INTEK GROUP

ANNUAL FINANCIAL REPORT
YEAR 2018

Board of Directors
of 10 April 2019

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

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 1,300 children and 240 families free of charge every year** during vacation and recreation periods, assisting them to find peace, carefreeness and trust in themselves. With the **Dynamo Programs project**, the Association also takes Recreational Therapy outside the Camp to **hospitals, family homes and pathology associations**. 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 950 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, 169 ambassadors and 31 local groups, consisting of persons who support Dynamo Camp and promote its cause, organised 255 fund raising initiatives throughout Italy, building a network of around 20,000 persons, and 450 persons from all over Italy who participated in the fourth edition of Dynamo Team Challenge, collecting in excess of Euro 300,000 for Dynamo Camp.

Since 2007, over 35,000 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]
Deputy Chairman	Marcello Gallo[B]
	Giuseppe Lignana[A,C]
	James Macdonald
	Ruggero Magnoni
	Alessandra Pizzuti
	Luca Ricciardi[A,C]
	Francesca Marchetti[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 Auditors	Giovanna Villa
	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 2020 financial statements)*

Directors’ Report on operations

Dear Shareholders,

In 2018 the subsidiary KME SE[1], the main investment of Intek Group SpA (hereinafter also referred to as “**Intek Group**”, “**Intek**” or the “**Company**”), was involved in significant extraordinary transactions. As will be described extensively below in this report, these acquisition and disposal transactions were carried out as part of a larger process of refocusing the product portfolio on copper and copper alloy laminates as well as on special products.

The conclusion of these transactions enabled KME SE (hereinafter also referred to as “**KME**”) to take advantage of the opportunities arising from numerous, intense restructuring activities carried out in recent years, to boost the value of investments in the copper segment.

These two important transactions, and the other initiatives in preparation for them, represent the culmination of the planned objectives of Intek Group and its approach towards increasing the value of its investments.

Indeed, 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 to increase their value are taken or to carry out new transactions in synergy with existing investments, focusing attention on the sectors that are the most performing and promising, while exit from segments, whether industrial or financial, is pursued when they are no longer in line with the management policies or when they present fewer perspectives of profitability or longer realisation times.

The Company, in line with this strategy, believes that the overall appreciation of the Intek Group’s performance 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.

This configuration has resulted in Intek Group’s separate financial statements being the instrument most representative of the equity and income structure as well as the effective economic development of the Company and its investments.

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. As a result, for both the separated and consolidated financial statements, the income statement reflects the changes in the measurement at fair value of interests held for investment.

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

The main events characterising the operations of Intek and its investees in 2018, which on many fronts are also impacting this year, are described below.

(i) Increasing the value of the copper sector.

(a) Two important *extraordinary transactions* were carried out in this segment in the early months of 2019. A 100% stake was acquired in MKM (Mansfelder Kupfer und Messing GmbH), a leading operator in the European copper market, and the brass rods business in

[1] On 22 February 2019, KME AG changed its name to KME SE after it transformed into a European Company.

Germany, Italy and France, as well as the tube business in Germany and Spain, were sold to the Zhejiang Hailiang Co. group.

The acquisition of MKM, agreed to in July 2018 and for which the closing was finalised in February 2019, is of considerable strategic relevance, as it is meant to drive KME's overall competitiveness in its reference markets and could enable a further redefinition of the scope of industrial activities in the portfolio.

The purchase price paid by KME was Euro 80 million plus the assignment to European Acquisition Midco Limited of a 1% stake in KME SE, which was first sold by Intek to its subsidiary for Euro 4.6 million.

The disposal of the brass rods business in Germany, Italy and France and the tube business in Germany and Spain is instead intended to reduce the portfolio and the industrial complexity of the KME Group by optmising the number of products as well as plants.

The agreement with Zhejiang Hailiang Co., signed on 28 January 2019 and recently finalised, resulted in net proceeds of Euro 88 million, corresponding to the sale price of Euro 119 million, in addition to net working capital and the repayment of intercompany payables existing at the date on which the contract was entered into, and after deducting the obligatory repayments of working capital credit lines used in relation to the business disposed of.

