naval defence market.

Engineered products

The revenues and the performance fell behind the objectives, as they were negatively influenced by the interruption in the electroplating department which had a direct impact on the production capacity, consequently affecting sales. The incoming orders were slightly above the target. In the second half of 2017, the "engineered" products gradually recovered the performance lost in the second quarter of 2017.

Extruded and drawn products

The sales and the orders were in line with 2017 targets. The estimates are essentially positive. In Europe, the German market remains stable while demand in Spain, Italy and France is in line with the previous year.

Brass division

In terms of volumes, as compared to the weaker situation in the second half of 2016 in the beginning of this year, the division recovered the production volumes, which however were not accompanied by a recovery in prices.

Strong pressure on prices, especially on the Italian market, has had a negative influence on the division’s performance despite the streamlining programme and the measures undertaken to cut costs in the Group’s facilities.

The results improved significantly by 159% at the EBITDA level, but fell short of the target.

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The main results of the copper sector for 2017, compared to the previous year, can be summarized as follows:

Key results of the copper sector		
(in millions of Euro)	*2017*	*2016*
Revenue	1,876.1	1,703.0
Revenue (net of raw materials)	502.7	516.8
EBITDA	76.6	62.4
EBIT	45.9	29.9
Profit/(loss) before non-recurring items	16.1	3.5
Non-recurring income/(expenses)	(16.7)	(12.8)
Effect of IFRS measurement of inventories	11.6	(28.3)
Share of profit/(loss) of equity-accounted investees	(5.7)	(7.3)
Consolidated net profit/(loss)	0.4	(39.7)
Net debt	254.4	270.6
Equity attributable to owners of the Parent	198.9	198.2

The 2016 data was consolidated with the results from the French joint venture using the equity method from 1 April.

In the comment, the reference to the like-for-like basis refers to the total exclusion from the 2016 data of the figures relating to assets which in March 2016 were transferred to the French joint venture.

The **Consolidated Revenue** in 2017 amounted to Euro 1,876.1 million, up 10.2% from Euro 1,703.0 million in 2016. Revenue, net of the value of raw materials, declined from Euro 516.8 million to Euro 502.7 million, down 2.7% (+0.5% on a like-for-like basis).

Gross operating profit (EBITDA) in 2017 was Euro 76.6 million; 22.6% higher than 2016 when it was Euro 62.4 million (+ 21.2% on a like for like basis), confirming the positive impact of the measures adopted by the Group to increase efficiency and flexibility, and the focus on products with a higher margin. EBITDA increased from 12.1% to 15.2% (in 2016 it was 12.6% on a like for like basis).

EBIT stood at Euro 45.9 million (Euro 29.9 million in 2016).

Profit before non-recurring items was Euro 16.1 million (Euro 3.5 million in 2016).

Result net of taxes before measurement of inventories as required by IFRS was Euro 4.5 million (a loss of around Euro 10 million in 2016).

At the end of December 2017, the **Consolidated net profit/(loss)** of the copper sector showed an overall profit of Euro 0.4 million (compared to negative Euro 40 million in 2016).

The result for 2017 is adversely affected by **Non-recurring expenses** of Euro 16.7 million, which are mostly due to the costs incurred as part of the restructuring interventions.

The **Net Financial Position** as at 31 December 2017 was negative to the tune of Euro 254.4 million, compared to Euro 270,6 million at the end of December 2016. The Group continues to adopt measures to optimize its working capital requirements.

On 27 June 2016 KME Group concluded an agreement with a pool of banks led by Deutsche bank to extend to 31 July 2018 (with an option for a further one-year extension with the agreement of all the funding institutions) of the credit lines totalling Euro 505 million.

In March 2017 Raiffeisen Bank International AG joined the banking agreement as the Lead Arranger and consequently the amount of the credit lines, net of the mandatory repayments, increased to Euro 530 million. Moreover, in December 2017, AKA Ausfuhrkredit-Gesellschaft mbH joined as the Re-Arranger bringing the total amount of the credit lines to Euro 545 million.

On 9 February 2018, KME AG successfully issued a high yield five-year bond of Euro 300 million. The bond was rated, is listed, and is dedicated to institutional buyers and guaranteed by a pledge, with reservation of the voting right, consisting of the shares of KME Germany GmbH & Co. KG, and a first-degree mortgage on the industrial buildings and installations of the Osnabrück plant (owned by KME Germany GmbH & Co. KG.). Two thirds of the revenue from the bond were used to reimburse a part of the loan granted by the banking pool which, on that same date, was extended to February 2021, with an option to extend for further two years upon the agreement of the lending institutions, bringing the total amount to Euro 350 million.

On that same date, the factoring contracts concluded in 2016 with Mediocredito Italiano SpA and Factofrance (formerly GE Factofrance SAS) were extended to February 2021.

All the loans mentioned above contain financial covenants which are similar and subject to quarterly verification, except for the bond, which is subject to an "at incurrence covenant test" according to the standards set for high yield funds. As at 31 December 2017, KME AG had complied fully with all the covenants.

Shareholders' equity at the end of 2017 was equal to Euro 198.9 million, with total investments at Euro 18.7 million (Euro 14.7 million throughout 2016).

The number of **Employees** at 31 December 2017 was 3,814 (substantially in line with the previous year).

As for the **Outlook**, the ongoing restructuring and streamlining of manufacturing operations, launched in recent months, will generate additional benefits by reducing operating costs. The collective agreement reached in Germany for the 4.3% salary increases in the German plants aimed to partially offset the improvement and streamlining processes underway in the German production units. As the recovery in Europe continues consolidating, the KME Group will be able to make the most of its efforts to boost competitiveness in order to further improve its performance through actions on prices and focusing on higher margin products, thereby implementing a growth strategy in the industrial sector.

The price of copper increased by 26.8% in US$ in 2017 compared to the previous year (from US$ 4,863/tonne to US$ 6,167/tonne) and by 24.0% in Euro (from Euro 4,400/tonne to Euro 5,454/tonne). In terms of trend, in the fourth quarter of 2017 average copper prices increased by 16.8% in US$ compared to the first quarter of 2017 (from US$ 5,832/tonne to US$ 6,809/tonne), and by 5.6% in Euro (from Euro 5,476/tonne to Euro 5,784/tonne).

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

Private Equity

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

(in thousands of Euro)	*31 Dec 2017*	*31 Dec 2016*
I2 Capital Partners fund	5,055	4,993
I2 Capital Partners SGR investment	2,177	2,501
Financial payables to I2 Capital Partners SGR	(1,312)	(1,301)
Other	4	16
Total Private Equity	**5,924**	**6,209**

For comments on the equity investment in I2 Capital Partners SGR, reference should be made to the section “Main subsidiaries which provide services related to the Intek Group's investment activity”.

I2 Capital Partners fund

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

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

As July 2017 approaches, this being the closing date for the Fund as set forth in the Regulation, in the first few months of the last year, management has been discussing with investors about the possibility of extending the life of the Fund in order to improve its performance. On 31 March 2017, the Fund's Advisory Committee and the board of I2 Capital Partners SGR decided to extend the duration for one year, to 31 July 2018. In consideration of the delay in the issuing of the Genoa court of appeals ruling on the case between Isno 3 and Crédit Agricole and the collection of other assets, on 19 March 2018 the investors were requested for further extension of 12 months which is currently still being awaited.

During 2017, two requests were made for an overall payment of Euro 1.1 million, to be applied only to covering the Fund’s overhead expenses. As at 31 December 2017, the total amount called upon the launching of the Fund’s operations was Euro 125.7 million, while following the amendment to the fund regulation which took place on 6 December 2012, the callable residual contributions totalled little less than Euro 9 million.

During 2017, pursuant to article 9 of the Regulation, there were partial redemptions with distribution of Euro 4.8 million, resulting from the following operations:

- sale of 100% of Alpi Fondi and 68% of the capital in the equity investment Nuovi Investimenti SIM S.p.A. for a total of Euro 6.2 million.
- partial allocation of a portion of Isno 4 srl in liquidazione of Euro 1.5 million;
- collection of a receivable of Euro 0.4 million due to Isno 3 Srl;
- partial allocation of a portion of Safim Leasing SpA in liquidazione of Euro 0.8 million;

It is hereby noted that the collection received from the disposal of the equity investment in Nuovi Investimenti SIM was only partially distributed due to certain guarantees issued by the fund to buyers that will render the collected funds available only in the first half of 2018.

As at 31 December 2017, the existing investments, amounted to Euro 4.2 million, and referred to equity investments in unlisted financial instruments.

The result for 2017 is a profit of Euro 3.1 million mainly attributable to the combined effect of the following events:

- the sale of the equity investment in Nuovi Investimenti SIM SpA, which generated a capital gain of Euro 2.8 million;

- the closing of Safim Leasing SpA which resulted in an additional Euro 1.5 million over the cost of the equity investment;
- partial allocation of a portion of Isno 4 srl in liquidazione which generated earnings of Euro 1.5 million;
- the sale of the equity investment in Alpi fondi SGR SpA, which generated a temporary loss of Euro 1.5 million; It is hereby reiterated that the capital loss recognized may be reduced when the portion of the price which is currently deposited in an escrow account (Euro 750 thousand) is released based on the earn out calculated on the future value of the company's assets under management;
- revaluation to the disposal value of the equity investment in Nuovi Investimenti SIM, which took place in February 2018 of Euro 0.4 million;
- changes in the value of the equity investments in Isno 3 Srl (negative by Euro 0.4 million), following the alignment of this value to the shareholders' equity of the company pursuant to the draft financial statements as at 31 December 2017 and Nuova GS SpA to reflect the payment to its future capital increases of Euro 30 thousand;
- Fund operating expenses of Euro 1 million, of which Euro 0.8 million are relative to management fees paid to the fund management company while the other expenses, of Euro 0.2 million approximately, include the ordinary operating expenses of the Fund, defined on the basis of article 10.3 (b) of the Regulation.

In 2017 the Fund did not distribute income and did not conclude any derivative financial instrument transactions.

The available liquidity is deposited at the depositary bank which is Banca Popolare di Sondrio.

The fair value at 31 December 2017 was Euro 26.4 million, of which Euro 5.1 million referred to Intek Group (respectively Euro 26.1 million and Euro 5.0 million as at 31 December 2016).

The table below shows the fair value of the main investments existing at 31 December 2017, in respect of the stake owned by the Intek Group, compared to 31 December 2016.

(in thousands of Euro)	*31 Dec 2017*	*31 Dec 2016*
ISNO 3 Srl - official assignee of Festival Crociere SpA’s composition	1,915	1,781
ISNO 4 Srl - official assignee of OP Computers S.p.A.’s composition	349	575
Nuovi Investimenti SIM SpA	627	1,915
Benten Srl - (official assignee of Mediafiction SpA’s composition)	405	197
Safim Leasing SpA in liquidazione	86	5
Editoriale Vita	-	-
Alitalia – Compagnia Aerea Italiana SpA	-	-
Nuova GS S.r.l / Selecta SpA	287	-
Total investments	**3,669**	**4,473**
Other assets/liabilities	1,386	519
Total investments	**5,055**	**4,992**

Following is a brief description of the main investments existing at 31 December 2017.

Isno 3 Srl/Festival Crociere Procedure

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

The financial statements of Isno 3 as at 31 December 2017 had assets consisting mainly of cash and cash equivalents and receivables of approximately Euro 2.8 million. Shareholders' equity was approximately Euro 1.9 million.

There is still a dispute ongoing involving a significant amount against Crédit Agricole and other parties. In December 2012, the Court of Genoa issued a first instance ruling which rejected the main claims made by Isno 3 Srl, sentencing GIE Vision Bail SA, wholly owned by Crédit Agricole, to pay only Euro 6.8 million, plus interests as a bankruptcy rescindment. We are awaiting the outcome of the appeal made by the complainant as well as the defendants, which is expected in the short term.

In addition, a litigation with the Tax Authorities is still under way regarding the tax on the 2008 agreement with creditors initiated by Isno 3, which was paid at a fixed rate of Euro 168. The counterparty claims however that the tax should have been calculated proportionally (3%) to the value of the agreement and has requested the company to pay the difference of approximately Euro 900 thousand. The Provincial Tax Commission, which ISNO 3 had appealed to, had annulled the Revenue Agency's ruling; the latter had appealed to the regional tax commission of Liguria. In February 2017, the regional tax commission confirmed the first Decree ruling, thereby rejecting the Agency's appeal.

Isno 4 Srl/OP Computers SpA

As at 31 December 2017, the assets of Isno 4 consisted of cash and cash equivalents of approximately Euro 0.2 million and tax credits, claimed as a refund, of approximately Euro 1.7 million, whose collection is expected in the short-term.

Nuovi Investimenti SIM SpA

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

With an overall original investment of Euro 7.7 million, as at 31 December 2017 the Fund held a 23% residual share of SIM, for a counter value of Euro 1.3 million, as the following sales took place: 9% in October 2016 and 67% in August 2017.

Indeed, through two different transactions which were particularly complex and connected between them, in June and August 2017 100% of Alpi Fondi and 68% of NIS were sold to two different groups of buyers.

On 23 June 2017, pursuant to the agreements concluded in December 2016 by means of at structured transaction, the equity investment in Alpi Fondi was sold to the Fiduciaria Orefici SIM Spa group ("GFO") at the price of Euro 2 million plus an earn out based on the future value of the company's AUM.

On 8 August 2017, the equity interest in NIS was sold to some financial consultants and Banca Finint against a price of approximately Euro 8.6 million for 100% of the share capital, without calculating prior NIS losses, to be defined in the future.

With the sale of the equity interest in Alpi Fondi and Nuovi Investimenti, including the 9% stake of the latter sold in October 2016, the Fund has collected approximately Euro 7.3 million until now, of which Euro 750 thousand deposited in an escrow account for guarantees issued to GFO, in addition to real estate valued at approximately Euro 350 thousand. In February 2018, the sale of the remaining 23% of NIS was concluded against consideration of Euro 1.3 million. Finally, in the first half of 2018, the fund is expected to collect the last portion of the consideration agreed which is equal to Euro 1.2 million.

Upon completion of the transactions, excluding uncertain components related to the assets managed for Alpi Fondi and the revaluation of past losses for NIS, the Fund expects to receive a total of approximately Euro 10 million from the two divestments, net of costs totalling approximately Euro 300 thousand.

Benten Srl

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

The litigation pursued by the company and certain tax receivables as well as receivables from other companies belonging to the Cecchi Gori, allowed Benten to achieve positive results totalling Euro 15 million. Between 2013 and 2017 the investment in Benten generated inflows of approximately Euro 5.8 million.

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

Safim Leasing SpA in liquidazione

In March 2013, in view of the forthcoming conclusion of a composition with creditors, 92.96% of Safim Leasing under compulsory administrative liquidation was acquired against Euro 25 thousand. In September, the remaining 7.04% was acquired against Euro 50 thousand. At the end of October, the company was liquidated and the surplus which consisted of the cash on hand of Euro 0.8 million, blocked deposits and amounts related to certain unpaid debts by the liquidator of Euro 85 thousand and tax credits consisting of applications for reimbursement of Euro 0.8 million were assigned to the Fund, which was the sole shareholder.

Alitalia – Compagnia Aerea Italiana

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

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

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

Despite the Etihad intervention, Alitalia's operating and financial difficulties continued in 2016 surpassing the expectations. The Fund had zeroed the valorisation of this investment already in 2016.

As the company was put into administration in 2017, no forecasts can currently be made regarding the outcome of the situation and future business developments.

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

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

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

The economic/financial performance for the year ended 31 December 2017 was positive and in line with the forecasts of the new business plan prepared by management for the period 2015-2027, on which the update of the 2011 Agreement with Poste Italiane S.p.A. was based.

The pre-closure consolidated data for 2017 show (i) turnover equal to Euro 33.5 million (Euro 38 million as at 31 December 2016) and EBITDA that is positive by Euro 5.8 million (17.3% of period sales), against EBITDA of Euro 5.5 million recognised in the previous year. This performance places Selecta in the first places in its reference segment, in terms of operating efficiency.

Despite this fact, the overall status of the company is precarious. Its reference market, i.e. that of printing and putting into envelopes mandatory communications, remains difficult. The progressive dematerialisation 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.

The most critical element was however the consolidated indebtedness which as at 31 December 2017 was equal to Euro 25.7 million including, in this amount, the entire difference between the debits and the credits for Poste Italiane postage, which had previously been accounted for only partially among financial payables. As already mentioned, in December 2015 an agreement was signed pursuant to article 67, paragraph 3, letter D of the Italian Bankruptcy Law, after the agreement of October 2011, which led to the approval of a new plan sworn pursuant to article 67 of the Italian Bankruptcy Law, with Poste Italiane, which is also a competitor (through its subsidiary Postel) and a provider of forwarding services.

As at 31 December 2017, the Nuova GS group’s debt totalled Euro 38.2 million, adding to the operating company’s debt Euro 12.5 million owed to two banks which funded the acquisition.

In the last few years, Selecta initiated actions aimed at diversifying its operations, in closely related fields and areas in synergy with the company's traditional areas of operation, in particular digital customer interaction services through the subsidiary Selecta Digital Services S.p.A. and the contact centre activities through the subsidiary Selecta Customer Services S.r.l., It is hereby noted that this latter company is not consolidated since the minority shareholders of Selecta Customer Services are entitled to purchase 60% of Selecta Customer Services in 2018, pursuant to agreements made when the shareholders themselves were hired as managers of the company.

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Culti/Other services

The former item “*ErgyCapital/Other services*” can be summarised as follows:

(in thousands of Euro)	*31 Dec 2017*	*31 Dec 2016*
ErgyCapital investment	-	4,718
Culti Milano and Progetto Ryan 3 (formerly Culti Srl) investment	11,735	10,330
Il Post investment	20	545
Payables to Progetto Ryan 3 for investment acquisition	(848)	-
Financial receivables from former ErgyCapital investees	1,010	-
Financial receivables from ErgyCapital	-	4,731
Financial receivables from Progetto Ryan 3 (formerly Culti Srl)	-	547
Financial receivables from Culti Milano 60	-	60
Other	170	480
Total ErgyCapital/Other services	**12,087**	**21,411**

Culti Milano

The company, 72% owned by Intek, operates in the luxury market, producing and selling high-end room fragrances.

The financial year ended 31 December 2017 is the first after the listing of the company on the AIM market which is managed by Borsa Italiana, on 17 July 2017.

Following the listing, the company collected Euro 4.5 million which allowed it to implement its own commercial development strategy early in the second part of the year.

Moreover, again in the second part of the year, the business performed well as the intense work conducted in the previous years began to their fruits, resulting in very positive economic results as compared to the unsatisfying results of the past.

The main indicators can be summarized as follows:

- *total sales:* Euro 6.1 million (Euro 4.9 million at the end of 2016, + 23.55%);
- *EBITDA adjusted:* Euro 1.1 million (Euro 0.4 million as at 31 December 2016), a 168% increase;

- *EBIT* Euro 0.8 million, up by 182% compared to Euro 0.3 million in 2016;
- *Profit/(loss) before taxes* (*EBT*): Euro 0.6 million (negative by Euro 0.2 million as at 31 December 2016);
- The *Net financial position* as at 31 December 2017 was positive by Euro 3.7 million compared to the financial debt of Euro 1.4 million on 31 December 2016. At the end of the year, the company had available financial resources of Euro 3.9 million.

Main events of the year

As already indicated, in July the company was admitted to trading on the AIM (Alternative Investment Market). The operation was concluded through a share capital increase with a share-premium totalling Euro 4.5 million. Qualified investors, family offices and private investors participated in the capital increase. Prior to the listing, Intek Group had recognised the percentage of Culti Milano SpA held by Progetto Ryan 3.

The new financial resources were instrumental in significantly modifying the company's equity profile, providing it with the resources necessary to adequately carry out significant business development planned both in Italy and abroad, including through the presence of Culti Milano branded points of sale.

The development plan was launched in the latter months of 2017 with the inauguration of two new Culti Houses, one in Naples and the other in Bari. The Naples Culti House is located on Via Filangeri while the Bari store is on Via Argiro. This activity intensified in the initial months of 2018, with the conclusion of agreements for the opening of three new stores in Forte dei Marmi, Turin and Rome, which will enter into operation in the initial months of 2018.

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Non-operating assets

They can be summarised as follows:

(in thousands of Euro)	*31 Dec 2017*	*31 Dec 2016*
Breda Energia investment	6,162	6,162
Intek Investimenti investment	417	680
Former Fime receivables (net of advances)	5,274	5,625
Other non-performing receivables (tax receivables and from compositions with creditors)	2,279	3,144
Net assets/(liabilities) concerning former Isno 2	(780)	(780)
Provisions for risks	(3,260)	(3,095)
Financial payables to Breda Energia in liquidazione	(3,608)	(3,822)
Other	(756)	(738)
Total non-operating assets	**5,728**	**7,176**

The provisions for risks amounting to Euro 3.3 million, mainly unchanged compared to the previous year, refer to the disputes connected to the former Fime management.

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Real Estate/Other assets

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

(in thousands of Euro)	*31 Dec 2017*	*31 Dec 2016*
Immobiliare Pictea investment	24,133	-
I2 Real Estate investment	-	11,750
Rede investment	-	2,362
Land and buildings	973	32
Land and buildings IFRS 5	-	941
Financial receivables from Immobiliare Pictea	5,222	-
Financial receivables from I2 Real Estate	-	7,335
Financial receivables from Rede Immobiliare	-	2,337
Progetto Ryan 2/Mecchld investment	217	317
Other	468	267
Total Real Estate/Others	**31,013**	**25,341**

At the end of 2017, the merger of Rede Immobiliare Srl and I2 Real Estate Srl into Immobiliare Pictea was finalised by deed, following the merger of Tecno Servizi into I2 Real Estate. For accounting and tax purposes, since the financial years of the companies participating in the merger were the same, the relative effects were set to take effect retroactively on 1 January 2017.

These real estate operations were carried out, until the effective merger date, through the subsidiary Rede Immobiliare (hereinafter Rede), which is involved in the investment activities. On the other hand, the equity investments in I2 Real Estate and Immobiliare Pictea were considered to be instrumental to Intek Group activities.

Various operators continue to express their interest in capital property owned - in relation to which we don’t note any particular changes - though no specific offers have been made.

It is noted that, at the end of 2015, the property used as an industrial factory located in Borgo Panigale, Bologna which then was held through Rede Immobiliare, was sold against the consideration of Euro 18 million. Following the aforementioned merger, Immobiliare Pictea replaced Rede and, as was provided by the contract, may receive an earn out of 30% of the difference between the price received and the amount collected from any resale of the property to third parties taking place within seven years from the end of 2015 (the date the property was sold).

Immobiliare Pictea may also earn returns from the special shares issued by the tenant of the property at the time of the sale, which were subscribed in full by Rede. These shares provide a 2% privilege compared to ordinary shares in the event of a dividend distribution and, in the event of sale of the tenant, they shall be converted into ordinary shares and shall carry the same rights as those afforded to the transferring shareholders.

* * *

Financial management

The Parent Company has no debt to third parties except the bond of Euro 101.2 million which matures in February 2020 and a loan totalling Euro 1.2 million from the merger of ErgyCapital, which falls due at the end of 2019.

At the end of December 2017, Intek Group had cash and cash equivalents of Euro 28.1 million, of which Euro 18.5 million were from the liquidity of the incorporated entity ErgyCapital at the time of the incorporation. In February 2018, the company's liquidity further increased due to the repayment of the Euro 35 million loan by KME AG.

* * *

Group results

It should be noted that, following the application of the accounting principle relating to investment entities that occurred at the end of 2014, the values of the consolidated financial statements are aligned with those of the separate financial statements.

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

During the year, there were two changes in the consolidation area: one was due to the merger of ErgyCapital and the other was the merger in the real estate area. Due to the latter, the consolidation area includes the assets originating from Rede Immobiliare and Tecno Servizi (I2 Real Estate was already included in the consolidation). The equity investments held in ErgyCapital were not considered to be instrumental and were therefore not consolidated.

With respect to the **financial position**, consolidated equity can be summarised as follows:

Consolidated equity		
(in thousands of Euro)	*31 Dec 2017*	*31 Dec 2016*
Share capital	335,069	314,225
Reserves	114,210	132,131
Profit/(loss) for the period	35,402	(4,378)
Equity attributable to owners of the Parent company	**484,681**	**441,978**
Non-controlling interests	-	-
Total equity	**484,681**	**441,978**

The changes in shareholders' equity are due to the profit for the year (positive by Euro 35.4 million) and the effects of the ErgyCapital merger (an increase of Euro 7.2 million).

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

Consolidated net invested capital		
(in thousands of Euro)	*31 Dec 2017*	*31 Dec 2016*
Net non-current assets	534,213	509,747
Net working capital	11,398	17,615
Net deferred tax	1,774	2,786
Provisions	(5,361)	(4.943)
Net invested capital	**542,024**	**525,205**
Total equity	484,681	441,978
Net financial position	57,343	83,227
Sources of finance	**542,024**	**525,205**

"Net invested capital" is a financial indicator which is not defined by IFRS and should not be considered as an alternative to the indicators defined by IFRS. Its components are given here below:

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

The reconciliation between the equity of the Group and that of Intek is the following:

(in thousands of Euro)	*31 Dec 2017*
Parent company's equity including profit/(loss) for the period	**486,143**
Excess cost allocation on property (net of tax effect)	3,898
Other	39
Difference between the consolidated companies' equity and their carrying amount	(5,399)
Group's consolidated equity including profit/(loss) for the period	**484,681**

As at 31 December 2017, the Group's liquidity totalled Euro 28.9 million.

The **consolidated net financial position** is as follows:

Reclassified consolidated net financial position			
(in thousands of Euro)		*31 Dec 2017*	*31 Dec 2016*
Short-term financial payables		10,989	5,201
Medium to long-term financial payables		6,629	7,063
Financial payables to Group companies		4,409	3,823
(A) Financial payables	**(A)**	**22,027**	**16,087**
Cash and cash equivalents		(28,886)	(10,444)
Other financial assets		(217)	(6,775)
Financial receivables from Group companies		(36,796)	(16,631)
(B) Cash and current financial assets	**(B)**	**(65,899)**	**(33,850)**
(C) Consolidated net financial position (net of outstanding securities)	**(A) + (B) + (C)**	**(43,872)**	**(17,763)**
(D) Outstanding debt securities (net of interest)		**101,215**	**100,990**
(E) Consolidated net financial position	**(D) + (E)**	**57,343**	**83,227**
(F) Non-current financial assets		***(13,645)***	***(46,731)***
(G) Total net financial debt	***(F) + (G)***	***43,698***	***36,496***

(E) Defined as per CONSOB communication DEM/6064293 of 28 July 2006 enforcing the CESR recommendations of 10 February 2005.

The cash flows for the period can 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)		*2017*	*2016*
(A) Cash and cash equivalents at the beginning of the year		**10,444**	**10,947**
Profit/(loss) before taxes		35,197	(5,144)
Amortisation and depreciation		437	435
Impairment/(reversal of impairment) of non-current assets other than financial assets		608	1,107
Impairment/(reversal of impairment) of investments and financial assets		(44,859)	192
Changes in pension funds, post-employment benefits and stock options		(144)	(35)
Changes in provisions for risks and charges		(591)	(460)
(Increase)/decrease in investments		5,415	(1,727)
(Increase)/decrease in financial investments and financial assets		4,967	21,357
Increase/(decrease) in current and non-current financial payables to related companies		(759)	(14,813)
(Increase)/decrease in current and non-current financial receivables from related companies		25,707	(1,430)
Dividends received		174	-
(Increase)/decrease in current receivables		7,039	(1,649)
Increase/(decrease) in current payables		(2,491)	568
(B) Total cash flows from/(used in) operating activities		**30,700**	**(1,599)**
(Increase) in non-current intangible assets and property, plant and equipment		(245)	(68)
Decrease in non-current intangible assets and property, plant and equipment		10	75
Investments in instrumental equity interests net of acquired cash		-	(46)
Increase/decrease in other non-current assets/liabilities		(258)	-
(C) Cash flows from/(used in) investing activities		**(493)**	**(39)**
Increase/(decrease) in current and non-current financial payables		(3,835)	(493)
(Increase)/decrease in current and non-current financial receivables		(8,150)	672
(D) Cash flows from/(used in) financing activities		**(11,985)**	**179**
(E) Change in cash and cash equivalents	**(B) + (C)**	**18,222**	**(1,459)**
(F) Cash contributed by change in scope of consolidation		**220**	**956**
(G) Cash and cash equivalents at the end of the period	**(A) + (E) + (F)**	**28,886**	**10,444**

The **consolidated income statement** is the following:

Consolidated income statement		
(in thousands of Euro)	*2017*	*2016*
Net income from investment management	44,859	77
Guarantee fees	3,932	4,005
Other income	1,801	2,762
Labour costs	(2,496)	(1,850)
Amortisation, depreciation, impairment and write-downs	(1,045)	(1,542)
Other operating costs	(7,789)	(5,061)
Operating profit/(loss)	**39,262**	**(1,609)**
Finance income	1,860	2,375
Finance expense	(5,925)	(5,910)
Net finance expense	*(4,065)*	*(3,535)*
Profit/(loss) before taxes	**35,197**	**(5,144)**
Current taxes	73	1,646
Deferred taxes	132	(880)
Total income taxes	**205**	**766**
Profit/(loss) for the period	**35,402**	**(4,378)**

* * *

Other information

Related party transactions

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

As at 31 December 2017, Intek had a receivable from KME AG of Euro 35 million, which was a loan falling due on 30 September 2018. This loan was repaid during 2018 following the issuing of a Euro 300 million bond by KME AG, which was restricted to Qualified Institutional Buyers (QIBs), maturing in 2023 with a fixed rate of 6.75%.

Concurrently, to top up the existing pool loan, Intek granted KME AG a new credit line of a maximum amount of Euro 30 million, to be used as working capital. To date, this credit line has not been used.

Intek also had trade receivables from KME AG and its subsidiaries totalling Euro 5.9 million. These were mainly from commissions for guarantees and interests while awaiting payment.

The existing loans payable with non-consolidated companies refer solely to Breda Energia SpA in liquidazione (Euro 3.6 million) which also holds a financial loan of Euro 2.2 million to the parent company Quattroduedue SpA.

There is furthermore a loan of Euro 1.3 million to I2 Capital Partners SGR.

Pursuant to the merger, the Euro 4.8 million loan payable to Intek by the incorporated entity ErgyCapital as at the merger date was offset and the Company took over the loans to the ErgyCapital subsidiaries, of which we note a performing, interest bearing loan to Agricola Agrienergia Srl of Euro 0.9 million and a giro account belonging to Energetica Solare Srl in liquidazione with a negative balance of Euro 0.8 million.

Following the mergers of the Group's real estate companies, the receivables from loans granted by Intek to Rede Immobiliare and I2 Real Estate were extinguished as a result of the merger. As at the date the merger entered into effect, these receivables payable to Intek had a balance of Euro 3.7 million and Euro 8.1 million and they offset the previous debt to Immobiliare Pictea which had a balance of Euro 6.4 million. As a result of the above, as at 31 December 2017, Intek was owed Euro 5.2 million from Immobiliare Pictea.

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

Disputes

Below is information on the main litigation involving Intek Group.

During the year under review, the litigation with certain holders of savings shares which were pending from the first half of 2016 continued.

Two of these lawsuits were resolved with a ruling at the first degree, both in favour of the Company, of which one was appealed and heard before the Bari Court of Appeal, which had jurisdiction, while the other was considered final.

In particular, the ruling that was appealed involved the Company's opposition to an order by the Court of Bari for payment of Euro 118 thousand which was revoked at the time of the final decision and the counterparty was ordered to return the amount that Intek Group had paid pursuant to the provisional order, pay back the costs of the proceedings and also pay compensation for damages due to vexatious litigation.

The disputes that are pending before the Court of Rome, which had been brought by the Company to prove that the savings shareholders' rights were not violated and consequently their claims in relation to the distribution of the reserves are unfounded, are still pending and the hearing for the closing arguments has been postponed.

The other lawsuits pending before the Court of Bari, which involve challenges to court order for payments (none of which is executive) from certain savings share holders, again with regard to the same issue, are pending the investigative hearings requested by the counterparties.

Finally, concerning a further lawsuit pending before the Court of Milan, which is part of the aforementioned general litigation, the counterparty informed the Company about its irrevocable decision to waive its claims against Intek Group, thereby pre-announcing its abandonment of the case at the next hearing set for the closing arguments in the first half of 2018.

Intek Group, firmly believing 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, opposed the initiatives thus started by some savings shareholders aiming to take the most effective measures in order to protect its interests as well as its own reputation.

To this end, Intek had to take initiatives in criminal court, lodging a complaint against the parties who had on several occasions falsely accused the Company of illicit conduct.

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

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

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

* * *

Parent company and ownership structure

The Company is controlled by Quattroduedue Holding BV, which is based in Amsterdam (Holland), Vijzelstraat 68/78, through Quattroduedue SpA, a wholly owned subsidiary of Quattroduedue Holding BV. At 31 December 2017, Quattroduedue Holding BV held indirectly 182,778,198 Intek Group ordinary shares (46.97% of the Company’s voting share capital) and 1,424,032 savings shares (1.468% of the share type capital).

It is hereby specified that the increase of 24,710,692 shares held by Quattroduedue Holding BV was the result of the automatic conversion of the Intek Group 2012-2017 convertible bond in September 2017.

Intek Group holds no shares or units of the parent company and during 2017 it made no purchases or sales of such shares or units.

For any other information regarding the ownership structures, the Company’s governance and the fulfilment of any other obligations, including compliance with title VI of the market regulations, refer to the specific report prepared pursuant to art. 123 bis of Legislative Decree 58/98, which is an integral report of these presents.

* * *

Research and development activities

No research and development activities were pursued during 2017, given the nature of the company’s specific activities.

Personnel

Following is the average number of employees in consolidated companies, as compared with 2016:

	31/12/2017	*31/12/2016*	*Change*	*% Change*
Executives	3	4	(1)	-25.00%
	21.43%	26.67%		
Clerical workers	11	11	-	0.00%
	78.57%	73.33%		
Total employees (average)	**14**	**15**	**(1)**	**-6.67%**
	100.00%	100.00%		

As at 31 December 2016, Intek Group had 13 employees, of whom 3 executives and 10 clerical workers. During 2017, 2 managers resigned, one of whom retired and, due to the completed merger of ErgyCapital, 5 employees, consisting of 2 managers and 3 employees, were transferred to Intek. Therefore, as at 31 December 2017, Intek Group had 16 employees, of whom 3 executives and 13 clerical workers.

* * *

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

* * *

Treasury shares

As at 31 December 2017, the Company held 5,713,572 ordinary treasury shares (equal to 1.47% of shares in this category) and 11,801 savings treasury shares (equal to 0.024% of the capital for this category), unchanged compared to the previous year.

During 2017, the Company did not carry out any transactions involving the purchase of its own ordinary or savings shares.

* * *

The Company's Board of Directors, at its meeting of 14 September 2012, decided, among other things, to apply the exception envisaged by articles 70, paragraph VIII, and 71 bis of the Issuers' Regulation, which exempts the Company from publishing an Information Document in the case of significant mergers, demergers, share capital increases through transfers in kind, acquisitions and sales.

* * *

Update in matters of governance

In line with what performed in previous years, we would now like to update the corporate governance information provided with the financial statements at 31 December 2016 and the half-year financial statements as at 30 June 2017 with additional and specific details in the Report on corporate governance and the ownership structure.

We note below the changes to the size and composition of the shareholders' equity in 2017.

On 25 September 2017, pursuant to the automatic conversion of the Convertible Loan "Intek Group 2012-2017", 24,710,692 new ordinary Intek Group shares without nominal value were issued against a total of Euro 20,844,000.

On 27 December 2017, following the effective merger date of ErgyCapital into Intek, a further 18,914,116 new ordinary Intek shares were issued, again without nominal value, to service the exchange in favour of the former (non-Intek) ErgyCapital shareholders.

Therefore, as at 31 December 2017, the share capital was equal to Euro 335,069,009.80, consisting of 439,241,296 shares, of which 389,131,478 are ordinary shares and 50,109,818 are savings shares.

It is hereby reiterated that, starting from 2 May 2013, the outstanding savings shares have had a single listing line characterised by the following ISIN codes:

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

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

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

It is hereby noted that since 2016, and in consideration of its specific businesses, the Company opted not to publish interim financial statements on 31 March and 30 September.

The Company updated internal procedures to render them compliant with new market abuse regulations, consequently to the entry into force of the abovementioned Transparency Directive and the relative implementing resolutions issued by Consob, following the transposition of European Regulation no. 596/2014 (MAR), which entered into effect on 3 July 2016, and the guidelines in the handling of inside information, published by Consob in October 2017. Given the complexity and sensitivity of the issue, the Company in agreement with the Control and Risk Committee, has established a work group which involved, with the support of external experts, various corporate functions working on the correct performance of obligations ensuing from this new regulation.

Compliance with Section VI of the Market Regulation - Consob Regulation no. 16191/2007

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

- with regard to the provisions of article 36, Intek does not hold relevant investments, pursuant to article 151 of Consob Issuers' Regulation, in non-EU Countries;
- although a subsidiary of Quattroduedue Holding BV, the Company considers itself not to be subject to management and coordination as defined in articles 2497 et seq. of the Italian Civil Code and article 37 of the Market Regulation, insofar as that:
  - it has autonomous powers of negotiation with respect to contractual arrangements with customers and suppliers;
  - it does not participate in any centralised treasury arrangements operated by the parent Quattroduedue Holding BV or any other company under the parent’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;
- with regard to the provisions of article 38, the Company does not fall within its scope of application, as its corporate purpose does not exclusively envisage equity investment activity in accordance with predetermined limitations.

Non-financial information (pursuant to Legislative Decree 254/2016)

This information is not provided as the Company dimensions do not exceed the dimensions set by the law in question, including on a consolidated basis, and the number of its employees and revenue volumes also falls short of the threshold after which this type of report is required.

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

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

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

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

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

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

Types of risk:

a) credit risk: there are no significant geographical concentrations in connection with this risk. Existing guidelines guarantee adequate assessment of customers' creditworthiness. This is achieved by selecting customers on the basis of historical experience, equity and/or financial position;

b) liquidity risk: it can arise from difficulties in raising finance for operating activities as and when required. The Group expects to meet its cash requirements for the repayment of short-term financial payables and capital expenditure through cash from operating activities, cash on hand and fresh or renewed bank borrowings;

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

d) interest rate risk: the interest rate risk to which the Group is exposed originates mainly from non-current financial liabilities. Floating rate liabilities expose the Group to a cash flow risk, while fixed rate liabilities entail assumption of the risk of a change in fair value;

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

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Significant events after 31 December 2017

No noteworthy events occurred after the balance sheet date, other than those set forth above, particularly with regard to the issuing of a bond by KME and the repayment of the loan which Intek had extended to KME.

Proposal to approve the 2017 financial statements

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

resolves

- to approve the Report on operations by the Board of Directors for the year ended at 31 December 2017 and the financial statements as a whole, and its individual entries and records with the provisions and uses proposed, which show a net income of Euro 36,746,666;
- to allocate profit for the year of Euro 36,746,666 as follows:
  - 5% to the legal reserve, up to Euro 1,837,334;
  - through the allocation to a special, non-distributable reserve, pursuant to art. 6 of Legislative Decree 38/2005, of the profits from application of the fair value criterion, totalling Euro 34,909,332."

Milan, 28 March 2018

Board of Directors
The Chairman
(Vincenzo Manes)

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

Following is a summary of the comments regarding the operations carried out in 2017 by the main companies, identified as instrumental to Intek Group operations and the companies controlled by them.

I2 Capital Partners SGR SpA

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

The company manages a single fund, I2 Capital Partners (the “Fund”), which collected total subscriptions of Euro 200 million, the maximum amount allowed. Subscriptions were collected from qualified investors only, including Intek Group which currently holds 19.15% of the Fund.

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

During 2017, requests were made for payment of Euro 1.1 million, to be applied only to covering the Fund’s overhead expenses. As at 31 December 2017, the total amount called upon the launching of the Fund’s operations was Euro 125.7 million, while the callable residual contributions totalled approximately Euro 9 million.

As at 31 December 2017, the existing investments, measured at cost, amounted to Euro 4.2 million, and mainly referred to equity investments in unlisted financial instruments.

The Company closed 2017 with a loss of Euro 0.3 million, due to a reduction in the commissions it collected. This loss reduces equity to Euro 2.2 million.

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Immobiliare Pictea Srl

The 2017 financial statements, presented in abbreviated form, have a negative result of Euro 1.2 million as compared to profits of Euro 0.2 million in 2016. At the end of the year, shareholders’ equity was Euro 18.7 million, featuring a Euro 14.2 million increase due to the merger.

The costs from the real estate companies involved in the merger described below contributed to the negative result.

The company’s activities during 2017 were concentrated on managing the property it owns in Milan, located at Foro Buonaparte, 44 which is leased to companies belonging to Intek Group. The procedures for securing building restructuring permits were completed and this work began during 2017. The works involved the fifth and sixth floor, to be used as private residences.

Pursuant to the above-mentioned mergers, Pictea became the owner of the following properties as well:

- in Varedo and Limbiate: the property consists of a plot of land of 40,100 square metres, and includes buildings used as factories, offices and residences totalling 26,083 square metres;
- in Ivrea: an industrial building with a gross surface of approximately 10,650 square metres;
- in Padua: 4 residential units, 4 garages, and 4 accompanying warehouses/storerooms;
- in San Marcello Pistoiese: a building used by the prefecture of Pistoia, for the local fire-fighters contingent.

Moreover, also as a result of the mergers, Pictea became the owner of:

(i) a receivable from Palano & Figli S.r.l. with a mortgage guarantee consisting of various residential units, garages and the relative accompanying structures located at Viale della Libertà no. IS 481 in Messina;

(ii) 35% of the share capital of Fossati Uno Srl, established together with two partners (of whom one is a technician), for the purchase of a property which is currently unused and originates from a bankruptcy procedure, located in Sondrio and used as a mixed production/commercial/office space/residential complex of approximately 44,700 square metres. The Fossati Uno Srl activity is also supported by shareholder loans, whether interest bearing or capital loans and finally

(iii) 100% of the special shares of Ducati Energia SpA, constituting 6.77% of the capital thereof. These shares enjoy a 2% premium over ordinary shares in the event of a dividend distribution. Moreover, if control of Ducati Energia SpA is given up, these actions will be converted into ordinary shares with the same rights as those afforded to the transferring shareholders.

In 2015, the Company had taken out a fifteen-year mortgage in the amount of Euro 7 million. The loan, guaranteed by a mortgage on the property, carries a variable rate of 1-month Euribor plus 280 basic points. A 0.99% hedging contract was concluded to hedge against the risk of interest rate fluctuations. As at 31 December 2017, the loan residual amount was Euro 5.9 million.

The incorporate companies were financed by credit institutions through mortgages, with property mortgages as security and the parent company Intek Group through current account contracts, remunerated at market interest rates.

I2 Real Estate Srl

The company was established in 2004 and was incorporated into Immobiliare Pictea at the end of 2017, as part of the project for the reorganisation of the Group’s real estate companies.

This company’s purpose is to purchase, sell and manage real estate and provide property management services, also through investees. Up to 2016, its activities were instrumental insofar as those of Intek Group and indeed it was fully consolidated while its separate financial statements were measured at cost, adjusted for impairment as necessary.

The 2016 financial statements closed with a loss of Euro 0.6 million, which was mainly attributable to the write-downs of financial fixed assets (Euro 0.3 million) and the property it owned (Euro 0.2 million).

In 2017 the company continued its activity to find the best solutions for the Ivrea property and the investment in Tecno Servizi Srl, and particularly for the Varedo property. To date, there have been no significant negotiations for these assets.

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INTEK GROUP

YEAR 2017

REPORT ON CORPORATE GOVERNANCE

AND

OWNERSHIP STRUCTURE

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

OF

INTEK GROUP S.P.A.

WWW.ITKGROUP.IT

approved by the Board of Directors on 28 March 2018

1. Contents

Tables:

Glossary

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

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

Board of Directors/BoD: the Board of Directors of Intek Group S.p.A.

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

Financial year: the financial year ended as at 31 December 2017, to which this report refers.

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

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

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

Market Regulation: the Regulation issued by Consob with its resolution 20249 of 2017 regarding markets.

Market Regulation: the Regulation issued by Consob with its resolution 17221 of 2010 (as subsequently amended) regarding related parties.

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

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

Foreword

The Board of Directors of Intek Group S.p.A., in its meeting held on 28 March 2018, also approved the Report on corporate governance and ownership structure for the 2017 reporting year, together with the draft financial statements for said financial year.

As the reports for the previous reporting periods, the Report provided below includes the amendments made to the Code in July 2015 and takes into account the subsequent regulatory changes.

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

In particular, in addition to taking into account the legislative changes made pursuant to Legislative Decree 173 of 2008, which resulted in amendments being made to article 123-bis of Legislative Decree 58 of 24 February 1998 (hereinafter the "TUF") and the instructions in the Market Regulation issued by Borsa Italiana S.p.A., the last of which was approved by Consob with its resolution no. 20188 of 15 November 2017 and no. 20223 of 13 December 2017, the Report has also been drafted with consideration taken of the more recent legislative changes regarding:

- related party transactions:

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

- exercise of shareholders' rights:

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

- functions of the Board of Statutory Auditors:

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

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

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

In regard to the latter, considering that the companies with shares listed on regulated markets are required to present to the shareholders' meeting called for the approval of the financial statements a Report on Remuneration containing the items required by the Consob Issuers' Regulation, and in order to avoid providing redundant information, the pertinent information (see Sect.9) will be provided by referring to the relevant parts of the Report on Remuneration pursuant to article 123-ter of the TUF, as it was done for the Report presented for the last financial years (2013, 2014, 2015 and 2016).