Furthermore, in March 2019 KME SE signed an agreement to reacquire the full control over Tréfimetaux SAS, a French company that manufactures copper tubing and rods, of which it already held 51% of the share capital.

(b) At *financial level*, in February 2018 KME SE issued a Euro 300 million bond restricted to qualified institutional buyers, maturing in 2023 with a fixed rate of 6.75%.

The resulting resources were used to partially repay the pool bank loan and the corresponding interest for approximately Euro 197 million, repay the loans and the relative interest granted by Intek Group for over Euro 42 million and, in general, support the requirements of the KME Group.

The capacity of KME to enter the bond market, freeing itself from part of its bank lending, is proof of the Group's increased credibility and a recognition of the results connected to the intense strategic streamlining and repositioning work done in recent years.

This manoeuvre made it possible to diversify the structure of outstanding loans, extending their maturities.

Indeed, KME SE concluded amendment agreements and extensions of 3 years of the banks pool and factoring credit facilities with the financial institutions, with the option, with the consent of the financing institutions, to extend for a further 2 years.

Another notable 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 SE.

(c) With respect to business performance, please note that in 2018 EBITDA came to Euro 80.4 million, compared to Euro 76.7 million in 2017 (+5%), and that the net financial position improved by Euro 35.1 million.

The transactions described are in line with the objectives set by the strategic plan aiming to enhance the value of this sector by:

(i) limiting and eliminating areas of activity that were not well performing, by reducing production sites and selling businesses, business units or groups of assets to third parties;

(ii) strengthening the industrial, economic and asset/financial structure of the KME Group, through actions aimed at ensuring increasing operating efficiency, organisational simplification and a focus on the business resources with the most added value and on the geographic areas that are the most dynamic and guarantee development and stable earnings in the long term;

(iii) streamlining the financial structure of the KME Group.

(ii) Performance of the subsidiary Culti Milano SpA.

(a) The company, listed on the AIM market since July 2017, anticipated the three-year plan by accelerating retail investments and at the same time initiating a process of expanding its commercial offering from diffusers to the body care segment as well.

In the initial months of 2018, new Culti Houses were opened in Forte dei Marmi and Turin, while in October one was also opened on the prestigious via Vittoria in Rome, bringing the number of Culti Houses to a total of 7 nationwide.

(b) In 2018, revenues from sales and services totalled Euro 6.6 million, up by Euro 0.4 million (+6.4%) compared to 2017.

Although EBITDA was impacted by charges linked to the acceleration of retail investments and the costs of new openings, it was positive at Euro 0.5 million.

The net financial position as at 31 December 2018 was positive by Euro 3.0 million compared to Euro 3.8 million on 31 December 2017.

(iii) Activities of the I2 Capital Partners fund.

Intek Group holds 19.15% of the I2 Capital Partners fund (hereinafter, also referred to as the "**Fund**").

In the course of 2018, the Fund made total repayments of Euro 8.3 million, of which Euro 1.4 million in favour of Intek. The repayments were made with resources arising from the disposal of the equity investment in Nuova Investimenti SIM SpA, the closure of the liquidation of Isno 4 Srl and the disposal of the entire equity investment held by the Fund in Nuova GS SpA.

With reference to the Festival Crociere bankruptcy, Isno 3 Srl decided to submit an appeal before the Court of Cassation against the part of the ruling on appeal which was unfavourable to it, confirming the ruling of the Court of Genoa. The ruling relating to a clawback action has instead become definitive as it was not appealed by the counterparties, which thus made the payment of Euro 6.8 million, plus interest.

During the year, activities continued to increase the value of the Fund's remaining assets, in view of the new expiry in July 2019.

To facilitate the closure of the Fund, all remaining positions (some receivables and non-controlling interests, payables for marginal amounts and guarantees to third parties that purchased Fund investments) which are not expected to be liquidated by the end of July 2019 are being transferred by the Fund to Isno 3. These positions will therefore be managed by Isno 3, the shares of which are expected to be assigned to Fund investors, until their final liquidation.

(iv) Establishment of Nextep Srl - Benefit Corporation.

In June 2018, within the scope of private equity investments, Intek, along with the Deputy Chairwoman Diva Moriani and the company Nativa Srl, established the benefit corporation Nextep Srl with a share capital of Euro 10,000, the first Italian investment platform dedicated to businesses interested in integrating sustainability within their business models.