This Report has been prepared pursuant to the guidelines issued by Borsa Italiana (VII edition of January 2018) and the criteria set forth in article 89-bis of the Issuers' Regulation.

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

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

(i) compliance with each Code provision;

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

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

This Report aims to illustrate the corporate governance model that Intek adopted in 2017, the specificities of the company, which aims to obtain its essential alignment with the principles contained in the Code which, since its introduction, the Company has declared it will comply with, as well as the Consob’s relative recommendations, in relation to the small dimension and corporate structure of Intek Group.

With the resolution of its Board of Directors of 28 April 2014, the Company acquired a new organisational model pursuant to Italian Legislative Decree 231/2001 (hereinafter the "Model”), which was modified in order to apply to the new structure of the company following the aforementioned merger, requiring in addition the appointment of a new supervisory body, composed of 2 external and independent experts.

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

The Company has continually improved the quality and quantity of the information it has been providing on corporate governance every year ever since the presentation of the financial statements at 30 June 2000.

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

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

To this end, the Company amended its articles of association by resolution of the extraordinary shareholders' meeting held on 11 June 2014, which adjusted article 17 to the discipline regarding the balance between genders in the composition of the administration and control bodies as introduced by law no. 120 of 12 July 2011 and the relative implementing provisions.

We note that for Intek Group the first application took place with the shareholders’ meeting of 19 June 2015 on the occasion of the appointment of the Board of Directors and the Board of Statutory Auditors for the financial years 2015/2017.

The next meeting called for approval of the financial statements as at 31 December 2017 will also include on the agenda the appointment of the Board of Directors and the Board of Statutory Auditors, based on the new provisions of the law that require, among other things, one third of the members of the BoD and the Board of Statutory Auditors to belong to the less represented gender. For further details, please see below.

Significant changes to the Articles of Association took place following the introduction, by resolution of the extraordinary shareholders’ meeting of 19 June 2015, of articles 11-bis, 11-ter and 11-quater which govern the establishment and exercise of the increase of the voting right for shareholders who possess the requirements set by the law that so request by registration in the appropriate special register.

The Intek Group opted not to refer to the amendments made to art. 123-Bis of the TUF [the Italian Finance Consolidation Act] by Legislative Decree 254 of 30 December 2016, regarding the diversity policies applied to the composition of the administration, management and control bodies.

This is because the Company has traditionally had a very small number of executive directors and a much larger number of independent directors, all of whom with very high level professional qualifications, as applies also to the other directors without delegations. It has always considered its selections to be appropriate with regard to the ages, genders, education and professional experience of each director.

Moreover, the Company is not required to implement these policies as it is exempt from the rules due to the non-applicability of two of the three parameters adopted to this end (revenues of less than Euro 40 million and fewer than 250 employees).

The Company has not established an Appointments Committee (as provided by Principle 5.P.1 of the Code) since the Board of Directors has considered that the Independent Directors, equal to one third of the members of the Board of Directors, have a significant level of autonomy and independence in decisions and have adequate knowledge of the structures of the Company and the Group. Moreover, the Board opted not to establish a Remuneration Committee, as it considers itself to be able to determine the remuneration criteria applicable to the executive directors, given the simplification of the principles underlying this policy, as compared to the past; to this end the Board may enlist the support of at least two independent directors.

1. Issuer Profile

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

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

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

- ErgyCapital S.p.A. (renewable energy) (now “**Ergycapital**”);
- COBRA (services) (now “**Cobra**”).

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

The equity investment in Cobra was then sold during 2014, achieving significant results, while following the sale of the photovoltaic plants at the end of December 2017, the equity investment in ErgyCapital, was incorporated into Intek Group.

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

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

Again, as part of the efforts to simplify the structure and contain the relative costs, at the end of December 2017, ErgyCapital was merged by incorporation into Intek Group and the companies I2 Real Estate, Tecno Servizi and Rede Immobiliare, which are essentially real estate operators, were all incorporated into Immobiliare Pictea Srl, a company which is entirely controlled by Intek Group.

The Intek Group makes investments with medium-long term time horizons combining its entrepreneurial perspective with a solid financial structure and seeks to redefine a flexible portfolio with smaller investment cycles and more rapid cash generation. To maximise the value of the assets managed, the Company defines business strategies and controls their implementation by subsidiaries, looks for agreements and/or partnership opportunities, enhances the value of specific assets, and manages extraordinary operations involving the subsidiaries.

The Company maintained its corporate governance structure, based on the so called Traditional Model and composed of Shareholders’ Meeting, Board of Directors and Board of Statutory Auditors.

In its meeting of 19 June 2015, the Board of Directors which was held immediately after the Shareholders’ Meeting that appointed it, resolved to establish only the Control and Risk Committee, the members of which will be Independent Directors only.

Until June 2015, the Company had also established the Remuneration Committee, which was not renewed by resolution of the abovementioned Board of Directors in consideration of the relative competences which lie exclusively with the companies held exclusively as investments (KME AG – Culti Milano).

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

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

2. Information on Ownership Structure

2.1. Share capital structure (pursuant to article 123-bis, paragraph 1, letter a), TUF)

The share capital of Intek Group, at the date of approval of this Report was Euro 335,069,009.80 (Euro 314,225,009.80 as at 31 December 2016), and consisted of 439,241,296 shares, of which 389,131,478 were ordinary shares, equal to 88.59% of the share capital, and 50,109,818 were savings shares, equal to 11.41% of the share capital, all of which with no par value.

The increase in the share capital was the result of the September 2017 conversion of the Bond Issue named “Convertendo Intek Group 2012 – 2017” with the issue of 24,710,692 new ordinary shares totalling Euro 20,844,000.00.

Moreover, 18,914,116 new ordinary Intek Group shares were issued in December 2017 to service the merger of ErgyCapital into Intek Group. These had no nominal value and were assigned to the shareholders of ErgyCapital except Intek Group, without any share capital increase as these were shares without a nominal value.

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

Following are the main characteristics of the bond loan in question:

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

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

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

It should be noted that the issuing of the bond loan was the result of a resolution made by the Company’s Board of Directors on 2 December 2014, which had approved the launch of a voluntary total public exchange offer:

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

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

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

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

For additional information on the issuing of the outstanding “Intek Group 2015 – 2020” bond loan, please see the information provided in the reports for the years 2015 and 2016.

* * * * * *

The overall 389,131,478 existing ordinary shares represent 88.59% of the share capital and do not entail rights different or additional to those envisaged by the legislation and the Articles of Association.

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

In 2015, as already mentioned in this report, the Company has amended the Articles of Association to include the increase of the voting right for shareholders who possess the requirements set by the law and so expressly request by registration in the appropriate special register.

Similarly, the overall 50,109,818 existing savings shares represent 11.41% of the share capital and do not entail rights different or additional to those envisaged by the legislation and the Articles of Association.

The rights of the Holders of Savings Shares are listed in articles 145 et seq. of the TUF and articles 5, 8 and 28 of the Articles of Association.

The Common Representative of Savings Shareholders, who is entitled to participate with the right to intervene in the ordinary Shareholders’ Meeting and whose rights are indicated under article 26 of the Articles of Association is Ms. Simonetta Pastorino. Ms. Pastorino was appointed for 2015/2017 by the Special Meeting of Holders of Savings Shares which was held on 19 June 2015 and her mandate will expire on the date of the shareholders’ meeting called to approve the financial statements for the year covered in this Report.

The savings shares confer the following privileges:

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

* * * * * *

As already mentioned in the reports for previous years, it is hereby noted that, on 24 January 2012, Quattrotretre S.p.A. (hereinafter “**Quattrotretre**”), company incorporated by Intek S.p.A. before the merger into Intek Group, issued a mandatory convertible bond, the subscription of which was entirely reserved for the controlling shareholder Quattroduedue S.p.A., named “*Convertendo Quattrotretre S.p.A. 2012–2017*”, the overall par value of which was equal to Euro 32,004,000.00. It is composed of 4,000 bonds of a par value of Euro 8,001.00 each, subscribed at an issue price equal to Euro 6,000.00 per bond.

Pursuant to the Regulation of the aforementioned convertible bond:

- in view of the convertible bond, Quattrotretre has originally resolved to increase the share capital up to a maximum amount of Euro 32,004,000.00 (including the premium), through the issue of a maximum of 900,000 ordinary shares with a par value of Euro 1.00 each and a premium equal to Euro 34.56 per share;
- The Issuer reserved the right to repay the mandatory convertible bonds on their expiry date in cash, informing bondholders within sixty working days prior to the expiry date (*repayment option*), subject to obtaining from the Shareholders' Meeting of the Company the authorisation pursuant to article 2364, paragraph 1, no. 5) of the Italian Civil Code as approved with the vote in favour by the majority of the issuer's shareholders present at the Shareholders' Meeting, excluding the Shareholder or Shareholders who, including jointly, hold the majority stake, including the relative majority, provided that the stake is over 10%.
- Should the repayment option be exercised, on the expiry date the issuer would have paid bondholders Euro 8,001.00 for each mandatory convertible bond (*repayment price*), for a total of Euro 32,004,000.00.

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

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

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

At the end of 2013 the parent Quattroduedue S.p.A. had granted its subsidiary FEB - Ernesto Breda S.p.A. 526 "Convertendo Intek Group S.p.A. 2012-2017" bonds, or 13.15% of the total bonds issued.

On 25 September 2017, pursuant to the automatic conversion of the Convertible Loan "Intek Group 2012-2017", 24,710,692 new ordinary Intek Group shares without nominal value were issued against a total of Euro 20,844,000.

Following the now completed implementation of the FEB-Ernesto Breda merger into Intek Group, the aforementioned 526 bonds held by Intek Group were cancelled.

On 27 December 2017, following the effective merger date of ErgyCapital into Intek, a further 18,914,116 new ordinary Intek shares were issued, again without nominal value, to service the exchange in favour of the former (non-Intek) ErgyCapital shareholders.

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

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

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

SHARE CAPITAL STRUCTURE			
Shares issued	ISIN Code	). of outstanding shares	% of total share capital
Ordinary shares	IT0004552359	389,131,478	88.59%
Unregistered savings shares	IT0004552367	50,109,818	11.41%
Registered savings shares	IT0004552375		
Total shares		439,241,296	100.00%

OTHER FINANCIAL INSTRUMENTS		
	ISIN Code	No. of outstanding instruments
"Intek Group S.p.A. 2015-2020" Non-convertible Bonds	IT0005074577	4,708,507

* * * * * *

TABLE 2: PERFORMANCE OF SECURITIES IN 2017

PERFORMANCE OF SECURITIES				
	Maximum value		***Minimum value***	
	Month	***Price***	***Month***	***Price***
Ordinary shares	June	0.3689	February	0.1993
Savings shares	August	0.5210	March	0.3202
Intek Group S.p.A. 2015-2020 Bonds	August	104.55	November	102.40

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

The Articles of Association do not contain transfer restrictions pertaining to shares or the "Intek Group S.p.A. 2015-2020" bonds such as, for example, limitations on the ownership of securities or the need to obtain the approval of the Issuer or other holders of securities.

2.3. Significant equity investments (pursuant to article 123-bis, paragraph 1, letter c), TUF)

On 31 December 2017, the investment of Quattroduedue Holding B.V. in the Company amounted to 182,778,198 ordinary shares, corresponding to 46.97% of the share capital for this category.

This shareholding is held through the wholly-owned subsidiary Quattroduedue SpA insofar as 182,778,192 ordinary shares while the remaining six ordinary shares, which do not affect the percentage above, are directly owned by Quattroduedue Holding B.V.

The increase during the year was the result of the mandatory conversion of the convertible bond Intek Group 2012-2017, which took place in September 2017 with the issue of 24,710,692 new ordinary shares, all of which were allocated to Quattroduedue SpA.

Following the conclusion of the merger, a further 18,914,116 new ordinary Intek Group shares were issued in December 2017, for assignment to the ErgyCapital shareholders (except Intek Group), without any share capital increase since all the Company's shares are without nominal value.

With regard to the entire share capital, the ordinary shares held by Quattroduedue Holding B.V. are equal to 41.61%.

As per the memorandum issued on 2 July 2016, the content of which was published on that same date and submitted to the Milan Company Register, the shareholders of Quattroduedue Holding B.V. - Vincenzo Manes, through Mapa S.r.l. (Milan), with an equity investment of 35.12%, Ruggero Magnoni, through Likipi Holding S.A. (Luxembourg), with an equity investment of 32.44% and Hanseatic Europe S.a.r.l. (Luxembourg), with an equity investment of 32.44% are signatories to a shareholders' agreement relative to their equity investments in the aforementioned Quattroduedue Holding B.V, which will expire on 30 June 2019.

Neither of the shareholders hold the control of this company or of Intek pursuant to article 93 of the TUF.

Regarding the amendments made to the TUF, Intek Group is qualified as a SME (small to medium sized enterprise) in consideration of its average market capitalisation in the last calendar year, which was less than Euro 500 million, as provided by article 1 w-quater.1) of the TUF.

The significant reporting threshold as provided by article 120, no. 2 is therefore equal to 5% of the share capital with voting right.

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

The Company has about 15,986 Shareholders, according to the Shareholders Register.

At 31 December 2017, the Company held 5,713,572 ordinary treasury shares, or 1.468% of the ordinary share capital and 1.301% of total share capital, and 11,801 saving shares equal to 0.024% of that class of shares and 0.002% of total share capital.

The total treasury shares held by Intek Group at 31 December 2017 amount to 5,725,373 shares, representing 1.303% of the Company's share capital.

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

No securities have been issued conferring special control rights, except as already indicated in another section of this Report, regarding the statutory rules governing the multiple voting rights.

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

There is no employee share-option scheme.

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

Without prejudice to applicable regulations and the provisions of the Articles of Association, there are no restrictions to voting rights.

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

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

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

The Company did not receive any communication regarding the existence of shareholders' agreements pursuant to article 122 of the TUF, except as indicated above regarding the agreement existing between the shareholders of Quattroduedue Holding B.V., which expires 30 June 2019 and is published on the company's website www.itkgroup.it

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

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

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

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

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

The Shareholders' Meeting held on 23 June 2017 authorised the Board of Directors pursuant to the combined provision of articles 2357 and 2357-ter of the Italian Civil Code and article 132 of Legislative Decree 58/98 to purchase, for a period of 18 months from the date of the resolution, and dispose of, without time limits, ordinary shares and saving shares pursuant to the law and the regulation, with a maximum financial commitment of Euro 3,000,000.

As at the date of this Report, the Company holds 5,713,572 ordinary shares equal to 1.468% of the voting capital and 1.301% of the total share capital.

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

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

Although a subsidiary of Quattroduedue Holding BV, through Quattroduedue S.p.A., as indicated above, the Company is not subject to management and coordination pursuant to articles 2497 et seq. of the Italian Civil Code and article 16 paragraph 4 of the Market Regulation, insofar as that:

a) it has autonomous powers of negotiation with respect to contractual arrangements with customers and suppliers;

b) it does not participate in any centralised treasury arrangements operated by Quattroduedue Holding B.V. or other companies controlling Quattroduedue Holding B.V. or INTEK Group S.p.A.;

c) the number of independent Directors (currently 3 out of 9) is such as to ensure that their opinions have a material influence on board decisions;

d) the Control and Risks Committee consists exclusively of Independent Directors as defined in article 16, paragraph 2 of the Market Regulation.

* * * * *

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

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

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

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

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

The text of the Corporate Governance Code is available at Borsa Italiana S.p.A. and can also be viewed on the Corporate Governance Committee website at http://www.borsaitaliana.it/comitato-corporate-governance/codice/2015clean.pdf.

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

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

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

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

Examination of the company's governance structure, as outlined by the Articles of Association, by the procedures adopted and as illustrated in this report, shows the commitment of the Intek Group to comply with commonly shared best practices.

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

4. Board of Directors

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

The requirements for the appointment and replacement of members of the Board of Directors are those pursuant to applicable laws as supplemented by the Company Articles of Association (article 17). It is hereby noted that the extraordinary Shareholders' Meeting held on 11 June 2014, which resulted in amendments to the Articles of Association, adjusted articles 17 and 22 to the discipline regarding balance between genders in the composition of the administration and control bodies as introduced by law no. 120 of 12 July 2011 and the relative implementing provisions.

Directors' terms may not be longer than three years and they may be re-elected (article 17 of the Articles of Association).

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

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

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

- the submission of lists of candidates shall take place at least 25 days prior to the first call of the Shareholders' Meeting and they shall be made available at least 21 days beforehand at the registered office, on the Company's website and through Borsa Italiana SpA;
- the shareholding for presentation of the list is equal to the higher of the percentage identified by Consob pursuant to article 144-quater of the Issuers' Regulation and the one defined by Consob itself pursuant to resolution 20273 of 24 January 2018. To this end, based on the abovementioned Consob regulations, the percentage that is applicable is 4.5% of the ordinary share capital.
- when counting votes, the lists which have not obtained a percentage of votes equal at least to one half of the percentage required to submit a list, shall be ignored;
- one Director shall be appointed from the non-controlling Shareholder list that received the highest number of votes;
- the list shall indicate the candidates to the office as "Independent Directors" and article 17 of the Articles of Association provides that they are at least equal to the "minimum number and meet the conditions required by law";
- the prerequisite for Directors to be considered as independent shall be assessed pursuant to article 147-ter, paragraph 4 of the TUF as well as article 148 paragraph 3 of the TUF, on the basis of the provisions on this prerequisite and also with reference to integrity and professionalism pursuant to the other applicable provisions and the Corporate Governance Code;
- the selection of the Directors to be elected be based on criteria that ensure balance between genders. The least represented gender must constitute at least one third of the candidates, in any case rounded upwards.

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

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

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

In any case, both the Board and the Shareholders' Meeting will make the appointments so as to ensure that the number of Independent Directors is at least at the minimum level required by the laws which are from time to time applicable and in compliance with the gender balance laws applicable from time to time.

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

Succession planning (Criterion 5.C.2 of the Code).

The company has not adopted succession plans for its Executive Directors, neither has it considered it necessary due to the composition of the shareholder base and the structure of the powers granted.

Insofar as the guidelines to the shareholders regarding the professionals that must be present on the board, it has been considered that the composition, experience and attention of the controlling shareholders of the company do not require the formulation of said guidelines on aspects which these shareholders are completely aware of.

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

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

The term of office is 3 financial years and therefore up to the date of the Shareholders’ Meeting called for the approval of the financial statements at 31 December 2017.

The list of candidates for the office of Director was presented on time by the controlling shareholder, Quattroduedue S.p.A. (holding 45.75% of ordinary capital) in compliance with the procedure required by article 17 of the Articles of Association. The majority of shareholders approved Quattroduedue’s nominees with 161,745,061 votes, equal to 99.376% of the shares in attendance and 46.814% of voting shares.

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

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

As at the date of this report, there are nine Directors in office. Following we provide their names with an indication of the offices also held within the Committee that was established, together with a brief curriculum vitae.

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

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

When the Directors and Statutory Auditors currently in office were appointed, the provisional regulation on “gender quotas” was in place for administration and control bodies. These provisions are contained in Law no. 120 of 12 July 2011 and shall apply as from the next change of the administration and control bodies starting from August 2012. The subject is also dealt with by article

144-undecies of the Issuers’ Regulation. The provisional regulation sets forth that the least represented gender must constitute at least one fifth of the Directors elected on the occasion of the first mandate subsequent to 12 August 2012 and, one third subsequently, in any case rounded upwards.

Moreover, among the Directors, there are two women, in line with the provisions of the provisional regulation.

We note the presence of a female representative on a continuing basis since 2005, with Ms. Moriani who assumed the office of Deputy Chairwoman during 2010.

This representation is furthermore ensured on the Board of Statutory Auditors by a Standing Auditor and an Alternate Auditor appointed at the time that the offices were renewed in 2015.

It is hereby reiterated that, as already mentioned above, the extraordinary Shareholders' Meeting held on 11 June 2014 had, among other things, adjusted the Articles of Association to the applicable laws regarding balance between genders in the composition of the administrative and control bodies.

The names of Directors usually appear at the beginning of the documents prepared for Shareholders’ Meetings and in the annual and half-year financial statements.

It is hereby reiterated that the next shareholders' meeting will include on the agenda the appointments of the new administration and the new control bodies.

As the transitional regulations no longer apply, the appointments will be made pursuant to the law and the articles of association, therefore in compliance with the applicable laws regarding equilibrium between the genders, which decree that the less represented gender must obtain at least one third of the elected director appointments, rounded upwards.

Following is the information relative to all the Directors that were in office during 2017.

Vincenzo Manes (Executive Chairman)

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

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

In its meeting of 19 June 2015, the Company’s Board of Directors confirmed his appointment as Chairman, granted for the first time in 2012. From 2010 to 2012, he was Deputy Chairman with executive powers.

He joined the Board of Directors of Intek Group S.p.A. on 14 February 2005 and was the Chairman and Managing Director of INTEK S.p.A. until the date of the Merger.

He was the Chairman of the KME AG Vorstand up until July 2017, and is currently Chairman of the company’s Supervisory Committee.

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

Diva Moriani (Executive Deputy Chairwoman)

Diva Moriani was born in 1968 and holds a degree in Economics and Business. She joined INTEK S.p.A. in 1999 and was appointed as Director of the company in 2002; she became Deputy Chairwoman in 2007 until the date of the Merger. She was a director of ErgyCapital SpA until 27 December 2017, the date of ErgyCapital’s merger into Intek Group. In addition, until 2014, she has been a Director of I2 Capital Partners SGR S.p.A., a company of which she was the Managing Director until 1 December 2012, and she is also a Director of Cobra Automotive Technology S.p.A.

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

She was the CEO of the KME AG Vorstand until July 2017 and is a member of the latter’s Supervisory Board and that of KME Germany Bet, GmbH. She was also the Chairperson of KME Srl until July 2017, but retained her office as a Director and she is a member of the Dynamo Academy Srl, Associazione Dynamo and Fondazione Dynamo Boards of Directors.

In 2014, Diva Moriani was appointed as Director and Chairman of the Remuneration and Appointments Committees of ENI S.p.A. and Director and Chairwoman of the Remuneration and Appointments Committees and a member of the Related Party Committee of Moncler S.p.A.

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

Marcello Gallo

Marcello Gallo was born in Siracusa in 1958 and holds a degree in Political Economy. He was the Deputy Chairman of Intek S.p.A. from 2007 to the date of the Merger (after being the General Manager of said company from 1998 to 2003); he is a Board member of Subsidiaries and, in particular, he is the Managing Director of the subsidiary I2 Capital Partners SGR S.p.A.

He was Chairman of Nuovi Investimenti Sim S.p.A. and Alpi Fondi SGR S.p.A. (parent company of the Fund managed by I2 Capital Partners) until August 2017.

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

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

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

In December 2017, he was also appointed Chairman of Fondazione Vita.

Giuseppe Lignana (independent)

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

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

James Macdonald

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

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

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

Ruggero Magnoni

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

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

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

Alessandra Pizzuti

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

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

She was appointed as Director of the subsidiary ErgyCapital S.p.A. in 2016, where she remained in office until 27 December 2017, the date of the company's merger into Intek Group.

Luca Ricciardi (independent)

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

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

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

He is an independent director of Intek Group SpA from 30 April 2013 and a member of the Control and Risk Committee.

Franco Spalla (independent)

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

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

He was the Deputy Chairman and, up until 2016, also the Managing Director of Basic Net SpA, a company listed on the MTA which is managed by Borsa Italiana. Company where he still holds the position of Director.

He is an independent director of Intek Group SpA from 30 April 2013 and a member of the Control and Risk Committee.

He has been the Chairperson of Culti Milano SpA, which is listed on the AIM section of Borsa Italiana and is controlled by Intek Group.

* * * * * *

A table showing positions as Director or Statutory Auditor held by each of them at 31 December 2017 in other joint-stock companies, partnerships limited by shares and private limited companies is set out below.

Name	**Company**	**Office**
Vincenzo Manes		
	Intek Group S.p.A. (2)	Chairman of the Board of Directors
	Fondazione Dynamo	Chairman of the Board of Directors
	I2 Capital Partners SGR S.p.A. (1)	Chairman of the Board of Directors
	Fondazione Olivetti	Member of the Board of Directors
	Foundation “Seriuosfun Children’s Network”	Member of the Board of Directors
	Quattroduedue Holding B.V.	Member of the Supervisory Board
	KME A.G. (1)	Chairman of the Supervisory Board
	Tod’s Group (2)	Member of the Board of Directors
	Compagnia Immobiliare Azionaria (CIA) SpA (2)	Member of the Board of Directors
	Class Editori (2)	Member of the Board of Directors
	Fondazione Italia Sociale	Chairman of the Board of Directors
	Robert Kennedy Foundation	Member of the Board of Directors

Diva Moriani		
	Intek Group S.p.A. (2)	Deputy Chairman of the Board of Directors
	KME Germany Bet. GmbH (1)	Member of the Supervisory Board
	Fondazione Dynamo	Member of the Board of Directors
	Associazione Dynamo	Member of the Board of Directors
	Dynamo Academy S.r.l.	Member of the Board of Directors
	KME A.G. (1)	Deputy Chairman of the Supervisory Board and Chairman of the Audit and Strategy Committee within the Supervisory Board.
	KME S.r.l.	Member of the Board of Directors
	Moncler S.p.A. (2)	Member of the Board of Directors - Chairman of the Remuneration and Appointments Committee and member of the Related Party Committee
	ENI S.p.A. (2)	Member of the Board of Directors - Chairman of the Appointments Committee and member of the Remuneration and Control and Risk Committees.
	Assicurazioni Generali (2)	Member of the Board of Directors - Member of the Remuneration and Appointments committee and member of the Related Party Committee

Marcello Gallo		
	Intek Group S.p.A. (2)	Member of the Board of Directors
	I2 Capital Partners SGR S.p.A. (1)	Managing Director
	ISNO 3 S.r.l.	Chairman of the Board of Directors
	KME A.G. (1)	Member of the Supervisory Board
	Dynamo Academy S.r.l.	Member of the Board of Directors
	Associazione Dynamo	Member of the Board of Directors
	Fondazione Dynamo	Member of the Board of Directors
	KME Germany Bet. GmbH (1)	Member of the Supervisory Board
	Fondazione Vita	Chairman of the Board of Directors

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

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

Ruggero Magnoni	APLOMB Srl	Member of the Board of Directors
	Raffaele CARUSO S.p.A.	Member of the Board of Directors
	Compagnie Financiere Richemont SA	Member of the Board of Directors and of the Audit Committee
	Compagnie Financiere Rupert	Member of the Board of Directors
	Intek Group S.p.A. (2)	Member of the Board of Directors
	Respublica Fondazione di Cultura Politica	Deputy Chairwoman
	Fondazione Dynamo	Member of the Board of Directors
	Fondazione Giuliano e Maria Carmen Magnoni Onlus	Founding Member and Chairman
	Fondazione Laureus Sport for Good Italia Onlus	Founding Member and Chairman
	IMMSI S.p.A. (2)	Member of the Board of Directors
	Omniainvest S.p.A.	Member of the Board of Directors
	M&M Capital Ltd	Chairman
	Lehman Brothers Foundation Europe	Trustee
	Quattroduedue Holding B.V.	Supervisor Director
	Trilantic Capital Partners Europe	Senior Advisor and Member of the Advisory Council
	The Westminster Trust and The Bellevue Trust	Protector

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

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

Franco Spalla		
	BasicNet S.p.A. (2)	Member of the Board of Directors
	BasicWorld Srl	Member of the Board of Directors
	Jesus Jeans Srl	Managing Director
	Basic Properties BV	Chairman of the Board of Directors
	Basic Trademark SA	Member of the Board of Directors
	Superga Trademark SA	Member of the Board of Directors
	Intek Group S.p.A. (2)	Chairman of the Board of Directors and of the Control and Risk Committee
	Culti Milano S.p.A. (3) (1)	Chairman of the Board of Directors

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

(2) company listed in a regulated market.

(3) Company listed on the AIM.

* * * * * *

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

During 2017 compliance with this requirement was assessed also pursuant to the Bank of Italy regulation (Legislative Decree no. 469 of 11 November 1998).

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

Maximum offices covered in other companies

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

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

Induction Programme

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

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

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

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

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

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

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

The Board of Directors financial reporting responsibilities are to present:

- the separate and consolidated financial statements at 31 December;
- the half-year report at 30 June.

During 2017, the Board of Directors met 7 times.

The average duration of the meetings of the Board of Directors was approximately 1 hour and thirty minutes.

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

It is normal practice that the documentation relative to the agenda items is provided to the Directors and the Statutory Auditors prior to each meeting, using e-mail and ensuring that the rules and procedures applicable to confidential documents and information are adhered to.

With regard to **Application Criterion 1.C.6**, it is noted that the Secretary, Mr Roberto De Vitis, who also held the position of Director of Legal and Corporate Affairs up until 31 March 2017, and the Manager in charge of Financial Reporting, Mr Giuseppe Mazza, who also covers the position of Administrative Director, attend the Board meetings on a regular basis. Other Company managers or professionals, who have been hired to assist the Company in specific matters or transactions, may participate in certain meetings of the Board, upon invitation of the Chairman.

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

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

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

Intek Group exercises the management and coordination activities over certain of its subsidiaries and in particular over I2 Capital Partners SGR S.p.A. and Immobiliare Pictea S.r.l. as announced, pursuant to article 2497-bis of the Civil Code, by the directors of those companies.

It is hereby reiterated that on the date of their merger into Intek Group, which took place on 28 December 2017, the Company exercised management and coordination activities with regard to I2 Real Estate Srl, Rede Immobiliare Srl and Tecno Servizi Srl as well.

Moreover, the board determines the appointment and the withdrawal of delegations to the executive directors.

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

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

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

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

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

In order to review the organisational model pursuant to Legislative Decree 231/2001, and also upon the recommendation of the Control and Risk Committee and the support of adequate external professionals, the Board had carried out during 2015 a risk assessment review with regard to the assets of the Company and those of its subsidiaries, in regard to the changed framework of the business segments also following the implementation of the Merger.

This process did not indicate any critical areas and the monitoring continued in 2016 and 2017.

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

On the occasion of its meeting of 28 March 2018, the Board of Directors examined the positive opinion expressed by the aforementioned committee, which was positive.

The Board also successfully completed its own self-evaluation, pursued by means of a questionnaire transmitted to all the directors and statutory auditors.

Through this process, the responders made some suggestions to the Board with the intention of providing a more in-depth indication regarding the qualifications of the directors, in view also of the upcoming renewal of the corporate bodies.

With regard to **Application Criterion 1.C.1 g)** of the Code we specify that in the meeting of 28 March 2018, the Board evaluated positively the size, composition and operation of the Board itself and of its committees.

This determination took under consideration the number of members of the Board and the Executive Directors, including with reference to the Independent Directors, for whom fulfilment of the independence requirement was rechecked, taking also into account their highly professional profile.

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

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

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

4.4.Delegation of powers

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

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

Chairman of the Board of Directors

Pursuant to article 20 of the Articles of Association, to which reference should be made for further details, the Chairman is the legal representative of the Company and has full powers to represent the Company in dealings with third parties and in legal proceedings.

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

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

- coordination and guidance of the activities of other Executive Directors;
- guidance, coordination and control of external communications including communications with Shareholders;
- in particular, including, but not limited to, and consistently with instructions and guidelines decided by the Board of Directors, the Chairman has powers relating to the management of the Company's administrative, financial, control, legal, tax, insurance, human resources and information technology affairs in addition to industrial and commercial matters and services. He has the powers to guide and coordinate all such

activities for all Group companies through the relevant operational designees and always within the limits of the strategic policies decided by the Board of Directors.

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

Deputy Chairman of the Board of Directors

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

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

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

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

4.5. Other Executive Directors – Managers with delegations

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

It is however noted that based on a special power of attorney dated 19 December 2012, which was subsequently supplemented on 29 July 2014, the Chairman attributed to the Administrative Director, Giuseppe Mazza, powers of ordinary administration to be exercised by single signature for transactions up to Euro 100 thousand and Euro 500 thousand. The same powers are attributed to Roberto De Vitis, the secretary of the Company's Board, for his operations in the Legal and Corporate Affairs area.

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

The Executive Directors inform periodically the Board of Directors and the Board of Statutory Auditors on the general results of operations and the business outlook as well as regarding the significant transactions carried out by the company and its subsidiaries.

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

* * * * * *

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

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

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

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

4.6. Independent Directors

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

Pursuant to the "application criteria" set forth in articles 3.C.1. and 3.C.2. of the Code and in compliance with articles 147-*ter*, paragraph 4, and 148, paragraph 3 of TUF and Consob communication DEM/9017893 of 26 February 2009, the Directors Giuseppe Lignana, Franco Spalla, and Luca Ricciardi confirmed that they continue to qualify as Independent Directors pursuant to the aforementioned provisions and both the Board of Directors and Statutory Auditors agreed also for 2017 in the meetings held on 16 May 2017.

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

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

It is furthermore noted that pursuant to article 4.C.2 (which requires at least one half of the members of the Board of Directors to be independent directors, if one or more committees are not established) the Company has deemed the number of three independent directors to be sufficient, in consideration of their professional qualities, autonomy and high-level contribution to the discussions within the Board of Directors.

It is hereby noted that the Independent Directors meet at least once per year to discuss transactions of particular significance whenever necessary.

4.7. Lead Independent Director

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

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

Furthermore, the following elements were appropriately assessed:

- the distribution of powers between a Chairman and an Executive Deputy Chairman;
- the composition of the Control and Risk Committee, which is composed exclusively of Independent Directors who can be convened and meet independently including outside the meetings of the Board of Directors.

Due to the above considerations, the Board of Directors did not consider it necessary to appoint a "Lead Independent Director" to coordinate any requests and contributions from Non-Executive Directors.

5. Processing of company information

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

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

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

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

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

The Board of Directors, at its meeting of 14 September 2012, decided, among other things, to apply the exception envisaged by articles 70, paragraph VIII, and 71 of the Issuers’ Regulation, which exempts the Company from publishing an Information Document in the case of significant mergers, demergers, share capital increases through transfers in kind, acquisitions and sales.

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

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

In consideration thereof, starting from the report for the first quarter of 2016, the Company decided not to publish the subsequent interim reports on operations as at 31 March and 30 September. However, price sensitive information will be immediately disclosed.

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

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

Upon completion of the work, the internal dealing and insider information procedures were updated and submitted to the attention of the Control and Risk Committee and the Board of Statutory Auditors which approved them, as did the Board of Directors. On this occasion, the procedure relative to the insider information was adapted with regard to the new MAR regulations as well.

It is hereby noted that in October 2017, Consob issued guidelines for the handling of insider information, containing certain clarifications and instructions on certain significant points of the new MAR regulation, in particular regarding cases requiring that information disclosures be delayed so as not to compromise transactions under way or if such disclosure would be harmful to the Company.

Therefore, certain marginal changes were made to the existing procedure, which were brought to the attention of the Control and Risk Committee and submitted for the approval of the Board of Directors called to approve the 2017 financial statements.

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

For the reasons set forth above and reiterated again in this Report, the Company has not established Committees with several functions.

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

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

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

In addition, it carries out supporting activities relating to compliance of the procedures regarding related party transactions with the applicable legislative and regulatory measures as well as their observance.

Further information regarding the Committee's activities is contained in the section 10.
Beginning from 19 June 2015, the Company has decided not to establish the Remuneration Committee, putting in place appropriate procedures for determination of the remuneration of the Executive Directors, as better specified in paragraph 8 below and the Report on Remuneration, to which reference is made. Moreover, the Company decided not to establish a Nomination Committee; see paragraph 7 below for further information on this point.

7. Appointments Committee

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

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

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

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

8. Remuneration Committee

The mandate of the Committee previously in office expired with the Shareholders' Meeting that approved the financial statements as at 31 December 2014.

The Company's Board of Directors, appointed by the Shareholders' Meeting held on 19 June 2015, which was called upon to make a resolution regarding the appointment of the Remuneration Committee, pursuant to article 6 of the Corporate Governance Code of Borsa Italiana, decided not to re-establish this Committee.

The Board decided that the redefinition by the Company of its strategic mission, its approach to the market and the new governance structure subsequent to the merger made management of the remuneration policy simpler than it had been in the past, since it refers only to Executive Directors of the Company, while the remuneration of the Directors and managers of subsidiaries/investee companies which are considered to be investments, are handled exclusively by the administrative bodies of the individual subsidiaries/investee companies, notwithstanding the involvement of the parent company in relation to the extraordinary remuneration connected to the disposal of investments.

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

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

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

The duties established by the Corporate Governance Code insofar as the Remuneration Committee is concerned (see Principle 6.C.5) can therefore be carried out by the Board of Directors, in the case of Intek Group.

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

The experience and independence of such Directors will ensure that the Board receives appropriate support, thereby rendering the appointment of a Remuneration Committee redundant.

9. Remuneration of the Directors

For information on the remuneration policy adopted by the issuer and the remuneration received by the Directors, please see the Report on Remuneration which has been prepared pursuant to article 123-ter of the TUF and article 84-quater of the Issuers' regulation and will be available on the Company's website www.itkgroup.it within the time required by law.

10.Control and Risk Committee

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

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

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

- supports the Board of Directors in the performance of its duties with respect to internal control and risk management;
- assesses, together with the Manager in charge of Financial Reporting and the Independent Auditors, the correct application of accounting policies and their consistency also for the purposes of preparing the consolidated financial statements;
- expresses its opinion on specific aspects concerning the identification of the main risks to which the Company is exposed in addition to planning, implementing and managing the internal control system;
- examines the work schedule and the periodic reports prepared by the internal audit function;
- monitors the autonomy, adequacy, efficiency and efficacy of the internal audit function;

- may request the internal audit function to carry out periodic verifications on specific operating areas, concurrently informing the Chairman of the Board of Statutory Auditors;
- reports to the Board, at least every six months, when the annual and half-year financial reports are prepared, on the activities carried out and the adequacy of the internal control and risk management system;
- through appropriate investigation activities, it supports the assessment and decisions of the Board of Directors regarding the risk management in the event of adverse events which the Board of Directors became aware of.

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

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

The Committee met six times in 2017, compared to five in the previous year, and the participation of its members amounted to 95%.

At least one member of the Board of Statutory Auditors has participated in the meetings.

It met once in 2018; its upcoming meetings are not scheduled.

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

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

11.Control and Risk Management System

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

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

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

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

The Company's guidelines for the development, implementation, monitoring and updating of the system over time are based on recognised international best practice and in particular the COSO-Internal Control-Integrated Framework, which defines internal control as a process implemented by the management of the Company and other associates in order to provide reasonable certainty regarding the achievement of objectives included in three categories (operation, reporting and compliance objectives).

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

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

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

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

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

- *control environment:* the basis of the system characterised by the responsive attitude of the Company's management to procedures and structure (formalisation of roles, tasks, responsibilities, internal communication systems and timeliness of information) consistent with corporate strategies and objectives;
- *risk assessment:* management's identification and analysis of risks involved in the achievement of predefined objectives as well as the determination of risk management methods;
- *control activities:* the methods, procedures and practices used to define and implement the controls for the purposes of mitigating risks and ensuring the achievement of targets set by management;
- *information and communication:* support for all other aspects of control by communicating control responsibilities to personnel and by providing information in the form and at the time required for individuals to continue their work;
- *monitoring:* the activity performed by various parties in the company for the ongoing control of the proper functioning of the System in order to overcome critical contingencies and to provide for the maintenance, updating and improvement of the System.

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

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

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

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

The structuring of the compliance programme refers to the COSO - Internal Control – Integrated Framework [1]which has been supplemented with guidelines and best practices such as:

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

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

The adoption of standards and regulations, domestically and internationally, has made it possible to construct a work program the purposes of which are to ensure reliability[2], accuracy[3], transparency[4] and timeliness[5] of the financial reporting.

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

- definition of the scope of activity in terms of entities and items which are significant for the purposes of the compliance programme under review (scoping phase);
- analysis and risk assessment of the financial information concerning the items considered to be significant for the purposes of the certification of the 2017 financial statements (risk assessment phase);
- identification and definition of the set of internal controls between the entities which are included in the compliance programme for the financial year, through integration of the internal control system of each entity to form a single "internal control system" Model which is uniform and applicable to the parent company and the subsidiaries involved in the project, characterised by monitoring practices, principles and methodologies for maintenance and assessment of the internal control system which are unique and valid for the entities included in the scoping phase (mapping phase);
- preparation and execution of the compliance test procedures on internal administrative - accounting controls and documentation of the results obtained, as the basis for the opinion regarding their efficacy and actual application by the entities during the reference period and throughout the processes included in the scope of the project (compliance testing phase);
- sharing with the management of any opportunities for improvement as these arise from the tests carried out in order to promote improvements in the internal control system.

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

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

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

The accounting-administrative risk assessment activity led to identification of the significant accounting item associated with the relative accounting process/flow, for each entity included in the analysis. Each item was subjected to a qualitative evaluation of inherent risk through association and subsequent assessment of financial statement assertions[6] referring to the significant accounting items.

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

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

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

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

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

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

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

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

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

The risks and control activities identified were integrated into a specific framework which was populated by specific control objectives classified using the standard CAVR ([7]) and directly correlated with the aforementioned financial statement assertions.

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

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

These controls can be either preventive or detective in nature, depending on whether they are intended to prevent or detect unintentional or fraudulent irregularities in the financial statements; and either manual or automatic such as the validations run by software supporting the business systems.

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

Based on the results of this compliance program, the Chairman, also in his capacity as the Director in charge (see below), and the Manager in charge of Financial Reporting certified the adequacy and efficacy of the internal control system for the financial year within the deadlines and in the form required by the CONSOB Issuers' Regulation.

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

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

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

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

specific program supporting the statement of the Manager in charge of Financial Reporting pursuant to art. 154-bis of the TUF.

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

Roles and company units

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

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

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

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

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

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

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

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

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

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

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

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

11.2. Head of Internal Control

The Head of Internal Controlis responsible for internal audit.

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

His activity is an internal audit activity, thus complying with the relative provision contained in the Code of Conduct.

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

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

Due to the changed size and structure of Intek Group, following the implementation of the Merger and the emphasis on the holding of the equity investments, the internal control function underwent reorganisation which was concluded with Board of Directors conferral, on 28 April 2014, of the position of Internal Auditor to Giovanni Santoro of Crowe Horwath AS Srl, defining his remuneration. This took place pursuant to the favourable opinion of the Control and Risk Committee and after securing the opinion of the Board of Statutory Auditors.

This conferral will expire with the approval of the 2017 financial statements.

Offers have been requested for this role in the current year and the two subsequent years, which will be assessed, together with the Board of Statutory Auditors and the Control and Risk Committee. The outcome will be presented to the new Board of Directors.

11.3. Organisational Model pursuant to Legislative Decree 231/2001

The Company has adopted an "Organisation and management model pursuant to Legislative Decree 231/01," which is updated in accordance with the amendments made to the reference law, taking into account the prevention of crime risks in the sensitive areas of the company's operation (referring in particular to corporate crimes and market abuse).

A version of the Model, newer than the one previously adopted by the Company, was approved by the Board of Directors in its meeting of 28 April 2014, following the Merger.

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

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

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

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

The mandate granted to the supervisory body pursuant to article 231/01 will also expire upon approval of the 2017 financial statements.

The appointment of the new organisation, decided upon after the opinions of the Control and Risk Committee and the Board of Statutory Auditors have been secured, will also be brought to the attention of the new Board of Directors.

Subsidiaries which are headquartered in Italy, but which are not of strategic importance, due to their size and their operations which are carried out in very low risk areas pursuant to Legislative Decree 231/2001, do not have organisational models in place.

11.4. Independent Auditors

Deloitte & Touche S.p.A. (hereinafter referred to as "Deloitte") has been appointed to perform the audit, pursuant to articles 13 and 16 of Legislative Decree 39/2010, of the consolidated and separate financial statements as well as the condensed consolidated half-year report of Intek Group S.p.A.

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

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

The total fees paid by the Company amount to Euro 147 thousand (of which Euro 15 thousand relative to the incorporated company ErgyCapital). The total fees paid at subsidiaries level were Euro 606 thousand. Please refer to the notes to the separate financial statements for further information.

During the year the Independent Auditors and companies belonging to the same network were assigned further mandates amounting to Euro 613 thousand.

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

In 2017, Deloitte received an increase in the compensation which had been set at the annual amount of Euro 20,000 per year (equal to 24% above the previous amount).

This increase, agreed with the Board of Statutory Auditors, was granted on account of the increased working hours required due to the new regulations introduced and the issuing of new audit standards, effective from 2017.

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

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

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

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

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

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

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

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

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

12. Interests of Directors and Transactions with Related Parties

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

The Procedure applicable to transactions with related parties (hereinafter the “Procedure”), adopted in March 2003, was updated several times over the years, the last time being on 5 August 2015.

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

This procedure takes Consob recommendations into account, substantiates the statutory regulation and is compliant with the relevant regulation adopted by Consob with its resolution 17221 of 12 March 2010 (hereinafter the “**Related Parties Regulation**”) which requires, in particular, that transactions with related parties, whether carried out directly or through subsidiaries, must take place in compliance with the principles of:

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

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

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

The related parties are those which are indicated by CONSOB. In its meeting of the 5 August 2015, the Board of Directors resolved to no longer consider as related parties the Executive Directors of the sub-holding company KME AG as it is considered as an investment. In addition, I2 Capital Partners SGR is no longer considered to be strategic, since, following conclusion of the investment period, this subsidiary is no longer able to influence the Company’s strategic policy.

The Directors and the Statutory Auditors of the Company and its subsidiaries, as identified above, where they have an interest, either on their own behalf or on that of third parties, shall inform the Board of Directors, in the person of its Chairman, detailing its nature, timeframes, origin and extent. Those Directors who have such an interest are also obliged to abstain from voting on the issue and they shall not participate in the related procedure, except in the case where a different and unanimous resolution is passed by the Board of Directors on the issue.

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

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

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

This includes:

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

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

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

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

- oversees that the procedures regarding transactions with related parties comply with the applicable legislative and regulatory measures as well as their observance;
- provides the Board of Directors with its opinion regarding the Company's interest in undertaking transactions with related parties as well as regarding the cost-effectiveness and correctness of the related conditions.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Internal Regulations are not applicable to the following:

1. resolutions regarding the compensation of those Directors vested with special duties, which fall within the total amount approved, in advance, by the Shareholders' Meeting pursuant to article 2389, paragraph 3, of the Italian Civil Code;
2. other transactions lower than Euro 100,000 with natural persons and no higher than Euro 500,000 (in both cases the amounts are understood to be on an annual basis and therefore can be cumulative) with other entities;
3. the so called "Remuneration plans", based on financial instruments approved by the Shareholders' Meeting pursuant to article 114 bis of TUF and the related executive transactions;

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

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

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

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

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

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

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

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

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

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

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

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

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

The procedure was updated on 5 August 2015 and must therefore undergo further verification and any changes shall be implemented upon conclusion of the three-year period.

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

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

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

13.Appointment of Statutory Auditors

The Board of Statutory Auditors oversees compliance with the law and the Company Articles of Association with respect to good governance and, particularly, the adequacy of the organisational, administrative and accounting structure of the Company as it actual operations.

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

- the submission of a list for the appointment and the curriculum vitae of each candidate at least 25 days before the Shareholders’ Meeting on first call and so made available at least 21 days before at the Company offices, on the Company website and through Borsa Italiana SpA. The list must be accompanied by information on the identity of the shareholders that present it, the overall relevant proportion held and a declaration by shareholders other than those who hold, including jointly, controlling interest or plurality interest, confirming the absence of connected relations. It must furthermore contain exhaustive information on their personal and professional characteristics, together with a declaration that they accept the candidacy.
- if only one list or lists that are linked in accordance with current regulations have been submitted within this deadline, other lists may be filed up to the third day after the deadline for submission at the registered office. In this case, the threshold of the capital for the legitimation to submit lists, as indicated below, is reduced by one half.

- the presence in the list of one Alternate Auditor designated by minority Shareholders as a substitute, if required, for the Auditor also selected from a non-controlling shareholder list, should the latter no longer be in office;
- in the event that two or more lists obtain the same number of votes, the auditors in the list submitted by the Shareholder with the largest shareholding or, subordinately, the highest number of Shareholders, shall be deemed elected;
- shareholders who, alone or together with others, hold an equity investment, in ordinary shares, equal to the highest percentage identified in article 147-ter, paragraph 1 of the TUF, in respect of the provisions issued by Consob, can submit lists. Based on article 144-quater, paragraph 2 of the Issuers' regulation, the applicable percentage is 4.5% of the ordinary capital pursuant to the provisions set forth by Consob with its resolution 20273 of 24 January 2018;
- lists with a total number of candidates equal to or higher than three must be composed of candidates which belong to both genders, so that the least represented gender on the list totals at least one third (rounded up). This applies to standing as well as alternate auditors;
- in the event of the replacement of an Auditor, the replacing Alternate Auditor must belong to the same list as the departing Auditor, pursuant to the gender balance laws applicable from time to time.

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

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

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

The current Board of Statutory Auditors was appointed during the Shareholders' Meeting held on 19 June 2015 for 2015, 2016 and 2017, based on the list presented by Quattroduedue S.p.A., the majority shareholder, which with 45.75% of voting capital has de facto control over the Company. The current Board's term of office will end on the date of the Shareholders' Meeting held to approve the financial statements as at 31 December 2017.

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

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

To this end, it is hereby reiterated that currently, this percentage for Intek Group is equal to 4.5% pursuant to the aforementioned Consob resolution 20273 of 24 January 2018.

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

The names of all the members of the Board of Statutory Auditors in office during 2017 are listed below with a brief curriculum vitae, which is also available on the website www.itkgroup.it.

Marco Lombardi (Chairman)

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

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

Francesca Marchetti (Standing Auditor)

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

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

Alberto Villani (Standing Auditor)

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

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

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

Elena Beretta (Alternate Auditor)

Elena Beretta was born in 1969 and graduated in Economics and Business from the Università Cattolica del Sacro Cuore of Milan. She is a Registered Certified Public Accountant and Auditor and works in Milan, she works as advisor for multinational Italian and foreign industrial groups.

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

Andrea Zonca (Alternate Auditor)

Andrea Carlo Zonca was born in 1966 and graduated in Economics and Business from the Università Cattolica del Sacro Cuore of Milan. He is a Registered Certified Public Accountant and Auditor and works in Milan, especially in the commercial and corporate law sector, while he is also active in the bankruptcy field. He participates in Board meetings and meetings of the Board of Statutory Auditors of listed and unlisted companies.

* * * * * *

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

On appointment to the Board of Statutory Auditors, each member states that he/she is in possession of the professionalism and integrity requirements required by regulations and the Articles of Association and that he/she is not subject to any of the impediments listed in article 148 of TUF and undertakes to notify the Company within thirty days of any changes.

The Company has complied with the disclosure obligations pursuant to art. 123-Bis, par. 2, letter d-bis), on verification of the independence of the members of the Board of Statutory Auditors, despite the fact that it is included among the entities that are exempted from the regulation due to the non-applicability to it of two of the three parameters instrumental to this end (revenues of less than Euro 40 million and fewer than 250 employees).

The Board of Directors and the Board of Statutory Auditors verify that each of their members still qualifies as independent in accordance with the law and article 8.C.1 of the Code.

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

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

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

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

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

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

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

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

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

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

Furthermore, in this context, the Board of Statutory Auditors monitors the independence of the Independent Auditors.

In accordance with the provisions on remuneration, payments made to the Statutory Auditors are shown in the table drawn up in accordance with CONSOB provisions (or “Model 1” of Annex 3C of the Issuers’ Regulation) contained in the Report on Remuneration; they have been deemed to be commensurate with the commitment required, the relevance of the role, the size of the Company and the sector in which it operates.

During 2017, the Board of Statutory Auditors met 6 times (4 times in 2016); participation in the meetings by the members was 100% (as in the previous year). The average duration of the meetings of the Statutory Auditors was approximately 3 hours.

During this year, the Statutory Auditors met 2 times.

In 2017, at least one member of the Board of Statutory Auditors has participated in all the meetings of the Control and Risk Committee.

Participation in these meetings also provides the opportunity for coordinating information flows to the extent of the respective functions of the Board itself, the Head of Internal Control, the Director in charge, the Independent Auditors and the Executive Managers of the Company.

As mentioned elsewhere in this Report, the Company has not adopted policies to ensure diversity of the composition of its control bodies, as each individual chosen to fulfil these roles is assessed in relation to his or her education and experience.

* * * * * *

Below is a table showing the Director or Statutory Auditor positions held by each Statutory Auditor at 31 December 2017 in other joint-stock companies, partnerships limited by shares and limited liability companies.

Name	**Company**	**Office**
Marco Lombardi		
	Brandini S.p.A.	Chairman of the Board of Statutory Auditors
	Intek Group S.p.A. (2)	Chairman of the Board of Statutory Auditors
	KME Italy S.p.A. (1)	Standing Auditor
	RECS S.s. of Contraego 2 and Lombardi Piero	Standing Auditor
	IMI Fondi Chiusi SGR S.p.A.	Standing Auditor
	Fondazione Palazzo Strozzi	Alternate Auditor
	Fondazione Angeli del bello	Member of the Board of Auditors
Francesca Marchetti		
	Intek Group S.p.A. (2)	Standing Auditor
	Nuovi Investimenti SIM S.p.A.	Standing Auditor
	Festa Trasporti e Logistica Srl Unipersonale	Standing Auditor
Alberto Villani		
	Intek Group S.p.A. (2)	Standing Auditor
	AGB Nielsen M.R. Holding S.p.A.	Chairman of the Board of Statutory Auditors
	Bennet S.p.A.	Standing Auditor
	Bennet Holding S.p.A.	Standing Auditor
	Borgogestion Srl	Sole Director
	BTSR International S.p.A.	Chairman of the Board of Statutory Auditors
	Calvi S.p.A.	Member of the Board of Directors
	Compagnia Padana per Investimenti S.p.A.	Alternate Auditor
	Carcano Antonio S.p.A.	Standing Auditor
	De Longhi Capital Services Srl	Standing Auditor
	De Longhi Appliances Srl	Standing Auditor
	Effe 2005 Gruppo Feltrinelli S.p.A.	Standing Auditor

Finmeg Srl	Standing Auditor
Fratelli Consolandi Srl	Chairman of the Board of Statutory Auditors
Gallerie Commerciali Bennet S.p.A.	Standing Auditor
GCG Scarl in liquidazione	Liquidator
HDP S.p.A.	Chairman of the Board of Statutory Auditors
I2 Capital Partners SGR S.p.A. (1)	Chairman of the Board of Statutory Auditors
Immobiliare Andronica S.p.A.	Alternate Auditor
Impresa Luigi Notari S.p.A.	Alternate Auditor
Kiepe Electric S.p.A.	Standing Auditor
Lambda Stepstone Srl	Standing Auditor
Meg Property S.p.A.	Standing Auditor
Nuova GS S.p.A.	Standing Auditor
Over Light S.p.A.	Standing Auditor
Pamal Srl	Managing Director
Pirelli & C. SpA (2)	Standing Auditor
Quattroduedue SpA	Chairman of the Board of Statutory Auditors
Riva & Mariani Group SpA	Chairman of the Board of Statutory Auditors
Royal Immobiliare Srl	Sole Director
San Remo Games Srl	Sole Auditor
Selecta S.p.A.	Chairman of the Board of Statutory Auditors
Selecta Taas S.p.A.	Chairman of the Board of Statutory Auditors
SO.SE.A. Srl	Member of the Board of Directors
Tenuta Montemagno Soc. Agricola SpA	Chairman of the Board of Statutory Auditors
Vetus Mediolanum S.p.A.	Chairman of the Board of Statutory Auditors
Vianord Engineering SpAs	Member of the Board of Directors
Viator S.p.A. in liquidazione	Alternate Auditor

Elena Beretta		
	Carcano Antonio S.p.A.	Alternate Auditor
	Fratelli Consolandi Srl	Standing Auditor
	Impresa Costruzioni Grassi e Crespi Srl	Alternate Auditor
	Intek Group S.p.A. (2)	Alternate Auditor
	Lariohotels S.p.A.	Alternate Auditor
	Quattroduedue SpA	Standing Auditor
	Romeo Maestri & Figli S.p.A.	Alternate Auditor
	Selecta S.p.A.	Alternate Auditor
	Stips Italie S.p.A.	Alternate Auditor
	Tenuta Montemagno Soc. Agricola SpA	Alternate Auditor
	Viator S.p.A. in liquidazione	Alternate Auditor

Andrea Zonca		

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

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

(2) company listed in a regulated market.

15.Investor Relations

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

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

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

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

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

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

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

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

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

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

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

During 2017, the website www.itkgroup.it, which is available in Italian as well as in English, had over 35 thousand hits by over 23 thousand visitors with over 119,000 pages viewed. The peak of visits to the website concentrated in the period from 1 June to 30 June 2017.

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

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

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

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

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

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

The speed and procedures with which the information regarding the transactions that took place during 2017 were made available confirmed the soundness of this choice and the intention to increasingly focus in the future on communication, as well as organising and updating the Company's website, an element that is becoming more and more and strategic, in order to allow everyone, without any restrictions, to find information about the Company as broadly and fast as possible.

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

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

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

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

The Shareholders' Meeting now consists of those who have voting rights and whose communication, sent by authorised intermediaries, has reached the Company, pursuant to the provisions in force, on the basis of the accounting records relating to the end of the accounting day on the seventh day of trading prior to the date set for the Shareholders' Meeting on first call, and which has reached the Company within the legal deadlines.

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

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

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

During 2012, as part of the aforementioned provisions, the provisions of article 125-bis of the TUF regarding the preparation of Shareholders' Meetings notices were further amended.

In any case, it should be noted that the website www.itkgroup.it contains a specific area dedicated to corporate governance, which is constantly renewed and updated. For the Shareholders' Meetings, part of the website has been dedicated to the related documentation, including not only the documentation on the items on the Agenda but also that for the exercise of Shareholders' rights as envisaged by article 125-*quater* of the TUF, such as, for example, the form for proxy voting, the documentation for the appointment of the Appointed Representative, and that for voting by correspondence. The procedures to ask questions during a Shareholders' Meeting and how to ask for additions to be made to the Agenda are shown in the same area.

Regarding the provisions relative to the share deposit for participation in the Shareholders' Meeting, art. 11 (Attendance and representation at Shareholders' Meeting) of the Articles of Association implements the "record date" for all; in practice participation in the Shareholders' Meetings is now connected to the accounting entries as at the seventh day on which the market is open prior to the date set for the first calling of the Shareholders' Meeting.

Pursuant to the rules regarding the Shareholders' Meetings, the provisions were extended also to the special meetings of holders of other financial instruments issued by the Company which are traded on a regulated market, and therefore to holders of savings shares and bonds.

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

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

As a departure from the Code, the Company has decided to do without specific "Shareholders' Meeting Rules" due to the existence of the provisions of Chapter III of the Articles of Association, available on the Company's website in the Profile – Bylaws section.

Greater details on participation at the specific meeting and the right to ask questions can be found in the *Governance/Shareholders' Meetings* section with reference to upcoming Shareholders' Meetings.

Within this framework, article 12 (Chairmanship of the Shareholders' Meeting) of the Articles of Association expressly requires the Chairman of the Shareholders' Meeting to ensure the correctness of the proceedings by directing and regulating discussions and limiting the length of individual contributions.

Owners of saving shares or bonds are not entitled to participate in the meetings of the holders of ordinary shares or bonds.

Each share carries unrestricted voting rights (1 vote per share), notwithstanding the already indicated information regarding the multiple voting right as provided in the articles of association and unless otherwise provided by law.

During 2017, the following meetings were held: an ordinary and extraordinary Shareholders' Meeting on 23 June 2017, a special Meeting of Holders of Savings Shares on 13 July 2017 and, lastly, an ordinary Shareholders' Meeting on 18 December 2017.

In 2018, at the date of this report, no meeting has been held yet.

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

The Articles of Association contain provisions for the protection of the non-controlling shareholders in regard to the convening of the Shareholders' Meeting and additions to its Agenda (article 10), appointment of the Board of Directors (articles 17) and the Board of Statutory Auditors (article 22), in relation to the possibility of collecting voting proxies and the right to vote by correspondence (article 11) and the disclosure obligations of the Executive Directors to the other directors and the Board of Statutory Auditors (articles 14 and 18) and the Common Representative of Savings Shareholders (article 26).

In particular, Articles 17 (Appointment and composition of the Board of Directors, and duration of the office of its members) and 22 (Board of Statutory Auditors) were amended in 2007, with the introduction of the voting list method for minorities and in 2014, by adaptation thereof to the regulations on gender balance insofar as the composition of the administration and control bodies, as introduced by law 120/2011.

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

It should be noted that the provisions which became effective in 2012 require that the notice indicate the deadline by which questions can be put forward prior to the meeting, and that this deadline cannot be earlier than three days prior to the Shareholders' Meeting on the first or single call or five days if the notice provides for that the Company will give a response prior to the meeting. In this case, the answers must be provided at least two days prior to the meeting, including through publication in the special section of the Company's website.

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

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

The extraordinary Shareholders' Meeting of 19 June 2015 introduced articles 11,11-bis, 11-ter and 11-quater, establishing the increased voting right for Shareholders that are eligible pursuant to the requirements set by the law that so request by registering the in the special register that the Company has established. Two shareholders are currently registered.

Additions to the Agenda and presentation of new resolution proposals

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

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

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

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

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

Request to call Shareholders' Meeting

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

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

17.Other Corporate Governance Issues

Internal Dealing Code

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

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

A description of the procedure is available in a specific section of www.itkgroup.it, which also includes a list of all transactions concerned.

In accordance with the provisions on remuneration, the equity investments held in the Company and its subsidiaries by the Directors, Statutory Auditors and also Group and Company Key management personnel are disclosed in the Report on Remuneration, to which reference should be made.

Personal data protection

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

Intek Group has mandated a specialised operator to review and establish the protections and compliance procedures for the new European Regulation on the protection of personal data which will enter into effect from May 2018.

18.Changes after the year end

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

19.Considerations on the letter from the Chairman of the Corporate Governance Committee of 13 December 2017

- *Opportunity to ensure full transparency with regard to the promptness, clarity and usability of the pre-meeting information:* as already indicated in the specific section of the report, the meetings of the Board of Directors are preceded by ample information which is provided to all eligible individuals, in relation to the issues on the agenda, in compliance with the restrictions and limitations placed by the laws in effect from time to time.
- *Clarity and completeness of the remuneration policies*: as previously illustrated, the policy adopted by the Company favours the creation of value for the shareholders, instead of merely referring to performance results which do not reflect the mission of the Company and the group as investment entities.
- *Establishment and function of the nominations committee*: to this end, given the contained size of the Company and the particular shareholder structure, Intek has opted not to establish a Nomination Committee, as it considers that the functions such a committee would carry out are already exhaustively covered by the voting mechanisms pursuant to the articles of association and through the appointment of the administrative and control bodies.

- *Other governance areas which could be improved in terms of quality:* to this end, we note the following

    i. succession plans for the executive directors: as previously mentioned, the Company did not consider it necessary to adopt a succession plan for executive directors, though in the future this decision could be revised, as necessary.

    ii. quality of the independent directors: the Intek Group independent directors have always been selected on the basis of their high professional standing and their education and experience;

    iii. Content of the board review: the board review activity has been pursued through the preparation and examination of a questionnaire addressed to all the directors, the results of which have been disclosed elsewhere in this report.

TABLE 3

Structure of the Board of Directors and its Constituent Committees

BOARD OF DIRECTORS													CONTROL AND RISK COMMITTEE		REMUNERATION COMMITTEE (***)	
Office	**Members**	**Year of birth**	**Date of first appointment ***	**Serving from**	**Serving until**	**List ****	**Executive**	**Non-executive**	**Independent as per Code**	**Independent as per TUF**	**Attendance: (*)**	**Number of other positions *****	**(**)**	**Attendance: (*)**	**(**)**	**% (*)**
Chairman	**Vincenzo Manes**	**1960**	**14.02.2005**	**19.06.2015**	**31.12.2017**	**M**	**X**				**7/7**	**6**				
Deputy Chairwoman	**Diva Moriani**	**1968**	**27.04.2005**	**19.06.2015**	**31.12.2017**	**M**	**X**				**7/7**	**5**				
Director	**Marcello Gallo**	**1958**	**14.02.2005**	**19.06.2015**	**31.12.2017**	**M**		**X**			**6/7**	**3**				
Director	**Giuseppe Lignana**	**1937**	**12.01.2005**	**19.06.2015**	**31.12.2017**	**M**		**X**	**X**	**X**	**7/7**	**1**	**C**	**5/6**		
Director	**James Macdonald**	**1951**	**30.04.2013**	**19.06.2015**	**31.12.2017**	**M**		**X**			**7/7**	**1**				
Director	**Ruggero Magnoni**	**1951**	**31.05.2016**	**31.05.2016**	**31.12.2017**	**M**		**X**			**7/7**	**5**				
Director	**Alessandra Pizzuti**	**1962**	**19.06.2015**	**19.06.2015**	**31.12.2017**	**M**		**X**			**7/7**	**1**				
Director	**Luca Ricciardi**	**1973**	**30.04.2013**	**19.06.2015**	**31.12.2017**	**M**		**X**	**X**	**X**	**7/7**	**1**	**M**	**6/6**		
Director	**Franco Spalla**	**1952**	**30.04.2013**	**19.06.2015**	**31.12.2017**	**M**		**X**	**X**	**X**	**7/7**	**3**	**M**	**6/6**		
------DIRECTORS WHO CEASED TO HOLD OFFICE DURING THE YEAR-----																
==	==	==	==	==	==	==	==	==	==	==	==	==	==	==		

Number of meetings held during the year	***Board of Directors: 7***	***Control and Risk Committee: 6***	***Remuneration Committee: n/a***
Indicate the quorum required for presentation of lists by the minority shareholders for election of one or more members (pursuant to art. 147 ter of the TUF): 4.5%			

Notes

Attendance at meetings for which minutes were taken is reported in the table. It should be remembered that all the member of the Committees and those invited at the meetings, regardless of whether or not they actually attend, receive documentation and information regarding items on the Agenda with due notice, and take part in their discussion in preparation for the passing of resolutions.

*** Date of first appointment for each Director means the date on which the Director was appointed for the first time (in an absolute sense) by the Issuer's BoD.**

**** This column indicates the list from which each Director was selected ("M" majority list; "m" minority list; "BoD" list presented by the BoD).**

***** This column indicates the number of positions as Director or Statutory Auditor held by the person concerned in other companies listed on regulated markets, in Italy or abroad, as well as in financial, banking, insurance or other companies of considerable size. The Report includes the list of these companies with reference to each Director, specifying whether or not the company in which the position is held is part of the Group of which the Issuer is the parent or part.**

(*) This column indicates the attendance of directors at the meetings of the Board and the committees, respectively (no. of attendances/no. of meetings held during the effective term of office of the person concerned).

(**) This column indicates the position of the Director within the Committee: "C" if Chairman; "M" if a member.

(***) The committee is no longer established pursuant to the resolution of the BoD on 19 June 2015.

TABLE 4

Structure of the Board of Statutory Auditors

BOARD OF STATUTORY AUDITORS

Office	Members	Year of birth	Date of first appointment *	Serving from	Serving until	List **	Independence as per Code	Attendance : ***	Number of other positions ****
Chairman	Marco Lombardi	1959	01.09.2008	19.06.2015	31.12.2017	M	x	6/6	3
Standing Auditor	Francesca Marchetti	1963	28.06.2012	19.06.2015	31.12.2017	M	x	6/6	2
Standing Auditor	Alberto Villani	1962	30.04.2013	19.06.2015	31.12.2017	M	x	6/6	3
Alternate Auditor	Elena Beretta	1969	19.06.2015	19.06.2015	31.12.2017	M	x	==	==
Alternate Auditor	Andrea Zonca	1966	30.04.2013	19.06.2015	31.12.2017	M	x	==	==

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

Number of meetings held during the year: 6
Indicate the quorum required for presentation of lists by the minority shareholders for election of one or more members (pursuant to art. 148 of the TUF): 4.5%

Notes

* Date of first appointment for each Director means the date on which the Director was appointed for the first time (in an absolute sense) by the Issuer's Board of Statutory Auditors.

** This column indicates the list from which each Auditor was selected ("M" majority list; "m" minority list).

*** This column indicates the participation of the statutory auditors in the meetings of the Board of Statutory Auditors (no. of attendances during the period during which the individual was in office)

****** This column indicates the number of positions as director or statutory auditor held by the person concerned which are relevant under article 148 bis of the TUF and the relative implementing provisions contained in the Consob Issuers' Regulations. The complete list of offices is published by Consob on its own website pursuant to article 144-quinquiesdecies of the Consob Issuers' Regulation.**

TABLE 5

Other provisions of the Corporate Governance Code

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

Are the internal control officers independent of the heads of operational department?	x		
Organisational unit in charge of internal control (pursuant to article 9.3 of the Code)	x		Head of Internal Control
Investor relations			
Has the Company appointed a Head of Investor Relations?		x	Day to day activities supported by the relevant corporate units
Organisational unit and contact details (address/telephone/fax/e-mail) of the Head of Investor Relations		x	The contacts and e-mails to be used for any requests by shareholders and third parties are indicated in this report and on the website

INTEK GROUP

REPORT ON REMUNERATION
YEAR 2017

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

Board of Directors
of 28 March 2018

Registered and Administrative Office:
20121 Milan - Foro Buonaparte, 44
Share capital Euro 335,069,009.80 fully paid-up
Tax Code and Companies Register of Milan no. 00931330583

www.itkgroup.it

Dear Shareholders,

For the purpose of increasing the involvement of the shareholders in its determination and strengthening its transparency and coherence, the issue of the remuneration of the members of the corporate bodies has undergone significant legislative interventions. Legislative Decree 259 of 30 December 2010 amended Legislative Decree 58 of 24 February 1998 (hereinafter the "TUF") by introducing article 123-ter which provides for the preparation of the “Report on Remuneration” (hereinafter "the Report").

The "Report on Remuneration" shall be approved by the Board of Directors, prepared in accordance with Annex 3A, Scheme no. 7 bis of the Issuers' Regulation, filed with the Company’s registered offices and published on its website at least 21 days prior to the Shareholders’ Meeting held to approve the annual financial statements. Then, the Shareholders’ Meeting shall resolve on a specific agenda item, expressing a non-binding vote in favour of or against Section I of the Report as identified herein. The outcome of the vote is disclosed in a specific section of the Company's website www.itkgroup.it.

In preparing this Report, the Company adhered to the indications set forth in Consob resolution 18049 of 23 December 2011, which had added article 84-quater to the Consob Resolution 11971 of 14 May 1999 (the "**Issuers' Regulation**") and followed the format required therein for the preparation of this document.

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

- **Section I**

focusing on the policy adopted by the Company regarding remuneration of the Board of Directors’ members, the General Managers and Key executives as well as on the adopted procedures and the implementing terms and conditions;

- **Section II**

focusing on an analytical presentation of the remuneration paid to Directors, Statutory Auditors, General Managers and Key executives, including through the use of specific tables.

The Report includes all information on the remuneration of Directors, General Managers, Key executives and of the Board of Statutory Auditors as well.

We hereby reiterate that the Company complies with the Corporate Governance Code (hereinafter the “**Code**”) approved by the Corporate Governance Committee: therefore, this report has been prepared also in compliance with article 6 of the aforementioned Code, where applicable.

Following past practice and the guidelines provided in the layout document issued by Borsa Italiana S.p.A. (VII edition, January 2018) concerning the “Report on corporate governance and ownership structure"(“**Report on Governance**”), disclosure required by the Corporate Governance Code was included in this Report in order to avoid providing duplicate information. Mention has been given in the aforementioned Report, as well.

Again, in accordance with the aforementioned indications, the "Report on Governance " and the " Report on Remuneration " are available also from the registered office of the Company and the governance section of the website www.itkgroup.it. Due to their respective contents and the numerous reciprocal overlapping, it is recommended that they be read and examined jointly.

This "Report on Remuneration" was approved by the Board of Directors in the meeting held on 28 March 2018.

1 Section I

1.1 Introduction

Beginning from 2013, with the conclusion of the merger of Intek S.p.A. into KME Group S.p.A (now the "**Intek Group S.p.A**") (hereinafter the **"Merger**"), Intek Group S.p.A. (hereinafter also "**Intek Group**" or the "**Company**") has redefined its strategic mission, approach to the market and the new governance structure.

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

The Company makes and manages investments with a medium to long term time horizon, with the objective of creating and maintaining a flexible portfolio of assets. Shorter investment cycles are preferred compared to the past, which result in faster cash generation.

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

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

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

1.2 Intek Group *Governance*

1.2.1 Corporate bodies

Following the decisions made by the Shareholders' Meeting held on 19 June 2015, the Company's Board of Directors and the Board of Statutory Auditors are composed as follows as at the date of this Report:

Board of Directors

Members	Position held in the Board of Directors	Positions held in Committees	
		Remuneration Committee (2)	Control and Risk Committee
Vincenzo Manes	**Executive Chairman**		
Diva Moriani	**Executive Deputy Chairwoman**		
Marcello Gallo	**Director**		
Giuseppe Lignana	**Independent Director**		**√ (Chairman)**
James Macdonald	**Director**		
Ruggero Magnoni (1)	**Director**		
Alessandra Pizzuti	**Director**		
Luca Ricciardi	**Independent Director**		√
Franco Spalla	**Independent Director**		√

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

(2) This Committee is no longer in existence since 19 June 2015.

Board of Statutory Auditors

Members	Office held on the Board
Marco Lombardi	Chairman
Francesca Marchetti	Standing Auditor
Alberto Villani	Standing Auditor
Andrea Zonca	Alternate Auditor
Elena Beretta	Alternate Auditor

Key executives

In 2017, just as in 2015 and 2016, only Vincenzo Manes and Diva Moriani were considered as key Intek Group executives; the strategic executives in office at the investee companies are not considered as "key executives" for the purposes of this report, as these companies are considered to be investments and are therefore not instrumental to the operations of the Company.

1.2.2 The corporate bodies involved in the preparation of remuneration policies and relevant procedures

The mandate of the Remuneration Committee expired at the Shareholders' Meeting held on 19 June 2015, which approved the financial statements for the year ended 31 December 2014. The Company's Board of Directors, appointed by this Shareholders' Meeting, decided not to re-establish the Remuneration Committee pursuant to art. 6 of the Borsa Italiana Corporate Governance Code, which considered that specifically for Intek Group, the duties incumbent upon the Remuneration Committee as required by the Code (see Criterion 6.C.5) could be satisfactorily carried out directly by the Board of Directors.

In 2017 as well, it was believed that the administrative body in its entirety is the entity that is able to adequately and efficiently identify and set the incentive criteria (which are connected to the valuation of the assets as indicated above), based on which the variable component of the remuneration of the Executive Directors and Key executives can be calculated, and it is also the appropriate entity for ensuring achievement of the pre-set objectives.

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

The remuneration policy applicable to the Executive Directors and the remuneration criteria of the Key executives was approved by the Board of Directors, after being examined by the Board of Statutory Auditors.

The Board of Directors also has the option of working with at least two Independent Directors in order to address specific queries or to analyse issues that refer to the remuneration of Executive Directors which are from time to time significant. The opinions of such directors may be discussed within the Board of Directors.

The Board of Directors initiates the activities and duties related to remuneration, as these are set forth in the Code, under article 6.C.5

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

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

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

1.2.3 The Remuneration Committee: role, composition and activities

As indicated under point 1.2.2. above, in its meeting of 19 June 2015, the Board of Directors decided not to re-establish the Remuneration Committee, the mandate of which expired on that day. During that same meeting, the Board of Directors resolved that the duties set by the Corporate Governance Code for the Remuneration Committee could be performed by the Board of Directors directly.

Notwithstanding the responsibility of the Board of Directors insofar as the determination of the remuneration of the executive directors, as described previously, as no Remuneration Committee has been established, the Board has attributed to the Control and Risks Committee the specific responsibilities regarding the remuneration of the corporate bodies and the key executives, as provided by the regulations governing related party transactions, which the relative procedure was adapted to.

1.3 General Remuneration Policy Principles

1.3.1 The objectives of the remuneration policy and its changes

In its meeting held on 5 August 2015, and with the opinion in favour of the Board of Statutory Auditors and the Control and Risk Committee, the Board of Directors officially approved its remuneration policy for 2015. It was applied for 2016 as well.

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

In its meeting of 28 March 2018, the Board of Directors expressed its opinion on the remuneration policy for the three-year period from 2018-2020, modifying the criteria thereof as described below.

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

It contributes to attracting and maintaining high-level professional skills and to aligning individual targets and conduct to the Group's medium to long-term strategies and plans.

The overall remuneration structure is based on the following principles:

- a balanced formulation;
- adequate balance between fixed and variable components of remuneration. The variable component shall not be predominant and shall envisage maximum limits. Particular attention shall be paid to the fixed component of remuneration, in order to retain professional skills, in line with the role covered, the responsibilities assumed and in order to maintain positive results in the future; it is sufficient for remuneration of the service even if the variable component has not been provided;
- appropriate variable remuneration, based on medium to long-term goals and not simply on short-term initiatives. The connection between remuneration and performance shall be based on pre-set, measurable parameters linked to both quantitative and qualitative assessments, taking under consideration the risk management policy adopted by the Company;
- focusing on the creation of value for Shareholders over the medium to long-term.

Generally, the remuneration of the Directors and Key executives is set at a level to attract, maintain and motivate the persons with the professional skills required to successfully manage the company.

With regard to Principle 6.P.2 of the Code, it is hereby specified that, due to the Company's consolidated operating (business) and organisational strategies, the incentive schemes for Executive Directors and Key executives are linked exclusively to the realization of extraordinary transactions by the Company and its subsidiaries and are therefore based on the creation of "value" as opposed to the past when emphasis was placed on performance and/or profitability objectives of the individual subsidiaries.

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

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

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

1.3.2 The remuneration policies for Directors and Key executives

1.3.2.1 Members of the Board of Directors

The Intek Group remuneration policy defines the guidelines which the Board of Directors complies with in order to determine both the fixed and variable remuneration of the Board members, specifically Directors with specific mandates and Key executives.

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

In the event that payment pursuant to article 8 of the Articles of Association is granted, the amounts received as fixed fees are considered as an advance of the aforementioned payment.

Article 21 allows the Shareholders' Meeting the possibility to provide Directors with a fixed fee. Pursuant to art. 21 of the Company's Articles of Association, on 19 June 2015 the Shareholders' Meeting granted an annual fixed compensation of 15,000 to each Board member for the three year-period 2015, 2016 and 2017, increased by 50% for those sitting in appointed Committees.

The fixed compensation for the three-year period from 2018 to 2020 will be set at the next shareholders' meeting which will also be called to appoint the new Board of Directors.

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

1.3.2.2 Executive Directors

Fixed component

Executive Directors receive a fixed amount based on the responsibilities and skills required for their office. The amount is set by the Board of Directors, after it has heard the opinion of the Board of Statutory Auditors.

In its meeting of 5 August 2015, the Board of Directors resolved to allocate to the Chairman Vincenzo Manes and Deputy Chairwoman Diva Moriani a fixed remuneration of Euro 700,000 and Euro 100.000 per annum, respectively, for the period from 19 June 2015 until the Shareholder's Meeting date set for the approval of the financial statements for the period ended 31 December 2017.

Variable Component

With reference to the three-year period 2015-2017, the measurement criteria for the variable component of the remuneration of the Executive Directors and the Key executives were set on the basis of the capital gains realised in relation to the disposal of the equity investments and/or assets in the Company's portfolio.

No variable annual remuneration is therefore provided, but the variable component of the Executive Directors should be due from the Company only if <u>capital gains are secured from the sale of equity investment and/or portfolio assets</u>.

Upon conclusion of these sales, the Board of Directors should have assessed the transactions themselves by defining the variable portion payable to the Executive Directors, if applicable.

This remuneration had to be set between a comprehensive range from <u>0.50% to 2% of the capital gains realised</u>, for all Executive Directors. The Board of Directors would have established, on a case by case basis, the specific percentage falling within that range and the distribution between the entitled individuals, based on their contribution to securing the capital gain.

In any case, regardless of the amount of the net profit gained, the Executive Directors should not have received any amount above Euro 4,000,000.00 per individual transaction.

The variable component of the remuneration could have been paid to the Executive Directors as follows: 50% upon securing the capital gain; 50% within two years of the realisation of the gain or in any case upon conclusion of the period during which any guarantees issued by the Company covering the purchasers are in effect or upon conclusion of any disputes relative to the sale. The payment of the balance would have been decreased proportionally to the guarantees paid to the purchasers, or the outcome of disputes with purchasers regarding such sales, resulting in decreased capital gains for the Company.

In addition, we had expected that the Board of Directors might also determine cases in which the Executive Director lost the right to receive the variable component, which is recognised by the Company, but not yet disbursed, in the event that that Director is no longer in office or is no longer connected with the Company.

In the three-year period from 2015 to 2017, no variable compensation had been paid to the executive directors.

For the years 2018, 2019 and 2020, the variable component of the executive directors and the key executives will be determined exclusively as follows:

(i) in the event of disposals of equity investments and/or assets held in the portfolios of the Company or its investees: based on the consideration agreed between the parties, net of the selling expenses, the Board of Directors will assess the transactions and exactly determine the variable portion to be paid to the Executive Directors, in each specific case. This total remuneration will normally fall between 1.5% and 3% of the consideration, net of the selling expenses. The Board of Directors will establish, on a case by case basis, the specific percentage and the distribution between the entitled individuals, based on their contribution to completing the transaction. Moreover, the variable remuneration which will be paid on a deferred basis will not exceed 20% thereof, as will be determined by the Board of Directors from time to time, and may be paid at the end of the period during which any guarantees issued by the Company to the buyers continue to be in effect or upon conclusion of any disputes relative to the sale. The percentage above may be reduced based on the weighting of the guarantees given. It is understood that the payment of the balance will be decreased proportionally to the guarantees paid to the purchasers, or the outcome of disputes with purchasers regarding such sales, resulting in decreased consideration collected. The Board of Directors shall nevertheless retain the power to determine extraordinary variable remuneration, in the event of particularly significant transactions, including remuneration that exceeds the parameters indicated above;

(ii) in the event of acquisitions of equity investments and/or assets by the Company or its investees: from time to time, the Board of Directors will determine the characteristics of a transaction (based on the terms and conditions thereof, its strategic significance, the consideration paid and any further parameters that the Board of Directors considers to be appropriate) and depending on whether the transaction itself is such that extraordinary compensation to the Executive Directors that constructed, negotiated and concluded it, is warranted. In this case, the Board of Directors will also set the payment terms, any portion of the remuneration that is to be deferred and the cases pursuant to which the Company will not pay all or part of the deferred amounts.

In addition to the above, no other annual variable form of remuneration is envisaged, except if the Board of Directors decides otherwise based on extraordinary circumstances.

The Board of Directors may also determine cases in which the Executive Director loses the right to receive the variable component, which is recognised by the Company, but not yet disbursed, in the event that that Director is no longer in office or is no longer connected with the Company.

The Board of Directors may also examine whether it is expeditious to pay up to 50% of the variable portion of the remuneration in the form of Company shares or with shares of one of the latter’s investees. In this case as well, the assignment of the shares may be deferred and the actual delivery thereof may be subject to the Director or Key Executive being in office at that time, unless he or she left the office under “good leaver” status.

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

This instrument, to be coordinated with the variable component already provided could make it possible to align the interests of the management with those of the medium to long-term shareholders and balance the objectives achieved with the variable remuneration, which aim to increase the creation of value for shareholders connected to the realization of extraordinary transactions.

Non-monetary benefits

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

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

In the three-year period from 2015-2017, no End of Mandate (EOM) compensation was paid to the Directors. Moreover, no compensation/indemnity was paid pursuant to "non-competition agreements" nor were any non-monetary benefits maintained or consultancy contracts concluded following the termination of the relationship.

1.4 The components of top management's remuneration

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

Other information

In the preparation of the remuneration policy, the Company:

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

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

Resolution proposal

Pursuant to the above, in compliance with the provisions herewith attached, we propose the following:

"The ordinary Shareholders' Meeting of INTEK Group S.p.A. held in Milan, Via Filodrammatici n. 3, at Mediobanca S.p.A.'s offices,

- *having acknowledged the "Report on Remuneration" prepared by the Board of Directors, pursuant to article 123-ter of Legislative Decree 58 of 24 February 1999,*

resolves

to approve on a consultation basis the "First Section" of the "Report on Remuneration" prepared pursuant to the aforementioned legal provisions."

Milan, 28 March 2018

Board of Directors

2 Section II

2.1 Part one: Information on the remuneration items

2.1.1 The Board of Directors

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

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

Article 21 allows the Shareholders’ Meeting the possibility to provide Directors with a fixed fee. Pursuant to art. 21 of the Company’s Articles of Association, on 19 June 2015 the Shareholders’ Meeting has granted an annual fixed compensation of 15,000 to each Board member for the three year-period 2015, 2016 and 2017, increased by 50% for those sitting in appointed Committees.

2.1.1.2 Remuneration of Directors with specific powers

As already mentioned, the remuneration of Executive Directors is decided by the Board of Directors, after hearing the Board of Statutory Auditors; Executive Directors are the Chairman Vincenzo Manes, the Deputy Chairwoman Diva Moriani.

In its meeting of 5 August 2015, the Board of Directors resolved to allocate to the Chairman Vincenzo Manes a fixed remuneration of Euro 700,000 per annum for the period from 19 June 2015 until the Shareholder’s Meeting date set for the approval of the financial statements for the period ended 31 December 2017. The Deputy Chairwoman Diva Moriani was attributed a fixed remuneration of Euro100,000 per annum for the same period.

The Executive Directors did not receive any variable remuneration in 2017.

2.1.1.3 Remuneration of Non-Executive Directors within Committees

The remuneration of Non-Executive Directors is supplemented due to their involvement in the Committees (increased by 50%).

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

2.1.2 Remuneration of Key executives and other Managers

Currently, the Company has not identified other Key executives.

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

- the Managers in charge of internal control do not receive any specific fixed compensation for carrying out their duties;
- the Manager in charge of financial reporting does not receive any additional remuneration for this office.

2.1.3 Stock option plan

Currently, there are no incentive plans and therefore no long-term variable remuneration is in effect.

2.1.4 The Board of Statutory Auditors

The remuneration of the Chairman of the Board of Statutory Auditors and the two Standing Auditors was determined on an annual basis and for the entire term of office (2015-2016-2017) by the Shareholders’ Meeting upon appointment.

For the sake of completeness, it should be noted that regarding fulfilment of the independence requirement for the members of the Board of Statutory Auditors, the “essential situations” of the individual relations between the Statutory Auditors and the Group (the overall existing economic relations) are taken into consideration; to this end, reference should be made to the paragraph on the Board of Statutory Auditors in the Report on Corporate Governance.

2.2 Part two: Tables

2.2.1 Fees paid to Directors

The breakdown of fees paid to Directors in 2017, including subsidiaries' Directors, is shown in the table below which has been prepared pursuant to CONSOB provisions ("Scheme no. 7 bis" – Table 1 – included in Annex 3A of the Issuers' Regulation).

Fees paid to the members of the Boards and the Key executives

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	**Office**	**Period of office**	**In office until**	**Fixed remuneration**	**Remuneration for membership in committees (*)**	**Non equity variable remuneration**		**Non monetary benefits**	**Other remuneration**	**Total**	***Fair Value of equity remuneration***	**Termination benefits**
						Bonuses and other incentives	**Profit share**					
Vincenzo Manes (1)	*Chairman*	*01/01/2017 - 31/12/2017*	*Approval of 2017 fin. stat.*									
(I) Remuneration from the company preparing the fin. statements				715,000	-	-	-	20,399	-	735,399	-	-
(II) Remuneration from subsidiaries and affiliates				406,025	-	-	-	-	-	406,025	-	-
(III) Total				1,121,025	-	-	-	20,399	-	1,141,424	-	-
Diva Moriani (2)	*Deputy Chairwoman*	*01/01/2017 - 31/12/2017*	*Approval of 2017 fin. stat.*									
(I) Remuneration from the company preparing the fin. statements				115,000	-	-	-	-	-	115,000	-	-
(II) Remuneration from subsidiaries and affiliates				483,755	-	-	-	5,893	-	489,648	-	-
(III) Total				598,755	-	-	-	5,893	-	604,648	-	-
Marcello Gallo (3)	*Director*	*01/01/2017 - 31/12/2017*	*Approval of 2017 fin. stat.*									
(I) Remuneration from the company preparing the fin. statements				15,000	-	-	-	-	-	15,000	-	-
(II) Remuneration from subsidiaries and affiliates				451,678	-	-	-	5,680	-	457,358	-	-
(III) Total				466,678	-	-	-	5,680	-	472,358	-	-
Giuseppe Lignana (*) (4)	*Director*	*01/01/2017 - 31/12/2017*	*Approval of 2017 fin. stat.*									
(I) Remuneration from the company preparing the fin. statements				16,200	7,500	-	-	-	-	23,700	-	-
(II) Remuneration from subsidiaries and affiliates				-	-	-	-	-	-	-	-	-
(III) Total				16,200	7,500	-	-	-	-	23,700	-	-
James McDonald (5)	*Director*	*01/01/2017 - 31/12/2017*	*Approval of 2017 fin. stat.*									
(I) Remuneration from the company preparing the fin. statements				18,000	-	-	-	-	-	18,000	-	-
(II) Remuneration from subsidiaries and affiliates				-	-	-	-	-	-	-	-	-
(III) Total				18,000	-	-	-	-	-	18,000	-	-
Ruggero Magnoni	*Director*	*01/01/2017 - 31/12/2017*	*Approval of 2017 fin. stat.*									
(I) Compensi nella società che redige il bilancio				15,000	-	-	-	-	-	15,000	-	-
(II) Compensi da controllate e collegate				-	-	-	-	-	-	-	-	-
(III) Totale				15,000	-	-	-	-	-	15,000	-	-
Alessandra Pizzuti (6)	*Director*	*01/01/2017 - 31/12/2017*	*Approval of 2017 fin. stat.*									
(I) Remuneration from the company preparing the fin. statements				17,400	-	-	-	-	-	17,400	-	-
(II) Remuneration from subsidiaries and affiliates				146,689	-	-	-	4,554	-	151,243	-	-
(III) Total				164,089	-	-	-	4,554	-	168,643	-	-
Luca Ricciardi	*Director*	*01/01/2017 - 31/12/2017*	*Approval of 2017 fin. stat.*									
(I) Remuneration from the company preparing the fin. statements				15,000	-	-	-	-	-	15,000	-	-
(II) Remuneration from subsidiaries and affiliates				-	-	-	-	-	-	-	-	-
(III) Total				15,000	-	-	-	-	-	15,000	-	-
Franco Spalla (*) (7)	*Director*	*01/01/2017 - 31/12/2017*	*Approval of 2017 fin. stat.*									
(I) Remuneration from the company preparing the fin. statements				17,400	7,500	-	-	-	-	24,900	-	-
(II) Remuneration from subsidiaries and affiliates				-	-	-	-	-	-	-	-	-
(III) Total				17,400	7,500	-	-	-	-	24,900	-	-
Other key executives												
(I) Remuneration from the company preparing the fin. statements				-	-	-	-	-	-	-	-	-
(II) Remuneration from subsidiaries and affiliates				-	-	-	-	-	-	-	-	-
(III) Total				-	-	-	-	-	-	-	-	-

Notes

(1) Euro 15,000 for the fixed remuneration decided upon by the Shareholders' Meeting, Euro 700,000 for the office of Chairman of Intek Group S.p.A.
Euro 150,000 for the office of Chairman of I2 Capital Partners SGR S.p.A., Euro 5,000 for the office of Director of I2 Capital Partners SGR S.p.A.
Euro 124,998 for membership in the KME A.G. Vorstand, Euro 126,078 for sitting in the Supervisory Board of KME AG.
The non-monetary benefits (Euro 20,399) are paid for the function of Intek Group S.p.A. Chairman.