The investment target will be high-potential Italian business which can benefit from skills, capital and strategic vision to accelerate their growth and evolution in a sustainable direction, understood as innovation and leverage for growth in economic as well as environmental and social value.

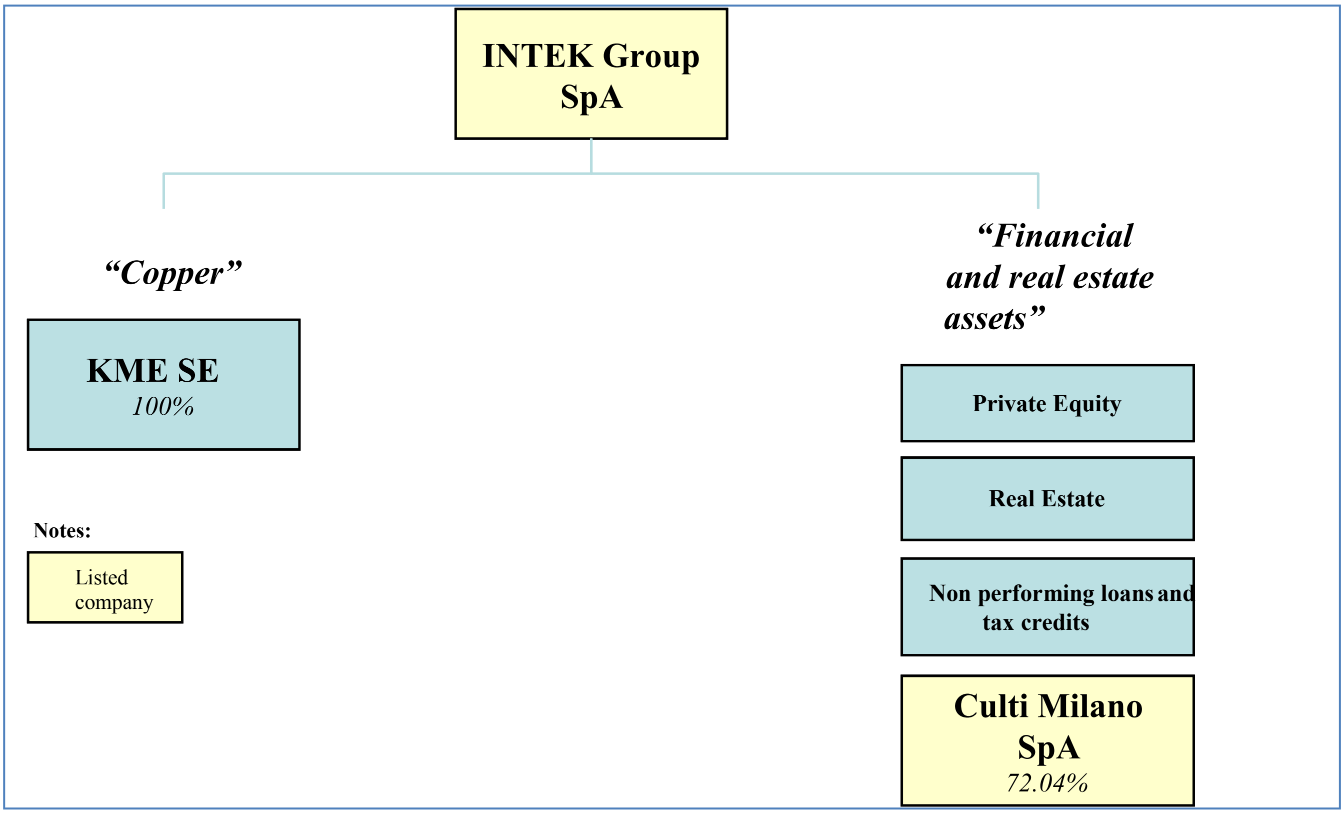
This initiative is based on the market's clear interest in the ESG (Environmental, Social and Governance) area and the long-term experience of Intek and its management with respect to sustainability and governance matters. As regards environmental aspects, the reference partner has been identified as Nativa, an advisory firm active in the field of sustainability, founded as the first Benefit Corporation in Italy and whose mission is to create a positive large-scale impact on society, the biosphere and the economy.