(2) Euro 15,000 for the fixed remuneration decided upon by the Shareholders' Meeting, Euro 100,000 for the office of Deputy Chairman of Intek Group S.p.A.
Euro 126,982 for membership in the KME A.G. Vorstand, Euro 73,973 for sitting in the Supervisory Board of KME AG and Euro 25,000 for membership in the KME Germany Bet GmbH Vorstand.
Euro 252,800 for the function of KME S.r.l. Manager (including Euro 2,800 for lump-sum reimbursements) and Euro 5,000 for remuneration for the position of Director of ErgyCapital S.p.A.
The non-monetary benefits (Euro 5,895) are paid for the function of KME Srl Manager.

(3) Euro 15,000 as fixed remuneration decided upon by the Intek Group S.p.A. Shareholders' Meeting.
In I2 Capital Partners SGR: Euro 241,678 for the office of manager, Euro 50,000 for the office of CEO and Euro 5,000 for the office of director.
Euro 100,000 as one-off compensation for the office of chairman and director of Intek Investimenti Srl.
Euro 30,000 for the membership on the KME A.G. Supervisory Board, Euro 25,000 for the membership on the KME Germany Bet GmbH Supervisory Board.
The non-monetary benefits (Euro 5,680) are paid for the function of I2 Capital Partners SGR SpA. Manager.

(4) Euro 15,000 as fixed remuneration decided upon by the Intek Group S.p.A. Shareholders' Meeting, in addition to attendance fees of Euro 1,200.

(5) Euro 15,000 as fixed remuneration decided upon by the Intek Group S.p.A. Shareholders' Meeting, in addition to attendance fees of Euro 3,000.

(6) Euro 15,000 as fixed remuneration decided upon by the Intek Group S.p.A. Shareholders' Meeting, in addition to attendance fees of Euro 2,400.
Euro 94,210 as Manager in KME Srl (including Euro 1,210 for lump-sum reimbursements). Euro 25,000 for the membership on the KME A.G. Supervisory Board, Euro 25,000 for the membership on the KME Germany Bet GmbH Supervisory Board.
Euro 5,000 as ErgyCapital SpA. Director.
The non-monetary benefits (Euro 4,554) are paid for the function of KME Srl Manager.

(7) Euro 15,000 as fixed remuneration decided upon by the Intek Group S.p.A. Shareholders' Meeting, in addition to attendance fees of Euro 2,400.

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

2.2.2 Stock Options

As already indicated above, there are no longer any instruments of this type.

Stock options granted to members of the administrative body, general managers and other key executives

			Options held at the beginning of the year			Options assigned during the year						Options exercised during the year			Options expired during the year	Options held at the end of the year	Options for the year
(A)	(B)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15) = (2) + (5) - (11) -(14)	(16)
Name and surname	Office	Plan	Number of options	Exercise price	Possible exercise period (from - to)	Number of options	Exercise price	Possible exercise period (from - to)	Fair value at the grant date	Grant date	Market price of the underlying shares at the grant date	Number of options	Exercise price	Market price of the underlying shares at the reporting date	Number of options	Number of options	Fair value

2.2.3 Monetary incentives plan

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

In 2017, no bonuses accrued to the directors with strategic responsibilities, nor were bonuses paid related to previous years.

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

(A)	(B)	(1)	(2)			(3)			(4)
Name and surname	**Office**	**Plan**	**Bonus for the year**			**Bonus of previous years**			**Other bonuses**
			(A)	**(B)**	**(C)**	**(A)**	**(B)**	**(C)**	
			Payable/Paid	**Deferred**	**Reporting period**	**No longer payable**	**Payable/Paid**	**Still deferred**	
(I) Remuneration from the company preparing the fin. statements			-	-	-	-	-	-	-
(II) Remuneration from subsidiaries and affiliates			-	-	-	-	-	-	-
(III) Total			-	-		-	-	-	-

2.2.4 Investments held by members of the administrative and control bodies and Key executives

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

Investments held by Directors and Key executives

Name and surname	Office	Investee	Number of shares held at the end of 2016	Number of shares purchased during 2017	Number of shares sold during 2017	Number of shares held at the end of 2017
Marcello Gallo	Director	Intek Group SpA - Ordinary shares	835,931	-	-	835,931
		Intek Group SpA - Savings shares	7,530	-	-	7,530
Luca Ricciardi	Director	Intek Group SpA - Savings shares	121,081	-	-	121,081

2.2.5 Remuneration of the Board of Statutory Auditors

The breakdown of fees paid to the Board of Statutory Auditors in 2017, including subsidiaries' Directors, is shown in the table below which has been prepared pursuant to CONSOB provisions ("Scheme no. 7 bis" – Table 1 – included in Annex 3A of the Issuers' Regulation).

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

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	**Office**	**Period of office**	**In office until**	**Fixed remuneration**	**Remuneration for membership in committees**	**Non equity variable remuneration**		**Non monetary benefits**	**Other remuneration**	**Total**	***Fair Value of equity remuneration***	**Termination benefits**
						Bonuses and other incentives	**Profit share**					
Marco Lombardi	*Chairman*	*01/01/2017 - 31/12/2017*	*Approval of 2017 fin. stat.*									
(I) Remuneration from the company preparing the fin. statements				47,200	-	-	-	-	-	47,200	-	-
(II) Remuneration from subsidiaries and affiliates				23,000	-	-	-	-	-	23,000	-	-
(III) Total				70,200	-	-	-	-	-	70,200	-	-
Francesca Marchetti	*Standing Auditor*	*01/01/2017 31/12/2017*	*Approval of 2017 fin. stat.*									
(I) Remuneration from the company preparing the fin. statements				31,000	-	-	-	-	-	31,000	-	-
(II) Remuneration from subsidiaries and affiliates				15,000	-	-	-	-	-	15,000	-	-
(III) Total				46,000	-	-	-	-	-	46,000	-	-
Alberto Villani	*Standing Auditor*	*01/01/2017 31/12/2017*	*Approval of 2017 fin. stat.*									
(I) Remuneration from the company preparing the fin. statements				31,000	-	-	-	-	-	31,000	-	-
(II) Remuneration from subsidiaries and affiliates				10,000	-	-	-	-	-	10,000	-	
(III) Total				41,000	-	-	-	-	-	41,000	-	-

Marco Lombardi: (I) Fixed annual remuneration of Euro 46,000; attendance fee of Euro 1,200
(II) Remuneration as the Chairman of the Board of Statutory Auditors of KME Italy SpA
Francesa Marchetti: (I) Fixed annual remuneration of Euro 31,000
(II) Remuneration as Standing Auditor of ErgyCapital SpA
Alberto Villani: (I) Fixed annual remuneration of Euro 31,000
(II) Remuneration of Euro 10,000 as the Chairman of the Board of Statutory Auditors of I2 Capital Partners SGR SpA

INTEK GROUP

Separate financial statements as at 31 December 2017

INTEK Group SpA
Registered and Administrative Office:
20121 Milan - Foro Buonaparte, 44
Share capital Euro 335,069,009.80 fully paid-up
Tax Code and Milan Business Register
No. 00931330583
www.itkgroup.it

Intek Group – Separate financial statements as at 31 December 2017

Statement of financial position – Assets

(in Euro)	*Ref. Note*	*31/12/2017*	*of which related parties*	*31/12/2016*	*of which related parties*
Investments in equity interests and fund units	*4.1*	481,968,558	*449,654,730*	442,922,968	*437,902,557*
Instrumental equity investments	*4.2*	26,310,412	*26,310,412*	24,272,033	*24,272,033*
Non-current financial assets	*4.3*	10,930,684	*930,684*	37,722,992	*37,722,992*
Property, plant and equipment	*4.4*	340,110	-	370,660	-
Investment property	*4.5*	973,539	-	32,289	-
Intangible assets	*4.6*	6,172	-	6,460	-
Other non-current assets	*4.7*	2,961	-	2,961	-
Deferred tax assets	*4.22*	4,434,351	-	4,947,983	-
Total non-current assets		**524,966,787**		**510,278,346**	
Current financial assets	*4.8*	44,612,476	*44,395,005*	34,955,813	*27,856,974*
Trade receivables	*4.9*	13,211,725	*6,511,350*	13,767,163	*7,020,438*
Other current receivables and assets	*4.10*	5,925,770	*1,176,723*	8,802,788	*1,716,433*
Cash and cash equivalents	*4.11*	28,065,990	-	9,215,712	-
Total current assets		**91,815,961**		**66,741,476**	
Non-current assets held for sale	*4.12*	**-**		**941,250**	
Total assets		**616,782,748**		**577,961,072**	

The notes are an integral part of these financial statements.

Details of related party transactions are disclosed in note 7.12

Intek Group – Separate financial statements as at 31 December 2017

Statement of financial position – Liabilities

(in Euro)	*Ref. Note*	*31/12/2017*	*of which related parties*	*31/12/2016*	*of which related parties*
Share capital		335,069,010	-	314,225,010	-
Other reserves		41,906,977	-	39,142,931	-
Treasury shares		(1,819,672)	-	(1,819,672)	-
Retained earnings/(accumulated losses)		72,187,807	-	72,187,807	-
Stock option reserve		2,051,902	-	2,051,902	-
Mandatory convertible loan		-	-	20,844,000	-
Profit/(loss) for the year		36,746,666	-	(4,440,689)	-
Total equity	*4.13*	**486,142,690**		**442,191,289**	
Employee benefits	*4.14*	223,984	-	324,912	-
Deferred tax liabilities	*4.22*	2,029,179	-	1,523,064	-
Non-current financial payables and liabilities	*4.15*	476,228	-	2,003,948	-
Bonds	*4.16*	101,215,317	-	100,990,199	-
Other non-current liabilities	*4.17*	691,800	-	1,471,332	-
Provisions for risks and charges	*4.18*	4,988,948	-	4,532,088	-
Total non-current liabilities		**109,625,456**		**110,845,543**	
Current financial payables and liabilities	*4.19*	13,279,396	*5,721,372*	20,098,020	*11,811,652*
Trade payables	*4.20*	2,505,374	*552,629*	797,019	*122,871*
Other current liabilities	*4.21*	5,229,832	*1,758,834*	4,029,201	*2,004,339*
Total current liabilities		**21,014,602**		**24,924,240**	
Total liabilities and equity		**616,782,748**		**577,961,072**	

The notes are an integral part of these financial statements.

Details of related party transactions are disclosed in note 7.12

Intek Group – Separate financial statements as at 31 December 2017

Statement of profit or loss and other comprehensive income

(in Euro)	*Ref. Note*	*2017*	*of which related parties*	*2016*	*of which related parties*
Net income from investment management	*6.1*	44,727,478	*44,193,897*	(228,730)	*(185,181)*
Guarantee fees	*6.2*	3,931,522	*3,931,522*	4,004,769	*4,004,769*
Other income	*6.3*	1,029,363	*511,728*	1,601,991	*172,526*
Labour costs	*6.4*	(2,109,409)		(1,471,174)	*(16,068)*
Amortisation, depreciation, impairment and write-downs	*6.5*	(65,837)	-	(861,154)	-
Other operating costs	*6.6*	(6,957,386)	*(1,852,411)*	(4,650,976)	*(1,850,773)*
Operating profit/(loss)		**40,555,731**		**(1,605,274)**	
Finance income	*6.7*	2,024,387	*2,020,407*	2,243,938	*2,210,951*
Finance expense	*6.7*	(5,841,350)	*(378,267)*	(5,856,500)	*(420,827)*
Net finance expense		*(3,816,963)*		*(3,612,562)*	
Profit/(loss) before taxes		**36,738,768**		**(5,217,836)**	
Current taxes	*6.8*	1,027,646	-	1,771,301	-
Deferred taxes	*6.8*	(1,019,748)	-	(994,154)	-
Total income taxes		**7,898**		**777,147**	
Profit/(loss) from continuing operations		**36,746,666**		**(4,440,689)**	
Profit/(loss) from discontinued operations		-		-	
Net profit/(loss) for the year		**36,746,666**		**(4,440,689)**	
Other comprehensive income:					
Measurement of employee defined benefits		4,579		*(6,323)*	
Taxes on other comprehensive income		-		-	
Items that will not be reclassified to profit or loss		4,579		(6,323)	
Items that may be reclassified to profit or loss		-		-	
Other comprehensive income:		4,579		(6,323)	
Total comprehensive income for the year		**36,751,245**		**(4,447,012)**	

The notes are an integral part of these financial statements.

Details of related party transactions are disclosed in note 7.12

Intek Group – Separate financial statements as at 31 December 2017

Statement of changes in equity as at 31 December 2016

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

At 31 December 2016, Intek Group directly held 5,713,572 ordinary shares and 11,801 savings shares, all without par value. All the shares were then fully reclassified as a deduction from share capital.

The notes are an integral part of these financial statements.

Intek Group – Separate financial statements as at 31 December 2017

Statement of changes in equity as at 31 December 2017

(in thousands of Euro)	*Share capital*	*Other reserves*	*Treasury shares*	*Retained earnings/(accumulated losses)*	*Stock option reserve*	*Mandatory convertible loan*	*Profit/(loss) for the year*	*Total equity*
Equity as at 31 December 2016	**314,225**	**39,143**	**(1,820)**	**72,188**	**2,052**	**20,844**	**(4,441)**	**442,191**
Allocation of profit for the year	-	(4,441)	-	-	-	-	4,441	-
Conversion of convertible loan	20.844	-	-	-	-	(20,844)	-	-
ErgyCapital merger	-	7,201	-	-	-	-	-	7,201
Actuarial losses on pension funds	-	4	-	-	-	-	-	4
Comprehensive income items	-	4	-	-	-	-	-	4
Profit/(loss) for the period	-	-	-	-	-	-	36,747	36,747
Total comprehensive income	-	4	-	-	-	-	36,747	36,751
Equity as at 31 December 2017	**335,069**	**41,907**	**(1,820)**	**72,188**	**2,052**	**-**	**36,747**	**486,143**
Reclassification of treasury shares	(1,820)	-	1,820	-	-	-	-	-
Equity as at 31 December 2017	**333,249**	**41,907**	**-**	**72,188**	**2,052**	**-**	**36,747**	**486,143**

At 31 December 2016, Intek Group directly held 5,713,572 ordinary shares and 11,801 savings shares, all without par value. All the shares were then fully reclassified as a deduction from share capital.

The notes are an integral part of these financial statements.

Intek Group – Separate financial statements as at 31 December 2017

Statement of cash flows – indirect method

(in thousands of Euro)		*2017*	*2016*
(A) Cash and cash equivalents at the beginning of the year		**9,216**	**7,785**
Profit/(loss) before taxes		36,739	(5,218)
Amortisation and depreciation		66	63
Impairment of non-current non-financial assets		-	798
Impairment/(reversal of impairment) of current and non-current financial assets		(44,727)	(388)
Changes in pension funds, post-employment benefits and stock options		(156)	(1)
Changes in provisions for risks and charges		(641)	(460)
(Increase)/decrease in equity investments		-	(1,354)
(Increase)/decrease in other financial investments		10,451	22,245
Increase/(decrease) in financial payables to related companies		(6,091)	(387)
(Increase)/decrease in financial receivables from related companies		26,032	(15,227)
Dividends received		129	-
(Increase)/decrease in current receivables		8,343	(1,749)
Increase/(decrease) in current payables		(2,183)	(27)
(B) Total cash flows from/(used in) operating activities		**27,962**	**(1,705)**
(Increase) in non-current intangible assets and property, plant and equipment		(38)	(44)
Decrease in non-current intangible assets and property, plant and equipment		9	75
Increase/decrease in other non-current assets/liabilities		(779)	(93)
(C) Cash flows from/(used in) investing activities		**(808)**	**(62)**
Payment of interests on Bonds		(5,085)	(5,085)
Increase/(decrease) in current and non-current financial payables		4,918	5,294
(Increase)/decrease in current and non-current financial receivables		(8,150)	671
(D) Cash flows from/(used in) financing activities		**(8,317)**	**880**
(E) Change in cash and cash equivalents	**(B) + (C) + (D)**	**18,837**	**(887)**
(F) Cash contributed by merged companies		**13**	**2,318**
(G) Cash and cash equivalents at the end of the period	**(E) + (F)**	**28,066**	**9,216**

The notes are an integral part of these financial statements.

Intek Group – Separate financial statements as at 31 December 2017

Notes

1. <u>General information</u>

Intek Group is a diversified investment holding company, whose main objective is to manage its portfolio of assets and investments with a dynamic entrepreneurial perspective, focusing on cash generation and growth in the value of investments over time, also through sales functional to the development strategies.

Intek Group is a joint-stock company (Società per Azioni) registered in Italy with the Milan Companies Register under no. 00931330583 and its shares are listed on the electronic share market (MTA) organised and managed by Borsa Italiana SpA.

The separate financial statements at 31 December 2017 (the "Financial Statements") were approved by the Board of Directors on 28 March 2018 and will be published in accordance with legal requirements.

The merger by incorporation into Intek Group of the subsidiary ErgyCapital (of which 49.07% was held) entered into effect on 27 December 2017. The merger became effective in terms of the accounting records from 1 January 2017. Any economic relations between the companies that took place during the year prior to the effective date of the merger were cancelled. Annex 1 contains the effects of the mergers which are then analysed per individual asset and liability item.

Although it is owned by Quattroduedue Holding BV through the wholly-owned subsidiary Quattroduedue SpA, Intek Group is not subject to management and coordination as defined in articles 2497 et seq. of the Italian Civil Code and article 37 of the Market Regulation, insofar as that:

- it has autonomous powers of negotiation with respect to contractual arrangements with customers and suppliers;
- it does not participate in any centralised treasury arrangements operated by the parent or any other company under the parent’s control;
- the number of independent Directors (3 out of 9) is such as to ensure that their opinions have a material influence on board decisions.

2. <u>Accounting policies</u>

2.1. Assessment of Investment Entity status

Intek Group considers that it possesses all the elements set forth in paragraphs 27 and 28 of IFRS 10 to qualify as an investment entity.

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 investment management services;

b) commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

c) measure and evaluate the performance of substantially all of its investments on a fair value basis.

The typical characteristics of investment entities as provided by paragraph 28 of IFRS 10 are the following:

a) it has more than one investment;

b) it has more than one investor;

c) it has investors that are not related parties of the entity; and

d) it has ownership interests in the form of equity or similar interests.

The Separate financial statements as at 31 December 2017 were therefore prepared by applying the accounting standards relative to investment entities and measuring at fair value the investments in subsidiaries not providing services related to the Company's investment activity.

It is hereby specified that the activity carried out by the Company does not fall under the area of application of the regulations regarding collective asset management. To this end, we hereby specify that the accounting standards referring to investment entities that have been adopted do not constitute a significant element that would qualify Intek Group as an asset management company and therefore, for the purposes of the application of these regulations, registration of the Company in the register of investment companies is not required.

2.2. Basis of presentation

The separate financial statements as at and for the year ended 31 December 2017 conform to the International Financial Reporting Standard (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission in accordance with the procedure as set out in art. 6 of Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002 as well as with the provisions issued in implementation of art. 9 of Legislative Decree 38/2005 where applicable.

The Separate Financial Statements are composed of the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of cash flows, the statement of changes in equity, as well as the Notes thereto. The financial statements and the notes thereto include, besides the amounts relating to the reference period, the corresponding comparative data as at 31 December 2016. There were no changes to the structure of the statements compared to previous presentations.

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

The Company has opted for presentation of a single 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, including finance expense and tax charges. Section "*Other comprehensive income*" provides details on the items which, following the specific provisions of individual IFRSs, are recognised separately from the profit (loss) for the current period. These items are divided into two categories as follows:

- items that will not be subsequently reclassified to profit or loss;
- items that will be subsequently reclassified to profit or loss, when specific conditions are met.

The statement of cash flows is presented using the indirect method, according to which the profit (loss) for the year is adjusted for the effects of:

- changes in receivables and payables generated by operations;
- non-cash activities;
- all other items for which the cash effects are cash flows from investing or financing activities.

In preparing the financial statements, the Directors have applied the concepts of accruals, clarity, significance, materiality, reliability, neutrality, prudence and comparability and applied accounting policies consistent with those used for the financial statements as at 31 December 2016, except for the standards effective as from 1 January 2017. These financial statements were prepared on a going concern basis, as required by IAS 1, as there exist no doubts or uncertainties regarding the Group's ability to pursue its activities and continue to operate as a going concern in the foreseeable future.

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

- Amendment to IAS 7 – *Disclosure Initiative* (issued on 29 January 2016), which aims to provide some clarifications to improve information about financial liabilities. In particular, the amendments require that entities provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.
- Amendment to IAS 12 – *Recognition of Deferred Tax Assets for Unrealised Losses* (issued on 19 January 2016). The document aims to provide certain clarifications on the recognition of the deferred tax assets on unrealised losses in the measurement of the "Available for sale" financial asset, upon the occurrence of specific circumstances and regarding the estimated taxable income in future years. The adoption of these amendments did not impact the financial statements.

The Company has not yet applied the accounting standards listed below in paragraph 2.20, which, although already issued by the IASB, will become effective after the date of these financial statements or which have not yet completed the endorsement process by the European Union. Events and transactions affecting the Company are recognised and presented with respect to their economic substance rather than legal form.

Specific notes contained in the management report disclose the content and meaning of the non-IFRS alternative performance indicators, where applicable, in compliance with CESR recommendation 05 - 178b published on 3 November 2005.

These financial statements are presented in Euro, the functional currency of the Company. The Statement of Financial Position and the Income Statement of the year and the other components of comprehensive income are provided in units of Euro, while the Statement of Changes in Equity and the Statement of Cash Flows are presented in thousands of Euro. The tables and data in the notes are in thousands of Euro, unless otherwise indicated.

2.3. Investments in equity interests and fund units

This item includes investments, including controlling investments, in equities, made in order to obtain returns from capital appreciation, investment income, or both. This item also includes investment fund units.

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

Fair value measurement

The initial fair value is determined on the basis of the transaction price, and is therefore equal to the consideration paid.

Subsequently, and at each reporting date, the fair value of financial instruments listed on an active market is determined on the basis of market prices. The market prices used for derivatives are the bid prices, whereas ask prices are used for financial liabilities.

The fair value of instruments that are not listed on an active market is determined using valuation techniques based on a series of methods and assumptions relating to market conditions at the reporting date. The valuation techniques used are the discounted cash flow method, the market multiples or transaction multiples method, the cost method, and the equity method.

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

The market multiples method consists in estimating the current theoretical value considering the indications expressed by the market with regard to a sample of listed companies which are similar in nature of business to the company to be evaluated. The comparable transaction multiples method consists in recognising the company at a value equal to the prices of recent transactions involving companies which are similar and operate in the same sector as the one to be evaluated.

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

2.4. Instrumental equity investments

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

Determination of impairment losses

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

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

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

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

Impairment losses are reversed if the subsequent increase in the amount can be objectively related to an event occurring after recognition of the impairment loss.

2.5. Other financial assets

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

2.6. Property, plant and equipment

Investments in operating assets

Property, plant and equipment are recorded at purchase or production cost, including directly attributable costs, and are shown net of accumulated depreciation and any impairment losses determined in accordance with the methods set out below. Any item of property, plant and equipment consisting of different components with varying useful lives is accounted for separately.

Property, plant and equipment are measured at cost, net of accumulated depreciation and impairment.

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

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

Depreciation is calculated based on the following useful lives:

Plant and equipment	from 10 to 40 years
Other assets	from 4 to 10 years

Assets under finance leases

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

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

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

Impairment losses

Property, plant and equipment are tested for impairment whenever there is specific objective evidence thereof. The test involves estimating the recoverable amount of the asset, defined as the higher of net selling price and value in use, compared to its carrying amount. The recoverable amount is the higher of fair value less costs of disposal and value in use. Value in use is determined by discounting projected cash flows at a pre-tax discount rate that reflects current market estimates of the time value of money and the risks associated with the relevant asset. To the extent that the recoverable amount is less than the carrying amount, the carrying amount is reduced to the recoverable amount with the difference either being recognised in profit or loss or in a revaluation reserve previously created on the revaluation of the relevant asset. Subsequent revaluations are treated in the opposite way. Information regarding impairment tests are contained in the paragraph “*Financial assets and liabilities*”.

2.7. Investment property

The item refers to land and buildings held to collect rents, generate returns on the invested capital, or for both of these purposes. These assets are measured at fair value and therefore are not depreciated on a straight-line basis.

2.8. Intangible assets

(a) Goodwill

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

(b) Other intangible assets with finite useful lives

An intangible asset with 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.

The intangible assets are systematically amortised based on their residual useful life, which is the period over which the assets will be used by the Company, generally between 3 and 5 years. Intangible assets are not considered to have any residual value at the end of their useful life.

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

2.9. Cash and cash equivalents

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

2.10. Equity

The Company’s share capital consists of ordinary and savings shares, all without par value, fully subscribed and paid up at the reporting date, reduced by any share capital to be received. The value of bought back shares is reported in accordance with IAS 32 as a reduction of subscribed share capital. Such adjustments are reported in the notes only, whilst the historical cost of owned treasury shares is recognised separately on the face of the statement of financial position against equity.

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

2.11. Receivables and payables

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

2.12. Current and deferred taxes

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

The current tax expense represents the estimated income tax payable computed on taxable income for the period as determined with reference to current tax rates or those substantially in effect at the end of the reporting period. Deferred taxes are recognised using the equity method, based on temporary differences between the carrying amounts of the assets and liabilities and the corresponding amounts recognised for tax purposes. Deferred taxes are not recognised for the following temporary differences: initial recognition of an asset or liability other than in a business combination which, at the time of the transaction, does not affect accounting profit (loss) or taxable profit (loss); 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. The Company also does not recognise deferred tax liabilities arising on the initial recognition of goodwill. 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 if the entity has the legal right to settle current tax amounts and the deferred tax amounts are levied by the same taxing authority on the same entity or different entities that intend to settle current tax amounts on a net basis or realise the asset and settle the liability at the same time.

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

2.13. Employee benefits

Post-employment benefits are payable under plans which, depending on their economic substance, are classified either as a “defined contribution” plan or a “defined benefit” plan. The Company's liability under defined contribution plans is limited to the payment of contributions to a separate legal entity (including the Government or a fund), and consists of contributions due at the end of the reporting period. Liabilities under defined benefit plans, such as post-employment benefits pursuant to article 2120 of the Italian Civil Code, less any plan assets, are determined on the basis of actuarial assumptions and the attribution of benefits to periods of service. Actuarial gains and losses relating to defined benefit plans arising from changes in actuarial assumptions or plan terms and conditions are recognised in other comprehensive income.

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

2.14. Provisions for risks and charges

Provisions for risks and charges are liabilities, the amount or due date of which are uncertain. The entity must recognise a provision if, and only if:

- the Company has a present (legal or implicit) obligation owing to a past event;
- it is probable that resources will be needed to produce economic benefits to meet the obligation;
- the amount of the obligation can be estimated reliably.

The amount recognised as a provision is, therefore, the best estimate of the expenditure required to settle the present obligation at the end of the reporting period or transfer it to a third party. Where the time value of money is material, the provision is equal to the present value of expenditures required to settle the obligation.

2.15. Revenue recognition

Revenue from services is recognised on the basis of the stage of completion of such work at the end of the year, including the guarantees given.

2.16. Dividends

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

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

Non-current assets are classified in this category when it is expected that their carrying amount will be recovered mainly through sale rather than through continuing use. The sale must be highly probable, within 12 months of classification as held for sale. The losses due to impairment from the initial classification or subsequent measurements are recognised in the income statement of the year in which they occur.

2.18. Earnings/(loss) per share

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

2.19. Use of estimates

The preparation of the separate financial statements and notes thereto in accordance with IFRSs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. The estimates were mainly used to determine: the fair value of investments in equities and funds, investment property, the useful lives of non-current assets and the related recoverable amount, allowance for impairment, any impairment losses, the cost of employee benefits, the estimated current and deferred tax charges, the estimated indefinite useful lives of intangible assets and other provisions.

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

2.20. Accounting standards not yet applied

As at 31 December 2017, the following new standards and interpretations, already endorsed by the European Union, were not yet mandatory to apply and Intek Group did not opt for early adoption.

Some of the most important standards are detailed below:

- On 28 May 2014 the IASB issued the standard *IFRS 15 – Revenue from Contracts with Customers* which, together with further clarifications issued on 12 April 2016, will replace *IAS 18 – Revenue* and *IAS 11 – Construction Contracts*, as well as the interpretations *IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate*, *IFRIC 18 – Transfers of Assets from Customers* and *SIC 31 – Revenues-Barter Transactions Involving Advertising Services*. This standard establishes a new model for the recognition of revenues and applies to all contracts with customers, except for those that fall within the scope of other IAS/IFRS such as leases, insurance contracts and financial instruments. The main steps for the recognition of the revenues according to the new model are: identification of the contract with the customer; identification of the contract performance obligations, determination of the price, allocation of the price to the contract performance obligations and the recognition criteria when the entity has fulfilled each performance obligation.

  The standard is applicable beginning from 1 January 2018. The amendments to IFRS 15, *Clarifications to IFRS 15 'Revenue from Contracts with Customers'*, issued by the IASB in April 2016, have been endorsed by the European Union on 6 November 2017. Based on the Group's activities and the analyses carried out no significant impacts are expected from the application of the standard.

- On 24 July 2014 the IASB published the final version of *IFRS 9 – Financial Instruments*. It contains the results of the IASB's project to replace IAS 39. The new standard is mandatorily effective for periods beginning on or after 1 January 2018.

  The standard introduces new requirements for the classification and measurement of financial assets and liabilities. In particular, for financial assets the new standard uses a single approach based on the procedures for the management of the financial instruments and contractual cash flow characteristics of the financial assets in order to determine the valuation criterion, replacing the various rules set forth in IAS 39. For financial liabilities, the main amendment that took place refers to the accounting treatment of the changes in the fair value of a financial liability designated as a financial liability measured at fair value and recognised in the income statement, in the event these changes should be due to the changes in the credit rating of the liabilities themselves. According to the new standard, these changes must be recognized in Other Comprehensive Income and should not go in the income statement. Moreover, when amending non-material liabilities, it is no longer allowed to spread the economic effects of the renegotiation over the residual duration of the debt, amending the effective interest rate as at that date, and the effect must be recognised in profit and loss.

  With regard to impairment, the new standard requires that estimated credit losses must be calculated according to the expected credit loss model (instead of the incurred losses, pursuant to IAS 39), using supportable information available without undue cost or effort which include information about past events, current and future conditions. The standard provides that this impairment model be applied to all financial instruments, i.e. to all the assets measured at amortised cost, those measured at fair value through other comprehensive income, the receivables from leases and trade receivables.

  Indeed, the standard introduces a new hedge accounting model in order to adapt the requirements of the current IAS 39 which were sometimes considered to be exceedingly strict and inappropriate insofar as reflecting the company's risk management policies. The main new areas of the document are:

  - more types of transactions are eligible for hedge accounting, including the non-financial asset/liability risks selected to be handled through hedge accounting;
  - the changes in accounting for forward contracts and options, when these are included in a hedge accounting relationship, in order to reduce the volatility of the income statement;
  - the changes to the effectiveness test through replacement of the current procedures that are based on the 80-125% parameter with the economic relationship between the hedged item and the hedging instruments; moreover, retrospective effectiveness of the hedging relationship will no longer be required.

The greater flexibility afforded by the new accounting rules is offset by additional disclosure requirements with regard to a company's risk management activities. Based on our analysis, the new standard is not expected to have a significant impact and it will be applied prospectively.

- On 13 January 2016, the IASB published the standard IFRS 16 – *Leases* replacing IAS 17 *Leases*, and 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*.

  The new standard provides a new definition of lease and introduces a criterion based on the right of use of an identified asset in order to distinguish leases from service contracts, identifying the following discriminating factors: identification of the asset, right of substitution of the asset, right to obtain substantially all the economic benefits from using the asset, and right to direct the identified asset's use.

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

  The standard is applied from 1 January 2019. Earlier application is permitted only for companies that have already applied IFRS 15 – Revenue from Contracts with Customers. IFRS 16 is expected to have a significant impact on the amounts and the relative balance sheet disclosures regarding the leasing of the building in which the company operations are conducted. However, it is not possible to provide a reasonable estimate until a detailed analysis of the relative contracts is conducted.

- On 12 September 2016 the IASB issued the document "*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*". For entities whose predominant activity is issuing insurance contracts, the amendments aim to address concerns about issues arising from applying IFRS 9 (as from 1 January 2018) to financial assets, before the replacement of the current IFRS 4 with the standard IFRS 17 Insurance Contracts being drafted, based on which financial liabilities are measured. The amendments introduce two possible approaches: an overlay or a deferral approach. Based on the activities carried out by the Company, no impacts are expected on the financial statements.

As at 31 December 2017, the competent bodies of the European Union had not yet concluded the approval process required for adoption of the amendments and the standards described below:

- On 18 May 2017, the IASB issued IFRS 17 – *Insurance Contracts*, which is set to replace IFRS 4 – Insurance Contracts. The objective of the new standard is to ensure that an entity will provide pertinent information that faithfully represents the rights and obligation arising from the insurance contracts issued by that entity. The IASB developed the standard to eliminate incongruities and weaknesses inherent in the existing accounting standards, providing a single principle based framework that would take all types of insurance contracts into account, including the reinsurance contracts held by an insurer. The new standard also includes presentation and disclosure requirements to improve comparability between the entities that belong to this sector. This standard is not expected to have a significant impact, given the Company's activities.
- On 20 June 2016 the IASB issued the document "*Classification and measurement of share-based payment transactions (Amendments to IFRS 2)*", which includes the amendments to IFRS 2. The amendments provide certain clarifications regarding the accounting of the effects of vesting conditions in cash-settled share-based payments with net settlement features and the accounting of modifications to the terms and conditions of share based payments which change from cash-settled to equity-settled. The new standard is applicable beginning from 1 January 2018. No impacts are expected from the application of this standard.
- On 8 December 2016 the IASB issued the document "*Annual Improvements to IFRSs: 2014-2016 Cycle*" which includes the amendments made to some standards as part of the annual improvement process for the standards. We are currently estimating the possible effects of these amendments on the financial statements. The main amendments concern:

- *IFRS 1 First-Time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters*. The amendment to this standard is applicable at the latest by the years beginning on 1 January 2018 and refers to the elimination of certain short-term exemptions as provided in paragraphs E3-E7 of Appendix E and IFRS 1, as the benefit of these exemptions is now considered to no longer apply.
- *IAS 28 Investments in Associates and Joint Ventures – Measuring investees at fair value through profit or loss: an investment-by-investment choice or a consistent policy choice*. The amendment clarifies that the option for a venture capital organization or another similarly qualified entity (such as a mutual fund or similar entity) to measure investments in associates or joint ventures measured at fair value through profit and loss (rather than through application of shareholders' equity) shall be applied to each individual investment upon initial recognition. The amendment is applicable from 1 January 2018.
- *IFRS 12 Disclosure of Interests in Other Entities – Clarification of the scope of the Standard*. The amendment clarifies the scope of application of IFRS 2, specifying that the disclosure required by the standard, except as provided in paragraphs B10-B16, is to be applied to all the shares classified as held for sale, held for distribution to shareholders or as discontinued operations pursuant to IFRS 5. This amendment is applicable from 1 January 2017; however, as it has not yet been endorsed by the European Union, it was not adopted as at 31 December 2017.

▪ On 8 December 2016 the IASB issued the document "*Foreign Currency Transactions and Advance Consideration (IFRIC Interpretation 22)*", which aims to provide guidelines for the accounting of foreign currency transactions when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before recognition of the related asset, expense or income. This document provides instructions on how an entity can determine the date of the transaction and, consequently, the spot exchange rate to use when foreign currency transactions are carried out in which the payment is made or received in advance.

No impacts are expected from the application of this interpretation.

▪ On 8 December 2016 the IASB issued the document "*Transfers of Investment Property* (Amendments to IAS 40)", which includes the amendments to IAS 40. These amendments clarify the transfers of a property to or from investment property status. In particular, an entity must reclassify a property from, or to, investment property only when there is an evident change in use. This change must be due to a specific event that took place and should not be limited to a change in the intentions of an entity's management. These amendments are effective for reporting periods beginning on or after 1 January 2018. The application of these amendments is expected not to have a material impact on the financial statements.

▪ On 7 June 2017 the IASB issued the interpretation document of *IFRIC 23 – Uncertainty over Income Tax Treatments*. The document discusses the issue of uncertainty regarding the tax treatment to adopt for income taxes.

This document provides that uncertainties in determining assets or liabilities for tax purposes must be reflected in the financial statements only when it is probable that the entity will pay or recover the amount in question. Furthermore, the document contains no new disclosure requirements, but underlines that an entity must establish whether it will be necessary to provide information on the considerations made by management relative to the uncertainty inherent in accounting for taxes, pursuant to IAS 1. We are currently assessing the possible effects of introducing this interpretation on the financial statements.

▪ On 12 October 2017 the IASB issued the document "*Prepayment Features with Negative Compensation (Amendments to IFRS 9)*". This document specifies that a debt instrument which provides for early redemption may comply with the characteristics applicable to contractual cash flows (the "SPPI" test) and, consequently, could be measured by using the amortised cost method or fair value through other comprehensive income, even when the "reasonable additional compensation" provided in the event of early redemption is a "negative compensation" for the financing entity. The amendment is effective for reporting periods beginning on or after 1 January

2019. Earlier application is permitted. We are currently estimating the possible effects of introducing these amendments on the financial statements.

- On 12 October 2017 the IASB issued the document *"Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)"*. This document clarifies the need to apply IFRS 9, including the impairment requirements, to other long-term interests in associated companies and joint ventures to which the equity method is not applied. The amendment is effective for reporting periods beginning on or after 1 January 2019. Earlier application is permitted. We are currently estimating the possible effects of introducing these amendments on the financial statements.
- On 12 December 2017 the IASB issued the document "*Annual Improvements to IFRSs 2015-2017 Cycle*" which includes the amendments to some standards as part of the annual improvement process. The main amendments concern:
  - *IFRS 3 Business Combinations and IFRS 11 Joint Arrangements*: the amendment clarifies that when an entity obtains control of a business that represents a joint operation, it must remeasure the interest held previously in that business. Conversely, this process does not apply when joint control is obtained.
  - *IAS 12 Income Taxes*: this amendment clarifies that all the tax effects connected to dividends (including the payments on financial instruments classified under shareholders' equity) must be recognised coherently with the transaction that generated the profits (income statement, OCI or shareholders' equity).
  - *IAS 23 Borrowing costs*: the amendment clarifies that loans that remain in existence even after the qualifying asset is ready for use or sale, become a part of the loans used to calculate the financing cost.

  These amendments are effective for periods beginning on or after 1 January 2019. Earlier application is permitted. No significant impacts are expected on the financial statements
- On 11 September 2014 Amendment to IFRS 10 and IAS 28 – *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* was issued. The document was published to resolve the current conflict between the requirements of IAS 28 and IFRS 10.

  Pursuant to IAS 28, the profit or loss from the sale or transfer of a non-monetary asset to a joint venture or associated company in exchange for a share of the latter's capital is restricted to the share held in the joint venture or associated company by other investors who are not involved in the transaction. Conversely, IFRS 10 requires recognition of all the profit or loss if control of a subsidiary is lost, even if the entity continues to have a non-controlling interest therein, and the sale or transfer of a subsidiary to a joint venture or associated company also falls under this requirement. The amendments introduced provide that in a disposal/transfer of an asset or a subsidiary to a joint venture or associated company, the profit or loss to be recognised in the assignor's financial statements depends on whether or not the assets or the subsidiary that was sold/transferred constitute a business, in the sense of IFRS 3. If the assets or subsidiary which was sold/transferred constitute a business, the entity shall recognise the profits or the losses for the entire share previously held; on the other hand, the portion of the profits or losses relative to the share that continues to be held by the entity must be derecognised. Currently, the IASB has suspended application of this amendment. We are currently assessing the possible effects of introducing these amendments on the financial statements.
- On 30 January 2014 the IASB issued *IFRS 14 – Regulatory Deferral Accounts* that allows only entities that are first time IFRS adopters to continue to recognise amounts relative to rate regulation activities according to the previous accounting standards that had been adopted. As the Company is not a first-time adopter, the standard does not apply.

3. ***Financial risk management***

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

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

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

Types of risk:

a) credit risk: there are no significant geographical concentrations in connection with this risk. Existing guidelines guarantee adequate assessment of customers' creditworthiness. This is achieved by selecting customers on the basis of historical experience and equity and/or financial position.

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 Company intends to meet its cash requirements for the repayment of short-term financial payables and capital expenditure through cash from operating activities, cash on hand and fresh bank borrowings or the roll-over of existing bank credit.

c) currency risk: the Company is exposed to the risk that the fair value of the investments outside the Euro area will fluctuate with changes in the exchange rate, since the main investment of the Company operates in an international environment;

d) interest rate risk: the interest rate risk to which the Company is exposed originates mainly from non-current financial liabilities. Floating rate liabilities expose the Company to a cash flow risk, while fixed rate liabilities entail assumption of the risk of a change in fair value;

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

4. *Notes to the separate financial statements*

With reference to changes in balance sheet items that took place in 2017, the tables below show these changes, with a separate indication of the increases/decreases arising from the mergers involving ErgyCapital.

4.1. Investments in equity interests and fund units

(in thousands of Euro)	*31 Dec 2017*	*31 Dec 2016*	*ErgyCapital merger*	*Other movements*
Investments in subsidiaries	475,692	437,903	3,180	34,609
Other investments	12	12	-	-
Mutual investment funds	5,055	5,008	-	47
Other investments	1,210	-	-	1,210
Investments in equity interests and fund units	**481,969**	**442,923**	**3,180**	**35,866**

The breakdown of the item is as follows:

Name	*Registered office*	*Percentage of interest 31/12/2017*	*Fair value 31/12/2017*	*Fair value 31/12/2016*	*Difference*
Subsidiaries					
KME AG	Osnabrück (D)	100.00%	456,369	411,546	44,823
KME Beteiligungsgesellsch.mbH	Osnabrück (D)	100.00%	1,143	1,300	(157)
ErgyCapital SpA *(*)*	Florence		-	4,461	(4,461)
Former Intek SpA investments			839	-	839
Culti Milano SpA	Milan	72.04%	10,525	9,227	1,298
Progetto Ryan 3 Srl in liquidazione	Milan	100.00%	-	1,103	(1,103)
Breda Energia SpA	Milan	100.00%	6,162	6,162	-
Il Post Srl	Milan	19.90%	20	545	(525)
Intek Investimenti Srl	Milan	100.00%	417	680	(263)
Mecchld Srl	Milan	20.00%	217	217	-
Progetto Ryan 2 Srl in liquidazione	Milan	100.00%	-	300	(300)
Rede Immobiliare Srl	Milan	100.00%	-	2,362	(2,362)
Total subsidiaries and associates			**475,692**	**437,903**	**37,789**
Other			12	12	-
Total other investments			**12**	**12**	**-**
Total investments			**475,704**	**437,915**	**37,789**
I2 Capital Partners Fund			5,055	4,992	63
Value Secondary Investment SICAR			-	16	(16)
Total fund units			**5,055**	**5,008**	**47**
Culti Milano Warrant			1,210	-	1,210
Total other investments			**1,210**	**-**	**1,210**
Investments in equity interests and fund units			**481,969**	**442,923**	**39,046**

The breakdown of changes in the year is as follows:

Name	*Fair value 31/12/2016*	*ErgyCapital merger (*)*	*Increases*	*Decreases*	*Measurement of assets*	*Measurement of liabilities*	*Fair value 31/12/2017*
Subsidiaries							
KME AG	411,546	-	-	-	44,823	-	456,369
KME Beteiligungsgesellsch.mbH	1,300	-	-	-	-	(157)	1,143
ErgyCapital SpA (*)	4,461	(6,673)	-	-	2,212	-	-
Former ErgyCapital investment (*)	-	7,640	2,847	(9,509)	-	(139)	839
Culti Milano SpA	9,227	-	2,206	-	-	(908)	10,525
Progetto Ryan 3 Srl in liquidazione	1,103	-	-	-	-	(1,103)	-
Breda Energia SpA	6,162	-	-	-	-	-	6,162
Il Post Srl	545	-	-	-	-	(525)	20
Intek Investimenti Srl	680	-	-	-	-	(263)	417
Mecchld Srl	217	-	-	-	-	-	217
Progetto Ryan 2 Srl in liquidazione	300	-	-	(305)	5	-	-
Rede Immobiliare Srl	2,362	-	-	(2,362)	-	-	-
Total subsidiaries and associates	**437,903**	**967**	**5,053**	**(12,176)**	**47,040**	**(3,095)**	**475,692**
Other	12	-	-	-	-	-	12
Total other investments	**12**	**-**	**-**	**-**	**-**	**-**	**12**
Total investments	**437,915**	**967**	**5,053**	**(12,176)**	**47,040**	**(3,095)**	**475,704**
I2 Capital Partners Fund	4,992	-	211	(919)	771	-	5,055
Value Secondary Investment SICAR	16			(16)			-
Total fund units	**5,008**	**-**	**211**	**(935)**	**771**	**-**	**5,055**
Culti Milano Warrant	-	-	-	-	1,210	-	1,210
Total other investments	**-**	**-**	**-**	**-**	**1,210**	**-**	**1,210**
Investments in equity interests and fund units	**442,923**	**967**	**5,264**	**(13,111)**	**49,021**	**(3,095)**	**481,969**

(*) The equity investment in ErgyCapital was the object of a merger by incorporation with legal effect from 27 December 2017. As at the effective date of the merger (1 January 2017) the fair value of the investment held was estimated on the basis of the adjusted shareholders' equity. The difference between this measurement and the previous book value, which was determined on the basis of the stock market prices, generated a difference of Euro 2,212 thousand, which was recognised in profit and loss. Intek Group assumed direct control of ErgyCapital due to the merger. During the year, the equity investments in the photovoltaic sector were sold. The value of these investments had previously been increased due to a waiver by the shareholders.

During 2017, the equity investment in Rede Immobiliare Srl was merged by incorporation into Pictea Srl, which is an instrumental investment.

The fair value of the equity investment in KME AG has been estimated, with the assistance of an external consultant, based on the unlevered discounted cash flow method (UDCF), by discounting the operating cash flows generated by the assets themselves (net of the tax effect) at a discount rate that is representative of the average cost of capital (WACC, also after taxes) of 10.33% (including, as in the past, an additional premium of 1.5% to reflect the intrinsic risks of the forecasts, taking into account the historical deviations that have been recorded).

The UDCF method was developed on economic forecasts and changes in some statement of financial position items included in the 2018-2022 Plan ("the Plan"), drafted and approved by the KME AG Board of Directors.

Compared to last year, the plan has revised the prospective flows downward, including in light of the deviations above and the worsened conditions in the reference market. The main assumptions of the Plan are:

- gradual recovery in sales volumes of approximately 2.4% annually (the increase in demand of copper at the global level (CAGR 2018-2021) is 3.1%);
- increase in the added value (CAGR of approximately 4.6%) connected to the aforementioned rise in volumes and the assumed increase in the price of copper. The increase in the price of copper is supported by the forecasts within the studies published by the main financial operators (CGAR 2018-2021 amounting to 3.6%, BMI Copper Report);
- significant recovery in EBITDA mainly due to the impact of the restructuring plans put in place by the directors during the last years, the increased focus on raising productivity and the increase in product margins;
- investments are essentially stable at 5.5% of net invested capital.

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

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

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

- risk free-rate: weighted average of the 10-year government bonds in each country in which the Group operates;
- market risk premium: equal to 5.5%, in line with the Italian valuation practices;
- debt cost: 10-year USD swap rate at 31 December 2017 plus a 2.41% spread, for a total gross rate of 4.41%;
- Unlevered Beta: average of unlevered beta factors of a sample of comparable listed companies;
- Additional *Alpha* premium on the cost of own capital equal to 4%.

It should be noted that in 2016 the cash flows were discounted using a WACC discount rate of 9.98% (also increased by an additional premium of 1.5%), net of taxes. This rate took into account an average risk-free rate of about 1.26%, a market risk premium of 5.5% and an average interest rate calculated using the same procedures as in this year.

The calculation relative to the 2017 test was furthermore subjected to a sensitivity analysis using a WACC from 9.33% to 11.33% and a growth rate "g" from zero to 2% and two alternative scenarios for the determination of the terminal value calculating assuming (i) a long-term EBITDA equal to the average Plan EBITDA of the last three years and (ii) a long-term EBITDA equal to the EBITDA of the last year of the plan (2022). In both scenarios a discount rate representative of the average cost of capital (WACC) was used on the TV flow, increased by an additional premium of 1.5% to reflect the risk intrinsic in the forecasts taking into account the historical deviations that have been recorded.

The values identified fluctuate between a minimum of Euro 453.9 million and a maximum of Euro 458.8 million and they were compared with other values resulting from other methods in particular using the market transaction multiples method with the EV/EBITDA multiple, calculated using Historical EBITDA. The first was calculated on historical data using 2017 EBITDA. The multiplier identified on the basis of similar businesses in terms of the market multiples was 9.44x, while for the transaction multiples the multiplier was equal to 8.17x.

The average of the control methods essentially confirmed the results of the main methods, with deviations of less than 10%. The value of the equity investment was therefore estimated on the basis of the average value from using the main method, at Euro 456.4 million.

The evaluation process described above is characterised by a significant level of complexity and subjectivity, based, in the unlevered discounted cash flow case, on assumptions which regard, among other things, the investee’s expected cash flows, the determination of an appropriate discount rate (WACC) and a long-term growth rate (g-rate); these assumptions are influenced by future expectations and market conditions, particular insofar as the European copper market. The application of the methodologies which are based on multiples, in relation to the selection and definition of the benchmark samples, are also subjective elements.

The equity investment in Culti Milano and the relative warrants, both of which are listed on the AIM market, were measured at the stock market prices as at 31 December 2017.

For other investments, reference was mainly made to the equity value of the same, adjusted on the basis of the current values of the related assets.

The units 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 31 December 2017 is equal to Euro 5,055 thousand, up by Euro 63 thousand compared to 31 December 2016. This increase is attributable for Euro 771 thousand to the positive effects of the valuation and for Euro 211 thousand to payments made. During the year, reimbursements were received totalling Euro 919 thousand. The fair value has been calculated based on the fair value communicated by the management company to the investors of the individual fund investments net of other financial assets and liabilities.

4.2. Instrumental equity investments

Schedule of investments in subsidiaries carried as non-current financial assets as follows:

Name	*Registered office*	*Share capital*	*Equity as at 31 December 2017*	*Profit/(loss) as at 31 December 2017*	*Percentage of interest*	*Carrying amount 31/12/2017*	*Carrying amount 31/12/2016*	*Difference*
I2 Capital Partners SGR SpA	Milan	1,500	2,176	(330)	100.00%	2,176	2,500	(324)
Immobiliare Pictea Srl	Milan	80	18,735	(1,214)	100.00%	24,134	10,022	14,112
I2 Real Estate Srl	Ivrea (TO)	*n/a*	*n/a*	*n/a*	*n/a*	-	11,750	(11,750)
Total Instrumental equity investments						**26,310**	**24,272**	**2,038**

The movements of the "*Instrumental equity investments*" item during 2017 were the following:

(in thousands of Euro)	*Investments in subsidiaries*	*Other investments*	*Total*
Historical cost	43,516	-	43,516
Impairment losses	(19,244)	-	(19,244)
Balance at 31 December 2016	**24,272**	**-**	**24,272**
Transfer by merger	2,362	-	2,362
Impairment losses	(324)	-	(324)
Change for year	**2,038**	**-**	**2,038**
Historical cost	45,878	-	43,516
Impairment losses	(19,568)	-	(19,568)
Balance at 31 December 2017	**26,310**	**-**	**26,310**

During the year, there were no movements other than the merger of I2 Real Estate into Immobiliare Pictea and the Euro 324 thousand value adjustment to I2 Capital Partners SGR, from the reduction of the shareholders’ equity, pursuant to the latter’s losses.

For the purpose of the measuring the equity investments, the value of their shareholders' equity was adjusted, in the case of Immobiliare Pictea, to the current value of the properties owned, particular the property located at Foro Bonaparte 44 in Milan.

4.3. Non-current financial assets

This item can be broken down as follows:

(in thousands of Euro)	*31 Dec 2017*	*31 Dec 2016*	*ErgyCapital merger*	*Other movements*
Receivables due from associates	931	35,722	14,081	(48,872)
Guarantee fees receivable	-	2,001	-	(2,001)
Other non-current financial assets	10,000	-	-	10,000
Non-current financial assets	**10,931**	**37,723**	**14,081**	**(40,873)**

The decrease in the "*Receivables due from related companies*" mainly portrays the restatement to current assets of the Euro 35,000 loan to the subsidiary KME AG which falls due on 30 September 2018. This loan, which accrued interests at an annual rate of 3.75%, was repaid early in February 2018.

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

▪ Società Agricola Agrienergia Srl	290
▪ Società Agricola Carmagnola Srl	266
▪ Mecchld	200
▪ NewCocot	175
	931

Società Agricola Agrienergia and Società Agricola Carmagnola are two companies operating in the biogas area which were previously controlled by ErgyCapital.

During the year, the loan to subsidiary Progetto Ryan 3 was completely written down to adjust it to its recovery value.

"*Guarantee fees receivable*" represent value of guarantee fees that are 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 were matched by payables of an equal amount. There were no commissions to be received in later than 12 months as at 31 December 2017, due to the expiration of the guaranteed loans.

"*Other non-current financial assets*" increased on account of the establishment of guarantee deposits for companies ensuring the loan in support of KME operations.

4.4. Property, plant and equipment

(in thousands of Euro)	*31 Dec 2017*	*31 Dec 2016*	*ErgyCapital merger*	*Other movements*
Plant and equipment	-	-	-	-
Other assets	340	371	6	(37)
Property, plant and equipment	**340**	**371**	**6**	**(37)**

The changes during the reporting period under review and those of the previous reporting period can be summarised as follows:

(in thousands of Euro)	Plant and equipment	Other assets	Total
Cost			
Balance at 31 December 2015	170	1,980	2,150
Increases	-	39	39
Disposals	-	(81)	(81)
Balance at 31 December 2016	170	1,938	2,108
Increases	-	36	36
Increases due to ErgyCapital merger	-	127	127
Disposals	-	(38)	(38)
Balance at 31 December 2017	170	2,063	2,233
Accumulated depreciation			
Balance at 31 December 2015	170	1,512	1,682
Increases	-	61	61
Disposals	-	(6)	(6)
Balance at 31 December 2016	170	1,567	1,737
Increases	-	64	64
Increases due to ErgyCapital merger	-	120	120
Disposals	-	(28)	(28)
Balance at 31 December 2017	170	1,723	1,893
Net carrying amount			
31-Dec-2015	-	468	468
31-Dec-2016	-	371	371
31-Dec-2017	**-**	**340**	**340**

The increases and the disposals during the year refer to the office furniture and the replacement of a vehicle with a new one.

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

4.5. Investment property

(in thousands of Euro)	*31 Dec 2017*	*31 Dec 2016*	*ErgyCapital merger*	*Other movements*
Investment property	**974**	**32**	**-**	**942**

The increase in this item refers to the restatement of two buildings which were previously classified under "Non-current items held for sale" as the previously initiated negotiations have been stopped.

4.6. Intangible assets

(in thousands of Euro)	*31 Dec 2017*	*31 Dec 2016*	*ErgyCapital merger*	*Other movements*
Other	6	6	-	-
Intangible assets	**6**	**6**	**-**	**-**

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

The movements relative to the year under review and the previous year are shown below:

(in thousands of Euro)		*Total*
Cost		
Balance at 31 December 2015		7
Increases		5
Balance at 31 December 2016		12
Increases		2
Decreases		-
Balance at 31 December 2017		14
Accumulated depreciation		
Balance at 31 December 2015		4
Increases		2
Balance at 31 December 2016		6
Increases		2
Balance at 31 December 2017		8
Net carrying amount		
	31-Dec-2015	3
	31-Dec-2016	6
	31-Dec-2017	**6**

4.7. *Other non-current assets*

The breakdown of the item is as follows:

(in thousands of Euro)	*31 Dec 2017*	*31 Dec 2016*	*ErgyCapital merger*	*Other movements*
Other receivables	3	3	-	-
Other non-current assets	**3**	**3**	**-**	**-**

The item refers exclusively to guarantee deposits.

4.8. *Current financial assets*

(in thousands of Euro)	*31 Dec 2017*	*31 Dec 2016*	*ErgyCapital merger*	*Other movements*
Financial receivables from related companies	42,018	23,966	(4,231)	22,283
Guarantee fees receivable	2,377	3,891	-	(1,514)
Investments in securities	-	4,775	-	(4,775)
Financial assets held for trading	67	324	(257)	-
Other current financial assets	150	2,000	-	(1,850)
Current financial assets	**44,612**	**34,956**	**(4,488)**	**14,144**

"*Financial receivables from related companies*" mainly include:

- Euro 35,000 thousand representing the balance of the loan in favour of KME AG which had previously been classified under non-current financial assets;
- Euro 5,222 thousand representing the balance of the ongoing credit line with Immobiliare Pictea into which the balances of the previously opened accounts with I2 Real Estate and Rede Immobiliare, the companies incorporated into Pictea, flowed;
- Euro 865 thousand which represent the balance of the existing interest-bearing loan to Società Agricola Agrienergia Srl.

"*Guarantee fees receivable*" are the present value of fees that are receivable within the next 12 months, for guarantees issued by the Intek Group S.p.A. to banks on behalf of the Group companies to which loans were granted. These receivables are matched by payables of an equal amount.

"*Investments in securities*" referred to harmonised UCIs (investment funds) and were entirely sold during 2017.

As at 31 December 2016, the item "*Financial assets held for sale*" included the shares of ErgyCapital recognised at Euro 257 thousand, which were cancelled following the merger.

The item "*Other current financial assets*" includes Euro 2,000 thousand of blocked bank deposits, which were released during 2017.

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

4.9. Trade receivables

(in thousands of Euro)	*31 Dec 2017*	*31 Dec 2016*	*ErgyCapital merger*	*Other movements*
Due from customers - gross amount	*190*	*4*	*140*	46
Allowance for impairment	-	-	*(138)*	138
Due from customers - net amount	190	4	2	184
From leasing and factoring activities	6,511	6,742	-	(231)
Due from associates	6,511	7,021	397	(907)
Trade receivables	**13,212**	**13,767**	**399**	**(954)**

"Receivables for leasing and factoring" relate to non-performing loans from the business previously handled by Fime Leasing and Fime Factoring. The change is mainly due to the collections during the period.

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

4.10. Other current receivables and assets

(in thousands of Euro)	*31 Dec 2017*	*31 Dec 2016*	*ErgyCapital merger*	*Other movements*
Tax assets	1,480	4,209	178	(2,907)
Receivables from special situation activities	2,000	2,001	-	(1)
Accruals and prepayments	42	78	-	(36)
Receivables due from related companies	1,177	1,717	3,047	(3,587)
Other	1,227	798	260	169
Other current receivables and assets	**5,926**	**8,803**	**3,485**	**(6,362)**

The item "Tax assets" include receivables from direct taxes of Euro 615 thousand and VAT credits of Euro 865 thousand, of which reimbursement has been requested for Euro 279 thousand and Euro 410 thousand are expected to be offset during 2018. The decrease in the items refers to collections and offsets.

The "*Receivables for special situation activities*" consist exclusively of Euro 2,000 thousand of credits relative to the Isotta Fraschini proceedings, to be distributed in 2018.

"*Receivables due from related companies*" include both for 2017 as well as 2016 only positions arising from the tax consolidation.

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

Prepayments and accrued income are due to the recording of prepayments mainly for travel costs and services to be used in subsequent periods.

All the receivables are due within twelve months.

4.11. Cash and cash equivalents

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

(in thousands of Euro)	*31 Dec 2017*	*31 Dec 2016*	*ErgyCapital merger*	*Other movements*
Bank and post office accounts	28,052	9,212	13	18,827
Cash on hand	14	4	-	10
Cash and cash equivalents	**28,066**	**9,216**	**13**	**18,837**

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

4.12. Non-current assets held for sale

The item referred to properties from the former Fime leasing operations that had been reclassified as *"Investment properties"*.

(in thousands of Euro)	*31 Dec 2017*	*31 Dec 2016*	*ErgyCapital merger*	*Other movements*
Properties held for sale	-	941	-	(941)
Non-current assets held for sale	**-**	**941**	**-**	**(941)**

4.13. Equity

The "*Share Capital*" as at 31 December 2017 amounts to Euro 335,069,009.80, divided into 389,131,478 ordinary shares (equal to 88.59%) and 50,109,818 savings shares (equal to 11.41%). None of the shares have a nominal value.

The changes in the number of shares are listed below:

	Ordinary shares		*Savings shares*	
	2017	*2016*	*2017*	*2016*
Issued on 1 January	345,506,670	345,506,670	50,109,818	50,109,818
Issued pursuant to the conversion of the Convertible loan	24,710,692	-	-	-
Issued due to ErgyCapital merger	18,914,116	-	-	-
Issued on 31 December	**389,131,478**	**345,506,670**	**50,109,818**	**50,109,818**

At 31 December 2017, the Company held 5,713,572 ordinary treasury shares, or 1.47% of the voting capital (1.30% of total capital), and 11,801 savings shares, or 0.024% of the share capital represented by this category of shares. There were no changes during the year.

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

(in Euro)	*31 Dec 2017*	*31 Dec 2016*	*Change*
Legal reserve	6,083,346	6,083,346	-
Share premium reserve	4,020,857	35,652	3,985,205
Available reserve (extraordinary)	9,582,175	11,899,957	(2,317,782)
FEB merger deficit reserve	-	2,122,907	(2,122,907)
Reserve for surplus on ErgyCapital merger	3,214,951	-	3,214,951
Reserve for treasury shares held	1,819,672	1,819,672	-
Non-distributable reserve	14,872,491	14,872,491	-
Reserves taxable on distribution	3,484,481	3,484,481	-
Costs associated with a share capital increase	(399,111)	(399,111)	-
Reserve for costs for public exchange offer 2012	(801,606)	(801,606)	-
Reserve for IFRS differences on post-employment benefits (TFR)	1,263	(3,316)	4,579
Gain/loss reserve for treasury shares	28,458	28,458	-
Other reserves	**41,906,977**	**39,142,931**	**2,764,046**

The "*Legal Reserve*" and the "*Non-distributable Reserve*", established pursuant to Legislative Decree 38/2005, are unchanged from the previous year. Both reserves can be used to cover losses. It is also noted that the unrealised capital gains from the fair value contributed to the distributable profit and therefore the privilege that is extended to the savings shareholders.

The "*Share premium reserve*" may, pursuant to art. 2431 of the Italian Civil Code, be distributed to Shareholders subject to a minimum balance on the Legal Reserve of one fifth of share capital. During the year it increased as a consequence of the ErgyCapital merger, particularly insofar as the shares issued, since the merger did not increase the share capital.

The "*Available reserve*" decreased by Euro 2,317,782 due to usage for coverage of prior year losses and the residual portion was covered through complete depletion of the FEB merger deficit reserve.

The "*Reserve for surplus on ErgyCapital merger*" was created during the year by the difference between the value of the shareholder's equity contributed by third parties and the value of the shares issued.

The "*Reserves taxable on distribution*" and the "Reserve for costs for public exchange offer 2012" originated as part of the extraordinary transactions of 2012, the former is from the incorporated entity Intek, while the latter is due to costs incurred for capital transactions. The "*Costs associated with a share capital increase*" is of a similar nature.

The "*Reserve for treasury shares held*" and the "Retained earnings" (the latter being available) of Euro 1,820 thousand and Euro 72,188 thousand respectively are unchanged from last year.

During the year the Intek Group Convertible Loan of 2012/2017 was converted into share capital; it was already recognised under components of shareholders' equity based on its characteristics.

4.14. Employee benefits

This amount is determined based on the vested benefits at the end of the year, in compliance with law, employment contracts and IAS 19.

(in thousands of Euro)	*31 Dec 2016*	*ErgyCapital merger*	*Increases*	*Contributions to the Funds*	*Decreases*	*31 Dec 2017*
Clerical workers	167	58	48	(19)	(66)	188
Executives	120	2	26	(26)	(121)	1
IFRS Adjustments	38	-	-	-	(3)	35
Employee benefits	**325**	**60**	**74**	**(45)**	**(190)**	**224**

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

General criteria	*31 Dec 2017*	*31 Dec 2016*
Discount rate	1.30%	1.31%
Rate of increase in future remuneration	1%	1%
Average remaining working life	13.1 years	10.8 years
General criteria		

A discount rate based on the "*Iboxx Eurozone Corporate AA*" index was used also at 31 December 2017 for the actuarial valuation of post-employment benefits.

4.15. Non-current financial payables and liabilities

(in thousands of Euro)	*31 Dec 2017*	*31 Dec 2016*	*ErgyCapital merger*	*Other movements*
Payables for financial guarantees issued	-	2,001	-	(2,001)
Loan contracts with credit institutions	476	-	952	(476)
Due to lease companies	-	3	-	(3)
Non-current financial payables and liabilities	**476**	**2,004**	**952**	**(2,480)**

The item "*Payables for financial guarantees issued*" represents the contra-entry of the item recorded under non-current financial assets having the same origin and it represents the fair value of the liabilities incurred against the guarantees issued, having assessed any risk situations and consequently the contingent liabilities, pursuant to the instructions set forth in IAS 37. Since the item refers in its entirety to guarantees issued for loans obtained by subsidiaries, it was considered that the current value of the commissions to be collected, recognised as part of current and non-current financial assets, represented the best estimate of fair value of the contingent liabilities in relation to the guarantees issued.

The "*Loan contracts with credit institutions*" item refers to a non-current portion of a loan taken out by the incorporated entity ErgyCapital, which expires on 31 December 201 with a 5% interest rate.

4.16. Bonds

(in thousands of Euro)	*31 Dec 2017*	*31 Dec 2016*	*ErgyCapital merger*	*Other movements*
Intek Group 2015/2020 Bonds	101,215	100,990	-	225
Bonds	**101,215**	**100,990**	**-**	**225**

The “*Intek Group 2015/2020 bonds*” have a duration from 2015 to 2020 and remuneration at a fixed rate of 5%. The par value of the issue is Euro 101,703,751.20, while the book value was recorded net of the issue costs, which are deferred along the duration of the security so as to determine a constant effective interest rate. The change during the year is connected to the progressive recognition of the issue costs in profit and loss.

4.17. Other non-current liabilities

(in thousands of Euro)	*31 Dec 2017*	*31 Dec 2016*	*ErgyCapital merger*	*Other movements*
Other liabilities	692	1,471	-	(779)
Other non-current liabilities	**692**	**1,471**	**-**	**(779)**

These are debts which originated as part of compositions with creditors. The movements during the year refer to the classification under current liabilities of a debt paid in March 2018, pursuant to the ruling of the Court of Cassation.

The amount is relative the untraceable creditors in the former FEB – Ernesto Breda SpA proceedings.

4.18. Provisions for risks and charges

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

(in thousands of Euro)	*31 December 2016*			*ErgyCapital merger*	*Increases*	*Releases/ uses*	*31 December 2017*		
	Non-current	*Current*	*Total*				*Non-current*	*Current*	*Total*
Provisions for investment risks	-	-	-	245	613	-	858	-	858
Provisions for risks for tax disputes	300	-	300	-	-	-	300	-	300
Provision for risks on special situation activities	2,731	-	2,731	-	-	-	2,731	-	2,731
Provisions for risks on guarantees for the disposal of assets	1,337	-	1,337	-	-	(401)	936	-	936
Other provisions for risks and charges	164	-	164	216	-	(216)	164	-	164
Total	**4,532**	**-**	**4,532**	**461**	**613**	**(617)**	**4,989**	**-**	**4,989**

The “*Provisions for equity investment risks”* from the merger with ErgyCapital are allocated for equity investments with negative shareholders’ equity. The allocation during the year refers to the subsidiary Energetica Solare in liquidazione.

The “*Provisions for risks for tax disputes*”, in line with 31 December 2016, contain, among other things, a provision for VAT which resulted from fraud involving non-existent transactions in which the Fime Group, which handled the leasing and factoring, was the damaged party. This provision has been established to cover the entire risk of the dispute, for which the Court of Cassation’s ruling is awaited.

The *“Provisions for risks on guarantees for the disposal of assets“* refer to an allocation connected to the commitments assumed upon disposal of an equity investment and is relative to a tax assessment which became final after the Court of Cassation issued its ruling in 2015. In 2017, the liabilities relative to the tax assessment notices received were settled, while awaiting definition of the residual amounts to be paid.

“*Provisions for special situations risks*” mainly refer to the allocation of Euro 2,597 thousand made in 2014 following a negative ruling issued by the Naples Court of Appeal (Corte di Appello) for a dispute initiated by the bankruptcy receivers of a former leasing client. The ruling of the Court of Cassation is awaited.

“*Other provisions for risks and charges*” contain, among other things, allocations for disputes with former employees.

At the publication date of these financial statements, as far as the management is aware, there were no other significant contingent liabilities.

4.19. Current financial payables and liabilities

(in thousands of Euro)	*31 Dec 2017*	*31 Dec 2016*	*ErgyCapital merger*	*Other movements*
Due to related companies	5,721	11,812	699	(6,790)
Payables for financial guarantees issued	2,377	3,891	-	(1,514)
Interest expense on bonds	4,375	4,389	-	(14)
Shares of expiring loans	745	-	-	745
Overdrafts on the bank accounts of the former ErgyCapital	59	-	-	59
Due to lease companies	2	6	-	(4)
Current financial payables and liabilities	**13,279**	**20,098**	**699**	**(7,518)**

The item *"Due to related companies"* contains the balance of the current accounts, held at market rates with remuneration set at Euribor plus a spread, in existence mainly with the following subsidiaries:

- Euro 3,608 thousand with Breda Energia.
- Euro 1,312 thousand with I2 Capital Partners SGR.
- Euro 773 thousand with Energetica Solare.

The item “I*nterest expense on bonds*” of Euro 4,375 thousand refers to the coupon which matured and was paid in February 2018.

The “*Shares of expiring loans*” of Euro 745 thousand refer to the already described loan to the incorporated entity ErgyCapital.

The item “*Payables for financial guarantees issued*” represents the counter-entry of the item with the same origin, entered in the current financial assets. For further details please refer to comment to paragraph 4.9.

During the year, no new loans were taken out with third parties nor were there any drawdowns of previous loans. Any increases refer to the accrued interests only.

4.20. Trade payables

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

(in thousands of Euro)	*31 Dec 2017*	*31 Dec 2016*	*ErgyCapital merger*	*Other movements*
Due to suppliers	1,952	674	1,381	(103)
Due to related companies	553	123	348	82
Trade payables	**2,505**	**797**	**1,729**	**(21)**

The increase in this item refers to the merger with ErgyCapital.

4.21. Other current liabilities

(in thousands of Euro)	*31 Dec 2017*	*31 Dec 2016*	*ErgyCapital merger*	*Other movements*
Payables to directors for end of office indemnity	774	746	-	28
Payables due to former lease customers	1,266	1,266	-	-
Payables due to employees	476	176	233	67
Tax liabilities	379	126	65	188
Payables due to related companies	985	1,258	2,966	(3,239)
Payables due to social security institutions	129	84	87	(42)
Other liabilities	1,221	373	12	836
Other current liabilities	**5,230**	**4,029**	**3,363**	**(2,162)**

"*Payables to directors for end of office indemnity*" refer to the residual amount due to the Chairman for the end of office indemnity accrued to 31 December 2012, the date on which the office ended. The amount in question has been accruing interest of 5% since 2014. The Chairman has allowed extension of the payment expiration date to 31 December 2018.

"*Payables due to former leasing customers*" relate to sums received by way of advance from customers and not offset with credit entries.

The item "*Due to employees*" mainly refers to amounts which have accrued but have not yet been settled, including leaving incentives agreed with the employees of ErgyCapital.

Both as at 31 December 2017 and 31 December 2016, the item "*Tax liabilities*" mainly refers to payables to the tax authorities, for withholding amounts.

The item "*Payables due to related companies*" includes the payables to directors for accrued remuneration and the residual debt of Euro 848 thousand payable to Progetto Ryan 3 for the purchase of the Culti Milano shares. In 2016, this amount mainly referred to debt positions for Group VAT.

The "*Other liabilities*" item includes the debt connected to the "special situations" activities which was paid in March 2018. It was previously classified under "*Other non-current liabilities*".

4.22. Deferred tax assets and liabilities

(in thousands of Euro)	*31 Dec 2017*	*31 Dec 2016*	*ErgyCapital merger*	*Other movements*
Deferred tax assets	4,434	4,948	1,694	(2,208)
Deferred tax liabilities	(2,029)	(1,523)	-	(506)
Deferred tax assets and liabilities	**2,405**	**3,425**	**1,694**	**(2,714)**

Deferred tax assets and liabilities can be broken down by asset and liability item as follows:

(in thousands of Euro)	*Deferred tax assets*		*Deferred tax liabilities*	
	31 Dec 2017	*31 Dec 2016*	*31 Dec 2017*	*31 Dec 2016*
Investment property	7	7	-	-
Investments in equity interests and fund units	-	-	991	455
Trade receivables	3,268	3,820	1,036	1,062
Current financial assets	-	-	2	-
Other non-current payables	-	-	-	6
Provisions for risks and charges	729	690	-	-
Other current liabilities	91	92	-	-
Deferred taxes on tax losses carried forward	339	339	-	-
Total	**4,434**	**4,948**	**2,029**	**1,523**

Deferred tax liabilities are computed on temporary differences between carrying amounts of assets and liabilities recognised in the financial statements and the corresponding amounts recognised for tax purposes.

"*Deferred tax assets on tax loss carried forward*" are recognised only when their recovery is highly probable, including in consideration of the tax consolidation, with Intek Group as the parent company.

5. ***Commitments and guarantees***

Intek Group is the guarantor for KME AG and its main subsidiaries operating in the copper and copper-alloy semi-finished products sector as follows:

- Euro 475 million for the loan obtained from a pool of banks;
- Euro 355 million for the agreement concluded with GE Commercial Finance for non-recourse factoring transactions;
- Euro 13 million for the loan taken out with UniCredit Mediocredito Centrale (UMCC), the residual amount of which is Euro 9.5 million. In this case as well, Intek Group remained on only as the guarantor of an amount equal to Euro 13 million.

At the beginning of 2018, the guarantee provided for the pool loan was reduced to Euro 100 million.

There are furthermore additional guarantees for non-revolving credit lines connected to the copper sector of Euro 28 million, and guarantees for tax credits of approximately Euro 2.1 million expiring insofar as Euro 0.4 million in 2018, Euro 0.3 million in 2019 and Euro 1.4 million in 2020.

I2 Real Estate S.r.l. (now merged into Immobiliare Pictea) was guaranteed a loan of Euro 3.5 million (original value on subscription, today the loan has been partially repaid and the residual amount is Euro 0.7 million), while for Tecno Servizi S.r.l. (Also merged into Immobiliare Pictea) a guarantee was provided for a loan supplied by Mediocredito for an original amount of Euro 7.8 million (residual amount Euro 4.8 million).

In December 2015, Intek Group indicated its willingness to issue a guarantee of up to Euro 5.0 million for Associazione Dynamo for the granting of a mortgage loan for the restructuring of certain buildings located in Limestre. This mortgage is also secured by other real guarantees.

Furthermore, the Company, as subscriber of a share of the I2 Capital Partners Fund, has a remaining investment commitment of Euro 1.7 million.

6. Notes to the statement of comprehensive income

It is noted first of all that the values for 2017 also include those which are relative to the incorporated entity ErgyCapital SpA while in 2016 this also included KME Partecipazioni SpA, FEB – Ernesto Breda SpA and Breda Innovazione SpA in liquidazione.

6.1. Net income from investment management

(in thousands of Euro)	*2017*	*2016*	*Change*	*% Change*
Value adjustments on equity investments and securities	(324)	(650)	326	-50.15%
Gains/(losses) from the sale of equity investments and securities	196	(932)	1,128	-121.03%
Value adjustments on financial receivables from related companies	(557)	(11)	(546)	4963.64%
Measurement of investments at fair value	44,512	756	43,756	5787.83%
Measurement of fund units at fair value	771	503	268	53.28%
Dividends	129	105	24	n/a
Net income from investment management	**44,727**	**(229)**	**44,956**	**-19631.44%**

This item consists of the following amounts:

- The Value adjustments on financial receivables from related companies of Euro 324 refer to I2 Capital Partners SGR;
- the Gains/(losses) from the sale of equity investments and securities include Euro 168 thousand relative to income connected to Emittenti Titoli SpA;
- Euro 557 thousand of the value adjustments on financial receivables from related companies arise from the write-down of the loan to Progetto Ryan 3;
- the fair value measurement of the equity investments includes the positive values of Euro 44,823 thousand for KME AG, Euro 2,212 for ErgyCapital and Euro 1,210 thousand for the Culti Milano warrants. The negative measurements include Euro 1,103 thousand for Progetto Ryan 3, Euro 908 thousand for the Culti Milano shares (connected to the performance of the price on the exchange) and Euro 695 thousand on Energetica Solare.
- The fair value measurement of fund units and shares includes Euro 771 thousand for I2 Capital Fund.

For further details please see the comments under the corresponding asset items.

6.2. Guarantee fees

(in thousands of Euro)	*2017*	*2016*	*Change*	*% Change*
Guarantee fees	3,932	4,005	(73)	-1.82%
Guarantee fees	**3,932**	**4,005**	**(73)**	**-1.82%**

We refer to the remuneration of the guarantees provided for instrumental equity interests and investment instruments for securing loans.

6.3. Other income

(in thousands of Euro)	*2017*	*2016*	*Change*	*% Change*
Income from “special situations”	245	1,364	(1,119)	-82.04%
Provision of services to related companies	512	173	339	195.95%
Other income and revenues	272	65	207	318.46%
Other income	**1,029**	**1,602**	**(573)**	**-35.77%**

"*Income from special situations*" refers to Intek's activities connected to the undertaking of compositions with creditors.

The item "*Provision of services to related companies*" contains only the amounts invoiced for the administrative support to companies belonging to the group, including the subsidiaries of ErgyCapital.

The increase in the item "*Other income and revenues*" refers to Euro 154 thousand to contingent assets connected to ErgyCapital.

6.4. Labour costs

(in thousands of Euro)	*2017*	*2016*	*Change*	*% Change*
Wages and salaries	(1,370)	(931)	(439)	47.15%
Social security charges	(364)	(280)	(84)	30.00%
Charge backs of personnel expenses	-	(16)	16	-100.00%
Other personnel costs	(375)	(244)	(131)	53.69%
Labour costs	**(2,109)**	**(1,471)**	**(638)**	**43.37%**

The item "*Labour costs*" includes Euro 748 thousand relative to ErgyCapital, including the costs from settlement agreements.

Other personnel expense includes remuneration to associates of Euro 213 thousand and an allocation to the employees' post-employment benefits of Euro 82 thousand.

Average number of employees:

	31 Dec 2017	*31 Dec 2016*	*Change*
Executives	2	3	(1)
Clerical workers	10	10	-
Average number of employees	**12**	**13**	**(1)**

6.5. Amortisation, depreciation, impairment and write-downs

(in thousands of Euro)	*2017*	*2016*	*Change*	*% Change*
Depreciation	(64)	(61)	(3)	4.92%
Amortisation	(2)	(2)	-	0.00%
Impairment losses	-	(798)	798	-100.00%
Amortisation, depreciation, impairment and write-	**(66)**	**(861)**	**795**	**-92.33%**

The "*Impairment losses*" of 2016 referred to adjustments to goodwill.

6.6. Other operating costs

(in thousands of Euro)	*2017*	*2016*	*Change*	*% Change*
Directors' and Statutory Auditors' fees	(1,319)	(1,264)	(55)	4.35%
Professional services	(2,509)	(1,479)	(1,030)	69.64%
Travel costs	(339)	(237)	(102)	43.04%
Charges for legal disputes	(90)	(70)	(20)	28.57%
Legal and company disclosure	(293)	(184)	(109)	59.24%
Electricity, heating, postal and telephone costs	(84)	(66)	(18)	27.27%
Insurance premiums	(297)	(98)	(199)	203.06%
Training and seminars	(3)	-	(3)	n/a
Real estate leases	(852)	(823)	(29)	3.52%
Maintenance	(27)	(26)	(1)	3.85%
Leases and rentals	(99)	(77)	(22)	28.57%
Other tax charges	(219)	(165)	(54)	32.73%
Membership fees	(124)	(148)	24	-16.22%
Other net costs	(384)	(171)	(213)	124.56%
Donations	(69)	(33)	(36)	109.09%
Bank fees	(23)	(12)	(11)	91.67%
	(6,731)	*(4,853)*	*(1,878)*	*38.70%*
Release of provisions	-	202	(202)	-100.00%
Provision for risks	(226)	-	(226)	n/a
Other operating costs	**(6,957)**	**(4,651)**	**(2,306)**	**49.58%**

The increase in the costs of Euro 2,306 thousand is relative to ErgyCapital and other expenses incurred for the merger totalling Euro 500 thousand.

6.7. Finance income and expense

(in thousands of Euro)	*2017*	*2016*	*Change*	*% Change*
Interest income from associates	*2,020*	*2,211*	(191)	-8.64%
Other finance income and interests	*4*	*33*	(29)	-87.88%
Total finance income	2,024	2,244	(220)	-9.80%
Interest paid by related companies	*(378)*	*(421)*	43	-10.21%
Loan interest expense	*(29)*	*(1)*	(28)	2800.00%
Interest expense on securities issued	*(5,296)*	*(5,299)*	3	-0.06%
Other finance expense	*(138)*	*(136)*	(2)	1.47%
Total finance expense	(5,841)	(5,857)	16	-0.27%
Total net financial expense	**(3,817)**	**(3,613)**	**(204)**	**5.65%**

There are no particular changes in this item. The breakdown of the interest income and interest expense from related companies is provided under paragraph 7.12.

6.8. Current and deferred taxes

(in thousands of Euro)	*2017*	*2016*	*Change*	*% Change*
Current taxes	1,028	1,771	(743)	-41.95%
Deferred taxes	(1,020)	(994)	(26)	2.62%
Current and deferred taxes	**8**	**777**	**(769)**	**-98.97%**

Since 2007, Intek Group and most of its Italian subsidiaries elected to apply the "Italian domestic tax consolidation regime", which allows the determination of a single IRES (Italian corporate income tax) taxable base equal to the algebraic sum of the taxable income and losses of each of the participating entities. Financial relationships, responsibilities and mutual obligations are set out in the agreement and regulation regarding the domestic tax consolidation arrangement, according to which taxable losses of the Parent and/or subsidiaries can be offset against the tax savings realised by the Parent and/or subsidiaries with taxable income.

Reconciliation of theoretical tax charge and the effective charge:

(in thousands of Euro)	*2017*	*2016*
Profit/(loss) before taxes	36,739	(5,218)
Tax charge at theoretical rate	(8,817)	1,435
- Impairment losses on securities and investments that are non-deductible/non-taxable	214	(2,737)
- Fair value measurements	10,393	1,970
- Other	(1,632)	621
- Previous year taxes	(150)	(512)
- Change in tax rates	-	-
Total effective tax charge	**8**	**777**

7. <u>Other information</u>

7.1. Financial instruments by category

The following table shows the total individual categories of financial instruments:

(in thousands of Euro)	*31 Dec 2017*	*31 Dec 2016*	*Change*
Financial assets at fair value through profit or loss	484,413	444,951	39,462
Held-to-maturity assets	-	-	-
Loans and receivables	98,826	62,392	36,434
Investments in subsidiaries and other companies	26,310	89,922	(63,612)
Financial assets	**609,549**	**597,265**	**12,284**
Financial liabilities at fair value through profit or loss	(2,377)	(2,260)	(117)
Financial payables and liabilities at amortised cost	(120,641)	(151,393)	30,752
Financial liabilities	**(123,018)**	**(153,653)**	**30,635**

7.2. Financial instruments by financial statement item

Financial instruments and reconciliation with financial statement items at 31 December 2017:

(in thousands of Euro)	*Total*	*At amortised cost*	*At fair value*	*Outside the scope of IFRS 7*
Investments in equity interests and fund units	481,969	-	481,969	
Instrumental equity investments	26,310	-	-	26,310
Other non-current assets	3	3	-	-
Non-current financial assets	10,931	10,931	-	-
Trade receivables	13,212	13,212	-	-
Other current receivables and assets	5,926	4,446	-	1,480
Current financial assets	44,612	42,168	2,444	-
Cash and cash equivalents	28,066	28,066	-	-
Total financial assets	**611,029**	**98,826**	**484,413**	**27,790**
Non-current financial payables and liabilities	(476)	(476)	-	-
Bonds	(101,215)	(101,215)		-
Other non-current liabilities	(692)	(692)	-	-
Current financial payables and liabilities	(13,279)	(10,902)	(2,377)	-
Trade payables	(2,505)	(2,505)	-	-
Other current liabilities	(5,230)	(4,851)	-	(379)
Total financial liabilities	**(123,397)**	**(120,641)**	**(2,377)**	**(379)**

7.3. Credit risk exposure and impairment losses

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

The risk of impairment is mainly connected to investments in instrumental equity interests of Euro 26.3 million.

The ageing of trade receivables from current transactions at the date of these financial statements was as follows:

(in thousands of Euro)	*Gross carrying amount*	*Write-down as at 31 December 2017*	*Net carrying amount*
Not yet due	6,511	-	6,511
Up to 60 days past due	-	-	-
61 to 120 days past due	-	-	-
121 days to 1 year past due	-	-	-
Over 1 year past due	190	-	190
Trade receivables	**6,701**	**-**	**6,701**

7.4. Currency risk exposure

Intek Group S.p.A. had no financial statements items or sale or purchase commitments denominated in foreign currencies at the year end.

7.5. Interest rate risk exposure

The interest rate structure of interest-bearing financial instruments at 31 December 2017 was as follows:

(in thousands of Euro)	*31 Dec 2017*	*31 Dec 2016*
Financial assets	-	-
Financial liabilities	(102,436)	(100,990)
Fixed rate instruments	**(102,436)**	**(100,990)**
Financial assets	71,001	61,688
Financial liabilities	(5,782)	(11,815)
Floating rate instruments	**65,219**	**49,873**

The fixed rate financial liabilities mainly refer to outstanding bonds.

7.6. Exposure to the risk of fluctuations in share value.

This risk is connected to the investments held in the portfolio of Euro 482 million.

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

A 50-basis-point increase (decrease) in interest rate receivable or payable at the year end would have led to an impact on equity and the loss for the year of around Euro 300 thousand.

7.8. Fair value and carrying amount

Pursuant to IFRS 13 paragraph 91, we declare that the carrying amount of the financial assets and liabilities recognised in these financial statements do not diverge from their fair value.

7.9. Fair value hierarchy

IFRS 7, paragraph 27A and IFRS 13 require financial instruments recognised at fair value in the statement of financial position to be classified based on a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value hierarchy shall have the following levels:

Level 1 – quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;

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 or liability.

The analysis of assets and liabilities by fair value level is as follows:

(in thousands of Euro)	*Total fair value*	*Level 1*	*Level 2*	*Level 3*
Investments in equity interests and fund units	481,969	11,735	-	470,234
Non-current financial assets	-	-	-	-
Current financial assets	2,444	-	-	2,444
Total financial assets	**484,413**	**11,735**	**-**	**472,678**
Non-current financial payables and liabilities	-	-	-	-
Current financial payables and liabilities	(2,377)	-	-	(2,377)
Total financial liabilities	**(2,377)**	**-**	**-**	**(2,377)**

The financial instruments recognized in the balance sheet and income statement at fair value, except for the Culti Milano SpA shares and the relative warrants, consist of participating investments and units in closed-end and restricted investment funds and guarantees issued which fall under the level 3 activity, except for the listed securities. For determination of the fair value of the equity investment and the investment funds unit, please see the appropriate note. The fair value of the guarantees issued is determined by applying a rate which is considered to be representative of the risk undertaken.

There were no transfers in 2017 between Levels 1 and 2.

7.10. Other financial obligations

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

(in thousands of Euro)	*31 Dec 2017*	*31 Dec 2016*
Within 1 year	586	537
From 1 to 5 years	1,473	1,668
Due after 5 years	-	-
Minimum irrevocable payments	**2,059**	**2,205**

7.11. Disclosure of payments for services rendered by the Independent Auditors

In accordance with article 149-*duodecies* of the “Issuers' Regulation”, the following table shows the payments made during the year for services provided by the Independent Auditors, Deloitte & Touche S.p.A. and other companies belonging to its network:

(in thousands of Euro)	*Total*	*Intek Group*	*Subsidiaries*
a) audit fees	753	147	606
b) fees other than audit			
- audit services for the issue of certification	-		
financial covenants, compliance opinions	474	77	397
- other fees	50	12	38
c) fees charged by network companies	89	-	89
Independent auditors’ fees	**1,366**	**236**	**1,130**

The consideration above, for Intek Group, includes a total of Euro 44 thousand relative to the incorporated entity ErgyCapital.

7.12. *Detail of transactions with related parties*

The tables below show the relations involving payables, receivables, costs and revenue with related parties. For information regarding the nature of the transactions, reference should be made to the comments under the individual items.