(v) Illiquid assets.

In the course of 2018, a total of Euro 3.4 million was collected, of which Euro 2.3 million relating to the final allotment of the Isotta Fraschini bankruptcy. This latter event generated earnings of Euro 0.3 million. In addition to these amounts, Euro 0.8 million was collected in the early months of 2019 from other positions.

As part of these activities, in September a settlement agreement was defined for the final closure of the outstanding dispute with the receivers of the Mareco Sistemi Industriali Srl bankruptcy. The closure of this agreement made it possible to release Euro 1.6 million from the provision for risks recognised previously, resulting in earnings in an equal amount.

Summary of the Group's corporate structure at 31 December 2018



After the sale of the ErgyCapital activities in the photovoltaic sector at the end of 2017, 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 SE;
- the "financial and real estate assets" sector, which includes the private equity activity, carried out mainly through the I2 Capital Partners fund, and the management of receivables (tax receivables, non-performing loans and receivables arising from insolvency proceedings) and real estate.

The Holding Company Intek Group SpA

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 generation.

The choice made by management in allocating financial resources rewards those sectors which appear high-performing and promising while facilitating 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 optimised 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 optimised profitability including through the pursuit of extraordinary operations.

Intek Group's financial highlights as at 31 December 2018, compared to 31 December 2017, are summarised below:

Condensed separate statement of financial position				
(in thousands of Euro)	*31 Dec 2018*		*31 Dec 2017*	
Copper	**489,265**	**89.59%**	**463,976**	**89.26%**
Financial and real estate assets				
Private Equity	*2,881*		*5,924*	
Non-operating assets	*6,804*		*5,728*	
Real Estate/Others	*32,365*		*31,013*	
Culti/Other services	*12,767*		*12,087*	
Total financial and real estate assets	**54,817**	**10.04%**	**54,752**	**10.53%**
Other assets/liabilities	**2,031**	**0.37%**	**1,070**	**0.21%**
Net investments	**546,113**	**100.00%**	**519,798**	**100.00%**
Outstanding bonds (*)	*(105,766)*		*(105,590)*	
Net cash from third parties	*61,547*		*36,935*	
Net financial debt to third parties	**(44,219)**		**(68,655)**	
Cash investments in KME	-		*35,000*	
Reclassified net financial debt Intek Group	**(44,219)**		**(33,655)**	
Net financial debt of the holding company to third parties	**(44,219)**	**8.10%**	**(33,655)**	**6.47%**
Total equity	**501,894**	**91.90%**	**486,143**	**93.53%**

Notes:

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

Investments

The Net investments held by the Company amounted to Euro 546.1 million as at 31 December 2018 (Euro 519.8 million at the end of 2017), of which around 90% were in the "copper" sector and the remainder were in financial and real estate assets.

The Euro 25.3 million increase in the "*Copper*" sector results from the effects of the fair value measurement of the equity investment in KME SE.

The Euro 3.0 million reduction in the "*Private Equity*" sector is linked to distributions received from the I2 Capital Partners Fund and year-end adjustments made on it.

"*Non-operating assets*" rose by Euro 1.1 million, even though there were collections of Euro 3.0 million, as a result of the reduction in provisions for risks and other liabilities.

Equity

The holding company's equity amounted to Euro 501.9 million, compared to Euro 486.1 million as at 31 December 2017; this change was attributable for Euro 16.8 million to the profit for the year, generated by fair value measurements, and, on the negative side, for Euro 1.0 million to the initial application of IFRS 9.

Equity per share is Euro 1.15 compared to 1.12 at the end of December 2017.

The Share Capital as at 31 December 2018 was Euro 335,069,009.80, unchanged compared to 31 December 2017, divided into 389,131,478 ordinary shares and 50,109,818 savings shares. None of the shares have a nominal value.

As at 31 December 2018, Intek Group held 5,713,572 ordinary treasury shares (1.47% of the shares in this category) and 11,801 own savings shares (0.024% of the shares in this category), unchanged compared to 31 December 2017.