(in thousands of Euro)	*Non-current financial assets*	*Current financial assets*	*Trade receivables*	*Other current receivables and assets*	*Current financial payables and liabilities*	*Trade payables*	*Other current liabilities*
Breda Energia SpA in liquidazione	-	-	-	-	(3,608)	-	-
EM Moulds SpA	-	-	12	-	-	-	-
E.Geo S.r.l.	-	-	-	-	(20)	-	-
Interservice Srl in liquidazione	-	6	-	-	-	-	-
Soc Agr. Carmagnola Srl	266	-	-	-	-	-	-
Società Agricola Agrienergia Srl	290	865	-	-	-	-	-
Ergyca Two Srl	-	14	-	-	-	-	-
Ergyca Sun Sicilia	-	206	-	-	-	-	-
Ergyca Bio	-	165	-	-	-	-	-
ErgycaTracker 2 Srl	-	-	-	-	(4)	-	-
ErgycaFour Srl	-	-	-	-	(4)	-	-
Energetica Solare Srl in liquidazione	-	-	-	-	(773)	-	-
I2 Capital Partners SGR SpA	-	-	4	-	(1,312)	-	-
I2 Capital Principals	-	210	-	-	-	-	-
Immobiliare Pictea Srl	-	5,222	-	-	-	(131)	-
Intek Investimenti Srl	-	39	-	-	-	-	-
KMD Connectors	-	-	15	-	-	-	-
KME AG	-	35,000	5,945	-	-	-	-
KME Brass Italy Srl	-	-	20	-	-	-	-
KME Brass Germany	-	-	5	-	-	-	-
Tréfimétaux Sas	-	-	12	-	-	-	-
KME Germany GmbH	-	-	130	-	-	(37)	-
KME Italy SpA	-	-	81	-	-	(123)	-
KME Srl	-	-	20	-	-	(140)	-
KME Yorkshire Ltd	-	291	240	-	-	(8)	-
Mecchld Srl	200	-	-	-	-	-	-
Valika SAS	-	-	3	-	-	-	-
NewCocot Srl in liquidazione	175	-	15	-	-	-	-
Progetto Ryan 3 Srl in liquidazione	-	-	-	-	-	-	(848)
Quattroduedue SpA	-	-	9	-	-	-	-
Directors/Statutory Auditors	-	-	-	-	-	(114)	(911)
Receivables from guarantees issued	-	2,377	-	-	-	-	-
Receivables/Payables for tax consolidation	-		-	1,177	-	-	-
	931	**44,395**	**6,511**	**1,177**	**(5,721)**	**(553)**	**(1,759)**
Total	**10,931**	**44,612**	**13,212**	**5,926**	**(13,279)**	**(2,505)**	**(5,230)**
Effect	**8.52%**	**99.51%**	**49.28%**	**19.86%**	**43.08%**	**22.08%**	**33.63%**

(in thousands of Euro)	*Net income from investment management*	*Guarantee fees*	*Other operating income*	*Other operating costs*	*Finance income*	*Finance expense*
Breda Energia SpA in liquidazione	-	5	15	-	-	(93)
Culti Milano SpA	302	6	15	-	-	-
EM Moulds Srl	-	23	-	-	-	-
E.Geo S.r.l.	(80)	-	-	-	-	
ErgyCapital SpA	2,213	-	-	-	-	-
Ergyca One Srl	-	-	48	-	7	-
Energetica Solare S.r.l. in liquidazione	(696)	-	33	-	-	-
Ergyca Sole S.r.l.	-	-	27	-	-	-
Ergyca Eight S.r.l.	-	-	59	-	-	-
Ergyca Green S.r.l.	-	-	44	-	-	-
Ergyca Industrial S.r.l.	-	-	33	-	-	-
Ergyca Tracker S.r.l.	-	-	9	-	-	-
Ergyca Tracker 2 S.r.l.	-	-	6	-	-	-
Ergyca Light S.r.l.	-	-	39	-	-	-
Società Agricola Agrienergia S.r.l.	-	-	45	-	56	-
Green Recycle Srl	-	1	-	-	-	-
I2 Capital Partners SGR SpA	(324)	-	84	-	-	(23)
Immobiliare Agricola Limestre Srl	-	1	-	-	-	-
Immobiliare Pictea Srl	-	-	25	(669)	252	(261)
Intek Investimenti Srl	(263)	-	15	-	-	(1)
KME AG	44,822	3,699	-	-	1,685	-
KME Beteiligungsgesellsch.mbH	(157)	-	-	-	-	-
KME Brass Germany GmbH	-	4	-	-	-	-
KME Brass Italy Srl	-	41	-	-	-	-
KME Germany & CO KG Gmbh	-	71	-	(21)	-	-
KME Italy SpA	-	81	-	(34)	-	-
KME Srl	-	-	-	(35)	-	-
KME Yorkshire Ltd	-	-	-	-	9	-
Il Post Srl	(525)	-	-	-	-	-
Progetto Ryan 2 Srl in liquidazione	5	-	-	-	-	-
Progetto Ryan 3 Srl in liquidazione	(1,103)	-	-	-	11	-
Quattroduedue SpA	-	-	15	-	-	-
Directors/Statutory Auditors	-	-	-	(1,093)	-	-
	44,194	**3,932**	**512**	**(1,852)**	**2,020**	**(378)**
Total	**44,727**	**3,932**	**1,029**	**(6,957)**	**2,024**	**(5,841)**
Effect	**98.81%**	**100.00%**	**49.76%**	**26.62%**	**99.80%**	**6.47%**

7.13. Proposal to approve the 2017 financial statements

Refer to the Directors' Report.

Annex 1 - Summary of the merger effects

(in thousands of Euro)	*Intek Group Before merger*	*Merger*				*Intek Group Post Merger*
		ErgyCapital	*Intra-group balances*	*Merger adjustments*	*Total*	
Investments in equity interests and fund units	442,923	10,149	-	(6,969)	3,180	446,103
Instrumental equity investments	24,272	-	-	-	-	24,272
Non-current financial assets	37,723	14,081	-	-	14,081	51,804
Property, plant and equipment	371	6	-	-	6	377
Investment property	32	-	-	-	-	32
Intangible assets	6	-	-	-	-	6
Other non-current assets	3	-	-	-	-	3
Deferred tax assets	4,948	1,694	-	(1,694)	-	4,948
Total non-current assets	**510,278**	**25,930**	**-**	**(8,663)**	**17,267**	**527,545**
Current financial assets	34,956	70	(4,301)	(257)	(4,488)	30,468
Trade receivables	13,767	606	(207)	-	399	14,166
Other current receivables and assets	8,803	3,485	-	-	3,485	12,288
Cash and cash equivalents	9,216	13	-	-	13	9,229
Total current assets	**66,742**	**4,174**	**(4,508)**	**(257)**	**(591)**	**66,151**
Non-current assets held for sale	**941**	**-**	**-**	**-**	**-**	**941**
Total assets	**577,961**	**30,104**	**(4,508)**	**(8,920)**	**16,676**	**594,637**
Total equity	**442,191**	**18,332**	**-**	**(8,920)**	**9,412**	**451,603**
Employee benefits	325	60	-	-	60	385
Deferred tax liabilities	1,523	-	-	-	-	1,523
Non-current financial payables and liabilities	2,004	952	-	-	952	2,956
Bonds	100,990	-	-	-	-	100,990
Other non-current liabilities	1,472	-	-	-	-	1,472
Provisions for risks and charges	4,532	461	-	-	461	4,993
Total non-current liabilities	**110,846**	**1,473**	**-**	**-**	**1,473**	**112,319**
Current financial payables and liabilities	20,098	5,000	(4,301)	-	699	20,797
Trade payables	797	1,936	(207)	-	1,729	2,526
Other current liabilities	4,029	3,363	-	-	3,363	7,392
Total current liabilities	**24,924**	**10,299**	**(4,508)**	**-**	**5,791**	**30,715**
Total liabilities and equity	**577,961**	**30,104**	**(4,508)**	**(8,920)**	**16,676**	**594,637**

List of shareholdings as at 31 December 2017 and the changes compared to 31 December 2016

Investments (Euro)	Notes	Par value	Balance as at 31 December 2016		Changes in the period (+ / -)		Adjustments	Balance as at 31 December 2017				Value on the Stock Exchange at 31 December 2017	
		Euro	Quantity	Value	Quantity	Value		Quantity	%	Average book value	Book value	Unit	Countervalue
Subsidiaries and other shareholdings (**) (recogn. under fin. fixed assets)													
KME A.G.	*(*)*	no nominal value	27,918,276	411,546,000	-	-	44,823,000	27,918,276	100.00%		456,369,000		
KME Germany Beteiligungs Gmbh	*(*)*		-	1,300,000	-	-	(157,000)	-	100.00%		1,143,000		
Ergycapital SpA *(1)*	*(*)*	no nominal value	77,447,228	4,460,960	(77,447,228)	(6,672,518)	2,211,558	-			-		
Energetica Solare Srl in liquidazione	*(*)*	116,945	-	-	1	1,805,012	(1,805,012)	1	100.00%		-		
Ergyca Tracker 2 Srl	*(*)*	10,000	-	-	1	96,900	-	1	51.00%		96,900		
HG Power Srl	*(*)*	100,000	-	-	1	4,167	-	1	51.00%		4,167		
Ergyca Sun Sicilia Srl in liquidazione	*(*)*	50,000	-	-	1	-	-	1	100.00%		-		
Ergyca Two Srl in liquidazione	*(*)*	10,000	-	-	1	-	-	1	100.00%		-		
Ergyca Four Srl	*(*)*	10,000	-	-	1	5,030	-	1	100.00%		5,030		
Ergyca Bio Srl in liquidazione	*(*)*	100,000	-	-	1	-	-	1	100.00%		-		
Società Agricola Carmagnola Srl	*(*)*	10,000	-	-	1	9,000	-	1	51.00%		9,000		
Società Agricola Agrienergia Srl	*(*)*	20,000	-	-	1	353,411	-	1	51.00%		353,411		
E.Geo Srl	*(*)*	60,000	-	-	1	450,000	(80,000)	1	100.00%		370,000		
Culti Milano SpA	*(*)*	no nominal value	1,690,000	9,227,000	540,000	2,206,300	(907,700)	2,230,000	72.04%		10,525,600	4.72	10,525,600.00
Progetto Ryan 3 Srl in liquidazione	*(*)*	100,000	1	1,102,763	-	-	(1,102,763)	1	100.00%		-		
Breda Energia SpA in liquidazione	*(*)*	5,164,569	10,000,000	6,161,905	-	-	-	10,000,000	100.00%		6,161,905		
Il Post Srl	*(*)*	56,593	56,593	544,509	-	-	(524,601)	56,593	19.90%		19,908		
Intek Investimenti Srl	*(*)*	10,000	-	680,000	-	-	(263,257)	-	100.00%		416,743		
Mecchld Srl	*(*)*	8,000	1	217,590	-	-	-	1	20.00%		217,590		
Progetto Ryan 2 Srl in liquidazione (3)	*(*)*	387,200	1	299,819	(1)	(305,303)	5,484	-			-		
Rede Immobiliare Srl (2)	*(*)*	49,100	1	2,362,009	(1)	(2,362,009)	-	-			-		
Intomalte SpA	*(*)*	516	200	1	-	-	-	200	20.00%		1		
Newcocot Srl in liquidazione	*(*)*	2,780	1	1	-	-	-	1	27.80%		1		
I2 Capital Partners SGR SpA		1	1,500,000	2,500,760	-	-	(323,630)	1,500,000	100.00%		2,177,130		
Immobiliare Pictea Srl (2)		80,000	1	10,021,600	-	14,111,682	-	1	100.00%		24,133,282		
I2 Real Estate Srl (2)		110,000	1	11,749,673	(1)	(11,749,673)	-	-			-		
Warrant Culti Milano SpA			-	-	2,230,000	1,209,775	-	2,230,000	n/a		1,209,775	0.54	1,209,775.00
Total				**462,174,590**		**(2,048,001)**	**41,876,079**				**502,002,668**		
Treasury Shares (recognized as a reduction of consolidated equity)													
Intek Group S.p.A.savings shares		no nominal value	11,801	6,867	-	-		11,801	-	0.5819	6,867	0.4568	5,391
Intek Group S.p.A. savings shares		no nominal value	5,713,572	1,812,805	-	-		5,713,572	-	0.3173	1,812,805	0.2698	1,541,522
Total				**1,819,672**		**0**	**-**				**1,819,672**		
Total				**463,994,262**			**41,876,079**				**503,822,340**		

(*): under "Investments and fund units"

(**): the table does not include the investments of ErgyCapital which were sold during the year

(1) Ergycapital was merged into Intek Group SpA on 27 December 2017

(2) Rede Immobiliare and I2 Real Estate were merged into Immobiliare Pictea Srl on 28 December 2017

(3) on 5 May 2017 the liquidation procedure was brought to an end.

List of indirect shareholdings as at 31 December 2017

Company Name	Reg. Office	Activity	Currency	Share Capital	% of investment	Investor Company	Total investment
AMT - Advanced Mould Technology India Private Ltd.	India	Services	INR	35,296,000	71.50%	KME Germany Gmbh & Co. K.G.	71.50%
Bertram's GmbH	Germany	Services	Euro	300,000	100.00%	KME Germany Gmbh & Co. K.G.	100.00%
bvba KME Benelux sprl	Belgium	Business	Euro	62,000	84.70%	KME Germany Gmbh & Co. K.G.	100.00%
					15.30%	KME Italy SpA	
Culti A.G. in liquidazione	Switzerland	Business	CHF	100,000	100.00%	Progetto Ryan 3 Srl in liquidazione	100.00%
Culti USA LLC	USA	Business	$US	-	100.00%	Progetto Ryan 3 Srl in liquidazione	100.00%
Cuprum S.A.U.	Spain	Services	Euro	60,910	100.00%	KME Germany Gmbh & Co. K.G.	100.00%
Dalian Dashan Chrystallizer Co. Ltd.	China	Industrial	RMB	40,000,000	70.00%	KME A.G.	70.00%
Dalian Dashan Heavy Machinery Co. Ltd.	China	Industrial	RMB	20,000,000	70.00%	KME A.G.	70.00%
Dalian ETDZ Surface Machinery Co. Ltd.	China	Industrial	RMB	10,000,000	70.00%	KME A.G.	70.00%
EM Moulds Srl	Italy	Business	Euro	3,090,000	100.00%	KME Germany Gmbh & Co. K.G.	100.00%
Evidal Schmoele Verwaltungsgesellschaft mbH	Germany	Not operating	Euro	30,000	50.00%	KME A.G.	50.00%
Fossati Uno Srl	Italy	Real Estate	Euro	100,000	35.00%	Immobiliare Pictea Srl	35.00%
Fricke GmbH	Germany	Industrial	Euro	50,000	100.00%	KME Germany Gmbh & Co. K.G.	100.00%
GreenRecycle Srl	Italy	Trading of metals	Euro	500,000	100.00%	KME Recycle Srl	100.00%
HC Srl in liquidazione	Italy	Not operating	Euro	10,000	100.00%	Progetto Ryan 3 Srl in liquidazione	100.00%
Immobiliare Agricola Limestre Srl	Italy	Real Estate	Euro	110,000	100.00%	KME A.G.	100.00%
Irish Metal Industries Ltd.	Ireland	Business	Euro	127	100.00%	KME Yorkshire Ltd.	100.00%
kabelmetal Messing Beteiligungs GmbH, Osnabrück	Germany	Real Estate	Euro	4,514,200	100.00%	KME Germany Gmbh & Co. K.G.	100.00%
KMD (HK) Holding Limited	China	Holding	HKD	198,000,000	50.00%	KME A.G.	50.00%
KMD Connectors Stolberg GmbH	Germany	Industrial	Euro	1,000,000	50.00%	KMD (HK) Holdings Ltd.	50.00%
KMD Precise Copper Strip Co. Ltd.	China	Industrial	USD	843,616,625	50.00%	KMD (HK) Holdings Ltd.	50.00%
KME – MAGMA Service Ukraine LLC	Ucraine	Business	UAH	14,174	70.00%	KME Germany Gmbh & Co. K.G.	70.00%
KME Srl	Italy	Services	Euro	115,000	100.00%	KME A.G.	100.00%
KME (Suisse) S.A.	Switzerland	Business	CHF	100,000	100.00%	KME Germany Gmbh & Co. K.G.	100.00%
KME America Inc.	USA	Business	USD	5,000	100.00%	KME Germany Gmbh & Co. K.G.	100.00%
KME America Marine Holding Inc.	USA	Holding	USD	4,800,000	100.00%	KME Germany Gmbh & Co. K.G.	100.00%
KME America Marine Tube and Fitting, LLC	USA	Design	USD	2,150,000	100.00%	KME America Marine Holding Inc.	100.00%
KME Asia Pte. Ltd. in liquidazione	Singapore	Not operating	$SG	200,000	100.00%	KME Germany Gmbh & Co. K.G.	100.00%
KME Brass France S.A.S.	France	Industrial	Euro	7,800,000	100.00%	KME Germany Gmbh & Co. K.G.	100.00%
KME Brass Germany GmbH	Germany	Industrial	Euro	50,000	100.00%	KME Germany Gmbh & Co. K.G.	100.00%
KME Brass Italy Srl	Italy	Industrial	Euro	15,025,000	100.00%	KME Germany Gmbh & Co. K.G.	100.00%
KME Chile Lda.	Chile	Trading of metals	PSC	9,000,000	100.00%	KME Germany Gmbh & Co. K.G.	100.00%
KME Germany GmbH & Co. KG	Germany	Industrial	Euro	180,500,000	100.00%	KME A.G.	100.00%
KME Germany Holding Gmbh	Germany	Not operating	Euro	25,000	100.00%	KME Germany Gmbh & Co. K.G.	100.00%
KME Grundstuecksgesellschaft AG & Co. KG	Germany	Real Estate	Euro	50,000	99.00%	KME A.G.	100.00%
					1.00%	KME Germany Gmbh & Co. K.G.	
KME Ibertubos S.A.U.	Spain	Industrial	Euro	100,000	100.00%	KME Germany Gmbh & Co. K.G.	100.00%
KME India Private Ltd.	India	Business	INR	5,986,750	99.80%	KME Germany Gmbh & Co. K.G.	100.00%
					0.20%	KME A.G.	
KME Italy S.p.A	Italy	Industrial	Euro	103,839,000	100.00%	KME A.G.	100.00%
KME Kalip Servis A.S.	Turkey	Business	TRY	950,000	85.00%	KME Germany Gmbh & Co. K.G.	85.00%
KME Metal Gmbh	Germany	Not operating	Euro	25,000	100.00%	KME A.G.	100.00%
KME Metals (Shanghai) Trading Ltd.	China	Business	USD	100,000	100.00%	KME A.G.	100.00%
KME Moulds Mexico S.A. de C.V.	Mexico	Services	MXN	7,642,237	99.99%	KME Germany Gmbh & Co. K.G.	100.00%
					0.01%	Kabelmetal Messing Bet. GmbH	
KME Moulds Service Australia PTY Ltd.	Australia	Business	AUD	100	65.00%	KME Germany Gmbh & Co. K.G.	65.00%
KME Polska Sp.z.o.o.	Poland	Business	PLN	250,000	100.00%	KME Germany Gmbh & Co. K.G.	100.00%
KME Recycle Srl	Italy	Holding	Euro	2,000,000	100.00%	KME A.G.	100.00%
KME Rolled France SAS	France	Not operating	Euro	40,000	100.00%	KME Italy SpA	100.00%
KME Service Russland Ltd.	Russia	Services	RUB	7,500,000	70.00%	KME Germany Gmbh & Co. K.G.	70.00%
KME Solar Italy Srl in liquidazione	Italy	Architectural Solutions	Euro	10,000	98.00%	KME Germany Gmbh & Co. K.G.	98.00%
KME Spain S.A.U.	Spain	Business	Euro	92,446	100.00%	KME A.G.	100.00%
Kmetal Srl	Italy	Trading of metals	Euro	100,000	100.00%	KME A.G.	100.00%
KME Yorkshire Ltd.	UK	Industrial	LST	10,014,603	100.00%	KME A.G.	100.00%
Oasi Dynamo Società Agricola Srl	Italy	Agricultural	Euro	20,000	100.00%	Immobiliare Agricola Limestre Srl	100.00%
Oasi FoodCo Srl	Italy	Food trade	Euro	10,000	100.00%	Immobiliare Agricola Limestre Srl	100.00%
P.H.M. Pehamet Sp.Zo.o.	Poland	Business	PLN	7,865,000	100.00%	KME Germany Gmbh & Co. K.G.	100.00%
Serravalle Copper Tubes Italy Srl	Italy	Industrial	Euro	3,000,000	100.00%	Trefimetaux S.A.S	51.00%
Special Steels & Alloys S.E. Asia Pte Ltd.	Singapore	Business	$SG	352,088	28.41%	KME Germany Gmbh & Co. K.G.	28.41%
Tekvalia AG	Switzerland	Not operating	CHF	2,100,000	49.00%	Kmetal SpA	49.00%
Trefimetaux SAS	France	Industrial	Euro	10,000,000	51.00%	KME A.G.	51.00%
Valika SAS	France	Trading of metals	Euro	200,000	51.00%	KME Recycle Srl	51.00%

CERTIFICATION OF THE SEPARATE FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154 BIS, PARAGRAPH 5 OF ITALIAN LEGISLATIVE DECREE 58/98, AS SUBSEQUENTLY AMENDED AND SUPPLEMENTED

1. Having regard to the requirements of article 154 bis, paragraphs 3 and 4 of Italian Legislative Decree no. 58 of 24 February 1998, the undersigned Vincenzo Manes, Chairman, and Giuseppe Mazza, Manager in charge of Financial Reporting of INTEK Group SpA, hereby certify:
   - the adequacy with respect to the characteristics of the Company and
   - the effective application

   of administrative and accounting procedures for the preparation of the separate financial statements during 2017, including the policies which the Company applied in order to comply with the requirements of IFRS 10 in relation to Investment Entities.

2. No material findings emerged in this regard.

3. Moreover, they certify that:
   3.1. the separate financial statements:
      a) were prepared in accordance with the applicable set of 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. The Investment Entities' Accounting principle (Amendments to IFRS 10, IFRS 12 and IAS 27), as introduced by Regulation (EU) no. 1174/2013, was applied in these financial statements;
      b) reflect the balances recorded in the accounting books and records;
      c) give a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer;

   3.2. the annual report includes a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risks and uncertainties that it faces.

Milan, 28 March 2018

The Chairman

signed Vincenzo Manes

The Manager in charge of Financial Reporting

signed Giuseppe Mazza

Report of the Board of Statutory Auditors of INTEK Group S.p.A. on the separate financial statements as at 31 December 2017, prepared pursuant to article 153 TUF and article 2429, paragraph 3 of the Italian Civil Code and submitted to the Shareholders' Meeting

Dear Shareholders,

The Board of Statutory Auditors reports on the supervisory activities as required by the law (and in particular, article 149 of Italian Legislative Decree 58/98, the "TUF"), the rules of conduct for boards of statutory auditors of listed companies issued by the Council of Chartered Accountants and Accounting Experts (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili), the recommendations of Consob regarding corporate audits and the activities of the Board of Statutory Auditors (in particular the communication of 20 February 1997, no. DAC/RM 97001574 and communication no. DEM 1025564 of 6 April 2001, which was subsequently supplemented with communication no. DEM/3021582 of 4 April 2003 and communication no. DEM/6031329 of 7 April 2006) and the guidelines provided in the Corporate Governance Code.

This report is divided, as it is every year, in individual chapters which correspond to the disclosure obligations set by CONSOB and suggested by the Italian National Council of Chartered Accountants and Accounting Experts (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili), for better comprehension and comparability.

Significant events occurred in 2017

The significant events occurred during 2017 can be summarised as follows:

1) **The restructuring of the Copper Sector continued**:

At the industrial level, there were certain positive effects in 2017 which were due to the good performance of the market and the reorganisation of the "copper sector" which has been ongoing for some time, as is proven by the improved EBITDA as compared to last year.

Moreover, during 2017, at the financial level, a significant operation was conducted which began in 2017 and was concluded in January 2018. It involved the issuing of a restricted bond issue for institutional investors, in the amount of Euro 300,000,000, which matures in 2023 and has a fixed rate of 6.75%.

This issue enabled the company to significantly reduce the bank debt and relative interests by Euro 197,000,000, repay Euro 42,000,000 of loans and relative interest to Intek Group and use the remainder to cover the Group's financial requirements.

This transaction also enabled the guarantees issued by the Company to the pool of financing Institutions by Euro 475,000,000 and Euro 100,000,000 respectively.

2) **Listing of the Subsidiary Culti Milano S.p.A.;**

During 2017, this subsidiary was listed on the AIM pursuant to a share capital increase involving flotation of 27.96% of the company's capital.

3) **Merger of ErgyCapital S.p.A. into Intek Group;**

In December 2017, ErgyCapital was merged into Intek Group by incorporation and the transfer of the equity investments that held and operated the photovoltaic plants was concluded, so that the company exited this business altogether.

4) **<u>Merger by Incorporation of Immobiliare Pictea;</u>**

2017 also saw the merger by incorporation of Rede Immobiliare s.r.l., TecnoServizi s.r.l. and I2 Real Estate s.r.l. into Immobiliarie Pictea. This operation was also part of the effort to simplify the structure of the Group.

Accounting standards applied to the Investment Entity

In continuation of the previous years, the separate financial statements as well as the consolidated financial statements were compiled using the accounting standards for investment entities and therefore equity investments held as investments, which constitute the most significant equity investments, were measured at fair value and recognised in the income statement.

In relation to the actual application of this criterion the Board verified, including following meetings with management and the audit firm, that determination of the fair value had been carried out by an independent and reliable expert which was E&Y S.p.A.

Upon completion of these verifications, there were no elements that were found to be inconsistent and/or illogical in the conclusions reached.

The following table summarises the result of these assessments regarding the equity investments, compared with the book values in the previous year:

Name	***Registered***	***Percentage***	***Fair value***	***Fair value***	***Difference***
Subsidiaries					
KME AG	Osnabrück	100.00%	456,369	411,546	44,823
KME Beteiligungsgesellsch.mbH	Osnabrück	100.00%	1,143	1,300	(157)
ErgyCapital S.p.A.	Florence	49.04%	-	4,461	(4,461)
Former ErgyCapital investments			839	-	839
Culti Milano S.p.A.	Milan	70.00%	10,525	9,227	1,298
Progetto Ryan 3 Srl in liq.	Milan	100.00%	-	1,103	(1.103)
Breda Energia S.p.A. in liq.	Milan	100.00%	6,162	6,162	-
Il Post Srl	Milan	19.90%	20	545	(525)
Intek Investimenti Srl	Milan	100.00%	417	680	(263)
Mecchld S.r.l.	Milan	10.00%	217	217	-
Ryan 2 Srl in liq. project	Milan	100.00%	-	300	(300)
Rede Immobiliare S.r.l.	Milan	100.00%	-	2,362	(2,362)
Total subsidiaries and associates			**475,692**	**437,903**	**37,789**
Other			12	12	-
Total other investments			**12**	**12**	**-**
Total investments			**475,704**	**437,915**	**37,789**
I2 Capital Partners Fund			5,055	4,992	63
Value Secondary Investment SICAR			-	16	(16)
Total fund units			**5,055**	**5,008**	**47**
Culti Milano Warrant			1,210	-	1,210
Total other investments			**1,210**	**-**	**1,210**
Investments in equity interests and fund units			**481,969**	**442,923**	**37,836**

Atypical or unusual transactions, including intra-group or related party transactions during 2017

The Board has not detected any atypical or unusual transactions during the year.

Comments on ordinary transactions with related parties are provided in the Notes to the financial statements.

These transactions essentially related to the provision of services, including financial and administrative services.

In 2017 the Board participated in the meetings of the Control and Risk Committee and received the appropriate updates from the Internal Audit Department as well as the Supervisory Body pursuant to Legislative Decree 231/2001.

Observations or reference to disclosed information by the Independent Auditors / reports by Shareholders pursuant to article 2408 of the Italian Civil Code / representations.

During its periodic meetings, the Board of Statutory Auditors did not receive any information or reference to disclosed information from the Independent Auditors, nor did it receive communications from the latter during the meetings held in order to prepare this report, regarding the existence of observations and/or reference to disclosed information relating to the financial statements.

The Board of Statutory Auditors received various complaints pursuant to art. 2408 of the Italian Civil Code from the shareholder Tommaso Marino, all of which referred to the ordinary shareholders' meeting held on 23 June 2017.

After conducting its verifications, the Board did not observe any wrongdoings and reported as much to the next shareholders' Meeting which was held on 18 December 2017. You are referred to this report for further details.

Duties of the Independent Auditors Deloitte & Touche S.p.A.

In addition to auditing, for which total consideration of Euro 147 thousand was paid by the Parent company (Euro 15 thousand of which to the incorporated company ErgyCapital), further Euro 606 thousand were paid by the subsidiaries for auditing.

The Independent Auditors and/or individuals related to the latter on an ongoing basis received additional mandates at the parent company and subsidiaries level amounting to Euro 613 thousand.

In particular the Board examined the duties conferred for the subsidiaries KME and Culti, ensuring that they did not present any potential risks in terms of their independence.

Opinions issued by the Independent Auditors in compliance with legal requirements

In 2017, the independent auditors issued a “comfort letter” regarding KME Ag’s issue of the bond above.

As mentioned, the conferral of this task was analysed by the Board to verify that the independence requirement continued to be fulfilled and the result was that it did.

Supervisory activities concerning observance of the law and the Articles of Association

The Board of Statutory Auditors has regularly attended the meetings of the Board of Directors and the Control and Risks Committee and had regular contacts with the Internal Audit Department and the Supervisory Body pursuant to Legislative Decree 231/2001.

Moreover, meetings were held with the auditing company for the necessary exchange of information between the two bodies and on a continuing basis with the management of the Company.

During 2017, the Board of Statutory Auditors met 6 times (4 times in 2016); participation in the meetings by the members was 100%.

Exhaustive information on the various corporate bodies of the company is contained in the Report on Corporate Governance accompanying the financial statements.

In the performance of its supervisory activities, at meetings and in frequent discussions, the Board of Statutory Auditors:

a) confirmed compliance with legal requirements and the Articles of Association during the year;

b) confirmed compliance with the principles of proper management, the existence of a satisfactory management structure and an adequate internal control system;

c) confirmed that no information of particular relevance emerged at meetings with the Independent Auditors and the Directors, including pursuant to article 150 of Legislative Decree 58/1998.

d) confirmed that subsidiaries provided all the information required by law and the Parent provided all the appropriate provisions required also by article 114, paragraph 2 of Legislative Decree 58/1998.

Where deemed necessary, the Board also had contacts with certain members of the board of statutory auditors of certain subsidiaries, or with the persons in charge at the relative audit firms.

The Board verified that all impairment testing procedures at Group level took place with the support of an appropriate independent advisor, in this case E&Y S.p.A.

The Company published a Report on Corporate Governance in accordance with regulatory requirements, which the Board of Statutory Auditors found adequate for its purposes. No instances of non-compliance came to the attention of the Board of Statutory Auditors in the performance of its supervisory activities.

The Company's organisational structure is adequate in terms of the coordination activity of the group.

The Board also verified:

- that the Company complied with the Corporate Governance Code prepared by Borsa Italiana S.p.A.;
- that the Company has regularly established the “Control and Risk Committee,” that operated regularly throughout 2017;
- that the Board is comprised of 3 Independent Directors, a number which is considered adequate for the operations of the Board;
- that the Executive Directors reported to the Board the operations carried out in terms of the delegations conferred upon them.

During 2017, the Board met with members of the Supervisory Body who are external to the Company.

The Board of Statutory Auditors carried out the periodic verification of the existence, for each of its own members, of the requirement for “independence” and “professionalism”, and also verified the independence requirements of the members of the Board of Directors and in general, that there were no reasons preventing the offices assigned, and also compliance with the plurality of offices and the interlocking rules.

In conclusion, based on the information acquired and the internal and external information flows, the Board of Statutory Auditors has ascertained compliance of the organisational structure, internal procedures, corporate documents and resolutions of the corporate bodies with the law, the provisions of the Articles of Association and the applicable regulations, as well as the conduct codes, which the Company has declared it will comply with.

The Board of Statutory Auditors notes that each of the Company’s bodies and functions has fulfilled the disclosure obligations as required by the applicable laws.

The Board of Statutory Auditors notes that there are no interests that one or more statutory auditors had, on their own behalf or on that of third parties, in a specific transaction during the year.

These activities led to the following conclusions:

Monitoring of compliance with the principles of good administration

Based on the information acquired, the Board of Statutory Auditors notes that the choices of the management were reasoned and guided by the principle of correct information and the directors are aware of the risks and the effects of the transactions they carried out.

Monitoring of the adequacy of the organisational structure

Based on the information acquired and the information provided above, the Board of Statutory Auditors has found the organisational structure to be adequate in terms of its structure, procedures, competences and responsibilities, considering also the size and purpose of the Company.

During the year, no critical areas emerged in relation to the independence of each member of the Board or with regard to the operation of the latter.

Similarly, no critical areas were found in the operation of the Board of Directors and the Control and Risk Committee.

In particular, there were no critical areas in relation to the performance of the functions of the Independent Directors who, within the Board of Directors, carried out their functions also with reference to the remuneration paid to the Directors, given the absence of a Remuneration Committee.

Regarding the operation of the corporate bodies, and in order to avoid providing overlapping information, please see the report on Corporate Governance prepared by the Directors.

Monitoring of the adequacy of the internal control system

Based on the information acquired, the Board of Statutory Auditors reports that the overall internal control, internal audit and risk management system, particularly with regard to the Control and Risk Committee activities, was found to be adequate.

In particular, there are no observations on the report concerning the activities carried out by said Committee.

Monitoring of the adequacy of the administrative-accounting system and the legally-required audit.

The Board of Statutory Auditors was in regular contact with the Independent Auditors Deloitte & Touche S.p.A., which today issued its own report to the financial statements without any comments.

There are no critical areas insofar particularly as the auditor independence requirement.

Actual implementation of the rules on corporate governance

In relation to the corporate governance and its adjustment, based on the information acquired, the Board of Statutory Auditors notes that the Company has complied with the Corporate Governance Code prepared by Borsa Italiana S.p.A. and no critical areas were found during the period under review.

Monitoring of the relations with subsidiaries and parent companies

The Board of Statutory Auditors has received constant information regarding the relations with other Group companies, including through participation in the Control and Risk Committee.

The Board also collected autonomous information from the control bodies of the investees, where necessary.

Monitoring of transactions with related parties

With regard to the transactions with related parties, the Board, mainly through its participation in the Control and Risk Committee, was informed of transactions with related parties and there are no comments in this regard.

Analysis of the 2017 separate financial statements

The financial statements as at 31 December 2017 show a positive result of Euro 36,751 thousand, with a positive net impact from fair value measurements of Euro 45,283 thousand.

On 6 April 2018, the Independent Auditors issued an unreserved opinion on the financial statements.

The Chairman of the Company, Vincenzo Manes, and the Manager in charge of Financial Reporting of Intek Group S.p.A., Giuseppe Mazza, on 28 March 2018, provided the Directors and Statutory Auditors with a written statement, also for the purposes of article 154 bis of Legislative Decree 58/1998, certifying the adequacy, for a company of this type, of the management and accounting policies for the preparation of separate and consolidated financial statements for 2016, and their compliance with international financial reporting standards.

Proposal to Shareholders

The Board of Statutory Auditors agrees with the proposed approval of the financial statements as at and for the year ended 31 December 2017, allocating the profit for the year as follows:

- Euro 1,837,334 to the legal reserve;
- the remainder of Euro 34,909,332 to be allocated to the non-distributable reserves pursuant to art. 6 of Legislative Decree 38/2005.

Milan, 6 April 2018

THE BOARD OF STATUTORY AUDITORS

The Chairman of the Board of Statutory Auditors

(signed Marco Lombardi)

The Standing Auditor

(signed Francesca Marchetti)

The Standing Auditor

(signed Alberto Villani)

Deloitte.

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INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
INTEK GROUP S.p.A.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Intek Group S.p.A. (the Company), which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Sede Legale: Via Tortona, 25 - 20144 Milano | Capitale Sociale: Euro 10.328.220,00 i.v.
Codice Fiscale/Registro delle Imprese Milano n. 03049560166 - R.E.A. Milano n. 1720239 | Partita IVA: IT 03049560166

Key audit matters - Fair Value Measurement for investment in KME AG	*Audit procedures to address key audit matters identified*
Paragraph 4.1 of the explanatory notes to the financial statements at 31 December 2017 shows Euro 482 million of equity and private equity investments measured at *fair value*, of which Euro 456 million referred to the 100% stake held in KME AG, parent company of the KME AG Group that operates in the "copper" industry. The fair value of the investment in KME AG was estimated with the support of an external appraiser in compliance with the policy on "*Fair Value Assessment Methods Policy*" that Intek Group S.p.A. has adopted applying different methodologies (*Unlevered discounted cash flow*, market multiples and transaction multiples). The method adopted to estimate the *fair value* is based on a significant level of complexity and subjectivity, with reference to the *Unlevered discounted cash flow methodology,* related to the assumptions concerning the expected cash flows of the investment, the appropriate discount rate (WACC) and the long-term growth rate (g-rate); these assumptions are influenced by future expectations and market conditions, with specific reference to the copper industry in Europe. The application of multiple-based methods, moreover, is characterized by elements of subjectivity, in the process of selection and definition of the sample of comparables. The explanatory notes provide detailed information's on the valuation process adopted. Given the materiality of the amount of the investment, the relevance of the discretionary component of the estimates relating to the determination of the cash flows and the mentioned above assumptions and key variables of the *fair value,* we considered that the *fair value* valuation process related to this investment was a key audit matter of the company's financial statements.	The main procedures carried out as part of our audit work, also with the support of evaluation experts belonging to Deloitte network, have included the following: • recognition and understanding of the process related to the *fair value* assessment and the accounting treatment; for this purpose we have acquired and analyzed the "Fair Value Assessment Methods Policy" and its compliance with the international accounting standards; • critical analysis of reasonableness of the main assumptions used, verifying, also obtaining information and interviews with the management and the Company's external advisor, the adequacy with market practices; • analysis of the reasonableness and sustainability of the principal assumptions adopted to estimate the expected cash flows of the investment, of the appropriate discount rate (WACC) and of the long-term growth rate (g-rate), as well as the criteria's used in the process of selection and definition of the sample of comparables in order to determine the market multiples and transaction multiples. • verification of the calculation accuracy; • verification of the adequacy of the disclosures provided by the Company in the financial statements.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or for the termination of the operations or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Deloitte.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Intek Group S.p.A. has appointed us on 31 May 2016 as auditors of the Company for the years from 31 December 2016 to 31 December 2024.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Intek Group S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and ownership structure of Intek Group S.p.A. as at 31 December 2017, including their consistency with the related financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98 with the financial statements of Intek Group S.p.A. as at 31 December 2017 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and information contained in the report on corporate governance and ownership structure are consistent with the financial statements of Intek Group S.p.A. as at 31 December 2017 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Maurizio Ferrero
Partner

Milan, Italy
6 April 2018

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

INTEK GROUP

Consolidated Financial Statements as at 31 December 2017

Intek Group – Consolidated Financial Statements as at 31 December 2017

Statement of financial position – Assets

(in thousands of Euro)	*Ref. Note*	*31/12/2017*	*of which related parties*	*31/12/2016*	*of which related parties*
Investments in equity interests and fund units	*4.1*	489,483	*442,140*	445,404	*440,384*
Non-current financial assets	*4.2*	13,645	*3,595*	48,782	*48,732*
Property, plant and equipment	*4.3*	11,323		11,519	
Investment property	*4.4*	19,750		3,566	
Intangible assets	*4.5*	6		6	
Other non-current assets	*4.6*	6		470	
Deferred tax assets	*4.21*	5,310		5,866	
Total non-current assets		**539,523**		**515,613**	
Current financial assets	*4.7*	39,390	*39,173*	27,621	*20,522*
Trade receivables	*4.8*	13,413	*6,531*	14,448	*7,407*
Other current receivables and assets	*4.9*	7,504	*232*	10,599	*1,628*
Cash and cash equivalents	*4.10*	28,886		10,444	
Total current assets		**89,193**		**63,112**	
Non-current assets held for sale	*4.11*	-		1,784	
Total assets		**628,716**		**580,509**	

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

Details of related party transactions are disclosed in note 4.22.

Intek Group – Consolidated Financial Statements as at 31 December 2017

Statement of financial position – Liabilities

(in thousands of Euro)	*Ref. Note*	*31/12/2017*	*of which related parties*	*31/12/2016*	*of which related parties*
Share capital		335,069		314,225	
Other reserves		43,962		41,073	
Treasury shares		(1,820)		(1,820)	
Retained earnings/(accumulated losses)		72,196		72,261	
Mandatory convertible loan		-		20,844	
Other comprehensive income reserve		(128)		(227)	
Profit/(loss) for the period		35,402		(4,378)	
Equity attributable to owners of the Parent	***4.12***	**484,681**		**441,978**	
Non-controlling interests		-		-	
Total equity	***04:13***	**484,681**		**441,978**	
Employee benefits	*04:13*	322		411	
Deferred tax liabilities	*04:21*	3,536		3,080	
Non-current financial payables and liabilities	*04:14*	6,629		9,064	
Bonds	*04:15*	101,215		100,990	
Other non-current liabilities	*04:16*	1,492	-	2,321	
Provisions for risks and charges	*04:17*	5,039		4,532	
Total non-current liabilities		**118,233**		**120,398**	
Current financial payables and liabilities	*04:18*	17,775	*4,409*	12,915	*3,823*
Trade payables	*04:19*	2,647	*434*	1,027	*131*
Other current liabilities	*04:20*	5,380	*1,759*	4,191	*1,988*
Total current liabilities		**25,802**		**18,133**	
Total liabilities and equity		**628,716**		**580,509**	

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

Details of related party transactions are disclosed in note 4.22.

Intek Group – Consolidated Financial Statements as at 31 December 2017

Statement of profit or loss and other comprehensive income

(in thousands of Euro)	*Ref. Note*	*2017*	*of which related parties*	*2016*	*of which related parties*
Net income from investment management	*5.1*	44,859		77	
Guarantee fees	*5.2*	3,932	*1,986*	4,005	*3,029*
Other income	*5.3*	1,801	*403*	2,762	*69*
Labour costs	*5.4*	(2,496)	-	(1,850)	*(19)*
Amortisation, depreciation, impairment and write-downs	*5.5*	(1,045)		(1,542)	
Other operating costs	*5.6*	(7,789)	*(982)*	(5,061)	*(936)*
Operating profit/(loss)		**39,262**		**(1,609)**	
Finance income		1,860	*2,336*	2,375	*2,336*
Finance expense		(5,925)	*(141)*	(5,910)	*(141)*
Net finance expense	*5.7*	*(4,065)*		*(3,535)*	
Profit/(loss) before taxes		**35,197**		**(5,144)**	
Current taxes	*5.8*	73		1,646	
Deferred taxes	*5.8*	132		(880)	
Total income taxes		**205**		**766**	
Net profit/(loss) for the year		**35,402**		**(4,378)**	
Other comprehensive income:					
Measurement of employee defined benefits		5		*(9)*	
Tax on other comprehensive income		-		-	
Items that will not be reclassified to profit or loss		5		(9)	
Foreign currency translation gains/(losses)		-		-	
Net change in cash flow hedge reserve		125		(109)	
Other		-		-	
Taxes on other comprehensive income		(30)		26	
Items that may be reclassified to profit or loss		95		(83)	
Other comprehensive income, net of tax effect:		100		(92)	
Total comprehensive income for the year		**35,502**		**(4,470)**	
Profit/(loss) for the period attributable to:					
- non-controlling interests		-		-	
- owners of the Parent		35,402		(4,378)	
Profit/(loss) for the period		35,402		(4,378)	
Total comprehensive income attributable to:					
- non-controlling interests		-		-	
- owners of the Parent		35,502		(4,470)	
Total comprehensive income for the period		35,502		(4,470)	
Earnings per share (in Euro)					
Basic earnings/(loss) per share		0.0896		(0.0113)	
Diluted earnings/(loss) per share		0.0896		(0.0113)	

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

Details of related party transactions are disclosed in note 4.22.

Intek Group – Consolidated financial statements as at 31 December 2017

Statement of changes in equity as at 31 December 2016

(in thousands of Euro)	*Share capital*	*Other reserves*	*Treasury shares*	*Retained earnings/(accumulated losses)*	*Mandatory convertible loan*	*Other comprehensive income reserve*	*Profit/(loss) for the year*	*Total equity attributable to owners of the Parent*	*Non-controlling interests*	*Total consolidated equity*
Equity as at 31 December 2015	**314,225**	**37,186**	**(2,456)**	**68,539**	**24,000**	**(138)**	**6,169**	**447,525**	**-**	**447,525**
Allocation of Parent company’s profit/(loss)	-	4,040	-		-	-	(4,040)	-	-	-
Allocation of subsidiaries’ profit/(loss)	-	(1,596)	-	3,722	-	3	(2,129)	-	-	-
Deferred taxes on equity items	-	(44)	-	-	-	-	-	(44)	-	(44)
FEB merger	-	1,487	636	-	(3,156)	-	-	(1,033)	-	(1,033)
Comprehensive income items	-	-	-	-	-	(92)	-	(92)	-	(92)
Profit/(loss) for the year	-	-	-	-	-	-	(4,378)	(4,378)	-	(4,378)
Total comprehensive income	-	-	-	-	-	(92)	(4,378)	(4,470)	-	(4,470)
Equity as at 31 December 2016	**314,225**	**41,073**	**(1,820)**	**72,261**	**20,844**	**(227)**	**(4,378)**	**441,978**	**-**	**441,978**
Reclassification of treasury shares	(1,820)	-	1,820	-	-	-	-	-	-	-
Equity as at 31 December 2016	**312,405**	**41,073**	**-**	**72,261**	**20,844**	**(227)**	**(4,378)**	**441,978**	**-**	**441,978**

At 31 December 2016, the Parent company directly held 5,713,572 ordinary shares and 11,801 savings shares, all without par value. All the shares were then fully reclassified as a deduction from share capital.

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

Statement of changes in equity as at 31 December 2017

Consolidated statement of changes in equity as at 31 December 2017

(in thousands of Euro)	*Share capital*	*Other reserves*	*Treasury shares*	*Retained earnings/(accumulated losses)*	*Mandatory convertible loan*	*Consolidation reserves*	*Other comprehensive income reserve*	*Profit/(loss) for the period*	*Total equity attributable to owners of the Parent*	*Non-controlling interests*	*Total consolidated equity*
Equity as at 31 December 2016	**314,225**	**41,073**	**(1,820)**	**72,261**	**20,844**	**-**	**(227)**	**(4,378)**	**441,978**	**-**	**441,978**
Allocation of Parent company's profit/(loss)	-	(4,041)	-		-	-	-	4,041	-	-	-
Allocation of subsidiaries' profit/(loss)	-	(381)	-	44	-	-	-	337	-	-	-
Reclassifications	-	109	-	(109)	-	-	-	-	-	-	-
Conversion of convertible loan	20,844	-	-	-	(20,844)	-	-	-	-	-	-
ErgyCapital merger	-	7,202	-	-	-	-	-	-	7,202	-	7,202
Comprehensive income items	-	-	-	-	-	-	99	-	99	-	99
Profit/(loss) for the period	-	-	-	-	-	-	-	35,402	35,402	-	35,402
Total comprehensive income	-	-	-	-	-	-	99	35,402	35,501	-	35,501
Equity as at 31 December 2017	**335,069**	**43,962**	**(1,820)**	**72,196**	**-**	**-**	**(128)**	**35,402**	**484,681**	**-**	**484,681**
Reclassification of treasury shares	(1,820)	-	1,820	-	-	-	-	-	-	-	-
Equity as at 31 December 2017	**333,249**	**43,962**	**-**	**72,196**	**-**	**-**	**(128)**	**35,402**	**484,681**	**-**	**484,681**

At 31 December 2017, the Parent company directly held 5,713,572 ordinary shares and 11,801 savings shares, all without par value. All the shares were then fully reclassified as a deduction from share capital.

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

Intek Group – Consolidated financial statements as at 31 December 2017

Statement of cash flows – indirect method

(in thousands of Euro)		*2017*	*2016*
(A) Cash and cash equivalents at the beginning of the year		**10,444**	**10,947**
Profit/(loss) before taxes		35,197	(5,144)
Amortisation and depreciation		437	435
Impairment/(reversal of impairment) of non-current assets other than financial assets		608	1,107
Impairment/(reversal of impairment) of investments and financial assets		(44,859)	192
Changes in pension funds, post-employment benefits and stock options		(144)	(35)
Changes in provisions for risks and charges		(591)	(460)
(Increase)/decrease in investments		5,415	(1,727)
(Increase)/decrease in financial investments and financial assets		4,967	21,357
Increase/(decrease) in current and non-current financial payables to related companies		(759)	(14,813)
(Increase)/decrease in current and non-current financial receivables from related companies		25,707	(1,430)
Dividends received		174	-
(Increase)/decrease in current receivables		7,039	(1,649)
Increase/(decrease) in current payables		(2,491)	568
(B) Total cash flows from/(used in) operating activities		**30,700**	**(1,599)**
(Increase) in non-current intangible assets and property, plant and equipment		(245)	(68)
Decrease in non-current intangible assets and property, plant and equipment		10	75
Investments in instrumental equity interests net of acquired cash		-	(46)
Increase/decrease in other non-current assets/liabilities		(258)	-
(C) Cash flows from/(used in) investing activities		**(493)**	**(39)**
Increase/(decrease) in current and non-current financial payables		(3,835)	(493)
(Increase)/decrease in current and non-current financial receivables		(8,150)	672
(D) Cash flows from/(used in) financing activities		**(11,985)**	**179**
(E) Change in cash and cash equivalents	**(B) + (C)**	**18,222**	**(1,459)**
(F) Cash contributed by change in scope of consolidation		**220**	**956**
(G) Cash and cash equivalents at the end of the period	**(A) + (E) + (F)**	**28,886**	**10,444**

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

Intek Group – Consolidated financial statements as at 31 December 2017

Notes

1. General information

Intek Group is a diversified investment holding company, whose main objective is to manage its portfolio of assets and investments with a dynamic entrepreneurial perspective, focusing on cash generation and growth in the value of investments over time, also through sales functional to the development strategies.

Intek Group is a joint-stock company (Società per Azioni) registered in Italy with the Milan Companies Register under no. 00931330583 and its shares are listed on the electronic share market (MTA) organised and managed by Borsa Italiana SpA.

Although it is owned by Quattroduedue Holding BV through the wholly-owned subsidiary Quattroduedue SpA, Intek Group is not subject to management and coordination as defined in articles 2497 et seq. of the Italian Civil Code and article 37 of the Market Regulation, insofar as that:

- it has autonomous powers of negotiation with respect to contractual arrangements with customers and suppliers;
- it does not participate in any centralised treasury arrangements operated by the parent or any other company under the parent's control;
- the number of independent Directors (3 out of 9) is such as to ensure that their opinions have a material influence on board decisions.

The consolidated financial statements at 31 December 2017 were approved by the Board of Directors on 28 March 2018 and will be published in accordance with legal requirements.

The merger by incorporation of ErgyCapital SpA (a company recognised at fair value) into Intek Group entered into effect during 2017, with retrospective accounting effects to 1 January 2017. Any economic relations with the incorporated company that took place prior to the effective date of the merger were cancelled. The details regarding the effects of this merger and the other changes to the consolidation area relative to Tecno Servizi Srl and Rede Immobiliare Srl incorporated into Immobiliare Pictea Srl are provided for each asset and liability item.

2. Accounting policies

2.1. Assessment of Investment Entity status

Intek Group considers that it possesses all the elements set forth in paragraphs 27 and 28 of IFRS 10 to qualify as an investment entity.

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 investment management services;

b) commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

c) measure and evaluate the performance of substantially all of its investments on a fair value basis.

The typical characteristics of investment entities as provided by paragraph 28 of IFRS 10 are the following:

a) it has more than one investment;

b) it has more than one investor;

c) it has investors that are not related parties of the entity; and

d) it has ownership interests in the form of equity or similar interests.

The consolidated financial statements as at 31 December 2017 were therefore prepared by applying the accounting standards relative to investment entities and measuring at fair value the investments in subsidiaries not providing services that are related to the Company's investment activity, which therefore are not fully consolidated, in line with the financial statements as from 31 December 2014.

2.2. Basis of presentation

The consolidated financial statements as at and for the year ended 31 December 2017 have been prepared pursuant to article 154 *ter* of Legislative Decree 58/1998. They conform to the International Financial Reporting Standard (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission in accordance with the procedure as set out in art. 6 of Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002 as well as with the provisions issued in implementation of art. 9 of Legislative Decree 38/2005 where applicable.

The Consolidated Financial Statements as at 31 December 2017 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 thereto include, besides the amounts relating to the reference period, the corresponding comparative data relating to the previous year: There were no changes to the structure of the statements compared to those at 31 December 2016.

The statement of financial position has been prepared by separately classifying current and non-current assets and 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, including finance expense, profit (loss) of associated companies and joint ventures accounted for using the equity method, tax charges, and a single amount relative to total discontinued operations. Section "*Other comprehensive income*" provides details on the items which, following the specific provisions of individual IFRSs, are recognised separately from the profit (loss) for the current period. These items are divided into two categories as follows:

- items that will not be subsequently reclassified to profit or loss;
- items that will be subsequently reclassified to profit or loss, when specific conditions are met.

The amount attributable to the owners of the parent as well as the amount attributable to non-controlling interests are given.

The statement of cash flows is presented using the indirect method, according to which the profit (loss) for the period is adjusted for the effects of:

- changes in receivables and payables generated from operating activities, which also include investing activities;
- non-cash activities;
- all other items for which the cash effects are cash flows from investing or financing activities.

The cash flows from investments in equity interests and mutual funds, including financial receivables and payables to related companies, are classified under cash from operating activities. In case of changes in the scope of consolidation, the changes in the assets are considered on the basis of the first consolidation date.

In preparing the financial statements, the Directors have applied the concepts of accruals, clarity, significance, materiality, reliability, neutrality, prudence and comparability and applied accounting policies consistent with those used for the financial statements as at 31 December 2016, except for the standards effective as from 1 January 2017. These financial statements were prepared on a going concern basis, as required by IAS 1, as there exist no doubts or uncertainties regarding the Group's ability to pursue its activities and continue to operate as a going concern in the foreseeable future.

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

- Amendment to IAS 7 – *Disclosure Initiative* (issued on 29 January 2016), which aims to provide some clarifications to improve information about financial liabilities. In particular, the amendments require that entities provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.
- Amendment to IAS 12 – *Recognition of Deferred Tax Assets for Unrealised Losses* (issued on 19 January 2016). The document aims to provide certain clarifications on the recognition of the deferred tax assets on unrealised losses in the measurement of the "Available for sale" financial asset, upon the occurrence of specific circumstances and regarding the estimated taxable income in future years. The adoption of these amendments did not impact the financial statements.

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

Events and transactions affecting the Company are recognised and presented with respect to their economic substance rather than legal form.

Specific notes contained in the management report disclose the content and meaning of the non-IFRS alternative performance indicators, where applicable, in compliance with CESR recommendation 05 - 178b published on 3 November 2005.

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

2.3. Basis of consolidation

The consolidation standards only affect equity investments in ancillary services subsidiaries, as equity investments held for investment purposes are excluded from the scope of 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 arising 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 under asset item "Goodwill and goodwill arising on consolidation"; if negative, in profit or loss. The portion of equity and profit (loss) attributable to non-controlling interests is recognised under the relevant items. After initial recognition, "goodwill" is measured at cost less accumulated impairment losses as required by IAS 36 – *Impairment of Assets.*

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

The financial year of all consolidated subsidiaries is the calendar year. They draft their financial statements using the Euro.

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

In the case of the transfer of a subsidiary to a jointly-controlled or associated company, the profit or loss from the loss of control is recognised in profit or loss, as provided for by IFRS 10, paragraph 25. In this case:

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 at the corresponding fair value on the date the control is lost and subsequently accounts for it and for any amounts owed by or to the former subsidiary in accordance with relevant IFRSs. This fair value becomes the basis for the next posting of the investment;

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

d) reclassifies to profit or loss, or transfers directly to retained earnings if required in accordance with other IFRSs, the amounts previously recognised in other comprehensive income in relation to the former subsidiary.

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

Name	**Registered office**	**Currency**		**Activity**	**% ownership**	
			Share capital		**direct**	**Indirect**
Intek Group SpA	Italy	Euro	335,069,009.80	Holding company	Parent company	
I2 Capital Partners SGR SpA	Italy	Euro	1,500,000	Management of investment funds	100.00%	
Immobiliare Pictea Srl	Italy	Euro	80,000	Real Estate	100.00%	

During the year, there were two changes in the consolidation area: one was due to the merger of ErgyCapital into the parent company and the other was the merger in the real estate area. Due to the latter, the consolidation area includes the assets originating from Rede Immobiliare and Tecno Servizi (I2 Real Estate was already included in the consolidation). The equity investments held in ErgyCapital were not considered to be material and were therefore not consolidated.

2.4. Investments in equity interests and fund units

This item includes investments, including controlling investments, in equities, made in order to obtain returns from capital appreciation, investment income, or both. This item also includes investment fund units.

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

Fair value measurement

The initial fair value is determined on the basis of the transaction price, and is therefore equal to the consideration paid.

Subsequently, and at each reporting date, the fair value of financial instruments listed on an active market is determined on the basis of market prices.

The fair value of instruments that are not listed on an active market is determined using valuation techniques based on a series of methods and assumptions relating to market conditions at the reporting date. The valuation techniques used are the discounted cash flow method, the market multiples or transaction multiples method, the cost method, and the equity method.

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

The market multiples method consists in estimating the current theoretical value considering the indications expressed by the market with regard to a sample of listed companies which are similar in nature of business to the company to be evaluated. The comparable transaction multiples method consists in recognising the company at a value equal to the prices of recent transactions involving companies which are similar and operate in the same sector as the one to be evaluated.

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

2.5. Investment property

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

For determination of the fair value, reference is made to a specific value, mainly provided through 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 assessments made by the land registry office for buildings located in the same area and used for the same purpose, and take into consideration the state of upkeep and future potential of the property.

2.6. Financial assets and liabilities

The financial assets and liabilities acquired or held mainly for sale are classified as "*Financial assets or liabilities at fair value 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 determined on the basis of the transaction price, and is therefore equal to the consideration paid or received.

Subsequently, and at each reporting date, the fair value of financial instruments listed on an active market is determined on the basis of market prices. The market prices used for derivatives are the bid prices, whereas ask prices are used for financial liabilities. The fair value of instruments that are not listed on an active market is determined using valuation techniques based on a series of methods and assumptions relating to market conditions at the reporting date.

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

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

Determination of impairment losses

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

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

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

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

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

2.7. Property, plant and equipment

Investments in operating assets

Property, plant and equipment are recorded at purchase or production cost, including directly attributable costs, and are shown net of accumulated depreciation and any impairment losses determined in accordance with the methods set out below. Any item of property, plant and equipment consisting of different components with varying useful lives is accounted for separately.

Property, plant and equipment are measured at cost, net of accumulated depreciation and impairment, with the exception of land which is not depreciated and is carried at cost net of 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 relating to the purchase of property, plant and equipment have been capitalised in compliance with IAS 23.

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

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

Depreciation is calculated based on the following useful lives:

Buildings	from 25 to 50 years
Plant and equipment	from 10 to 40 years
Other equipment	from 4 to 15 years

Assets under finance leases

Leases are arrangements by which the lessor transfers the right to use an asset for an agreed period of time to the lessee in exchange for payment or a series of payments. Lease arrangements that essentially transfer all risks and rewards deriving from ownership of the asset are defined as "finance leases" even if title is not transferred at the end of the lease. Finance leases are recognised as required by IAS 17, paragraphs 20-32. Therefore, the related assets are recognised as property, plant and equipment together with the corresponding liability. The cost of the lease is separated into two components: financial expense, recognised in profit or loss, and repayment of principal, recognised as a reduction of financial liabilities. Assets held under finance leases are recognised at the lower of cost and the present value of minimum lease payments at the inception of the lease. Assets held under finance leases are depreciated over the shorter of the lease term and their useful lives unless there is reasonable certainty that title to the asset will be obtained at the end of the lease.

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

Impairment losses

Property, plant and equipment are tested for impairment whenever there is specific objective evidence thereof. The test involves estimating the recoverable amount of the asset, defined as the higher of net selling price and value in use, compared to its carrying amount. The recoverable amount is the higher of fair value less costs of disposal and value in use. Value in use is determined by discounting projected cash flows at a pre-tax discount rate that reflects current market estimates of the time value of money and the risks associated with the relevant asset. To the extent that the recoverable amount is less than the carrying amount, the carrying amount is reduced to the recoverable amount with the difference either being recognised in profit or loss or in a revaluation reserve previously created on the revaluation of the relevant asset. Subsequent revaluations are treated in the opposite way.

2.8. Intangible assets

(a) Goodwill

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

(b) Other intangible assets with finite useful lives

An intangible asset with 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 measured at cost and fair value including directly attributable expenses. They are then amortised on a systematic basis over their useful life, to be understood as the period of time over which the asset is expected to be used by the Company, generally between 3 and 5 years. Intangible assets are not considered to have any residual value at the end of their useful life.

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

The Company's share capital consists of ordinary and savings shares, all without par value, fully subscribed and paid up at the reporting date, reduced by any share capital to be received. The value of treasury shares is deducted from equity, in accordance with IAS 32. Such adjustments are reported in the notes only, whilst the historical cost of owned treasury shares is recognised separately on the face of the statement of financial position against equity.

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

2.11. Receivables and payables

Receivables and payables are recognised at fair value, which normally coincides with their nominal value when the effect of discounting is immaterial.

2.12. Current and deferred taxes

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

Current tax expense is measured at the amount of income taxes expected to be paid to taxation authorities, using the rates/laws that have been enacted or substantively enacted by the end of the reporting period. Deferred taxes are recognised using the equity method, based on temporary differences between the carrying amounts of the assets and liabilities and the corresponding amounts recognised for tax purposes. Deferred taxes are not recognised for the following temporary differences: initial recognition of an asset or liability other than in a business combination which, at the time of the transaction, does not affect accounting profit (loss) or taxable profit (loss); 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 if the entity has the legal right to settle current tax amounts and the deferred tax amounts are levied by the same taxing authority on the same entity or different entities that intend to settle current tax amounts on a net basis or realise the asset and settle the liability at the same time.

Deferred tax assets are only recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference will be utilised. The carrying amount of deferred tax assets is 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

Post-employment benefits are payable under plans which, depending on their economic substance, are classified either as a "defined contribution" plan or a "defined benefit" plan. Under a defined contribution plan, the Group's obligation is limited to the payment of contributions to a separate legal entity, and consists of the contributions due at the end of the reporting period.

Liabilities under defined benefit plans, such as post-employment benefits pursuant to article 2120 of the Italian Civil Code, less any plan assets, are determined, with the assistance of an independent expert, on the basis of actuarial assumptions and the attribution of benefits to periods of service. Actuarial gains and losses relating to defined benefit plans arising 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, the amount or due date of which are uncertain. The 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 resources will be needed to produce economic benefits to meet the obligation;
- the amount of the obligation can be estimated reliably.

The amount recognised as a provision is, therefore, the best estimate of the expenditure required to settle the present obligation at the end of the reporting period or transfer it to a third party. Where the time value of money is material, the provision is equal to the present value of expenditures required to settle the obligation.

2.15. Dividends

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

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

Non-current assets are classified in this category when it is expected that their carrying amount will be recovered mainly through sale rather than through continuing use. The sale must be highly probable, within 12 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 the guarantees granted, are recognised based on the progress of the service at the reporting date.

Costs and other operating expenses are recognised as a component of the result when they are incurred based on the accruals principle referring to revenues and when they do not fulfil the requirements for recognition as balance sheet assets.

2.18. Finance income and expense

Finance income and expense are recognised in profit or loss based on their maturities.

2.19. Earnings/(loss) per share

Basic and diluted earnings/(loss) per ordinary share are calculated in the following manner:

a) the numerator is equal to profit or loss attributable to the Parent company, 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, if any.

For this calculation, it was 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 at 31 December 2017 of the basic earnings per share was done by taking the Group net profit (loss) net of the amount due to savings shares, attributable to holders of outstanding ordinary shares, and the weighted average number of outstanding shares which was 395,493,510, taking account of any share splits and/or reverse share splits and any increases/reductions in share capital pursuant to IAS 33 paragraph 64.

2.20. Use of estimates

The preparation of the consolidated financial statements and notes thereto in accordance with IFRSs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. The estimates were mainly used to determine: the fair value of investments in equities and funds, investment property, the useful lives of non-current assets and the related recoverable amount, allowance for impairment, any impairment losses, the cost of employee benefits, the estimated current and deferred tax charges, the estimated indefinite useful lives of intangible assets and other provisions.

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

2.21. Accounting standards not yet applied

As at 31 December 2017, some new standards and interpretations, already endorsed by the European Union, were not yet mandatory to apply and Intek Group did not opt for early adoption as at 31 December 2017.

Some of the most important standards are detailed below:

- On 28 May 2014 the IASB issued the standard *IFRS 15 – Revenue from Contracts with Customers* which, together with further clarifications issued on 12 April 2016, will replace *IAS 18 – Revenue* and *IAS 11 – Construction Contracts*, as well as the interpretations *IFRIC 13 – Customer Loyalty*

Programmes, *IFRIC 15 – Agreements for the Construction of Real Estate*, *IFRIC 18 – Transfers of Assets from Customers* and *SIC 31 – Revenues-Barter Transactions Involving Advertising Services*. This standard establishes a new model for the recognition of revenues and applies to all contracts with customers, except for those that fall within the scope of other IAS/IFRS such as leases, insurance contracts and financial instruments. The main steps for the recognition of the revenues according to the new model are: identification of the contract with the customer; identification of the contract performance obligations, determination of the price, allocation of the price to the contract performance obligations and the recognition criteria when the entity has fulfilled each performance obligation.

The standard is applicable beginning from 1 January 2018. The amendments to IFRS 15, *Clarifications to IFRS 15 'Revenue from Contracts with Customers'*, issued by the IASB in April 2016, have been endorsed by the European Union on 6 November 2017. Based on the Group's activities and the analyses carried out no significant impacts are expected from the application of the standard.

- On 24 July 2014 the IASB published the final version of *IFRS 9 – Financial Instruments*. It contains the results of the IASB's project to replace IAS 39. The new standard is mandatorily effective for periods beginning on or after 1 January 2018.

  It introduces new requirements for the classification and measurement of financial assets and liabilities. In particular, for financial assets the new standard uses a single approach based on the procedures for the management of the financial instruments and contractual cash flow characteristics of the financial assets in order to determine the valuation criterion, replacing the various rules set forth in IAS 39. For financial liabilities, the main amendment that took place refers to the accounting treatment of the changes in the fair value of a financial liability designated as a financial liability measured at fair value and recognised in the income statement, in the event these changes should be due to the changes in the credit rating of the issuer of the liabilities themselves. According to the new standard, these changes must be recognised in the "Statement of comprehensive income" and not through profit or loss. Moreover, when amending non-material liabilities, it is no longer allowed to spread the economic effects of the renegotiation over the residual duration of the debt, amending the effective interest rate as at that date and the effect must be recognised in profit and loss.

  As regards impairment, the new standard introduces a new expected loss impairment model to measure expected credit losses (rather than the incurred loss model in IAS 39), considering reasonable and supportable information about past events, current conditions and reasonable and supportable forecasts of future economic conditions. The standard provides that this impairment model be applied to all financial instruments, i.e. to all the assets measured at amortised cost, those measured at fair value through other comprehensive income, the receivables from leases and trade receivables.

  Indeed, the standard introduce a new hedge accounting model in order to adapt the requirements of the current IAS 39 which were sometimes considered to be exceedingly strict and inappropriate insofar as reflecting the company's risk management policies. The main new areas of the document are:

  - more types of transactions are eligible for hedge accounting, including the non-financial asset/liability risks selected to be handled through hedge accounting;
  - The change in the accounting treatment applicable to forward contracts and the options when they are included under hedge accounting, so as to reduce the volatility of the income statement;
  - the changes to the effectiveness test through replacement of the current procedures based on the 80%-125% parameter with the principle of the "economic relation" between the hedged item and the hedging instrument; moreover, it will no longer be necessary to measure the effectiveness of the hedging relationship retrospectively.

  The greater flexibility afforded by the new accounting rules is offset by additional disclosure requirements with regard to risk management activities. Based on the analyses carried out, no significant impact is expected from the new standard, which will be applied prospectively.

- On 13 January 2016, the IASB published the standard IFRS 16 – *Leases* replacing IAS 17 *Leases*, and 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*.

  The new standard provides a new definition of lease and introduces a criterion based on the right of use of an identified asset in order to distinguish leases from service contracts, identifying the following discriminating factors: identification of the asset, right of substitution of the asset, right to obtain substantially all the economic benefits from using the asset, and right to direct the identified asset's use.

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

  The standard is applied from 1 January 2019. Earlier application is permitted only for companies that have already applied IFRS 15 – Revenue from Contracts with Customers. No significant impacts are expected from the application of the standard.

- On 12 September 2016 the IASB issued the document "*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*". For entities whose predominant activity is issuing insurance contracts, the amendments aim to address concerns about issues arising from applying IFRS 9 (as from 1 January 2018) to financial assets, before the IASB replaces the current IFRS 4 with the new standard currently being drafted, based on which financial liabilities are measured. The amendments introduce two possible approaches: an overlay or a deferral approach. Based on the activities carried out by the Group, no impacts are expected on the financial statements.

As at 31 December 2017, the competent bodies of the European Union had not yet concluded the approval process required for adoption of the amendments and the standards described below:

- On 18 May 2017, the IASB issued IFRS 17 – *Insurance Contracts*, which is set to replace IFRS 4 – Insurance Contracts. The objective of the new standard is to ensure that an entity will provide pertinent information that faithfully represents the rights and obligation arising from the insurance contracts issued by that entity. The IASB developed the standard to eliminate incongruities and weaknesses inherent in the existing accounting standards, provided a single principle based framework that would take all types of insurance contracts into account, including the reinsurance contracts held by an insurer. The new standard also includes presentation and disclosure requirements to improve comparability between the entities that belong to this sector. Based on the activities carried out by the Group, no significant impacts are expected from this standard.
- On 20 June 2016 the IASB issued the document "*Classification and measurement of share-based payment transactions (Amendments to IFRS 2)*", which includes the amendments to IFRS 2. The amendments provide certain clarifications regarding the accounting of the effects of vesting conditions in cash-settled share-based payments with net settlement features and the accounting of modifications to the terms and conditions of share based payments which change from cash-settled to equity-settled. The amendments are applicable beginning from 1 January 2018. No impacts are expected from the application of this standard.
- On 8 December 2016 the IASB issued the document "*Annual Improvements to IFRSs: 2014-2016 Cycle*" which includes the amendments made to some standards as part of the annual improvement process for the standards. We are currently estimating the possible effects of these amendments on the financial statements. The main amendments concern:
  - *IFRS 1 First-Time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters*. The amendment to this standard is applicable at the latest by the years beginning on 1 January 2018 and refers to the elimination of certain short-term exemptions as provided in paragraphs E3-E7 of Appendix E of IFRS 1, as the benefit of these exemptions is now considered to no longer apply.

- *IAS 28 Investments in Associates and Joint Ventures – Measuring investees at fair value through profit or loss: an investment-by-investment choice or a consistent policy choice*. The amendment clarifies that the option for a venture capital organization or another similarly qualified entity (such as a mutual fund or similar entity) to measure investments in associates or joint ventures evaluated at fair value through profit and loss (rather than through application of the equity shall be applied to each individual investment upon initial recognition. The amendment is applicable beginning from 1 January 2018.
- *IFRS 12 Disclosure of Interests in Other Entities – Clarification of the scope of the Standard*. The amendment clarifies the scope of application of IFRS 12, specifying that the disclosure required by the standard, except as provided in paragraphs B10-B16, is to be applied to all the shares classified as held for sale, held for distribution to shareholders or as discontinued operations pursuant to IFRS 5. This amendment is applicable from 1 January 2017; however, as it had not yet been endorsed by the European Union, it was not adopted as at 31 December 2017.

▪ On 8 December 2016 the IASB issued the document "*Foreign Currency Transactions and Advance Consideration (IFRIC Interpretation 22)*", which aims to provide guidelines for the accounting of foreign currency transactions when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before recognition of the related asset, expense or income. This document provides instructions on how an entity can determine the date of the transaction and, consequently, the spot exchange rate to use when foreign currency transactions are carried out in which the payment is made or received in advance.

No impacts are expected from the application of this interpretation.

▪ On 8 December 2016 the IASB issued the document "*Transfers of Investment Property* (Amendments to IAS 40)", which includes the amendments to IAS 40. These amendments clarify the transfers of a property to or from investment property status. In particular, an entity must reclassify a property from, or to, investment property only when there is an evident change in use. This change must be due to a specific event that took place and should not be limited to a change in the intentions of an entity's management. These amendments are applicable beginning from 1 January 2018. The application of these amendments is expected not to have a material impact on the financial statements.

▪ On 7 June 2017 the IASB issued interpretation *IFRIC 23 – Uncertainty over Income Tax Treatments*. The document discusses the issue of uncertainty regarding the tax treatment to adopt for income taxes.

This document provides that uncertainties in determining assets or liabilities for tax purposes must be reflected in the financial statements only when it is probable that the entity will pay or recover the amount in question. Furthermore, the document contains no new disclosure requirements, but underlines that an entity must establish whether it will be necessary to provide information on the considerations made by management relative to the uncertainty inherent in accounting for taxes, pursuant to IAS 1. We are currently assessing the possible effects of introducing this interpretation on the financial statements.

▪ On 12 October 2017 the IASB issued the document "*Prepayment Features with Negative Compensation (Amendments to IFRS 9)*". This document specifies that a debt instrument which provides for early redemption may comply with the characteristics applicable to contractual cash flows (the "SPPI" test) and, consequently, could be measured by using the amortised cost method or fair value through other comprehensive income, even when the "reasonable additional compensation" provided in the event of early redemption is a "negative compensation" for the financing entity. The amendment is effective for reporting periods beginning on or after 1 January 2019. Earlier application is permitted. We are currently estimating the possible effects of introducing these amendments on the financial statements.

▪ On 12 October 2017 the IASB issued the document *"Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)"*. This document clarifies the need to apply IFRS 9, including the impairment requirements, to other long-term interests in associated companies and joint ventures to which the equity method is not applied. The amendment is effective for reporting periods beginning on or after 1 January 2019. Earlier application is permitted. We are currently estimating the possible effects of introducing these amendments on the financial statements.

- On 12 December 2017 the IASB issued the document "*Annual Improvements to IFRSs 2015-2017 Cycle*" which includes the amendments to some standards as part of the annual improvement process. The main amendments concern:

    - *IFRS 3 Business Combinations and IFRS 11 Joint Arrangements*: the amendment clarifies that when an entity obtains control of a business that represents a joint operation, it must remeasure the interest held previously in that business. Conversely, this process is not required when joint control is obtained.
    - *IAS 12 Income Taxes*: this amendment clarifies that all the tax effects connected to dividends (including the payments on financial instruments classified under shareholders' equity) must be recognised coherently with the transaction that generated the profits (income statement, OCI or shareholders' equity).
    - *IAS 23 Borrowing costs*: the amendment clarifies that for loans that remain in existence even after the qualifying assets is ready for use or sale, they become a part of the loans used to calculate the financing cost.

    These amendments are effective for periods beginning on or after 1 January 2019. Earlier application is permitted. No significant impacts are expected on the financial statements

- On 11 September 2014 the IASB issued an amendment to IFRS 10 and IAS 28 – *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*. The document was published to resolve the current conflict between the requirements of IAS 28 and IFRS 10.

    Pursuant to IAS 28, the profit or loss from the sale or transfer of a non-monetary asset to a joint venture or associated company in exchange for a share of the latter's capital is restricted to the share held in the joint venture or associated company by other investors who are not involved in the transaction. Conversely, IFRS 10 requires recognition of all the profit or loss in the event of losing control of a subsidiary, even if the entity continues to have a non-controlling interest therein, and the sale or transfer of a subsidiary to a joint venture or associated company also falls under this requirement. The amendments introduced provide that in a disposal/transfer of an asset or a subsidiary to a joint venture or associated company, the profit or loss to be recognised in the assignor's financial statements depends on whether or not the assets or the subsidiary that was sold/transferred constitute a business, in the sense of IFRS 3. If the assets or subsidiary which was sold/transferred constitute a business, the entity shall recognise the profits or the losses for the entire share previously held; on the other hand, the portion of the profits or losses relative to the share that continues to be held by the entity must be derecognised. Currently, the IASB has suspended application of this amendment. We are currently assessing the possible effects of introducing these amendments on the financial statements.

- On 30 January 2014 the IASB issued *IFRS 14 – Regulatory Deferral Accounts* which allows only first-time adopters to continue to recognise the amounts relative to assets subject to regulated fees ("Rate Regulation Activities") according to the previous accounting principles that had been adopted. Since the Group is not a first-time adopter, this standard cannot be applied.

3. ***Financial risk management***

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

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

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

Types of risk:

a) credit risk: given the operations of Intek and its consolidated subsidiaries, there are no significant receivables from third party entities;

b) liquidity risk: it can arise from difficulties in raising finance for operating activities as and when required. All inflows and outflows and cash balances are centrally monitored. The Group expects to meet its cash requirements for the repayment of short-term financial payables and capital expenditure through cash from operating activities, cash on hand and fresh or renewed bank borrowings;

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

d) interest rate risk: the interest rate risk to which the Group is exposed originates mainly from non-current financial liabilities. Floating rate liabilities expose the Group to a cash flow risk, while fixed rate liabilities entail assumption of the risk of a change in fair value;

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

4. Notes to the consolidated financial statements as at 31 December 2017

4.1. Investments in equity interests and fund units

(in thousands of Euro)	*31 Dec 2017*	*31 Dec 2016*	*Change in scope of consolidation*	*Change*
Investments in subsidiaries and associates	476,206	440,384	13,087	22,735
Investments in other companies	7,012	12	-	7,000
Mutual fund units	5,055	5,008	-	47
Other investments	1,210	-	-	1,210
Investments in equity interests and fund units	**489,483**	**445,404**	**13,087**	**30,992**

The breakdown of the item is as follows:

Name	*Registered office*	*Activity*	*Percentage of interest as at 31/12/2017*	*31/12/2016*	*Immobiliare Pictea merger*	*ErgyCapital merger*	*Increases*	*Decreases*	*Positive change in fair value*	*Negative change in fair value*	*31/12/2017*
KME AG	Osnabrück (D)	Industrial	100.00%	411,546	-	-	-	-	44,823	-	456,369
ErgyCapital SpA (*)	Florence	Alternative Energy		4,461	-	(6,673)	-	-	2,212	-	-
ErgyCapital investments (*)		Alternative Energy		-	-	7,640	2,847	(9,509)	-	(139)	839
Breda Energia SpA in liquidazione	Milan	Holding company	100.00%	6,162	-	-	-	-	-	-	6,162
KME Beteiligungsgesellsch.mbH	Osnabrück (D)	Real Estate	100.00%	1,300	-	-	-	-	-	(157)	1,143
Tecno Servizi Srl (*)	Varedo	Real Estate		1,700	(1,700)	-	-	-	-	-	-
Fossati Uno Srl	Milan	Real Estate	35.00%	782	-	-	69	-	-	(337)	514
Rede Immobiliare Srl (*)	Milan	Real Estate		2,362	(2,362)	-	-	-	-	-	-
Progetto Ryan 2 Srl in liquidazione	Milan	In liquidation	100.00%	299	-	-	-	(304)	5	-	-
Intek Investimenti Srl	Milan	Deeds of Arrangement	100.00%	680	-	-	-	-	-	(263)	417
Progetto Ryan 3 in liquidazione	Milan	Furniture	100.00%	1,103	-	-	-	-	-	(1,103)	-
Culti Milano SpA	Milan	Furniture	72.04%	9,227	-	-	2,206	-	-	(908)	10,525
Mecchld Srl	Milan	Credit broker	20.00%	217	-	-	-	-	-	-	217
Il Post Srl	Milan	Publishing	19.90%	545	-	-	-	-	-	(525)	20
Total subsidiaries and associates				**440,384**	**(4,062)**	**967**	**5,122**	**(9,813)**	**47,040**	**(3,432)**	**476,206**
Ducati Energia				-	7,000	-	-	-	-	-	7,000
Other minor investments				12	-	-	-	-	-	-	12
Other investments				**12**	**7,000**	**-**	**-**	**-**	**-**	**-**	**7,012**
Total investments				**440,396**	**2,938**	**967**	**5,122**	**(9,813)**	**47,040**	**(3.432)**	**483,218**
I2 Capital Partners Fund				4,992	-	-	211	(919)	771	-	5,055
Value Secondary Investment SICAR				16	-	-		(16)		-	-
Total fund units				**5,008**	**-**	**-**	**211**	**(935)**	**771**	**-**	**5,055**
Culti Milano Warrant				-	-	-	-	-	1,210	-	1,210
Total other investments				**-**	**-**	**-**	**-**	**-**	**1,210**	**-**	**1,210**
Investments in equity interests and fund units				**445,404**	**2,938**	**967**	**5,333**	**(10,748)**	**49,021**	**(3,432)**	**489,483**

(*) The equity investment in ErgyCapital was the object of a merger by incorporation with legal effect from 27 December 2017. As at the effective date of the merger (1 January 2017) the fair value of the investment held was estimated on the basis of the adjusted shareholders' equity. The difference between this measurement and the previous book value, which was determined on the basis of the stock market prices, generated a difference of Euro 2,212 thousand, which was recognised in profit and loss. Intek Group

assumed direct control of ErgyCapital due to the merger. During the year, the equity investments in the photovoltaic sector were sold. The value thereof had previously been increased pursuant to the waiver of the shareholder loan.

The equity investments in Rede Immobiliare and Tecno Servizi were merged into the instrumental equity investment Immobiliare Pictea Srl during 2017 with accounting effect from 1 January 2017.

The fair value of the equity investment in KME AG has been estimated, with the assistance of an external consultant, based on the unlevered discounted cash flow method (UDCF), by discounting the operating cash flows generated by the assets themselves (net of the tax effect) at a discount rate that is representative of the average cost of capital (WACC, also after taxes) of 10.33% (including, as in the past, an additional premium of 1.5% to reflect the intrinsic risks of the forecasts, taking also into account the deviations that have been recorded in 2017).

The UDCF method was applied based on economic forecasts and changes in some statement of financial position items included in the 2018-2022 Plan ("the Plan"), drafted and approved by the KME AG Board of Directors.

Compared to last year, the Plan is characterised by a decrease in the estimate of the future cash flows also in light of the aforementioned deviations and worse conditions in the reference market. The main assumptions of the Plan are:

- gradual recovery in sales volumes of approximately 2.4% annually (the increase in demand of copper at the global level (CAGR 2018-2021) is 3.1%);
- increase in the added value (CAGR of approximately 4.6%) connected to the aforementioned rise in volumes and the assumed increase in the price of copper. The increase in the price of copper is supported by the forecasts within the studies published by the main financial operators (CGAR 2018-2021 amounting to 3.6%, BMI Copper Report);
- significant recovery in EBITDA mainly due to the impact of the restructuring plans put in place by the directors during the last years, the increased focus on raising productivity and the increase in product margins;
- investments are essentially stable at 5.5% of net invested capital.

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

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

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

- risk free-rate: weighted average of the 10-year government bonds in each country in which the Group operates;
- market risk premium: equal to 5.5%, in line with the Italian valuation practices;
- debt cost: 10-year USD swap rate at 31 December 2017 plus a 2.41% spread, for a total gross rate of 4.41%;
- Unlevered Beta: average of unlevered beta factors of a sample of comparable listed companies;
- Additional *Alpha* premium on the cost of own capital equal to 4%.

It should be noted that in 2016 the cash flows were discounted using a WACC discount rate of 9.98% (also increased by an additional premium of 1.5%), net of taxes. This rate took into account an average risk-free rate of about 1.26%, a market risk premium of 5.5% and an average interest rate calculated using the same procedures as in this year.

The calculation relative to the 2017 test was furthermore subjected to a sensitivity analysis using a WACC from 9.33% to 11.33% and a growth rate "g" from zero to 2% and two alternative scenarios for the determination of the terminal value calculating assuming (i) a long-term EBITDA equal to the average Plan EBITDA of the last three years and (ii) a long-term EBITDA equal to the EBITDA of the last year of the plan (2022). In both scenarios a discount rate representative of the average cost of capital (WACC) was used on the TV flow, increased by an additional premium of 1.5% to reflect the risk intrinsic in the forecasts taking into account the historical deviations that have been recorded.

The values fluctuate between a minimum of Euro 453.9 million and a maximum of Euro 458.8 million and they were compared with other values resulting from other methods in particular using the market transaction multiples method with the EV/EBITDA multiple, calculated by using historical EBITDA. The first was calculated based on historical data, using the 2017 EBITDA. The multiplier identified on the basis of similar businesses in terms of the market multiples was 9.44x, while for the transaction multiples the multiplier was equal to 8.17x.

The average of the control methods essentially confirmed the results of the main methods, with deviations of less than 10%. The value of the equity investment was therefore estimated on the basis of the average value from the main method equal to Euro 456.4 million.

The above estimation process is characterised by a significant level of complexity and subjectivity, based, on the case of the Unlevered Discounted Cash Flow, on assumption regarding, among other things, the expected cash flows of the investee, the determination of an appropriate discount rate (WACC) and a long-term growth rate (g-rate); these assumptions are influenced by future expectations and market conditions, particular with regard to the European copper market. The application of the methodologies which are based on multiples, in relation to the selection and definition of the benchmark samples, are also subjective elements.

The equity investment in Culti Milano and the relative warrants, both of which are listed on the AIM market, were measured at the stock market prices as at 31 December 2017.

For other investments, reference was mainly made to the equity value of the same, adjusted on the basis of the current values of the related assets.

The units 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 31 December 2017 is equal to Euro 5,055 thousand, up by Euro 63 thousand compared to 31 December 2016. This increase is attributable for Euro 771 thousand to the positive effects of the valuation and for Euro 211 thousand to payments made. During the year, reimbursements were received totalling Euro 919 thousand. The fair value has been calculated based on the fair value communicated by the management company to the investors of the individual fund investments net of other financial assets and liabilities.

4.2. Non-current financial assets

This item can be broken down as follows:

(in thousands of Euro)	*31 Dec 2017*	*31 Dec 2016*	*Change in scope of consolidation*	*Change*
Receivables due from related companies	3,595	46,731	5,560	(48,696)
Guarantee fees receivable	-	2,001	-	(2,001)
Other non-current financial assets	10,050	50	-	10,000
Non-current financial assets	**13,645**	**48,782**	**5,560**	**(40,697)**

The decrease in the "Receivables due from related companies" mainly portrays the reclassification made to current assets of the Euro 35,000 loan to the subsidiary KME AG, with expiration on 30 September 2018. This loan, which accrued interests at an annual rate of 3.75%, was repaid early in February 2018.

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

▪ Fossati Uno Srl	2,664
▪ Società Agricola Agrienergia Srl	290
▪ Società Agricola Carmagnola Srl	266
▪ Mecchld	200
▪ NewCocot	175
	3,595

Società Agricola Agrienergia and Società Agricola Carmagnola are two companies operating in the biogas area which were previously controlled by ErgyCapital.

During the year, the loan to subsidiary Progetto Ryan 3 was completely written down to adjust it to its recovery value.

"*Guarantee fees receivable*" are the present value of guarantee fees that are 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 were matched by payables of an equal amount. There were no commissions to be received in later than 12 months as at 31 December 2017, due to the expiration of the guaranteed loans.

"*Other non-current financial assets*" increased on account of the establishment of guarantee deposits for companies ensuring the loan in support of KME operations.

4.3. Property, plant and equipment:

(in thousands of Euro)	*31 Dec 2017*	*31 Dec 2016*	*Change in scope of consolidation*	*Change*
Buildings	10,721	11,072	-	(351)
Plant and equipment	-	-	-	-
Other assets	375	425	6	(56)
Advances and assets under development	227	22	-	205
Property, plant and equipment	**11,323**	**11,519**	**6**	**(202)**

With reference to the item "*Buildings*", the most significant amount refers to the building located in Milan - Foro Buonaparte 44, where the parent company Intek and other group companies have their headquarters.

The changes during the year and those of the previous year can be summarised as follows:

(in thousands of Euro)	*Buildings*	*Plant and equipment*	*Moveable property*	*Advances*	*Total*
Gross amount	13,506	-	2,279	22	15,807
Accumulated amortisation	(2,434)	-	(1,854)	-	(4,288)
Total at 31 December 2016	**11,072**	**-**	**425**	**22**	**11,519**
Gross amount at 31 December 2016	**13,506**	**-**	**2,279**	**22**	**15,807**
Purchases in the period	-	-	37	205	242
Change in scope of consolidation (cost)	-	-	127	-	127
Disposals (cost)	-	-	(38)	-	(38)
Gross amount at 31 December 2017	**13,506**	**-**	**2,405**	**227**	**16,138**
Accumulated amortisation at 31 December 2016	**(2,434)**	**-**	**(1,854)**	**-**	**(4,288)**
Change in scope of consolidation (depreciation provision)	-	-	(120)	-	(120)
Amortisation, depreciation, impairment and write-downs	(351)	-	(84)	-	(435)
Disposals (accumulated depreciation)	-	-	28	-	28
Accumulated amortisation at 31 December 2017	**(2,785)**	**-**	**(2,030)**	**-**	**(4,815)**
Gross amount	13,506	-	2,405	227	16,138
Accumulated amortisation	(2,785)	-	(2,030)	-	(4,815)
Total at 31 December 2017	**10,721**	**-**	**375**	**227**	**11,323**

The advances were paid against the works in progress for the restructuring of the fifth and sixth floors at Foro Buonaparte, 44 – Milan.

4.4. Investment property

(in thousands of Euro)	
Total at 31 December 2016	**3,566**
Change in scope of consolidation	15,006
Reclassifications	1,786
Fair value adjustments	(608)
Total at 31 December 2017	**19,750**

The breakdown by property is as follows:

(in thousands of Euro)	*31 Dec 2017*	*31 Dec 2016*	*Change in scope of consolidation*	*Reclassifications*	*Change*
Ivrea	3,090	3,200	-	-	(110)
San Marcello Pistoiese	334	334	-	-	-
Limbiate - Varedo	14,508	-	15,006	-	(498)
Padua	843	-	-	843	-
Sezze	718	-	-	718	-
Torchiarolo	225	-	-	225	-
Castronno	32	32	-	-	-
Total at 31 December 2017	**19,750**	**3,566**	**15,006**	**1,786**	**(608)**

The reclassifications refer to properties which were previously recognised under "Non-current assets held for sale" the negotiations for the sale of which have currently been halted.

4.5. Intangible assets

(in thousands of Euro)	*31 Dec 2017*	*31 Dec 2016*	*Change in scope of consolidation*	*Change*
Other	6	6	-	-
Intangible assets	**6**	**6**	**-**	**-**

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

The changes in the year were as follows:

(in thousands of Euro)	
Gross amount	13
Accumulated amortisation	(7)
Total at 31 December 2016	**6**
Gross amount at 31 December 2016	**13**
Purchases in the period	2
Gross amount at 31 December 2017	**15**
Accumulated amortisation at 31 December 2016	**(7)**
Amortisation, depreciation, impairment and write-downs	(2)
Accumulated amortisation at 31 December 2017	**(9)**
Gross amount	15
Accumulated amortisation	(9)
Total at 31 December 2017	**6**

4.6. Other non-current assets

The breakdown of the item is as follows:

(in thousands of Euro)	*31 Dec 2017*	*31 Dec 2016*	*Change in scope of consolidation*	*Change*
Guarantee deposits	6	470	1	(465)
Receivables from the sale of equity investments	-	-	-	-
Other receivables	-	-	-	-
Other non-current assets	**6**	**470**	**1**	**(465)**

The decrease in the item is relative to the reclassification under current assets of Euro 466 thousand relative to guarantee deposits paid for the sale of a property, the lien on which expired at the end of 2017.

4.7. Current financial assets

(in thousands of Euro)	*31 Dec 2017*	*31 Dec 2016*	*Change in scope of consolidation*	*Change*
Financial receivables from related companies	36,796	16,631	(2,267)	22,432
Guarantee fees receivable	2,377	3,891	-	(1,514)
Financial assets held for trading	67	324	-	(257)
Investments in securities	-	4,775	-	(4,775)
Other current financial assets	150	2,000	-	(1,850)
Current financial assets	**39,390**	**27,621**	**(2,267)**	**14,036**

"*Financial receivables from related companies*" mainly include:

- Euro 35,000 thousand representing the balance in favour of KME AG which had previously been classified under non-current financial assets;
- Euro 865 thousand which represents the balance of the existing interest-bearing loan to Società Agricola Agrienergia Srl.

"*Guarantee fees receivable*" are the present value of fees that are receivable within 12 months, for guarantees issued by the Intek Group S.p.A. to banks on behalf of the Group companies to which loans were granted. These receivables are matched by payables of an equal amount.

As at 31 December 2016, the *"Financial assets held for trading"* included Euro 257 thousand for the ErgyCapital shares that were cancelled at the time of the merger.

"*Investments in securities*" referred to harmonised UCIs (investment funds) and were sold during 2017.

The item *"Other current financial assets*" included Euro 2,000 thousand of time deposits at banks which were released during 2017. In reference to the Consob Communication no. DEM/11070007 of 5 August 2011 which drew on the document issued by the European Securities and Markets Authority (ESMA), it is specified that the company has no investments in sovereign debt securities.

4.8. Trade receivables

(in thousands of Euro)	*31 Dec 2017*	*31 Dec 2016*	*Change in scope of consolidation*	*Change*
Due from customers - gross amount	*635*	*479*	*152*	4
Allowance for impairment	*(264)*	*(180)*	*(138)*	54
Due from customers - net amount	371	299	14	58
Due to related companies	6,531	7,407	604	(1,480)
Receivables from factoring/leases	6,511	6,742	-	(231)
Trade receivables	**13,413**	**14,448**	**618**	**(1,653)**

The receivables *"Due from related companies"* at 31 December 2017 mainly referred to guarantees issued.

"Receivables for leasing and factoring" relate to non-performing loans from the business previously handled by Fime Leasing and Fime Factoring. The change is mainly due to the collections during the period.

4.9. Other current receivables and assets

(in thousands of Euro)	*31 Dec 2017*	*31 Dec 2016*	*Change in scope of consolidation*	*Change*
Tax assets	1,575	4,216	205	(2,846)
Receivables from special situation activities	3,510	3,511	-	(1)
Accruals and prepayments	56	93	-	(37)
Receivables due from related companies	232	1,628	1,828	(3,224)
Other receivables	2,131	1,151	260	720
Other current receivables and assets	**7,504**	**10,599**	**2,293**	**(5,388)**

The *"Tax assets"* include credits for direct taxes of Euro 615 thousand and VAT credits of Euro 865 thousand, of which a refund was requested for Euro 279 thousand while Euro 410 thousand will be offset during 2018.

The *"Receivables for special situation activities"* consist of Euro 2,000 thousand of credits relative to the Isotta Fraschini proceedings, to be distributed in 2018 and Euro 1,510 thousand are loans secured by mortgages.

"*Receivables due from related companies*" include both for 2017 as well as 2016 only positions arising from the tax consolidation.

The "*Other receivables"* item has increased due to advances paid against projects under way and the reclassification of the guarantee deposit mentioned previously.

Prepayments and accrued income are due to the recording of prepayments mainly for travel costs and services to be used in subsequent periods.

All the receivables are due within twelve months.

4.10. Cash and cash equivalents

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

(in thousands of Euro)	*31 Dec 2017*	*31 Dec 2016*	*Change in scope of consolidation*	*Change*
Bank and post office accounts	28,870	10,438	221	18,211
Cash on hand	16	6	-	10
Cash and cash equivalents	**28,886**	**10,444**	**221**	**18,221**

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

4.11. Non-current assets held for sale

The item referred to properties that had been reclassified as *"Investment properties"*.

(in thousands of Euro)	*31 Dec 2017*	*31 Dec 2016*	*Change in scope of consolidation*	*Change*
Properties held for sale	-	1,784	-	(1,784)
Non-current assets held for sale	**-**	**1,784**	**-**	**(1,784)**

4.12. Equity attributable to owners of the Parent

For an analysis of the changes in consolidated equity, reference should be made to the "*Statement of changes in equity*".

During the year the Intek Group Convertible Loan of 2012/2017 was converted into share capital; it was already recognised under components of shareholders' equity based on its characteristics.

Moreover, on 27 December 2017, after the merger of ErgyCapital into Intek entered into effect, a further 18,914,116 new ordinary Intek shares were issued to service the swap with the former ErgyCapital shareholders (except Intek); these shares too had no nominal value.

4.13. Employee benefits

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

(in thousands of Euro)	*31 Dec 2017*	*31 Dec 2016*	*Change in scope of consolidation*	*Change*
Executives	64	174	2	(112)
Clerical workers	220	196	58	(34)
IAS adjustment	38	41	-	(3)
Employee benefits	**322**	**411**	**60**	**(149)**

The changes in the item were as follows:

(in thousands of Euro)	*31 Dec 2016*	*Change in scope of consolidation*	*Increases*	*Decreases*	*Contributions to the fund*	*31 Dec 2017*
Executives	174	2	45	(26)	(131)	64
Clerical workers	196	58	51	(19)	(66)	220
IFRS differences	41	-	1	-	(4)	38
Employee benefits	**411**	**60**	**97**	**(45)**	**(201)**	**322**

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

General criteria	*31 Dec 2017*	*31 Dec 2016*
Discount rate	0.88-1.30%	0.86-1.31%
Rate of increase in future remuneration	0.5-1.0%	0.5-1.0%
Average remaining working life	8.2-13.1 years	8.7-10.8 years
General criteria		

A discount rate based on the "*Iboxx Eurozone Corporate AA*" index was used also at 31 December 2017 for the actuarial valuation of post-employment benefits.

4.14. Non-current financial payables and liabilities

The breakdown of the item is as follows:

(in thousands of Euro)	*31 Dec 2017*	*31 Dec 2016*	*Change in scope of consolidation*	*Change*
Due to banks	6,463	6,768	952	(1,257)
Payables for financial guarantees issued	-	2,001	-	(2,001)
Due to lease companies	-	3	-	(3)
Due to others	166	292	-	(126)
Non-current financial payables and liabilities	**6,629**	**9,064**	**952**	**(3,387)**

The payables to “Credit institutions”, including with reference to the division between the short term and the medium-long term portions can be broken down as follows:

(in thousands of Euro)	*Current*	*Non-current*	*Total*
Intesa SanPaolo	280	440	720
Banco di Brescia	40	230	270
Banco BPM	467	5,317	5,784
Mediocredito centrale	5,021	-	5,021
Mortgage loans	**5,808**	**5,987**	**11,795**
Friulia loan	**745**	**476**	**1,221**
Payables due to banks	**6,553**	**6,463**	**13,016**

No financial covenants apply to the existing loans.

The loan entered into with Banco BPM, expiring in July 2030, has a variable rate of 1-month Euribor plus 2.80 points. An interest rate swap contract was concluded to hedge the interest rate risk for the same duration. The notional amount is amortising 100% of the loan hedged with a fixed rate of 0.99%. The fair value of this instrument as at 31 December 2017 is included in “*Due to others*”. The mortgage on the property at Foro Buonaparte 44 in Milan was used as a guarantee.

The Intesa Sanpaolo loan expires on 30 June 2020 and it provides for interests based on six-month Euribor plus a spread of 0.9 points, while the UBI loan, which matures on 30 June 2024, provides for six-month Euribor plus a spread of 1.25 points. The Intesa Sanpaolo loan is guaranteed through a mortgage on the Ivrea property, while the UBI loan is guaranteed by a mortgage on the Padua properties.

The Mediocredito Centrale loan, guaranteed by a mortgage on the Varedo property, is relative to two mortgages which expired on 31 December 2015 and includes Euro 4,841 thousand in capital and Euro 180 thousand in estimated accrued interests. The official agreement for the extension of these mortgages had not yet been concluded on the date of these financial statements and therefore the debt was classified as being due in the upcoming year.

The Friulia loan refers to a non-current portion of a loan taken out by the incorporated entity ErgyCapital, with expiration on 31 December 2019 which features a 5% interest rate.

For further details on the item “*Payables for financial guarantees issued*”, reference should be made to note 4.2 “*Non-current financial assets*”.

4.15. Bonds

(in thousands of Euro)	*31 Dec 2017*	*31 Dec 2016*	*Change in scope of consolidation*	*Change*
Intek Group Bonds 2015/2020	101,215	100,990	-	225
Bonds	**101,215**	**100,990**	**-**	**225**

The “*Intek Group 2015-2020 bonds*” with maturity in February 2020 and remuneration at a fixed rate of 5%. The par value of the issue is Euro 101,703,751.20, while the book value was recorded net of the issue costs, which are deferred along the duration of the security so as to determine a constant effective interest rate. The change during the year is connected to the progressive recognition of the issue costs in profit and loss.

4.16. Other non-current liabilities

(in thousands of Euro)	*31 Dec 2017*	*31 Dec 2016*	*Change in scope of consolidation*	*Change*
Liabilities for “special situations”	692	1,471	-	(779)
Other liabilities	800	850	-	(50)
Other non-current liabilities	**1,492**	**2,321**	**-**	**(829)**

“Liabilities for special situations” originated as part of compositions with creditors. The movements during the year refer to the classification under current liabilities of a debt paid in March 2018, pursuant to the ruling of the Court of Cassation. The amount is relative the untraceable creditors in the former FEB – Ernesto Breda SpA proceedings.

“Other payables”, amounting to Euro 800 thousand, arise from an investment agreement concerning the Fossati Uno initiative, which provides for payment to the counterparty of part of the proceeds arising from the initiative.

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)	*31.12.2016*	*Change in scope of consolidation*	*Increases*	*Releases/ uses*	*31.12.2017*
Provisions for equity investment risks	-	245	613	-	858
Provisions for risks for tax disputes	300	-	-	-	300
Provision for special situations’ risks	2,731	-	-	-	2,731
Provisions for risks on guarantees for the disposal of assets	1,337	-	-	(401)	936
Other provisions for risks and charges	164	216	50	(216)	214
Total	**4,532**	**461**	**663**	**(617)**	**5,039**

The “*Provisions for equity investment risks”* from the merger with ErgyCapital are allocated for equity investments with negative shareholders’ equity. The allocation for the year refers to the subsidiary Energetica Solare in liquidazione.

The “*Provisions for risks for tax disputes*”, unchanged from 31 December 2016, contain, among other things, a provision for VAT which resulted from fraud involving non-existent transactions in which the Fime Group, which handled the leasing and factoring, was the damaged party. This provision has been established to cover the entire risk of the dispute, for which the Court of Cassation’s ruling is awaited.

The *“Provisions for risks on guarantees for the disposal of assets“* refer to an allocation connected to the commitments assumed upon disposal of an equity investment and is relative to a tax assessment which became final after the Court of Cassation issued its ruling in 2015. In 2017, the liabilities relative to the tax assessment notices received were settled, while awaiting definition of the residual amounts to be paid.

“*Provisions for special situations risks*” mainly refer to the allocation of Euro 2,597 thousand made in 2014 following a negative ruling issued by the Naples Court of Appeal (Corte di Appello) for a dispute initiated by the bankruptcy receivers of a former leasing client. The ruling of the Court of Cassation is awaited.

“*Other provisions for risks and charges*” contain, among others, allocations for disputes with former employees.

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

4.18. *Current financial payables and liabilities*

(in thousands of Euro)	*31 Dec 2017*	*31 Dec 2016*	*Change in scope of consolidation*	*Change*
Due to related companies	4,409	3,823	4,391	(3,805)
Shares of expiring loans	6,553	806	5,488	259
Interest expense on bonds	4,375	4,389	-	(14)
Payables for financial guarantees issued	2,377	3,891	-	(1,514)
Overdrafts on the bank accounts of the former ErgyCapital	59	-	-	59
Due to lease companies	2	6	53	(57)
Current financial payables and liabilities	**17,775**	**12,915**	**9,932**	**(5,072)**

"Due to related companies" contains the balance of the current account, held at market rates with remuneration set at Euribor plus a spread, mainly with the following subsidiaries:

- Euro 3,608 thousand with Breda Energia.
- Euro 773 thousand with Energetica Solare.

The item "*Shares of expiring loans*" includes amounts falling due within twelve months of the long-term loans as mentioned above.

For further details on the item "*Payables for guarantees issued*", reference should be made to the item "*Non-current financial assets*".

The item "*Interest expense on bonds*" refers to the coupon paid in February 2018.

During the year, no new loans were taken out nor were there any draw downs of previous loans. Any increases refer to the accrued interests only.

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

4.19. *Trade payables*

(in thousands of Euro)	*31 Dec 2017*	*31 Dec 2016*	*Change in scope of consolidation*	*Change*
Due to suppliers	2,213	896	1,445	(128)
Due to related companies	434	131	555	(252)
Trade payables	**2,647**	**1,027**	**2,000**	**(380)**

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

4.20. *Other current liabilities*

(in thousands of Euro)	*31 Dec 2017*	*31 Dec 2016*	*Change in scope of consolidation*	*Change*
Due to employees	502	202	233	67
Due to social security institutions	172	122	87	(37)
Tax liabilities	450	207	65	178
Payables to directors for end of office indemnity	774	746	-	28
Payables due to related companies	985	1,242	2,966	(3,223)
Other liabilities	2,497	1,672	22	803
Other current liabilities	**5,380**	**4,191**	**3,373**	**(2,184)**

“*Payables to directors for end of office indemnity*” refer to the residual amount due to the Chairman for the end of office indemnity accrued to 31 December 2012, the date on which the office ended. The amount in question has been accruing interest of 5% since 2014. The Chairman has allowed extension of the payment expiration date to 31 December 2018.

The item “*Due to employees*” mainly refers to amounts which have accrued but have not yet been settled, including leaving incentives agreed with the employees of ErgyCapital.

The item “*Due to social security institutions*” refers to contributions withheld from employees or associates or which are incumbent upon the company.

Both as at 31 December 2017 and 31 December 2016, the item “*Tax liabilities*” mainly refers to payables to the tax authorities, for withholding amounts.

The item “*Payables due to related companies*” includes the payables to directors for accrued remuneration and the residual debt of Euro 848 thousand payable to Progetto Ryan 3 for the purchase of the Culti Milano shares. In 2016 the amount mainly referred to group VAT debt positions.

The “*Other liabilities*” item includes the payable for the “special situations” activities paid in March 2018, which had previously been classified under “Other non-current liabilities” and payables to former leasing clients relative to amounts collected as advances from customers which were not offset with credit items.

4.21. Deferred tax assets and liabilities

(in thousands of Euro)	*31 Dec 2017*	*31 Dec 2016*	*Change in scope of consolidation*	*Change*
Deferred tax assets	5,310	5,866	1,694	(2,250)
Deferred tax liabilities	(3,536)	(3,080)	(1,115)	659
Deferred tax assets and liabilities	**1,774**	**2,786**	**579**	**(1,591)**

As at the reporting date of these consolidated financial statements, the Group recorded deferred tax assets on tax losses carried forward amounting to Euro 2.6 million. Moreover, there are losses of Euro 0.3 million for which no deferred tax assets were recognised.

Deferred tax assets and liabilities can be broken down by asset and liability item as follows:

(in thousands of Euro)	*Deferred tax assets*		*Deferred tax liabilities*	
	31 Dec 2017	*31 Dec 2016*	*31 Dec 2017*	*31 Dec 2016*
Property, plant and equipment	-	2	(1,507)	(1,556)
Investment property	382	215	-	-
Equity/Financial investments	-	-	(991)	(455)
Trade receivables	3,328	3,860	(1,036)	(1,063)
Other current receivables and assets	115	115	-	-
Non-current assets held for sale	-	167	-	-
Current financial assets	-	-	(2)	-
Non-current financial liabilities	40	70	-	-
Other non-current liabilities	-	-	-	(6)
Provisions for risks and charges	729	690	-	-
Other current liabilities	91	92	-	-
Deferred taxes on tax losses carried forward	625	655	-	-
Total	**5,310**	**5,866**	**(3,536)**	**(3,080)**

4.22. *Related party disclosures*

The tables below show the relations involving payables, receivables, costs and revenue with related parties. The transactions which generated these items were carried out at arm's length and market prices. For information regarding the nature of the transactions, reference should be made to the comments under the individual items.

(in thousands of Euro)	*Non-current financial assets*	*Current financial assets*	*Trade receivables*	*Other current receivables and assets*	*Financial payables and liabilities*	*Trade payables*	*Other current liabilities*
Breda Energia SpA in LCA	-	-	-	-	(3,608)	-	-
E.Geo S.r.l.	-	-	-	-	(20)	-	-
HG Power Srl in liquidazione	-	6	-	-	-	-	-
Soc Agr. Carmagnola Srl	266	-	-	-	-	-	-
Società Agricola Agrienergia Srl	290	865	-	-	-	-	-
Ergyca Two Srl	-	14	-	-	-	-	-
Ergyca Sun Sicilia	-	206	-	-	-	-	-
Ergyca Bio	-	165	-	-	-	-	-
ErgycaTracker 2 Srl	-	-	-	-	(4)	-	-
ErgycaFour Srl	-	-	-	-	(4)	-	-
Energetica Solare Srl in	-	-	-	-	(773)	-	-
Mecchld Srl	200	-	-	-	-	-	-
EM Moulds Srl	-	-	12	-	-	-	-
Intek Investimenti Srl	-	39	24	-	-	-	-
KME AG	-	35,000	5,945	-	-	-	-
KMD Connectors Stolberg	-	-	15	-	-	-	-
KME Brass Germany Gmbh	-	-	5	-	-	(37)	-
KME Brass Italy Srl	-	-	20	-	-	-	-
Tréfimétaux Sas	-	-	12	-	-	-	-
KME Italy SpA	-	-	81	-	-	(123)	-
KME Germany GmbH	-	-	130	-	-	-	-
KME Yorkshire Ltd	-	291	240	-	-	(8)	-
KME Srl	-	-	20	-	-	(140)	-
Valika	-	-	3	-	-	-	-
NewCocot Srl in liquidazione	175	-	15	-	-	-	-
Progetto Ryan 3 Srl in liquidazione	-	-	-	-	-	-	(848)
Quattroduedue SpA	-	-	9	-	-	-	-
I2 Capital Principal	-	210	-	-	-	-	-
Fossati Uno Srl	2,664	-	-	-	-	-	-
Receivables from guarantees	-	2,377	-	-	-	-	-
Receivables/Payables for tax consolidation	-	-	-	232	-	-	-
Directors and Statutory Auditors	-	-	-	-	-	(126)	(911)
	3,595	**39,173**	**6,531**	**232**	**(4,409)**	**(434)**	**(1,759)**
Total	**13,645**	**39,390**	**13,413**	**7,504**	**(17,775)**	**(2,647)**	**(5,380)**
Percentage	**26.35%**	**99.45%**	**48.69%**	**3.09%**	**24.80%**	**16.40%**	**32.70%**

(in thousands of Euro)	*Guarantee fees*	*Other operating income*	*Other operating costs*	*Finance income*	*Finance expense*
Breda Energia SpA in liquidazione	4	15	-	-	(93)
Culti Milano SpA	1	15	-	-	-
EM Moulds Srl	12	-	-	-	-
ErgyCapital SpA	12	-	-	-	-
Energetica Solare S.r.l. in liquidazione	-	33	-	-	-
Ergyca Sole S.r.l.	-	27	-	-	-
Ergyca Eight S.r.l.	-	59	-	-	-
Ergyca Green S.r.l.	-	44	-	-	-
Ergyca Industrial S.r.l.	-	33	-	-	-
Ergyca Tracker S.r.l.	-	9	-	-	-
Ergyca Tracker 2 S.r.l.	-	6	-	-	-
Ergyca Light S.r.l.	-	39	-	-	-
Società Agricola Agrienergia S.r.l.	-	45	-	56	-
ErgycaOne SpA	-	48	-	7	-
Intek Investimenti Srl	-	15	-	-	(1)
KME AG	1,858	-	-	1,685	-
KME Brass Italy	21	-	-	-	-
KME Germany GmbH & Co. KG	34	-	(21)	-	-
KME Italy Srl	43	-	(34)	-	-
KME Srl	-	-	(35)	-	-
KME Yorkshire Ltd	-	-	-	9	-
Green Recycle	1	-	-	-	-
Progetto Ryan 3 Srl in liquidazione	-	-	-	11	-
Quattroduedue SpA	-	15	-	-	-
Fossati Uno Srl	-	-	-	87	-
Directors/Statutory Auditors	-	-	(892)	-	-
	1,986	**403**	**(982)**	**1,855**	**(94)**
Total	**3,932**	**1,801**	**(7,789)**	**1,860**	**(5,925)**
Percentage	**50.51%**	**22.38%**	**12.61%**	**99.73%**	**1.59%**

5. ***Income Statement***

Pursuant to Consob Communication no. 6064293/06, it is hereby specified that the Group did not carry out any "atypical and/or unusual transactions" in 2017.

5.1. Net income from investment management

The breakdown of the item is as follows:

(in thousands of Euro)	*2017*	*2016*	*Change*	*% Change*
Value adjustments on equity investments and securities	1	(50)	51	-102.00%
Gains/losses from the sale of fund units and securities	196	(932)	1,128	-121.03%
Value adjustments on financial receivables from related companies	(637)	(11)	(626)	5,690.91%
Measurement of investments at fair value	44,354	456	43,898	9,626.75%
Measurement of fund units and securities at fair value	771	509	262	51.47%
Dividends	174	105	69	65.71%
Net income from investment management	**44,859**	**77**	**44,782**	**58,158.44%**

This item consists of the following amounts:

- the profits on the disposal of the funds and the securities include Euro 168 thousand relative to income connected to Emittenti Titoli SpA;
- Euro 557 thousand of the value adjustments on financial receivables from related companies arise from the write-down of the loan to Progetto Ryan 3;
- the fair value measurement of the equity investments includes the positive values of Euro 44,823 thousand for KME AG, Euro 2,212 thousand for ErgyCapital and Euro 1,210 thousand for the Culti Milano warrants. The negative measurements include the Euro 1,103 thousand for Progetto Ryan 3, Euro 908 thousand for the Culti Milano shares (connected to the performance of the price on the exchange) and Euro 695 thousand on Energetica Solare.
- The fair value measurement of fund units and shares includes Euro 771 thousand for I2 Capital Fund.

For further details please see the comments under the corresponding asset items.

5.2. Guarantee fees

(in thousands of Euro)	*2017*	*2016*	*Change*	*% Change*
Guarantee fees	3,932	4,005	(73)	-1.82%
Guarantee fees	**3,932**	**4,005**	**(73)**	**-1.82%**

They refer to guarantees provided for subsidiaries and mainly refer to KME AG and its subsidiaries.

5.3. Other income

"*Income from special situations*" refers to Intek's activities connected to the undertaking of compositions with creditors.

(in thousands of Euro)	*2017*	*2016*	*Change*	*% Change*
Income from "special situations"	245	1,364	(1,119)	-82.04%
Fund management fees	783	1,137	(354)	-31.13%
Lease income	65	71	(6)	-8.45%
Provision of services to related companies	403	69	334	484.06%
Other	305	121	184	152.07%
Other income	**1,801**	**2,762**	**(961)**	**-34.79%**

"*Fund management fees*" refer to the fees and charges collected by I2 Capital Partners SGR for managing the I2 Capital Partners Fund, which are calculated on the amount invested, as the investment period has ended.

"*Income from special situations*" refers to Intek's activities connected to the undertaking of compositions with creditors.

The item "*Provision of services to related companies*" contains only the amounts invoiced for the administrative support to companies belonging to the group, including ErgyCapital subsidiaries.

The increase in the item "*Others*" refers for Euro 156 thousand to capital gains relating to ErgyCapital.

5.4. Labour costs

(in thousands of Euro)	*2017*	*2016*	*Change*	*% Change*
Wages and salaries	(1,641)	(1.209)	(432)	35.73%
Social security charges	(455)	(374)	(81)	21.66%
Other personnel costs	(400)	(267)	(133)	49.81%
Labour costs	**(2,496)**	**(1.850)**	**(646)**	**34.92%**

The item "*Labour costs*" includes Euro 748 thousand relative to ErgyCapital, including the costs from settlement agreements.

Other personnel expense includes remuneration to associates of Euro 213 thousand and an allocation to the employees' post-employment benefits of Euro 97 thousand.

Average number of employees:

	31/12/2017	*31/12/2016*	*Change*	*% Change*
Executives	3	4	(1)	-25.00%
	21.43%	26.67%		
Clerical workers	11	11	-	0.00%
	78.57%	73.33%		
Total employees (average)	**14**	**15**	**(1)**	**-6.67%**
	100.00%	100.00%		

Amortisation, depreciation, impairment and write-downs

(in thousands of Euro)	*2017*	*2016*	*Change*	*% Change*
Depreciation	(435)	(433)	(2)	0.46%
Amortisation	(2)	(2)	-	0.00%
Reversal of impairment losses on investment property	(608)	(309)	(299)	96.76%
Impairment losses	-	(798)	798	-100.00%
Amortisation, depreciation, impairment and write-downs	**(1,045)**	**(1,542)**	**497**	**-32.23%**

The impairment losses for 2016 referred to the write-down of the goodwill, which took place for the realisation of the relevant contingent assets.

5.5. Other operating costs

(in thousands of Euro)	*2017*	*2016*	*Change*	*% Change*
Directors' and Statutory Auditors' fees	(1,652)	(1,577)	(75)	4.76%
Professional services	(2,801)	(1,668)	(1,133)	67.93%
Travel costs	(355)	(247)	(108)	43.72%
Service fees to subsidiaries	-	1	(1)	-100.00%
Other personnel costs	(94)	(74)	(20)	27.03%
Legal and company disclosure	(293)	(184)	(109)	59.24%
Electricity, heating, postal and telephone costs	(351)	(237)	(114)	48.10%
Insurance premiums	(326)	(116)	(210)	181.03%
Training and seminars	(3)	-	(3)	n/a
Real estate leases	(201)	(186)	(15)	8.06%
Maintenance	(78)	(71)	(7)	9.86%
Leases and rentals	(116)	(99)	(17)	17.17%
Other tax charges	(486)	(380)	(106)	27.89%
Membership fees	(135)	(159)	24	-15.09%
Other net costs	(425)	(217)	(208)	95.85%
Donations	(69)	(33)	(36)	109.09%
Bank fees	(27)	(16)	(11)	68.75%
	(7,412)	*(5,263)*	*(2,149)*	40.83%
Release of provisions	-	202	(202)	-100.00%
Provision for risks	(276)	-	(276)	n/a
Losses on receivables	(101)	-	(101)	n/a
Other operating costs	**(7,789)**	**(5,061)**	**(2,728)**	**53.90%**

The item includes costs of Euro 1,400 thousand relative to ErgyCapital and other expenses incurred for the merger totalling Euro 500 thousand.

5.6. Net finance expense

(in thousands of Euro)	*2017*	*2016*	*Change*	*% Change*
Interest income from related companies	*1,855*	*2,336*	(481)	-20.59%
Other finance income and interests	*5*	*39*	(34)	-87.18%
Total finance income	1,860	2,375	(515)	-21.68%
Interest paid to related companies	*(94)*	*(141)*	47	-33.33%
Loan interest expense	*(288)*	*(188)*	(100)	53.19%
Interest expense on securities issued	*(5,296)*	*(5,299)*	3	-0.06%
Other interests expense	*(66)*	*(27)*	(39)	144.44%
Other finance expense	*(181)*	*(255)*	74	-29.02%
Total finance expense	(5,925)	(5,910)	(15)	0.25%
Total net financial expense	**(4,065)**	**(3,535)**	**(530)**	**14.99%**

Interest income and expense from related companies refer to the debit and credit positions described under current and non-current financial assets and current financial liabilities. The breakdown is provided in the paragraph regarding related parties.

Other finance expense includes both commissions on guarantees and differentials on interest rate hedging contracts.

5.7. Current and deferred taxes

(in thousands of Euro)	*2017*	*2016*	*Change*	*% Change*
Current taxes	73	1,646	(1,573)	-95.57%
Deferred taxes	132	(880)	1,012	-115.00%
Current and deferred taxes	**205**	**766**	**(561)**	**-73.24%**

Since 2007, Intek Group and most of its Italian subsidiaries elected to apply the “Italian domestic tax consolidation regime”, which allows the determination of a single IRES (Italian corporate income tax) taxable base equal to the algebraic sum of the taxable income and losses of each of the participating entities. Financial relationships, responsibilities and mutual obligations are set out in the agreement and regulation regarding the domestic tax consolidation arrangement, according to which taxable losses of the Parent and/or subsidiaries can be offset against the tax savings realised by the Parent and/or subsidiaries with taxable income.

Reconciliation of theoretical tax charge and the effective charge:

(in thousands of Euro)	*2017*
Profit/(loss) before taxes	35,197
Theoretical tax charge (tax rate used 27.9%)	**(9,820)**
Reconciliation:	
Other effects:	-
- Non-deductible (expenses) and non-taxable income	78
- Tax losses – Deferred taxes not set aside	(59)
- Impairment losses/(reversal of impairment losses) on investments and securities	10,607
- Current taxes for previous years	(150)
- Other	(451)
Taxes recognised in profit or loss	**205**

6. Additional information

6.1. Financial instruments by category

	31 Dec 2017	31 Dec 2016	Change
Financial assets at fair value through profit or loss	491,927	456,445	35,482
Held-to-maturity assets	-	-	-
Loans and receivables	98,825	97,107	1,718
Available-for-sale financial assets	-	-	-
Financial assets	**590,752**	**553,552**	**37,200**
Financial liabilities at fair value through profit or loss	(2,543)	(6,184)	3,641
Financial payables and liabilities at amortised cost	(132,145)	(124,117)	(8,028)
Financial liabilities	**(134,688)**	**(130,301)**	**(4,387)**

6.2. Financial instruments by financial statement item

Financial instruments and reconciliation with financial statement items at 31 December 2017:

(in thousands of Euro)	*Total*	*At amortised cost*	*At fair value*	*Outside the scope of IFRS 7*
Investments in equity interests and fund units	489,483	-	489,483	-
Non-current financial assets	13,645	13,645	-	-
Other non-current assets	6	6	-	-
Trade receivables	13,413	13,413	-	-
Other current receivables and assets	7,504	5,929	-	1,575
Current financial assets	39,390	36,946	2,444	-
Cash and cash equivalents	28,886	28,886	-	-
Total financial assets	**592,327**	**98,825**	**491,927**	**1,575**
Non-current financial payables and liabilities	(6,629)	(6,463)	(166)	-
Bonds	(101,215)	(101,215)	-	-
Other non-current liabilities	(1,492)	(1,492)	-	-
Current financial payables and liabilities	(17,775)	(15,398)	(2,377)	-
Trade payables	(2,647)	(2,647)	-	-
Other current liabilities	(5,380)	(4,930)	-	(450)
Total financial liabilities	**(135,138)**	**(132,145)**	**(2,543)**	**(450)**

The carrying amount of the financial assets and liabilities recognised in these financial statements does 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 that the entity can access at the measurement date;
- 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 or liability.

The analysis of assets and liabilities by fair value level is as follows:

(in thousands of Euro)	*Total fair value*	*Level 1*	*Level 2*	*Level 3*
Investments in equity interests and fund units	489,483	11,735	-	477,748
Non-current financial assets	-	-	-	-
Current financial assets	2,444	-	-	2,444
Total financial assets	**491,927**	**11,735**	**-**	**480,192**
Non-current financial payables and liabilities	(166)	-	(166)	-
Current financial payables and liabilities	(2,377)	-	-	(2,377)
Total financial liabilities	**(2,543)**	**-**	**(166)**	**(2,377)**

The share investments in Culti Milano and the relevant warrants fall under Level 1 financial instruments.

6.3. Notional value of financial instruments and derivatives

No derivative financial instruments are recognised as at 31 December 2017, except for the interest rate hedge on the Immobiliare Pictea mortgage loan, the notional value of which is Euro 5,812 thousand.

6.4. Credit risk exposure and impairment losses

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

The ageing of trade receivables from current transactions at the date of these consolidated financial statements was as follows:

(in thousands of Euro)	*Gross carrying amount*	*Write-down as at*	*Net carrying amount*
Not yet due	-	-	-
Up to 60 days past due	181	-	181
61 to 120 days past due	-	-	-
121 days to 1 year past due	-	-	-
Over 1 year past due	454	(264)	190
Trade receivables	**635**	**(264)**	**371**

The changes in the allowance for impairment were as follows:

(in thousands of Euro)	
Balance at 31 December 2016	**180**
Impairment losses of the year	84
Uses	-
Releases	-
Balance at 31 December 2017	**264**

6.5. Currency risk exposure

At 31 December 2017, there were no assets or liabilities in a foreign currency.

6.6. Interest rate risk exposure

The interest rate structure of the Group's interest-bearing financial instruments at 31 December 2017 was as follows:

(in thousands of Euro)	*31 Dec 2017*	*31 Dec 2016*
Financial assets	50	2,590
Financial liabilities	(108,220)	(100,990)
Fixed rate instruments	**(108,170)**	**(98,400)**
Financial assets	79,411	60,822
Financial liabilities	(10,481)	(4,903)
Floating rate instruments	**68,930**	**55,919**

A 50-basis-point increase (decrease) in interest rates at the reporting date would produce an increase (decrease) in equity and profit of approximately Euro 190 thousand.

6.7. Liquidity risk exposure

Liquidity risk can arise from difficulties in raising finance for operating activities as and when required. All inflows and outflows and cash balances of the consolidated companies are coordinated by the holding company.

7. ***Commitments and guarantees***

Intek Group is the guarantor for KME AG and its main subsidiaries operating in the copper and copper-alloy semi-finished products sector as follows:

- Euro 475 million for the loan obtained from a pool of banks;
- Euro 355 million for the agreement concluded with GE Commercial Finance for non-recourse factoring transactions;
- Euro 13 million for the loan taken out with UniCredit Mediocredito Centrale (UMCC), the residual amount of which is Euro 9.5 million. In this case as well, Intek Group remained on only as the guarantor of an amount equal to Euro 13 million.

At the beginning of 2018, the guarantee provided for the pool loan was reduced to Euro 100 million.

There are furthermore additional guarantees for non-revolving credit lines connected to the copper sector of Euro 28 million, and guarantees for tax credits of approximately Euro 2.1 million expiring insofar as Euro 0.4 million in 2018, Euro 0.3 million in 2019 and Euro 1.4 million in 2020.

In December 2015, Intek Group indicated its willingness to issue a guarantee of up to Euro 5.0 million for Associazione Dynamo for the granting of a mortgage loan for the restructuring of certain buildings located in Limestre. This mortgage is also secured by other real guarantees.

Furthermore, the Parent company, as subscriber of a share of the I2 Capital Partners Fund, has a remaining investment commitment of Euro 1.7 million.

Annexes to the notes

Reconciliation of the profit/(loss) of the Parent company Intek Group SpA and the consolidated profit/(loss) for the period ended 31 December 2017:

(in thousands of Euro)	*31 Dec 2017*
Profit/(loss) of Intek Group S.p.A.	**36,747**
Profit/(loss) of consolidated companies (1)	(1,544)
Reversal of impairment losses on investments	325
Amortisation of excess cost allocation on property (net of tax effect)	(126)
Group’s consolidated net profit/(loss)	**35,402**
Profit/(loss) of subsidiaries for 2017	
(1) I2 Capital Partners SGR	(330)
Immobiliare Pictea	(1,214)
	(1,544)

Reconciliation of the equity of the Parent company Intek Group SpA and the consolidated equity for the period ended 31 December 2017:

(in thousands of Euro)	*31 Dec 2017*
Parent company’s equity including profit/(loss) for the period	**486,143**
Excess cost allocation on property (net of tax effect)	3,898
Other	39
Difference between the consolidated companies' equity and their carrying amount	(5,399)
Group’s consolidated equity including profit/(loss) for the period	**484,681**

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154 BIS, PARAGRAPH 5 OF ITALIAN LEGISLATIVE DECREE 58/98, AS SUBSEQUENTLY AMENDED AND SUPPLEMENTED

1. Having regard to the requirements of article 154 bis, paragraphs 3 and 4 of Italian Legislative Decree no. 58 of 24 February 1998, the undersigned Vincenzo Manes, Chairman, and Giuseppe Mazza, Manager in charge of Financial Reporting of INTEK Group SpA, hereby certify:
   - the adequacy with respect to the characteristics of the Company and
   - the effective application

   of administrative and accounting procedures for the preparation of the consolidated financial statements during 2017, including the policies which the Company applied in order to comply with the requirements of IFRS 10 in relation to Investment Entities.

2. No material findings emerged in this regard.

3. Moreover, they certify that:
   3.1. the consolidated financial statements:
      a) were prepared in accordance with the applicable set of 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. The Investment Entities' Accounting principle (Amendments to IFRS 10, IFRS 12 and IAS 27), as introduced by Regulation (EU) no. 1174/2013, was applied in these financial statements;
      b) reflect the balances recorded in the accounting books and records;
      c) give a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer and the undertakings included in the consolidation taken as a whole;

   3.2. the annual report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Milan, 28 March 2018

The Chairman	The Manager in charge of Financial Reporting
signed Vincenzo Manes	_signed Giuseppe Mazza_

Report of the Board of Statutory Auditors of INTEK Group S.p.A. on the consolidated financial statements as at 31 December 2017

Though not mandatory, as every year, as part of its supervisory duties in observance of the law and the Articles of Association which it is required to follow, the Board of Statutory Auditors presents a short report on the consolidated financial statements as at 31 December 2017.

Moreover, this report is prepared according to the principle that the arguments or documents submitted by the directors to the Shareholders' Meeting are examined by the Board of Statutory Auditors, which reports to the Shareholders' Meeting itself.

In order to avoid unnecessary duplication, this report is complementary to the report on the separate financial statements as at and for the year ended 31 December 2017, and shall be considered as totally referred to in this report.

ACCOUNTING STANDARDS - EFFECTS ON THE CONSOLIDATED FINANCIAL STATEMENTS

As already detailed in the report to the financial statements, qualification as an investment entity as required by paragraph 27 of IFRS 10 resulted in a significant change (from three years now) in the representation of the consolidated financial statements which differs from the separate financial statements only insofar as the equity investments which are not measured at fair value and consolidated on a line by line basis, which certainly constitute the equity investments which, in accounting and measurement terms, have the least impact on the consolidated financial statements.

Regarding the aforementioned fair value, as indicated in the report to the separate financial statements, the Board specifically verified that it has been carried out with the support of an independent and qualified advisor, which was E&Y SpA.

These criteria result in the difference between the values of the separate and the consolidated financial statements being insignificant.

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

Name:	Registered office	Currency	Share capital	Activity	% ownership direct	% ownership indirect
Intek Group S.p.A.	Italy	Euro	335,069,010	Holding company	Parent company	
I2 Capital Partners Sgr S.p.A.	Italy	Euro	1,500,000	Management of investment funds	100.00%	
Immobiliare Pictea S.r.l.	Italy	Euro	80,000	Real Estate	100.00%	

The changes in the consolidation area result from the mergers described in the report of the board annexed to the annual financial statements, i.e. the merger of ErgyCapital into Intek Group and the merger of the real estate companies into Immobiliare Pictea.

Due to the latter merger, the consolidation area includes the assets from Rede Immobiliare and Tecno Servizi (I2 Real Estate was already included in the consolidation area).

The equity investments held by ErgyCapital were not considered to be instrumental and were therefore not consolidated.

In order to represent the marginal differences between the values of the separate and consolidated financial statements, it is useful to provide the reconciliation statements of the two accounting documents:

Reconciliation of the profit/(loss) of the Parent company Intek Group S.p.A. and the consolidated profit/(loss) for the period ended 31 December 2017:

(in thousands of Euro)	*31 Dec 2017*
Profit/(loss) of Intek Group S.p.A.	**36,747**
Profit/(loss) of consolidated companies (1)	(1,544)
Reversal of impairment losses on investments	325
Amortisation of excess cost allocation on property (net of tax effect)	(126)
Group's consolidated net profit/(loss)	**35,402**
Profit/(loss) of subsidiaries for 2017	
(1) I2 Capital Partners SGR Investment	(330)
Immobiliare Pictea	(1,214)
	(1,544)

Reconciliation of the equity of the Parent company Intek Group S.p.A. and the consolidated equity for the period ended 31 December 2017:

(in thousands of Euro)	*31 Dec 2017*
Parent company's equity including profit/(loss) for the period	**486,143**
Excess cost allocation on property (net of tax effect)	3,898
Other	39
Difference between the consolidated companies' equity and their carrying amount	(5,399)
Group's consolidated equity including profit/(loss) for the period	**484,681**

The above clearly and exhaustively shows the marginal difference between the data of the income statement and the balance sheet of the separate and consolidated financial statements.

ACCOUNTING DOCUMENTS WHICH COMPRISE THE CONSOLIDATED FINANCIAL STATEMENTS

The Chairman of the Company, Vincenzo Manes, and the Manager in charge of Financial Reporting of Intek Group S.p.A., Giuseppe Mazza, on 28 March 2018, provided the Directors and Statutory Auditors with a written statement, also for the purposes of article 154 bis of Legislative Decree 58/1998, certifying the adequacy, for a company of this type, of the management and accounting policies for the preparation of separate and consolidated financial statements for 2017, and their compliance with international financial reporting standards.

Exhaustive information has been provided in the Consolidated financial statements (accounting standards, notes and annexes).

Information on key indicators of both financial and non-financial performance can be extracted from the tables contained in the notes to the financial statements.

Information on the most important events, related party and/or intra-group transactions in 2017, reports and representations made by shareholders or third parties and, in general, oversight and controls, is contained in the Report of the Board of Statutory Auditors on the separate financial statements for the year.

The Independent Auditors Deloitte & Touche S.p.A., with which the Board of Statutory Auditors had the necessary contact, issued on 6 April 2018 an unreserved opinion certifying its positive judgment on the financial statements and disclosure systems for the year.

In conclusion, the Board of Statutory Auditors is of the opinion that the consolidated financial statements and accompanying documents adequately reflect the Group's financial position and results of operations as at 31 December 2017.

The consolidated financial statements and accompanying documents have only been provided to Shareholders for information purposes and do not require approval.

Milan, 6 April 2018

THE BOARD OF STATUTORY AUDITORS

The Chairman of the Board of Statutory Auditors

(signed Marco Lombardi)

The Standing Auditor

(signed Francesca Marchetti)

The Standing Auditor

(signed Alberto Villani)

Deloitte.

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INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014

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

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Intek Group S.p.A. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Intek Group S.p.A. (the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters - Fair Value Measurement for investment in KME AG	***Audit procedures to address key audit matters identified***
Paragraph 4.1 of the explanatory notes to the financial statements at 31 December 2017 shows Euro 482 million of equity and private equity investments measured at *fair value*, of which Euro 456 million referred to the 100% stake held in KME AG, parent company of the KME AG Group that operates in the "copper" industry. The fair value of the investment in KME AG was estimated with the support of an external appraiser in compliance with the policy on "*Fair Value Assessment Methods Policy*" that Intek Group S.p.A. has adopted applying different methodologies (*Unlevered discounted cash flow*, market multiples and transaction multiples). The method adopted to estimate the *fair value* is based on a significant level of complexity and subjectivity, with reference to the *Unlevered discounted cash flow methodology,* related to the assumptions concerning the expected cash flows of the investment, the appropriate discount rate (WACC) and the long-term growth rate (g-rate); these assumptions are influenced by future expectations and market conditions, with specific reference to the copper industry in Europe. The application of multiple-based methods, moreover, is characterized by elements of subjectivity, in the process of selection and definition of the sample of comparables. The explanatory notes provide detailed information's on the valuation process adopted. Given the materiality of the amount of the investment, the relevance of the discretionary component of the estimates relating to the determination of the cash flows and the mentioned above assumptions and key variables of the *fair value* we considered that the *fair value* valuation process related to this investment was a key audit matter of the company's consolidated financial statements.	The main procedures carried out as part of our audit work, also with the support of evaluation experts belonging to Deloitte network, have included the following: • recognition and understanding of the process related to the *fair value* assessment and the accounting treatment; for this purpose we have acquired and analyzed the "Fair Value Assessment Methods Policy" and its compliance with the international accounting standards; • critical analysis of reasonableness of the main assumptions used, verifying, also obtaining information and interviews with the management and the Company's external advisor, the adequacy with market practices; • analysis of the reasonableness and sustainability of the principal assumptions adopted to estimate the expected cash flows of the investment, of the appropriate discount rate (WACC) and of the long-term growth rate (g-rate), as well as the criteria's used in the process of selection and definition of the sample of comparables in order to determine the market multiples and transaction multiples. • verification of the calculation accuracy; • verification of the adequacy of the disclosures provided by the Company in the consolidated financial statements.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Intek Group S.p.A. has appointed us on 31 May 2016 as auditors of the Company for the years from 31 December 2016 to 31 December 2024.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Intek Group S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of Intek Group as at 31 December 2017, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98, with the consolidated financial statements of Intek Group as at 31 December 2017 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of Intek Group as at 31 December 2017 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the Group and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Maurizio Ferrero
Partner

Milan, Italy
6 April 2018

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