Financial management

Net financial debt of the holding company to third parties (excluding intra-group loans) totalled Euro 44.2 million as at 31 December 2018. The balance as at 31 December 2017 was Euro 33.7 million.

At the end of December 2018, Intek Group had cash and cash equivalents of Euro 51.9 million.

Financial payables to third parties are represented by:

- Euro 101.4 million in bonds issued in 2015, maturing in February 2020, with respect to which the Company has already concretely explored various solutions and is defining the most appropriate one;
- Euro 4.4 million in interest on bonds;
- Euro 0.5 million for a loan relating to ErgyCapital, maturing at the end of 2019.

Intek Group's reclassified net financial position as at 31 December 2018, compared to 31 December 2017, can be broken down as follows:

Reclassified net financial position			
(in thousands of Euro)		*31 Dec 2018*	*31 Dec 2017*
Cash and cash equivalents		(51,902)	(28,066)
Other financial assets		(10,184)	(150)
Current financial receivables from subsidiaries		(8,134)	(42,018)
(A) Net financial assets	**(A)**	**(70,220)**	**(70,234)**
Short-term financial payables		4,851	5,181
Financial payables to subsidiaries		5,017	5,721
(B) Short-term financial payables	**(B)**	**9,868**	**10,902**
(C) Short-term net financial position	**(A) + (B)**	**(60,352)**	**(59,332)**
Long-term financial payables		-	476
Intek Group Bonds 2015 - 2020		101,391	101,215
(D) Medium to long-term financial payables		**101,391**	**101,691**
(E) Net financial position	**(C) + (D)**	**41,039**	**42,359**
Non-current financial receivables from subsidiaries		(599)	(931)
Non-current financial receivables from third parties		(140)	(10,000)
(F) Non-current financial receivables		**(739)**	**(10,931)**
(G) Reclassified net financial position	**(E) + (F)**	**40,300**	**31,428**

Notes:

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

Cash flows

Cash flows for the years 2018 and 2017 can be summarised as follows:

Statement of cash flows – indirect method			
(in thousands of Euro)		*2018*	*2017*
(A) Cash and cash equivalents at the beginning of the year		**28,066**	**9,216**
Profit/(loss) before taxes		16,811	36,739
Amortisation and depreciation		37	66
Impairment of non-current non-financial assets		286	-
Impairment/(reversal of impairment) of current and non-current financial assets		(24,674)	(44,727)
Changes in pension funds, post-employment benefits and stock options		15	(156)
Changes in provisions for risks and charges		(2,873)	(641)
(Increase)/decrease in other financial investments		1,454	10,451
Increase/(decrease) in financial payables to related companies		(704)	(6,091)
(Increase)/decrease in financial receivables from related companies		33,197	26,032
Dividends received		261	129
(Increase)/decrease in current receivables		5,124	8,343
Increase/(decrease) in current payables		(3,640)	(2,183)
(B) Total cash flows from/(used in) operating activities		**25,294**	**27,962**
(Increase) in non-current intangible assets and property, plant and equipment		(114)	(38)
Decrease in non-current intangible assets and property, plant and equipment		2	9
Increase/decrease in other non-current assets/liabilities		-	(779)
(C) Cash flows from/(used in) investing activities		**(112)**	**(808)**
Payment of interests on Bonds		(5,085)	(5,085)
Increase/(decrease) in current and non-current financial payables		4,456	4,918
(Increase)/decrease in current and non-current financial receivables		(192)	(8,150)
(D) Cash flows from/(used in) financing activities		**(821)**	**(8,317)**
(E) Change in cash and cash equivalents	**(B) + (C) + (D)**	**24,361**	**18,837**
(F) Cash contributed by merged companies		**-**	**13**
(G) Effect of changes in accounting standards		**(525)**	**-**
(H) Cash and cash equivalents at the end of the period	**(A) + (E) + (F) + (G)**	**51,902**	**28,066**

Income Statement

The change in KME's financial structure had significant effects on the holding company's income statement. The reduction in guarantees provided entailed a decline in commissions from Euro 3.9 million to Euro 1.3 million. In addition, there was a reduction in interest income from related parties from Euro 2.0 million to Euro 0.4 million as a result of the repayment of the Euro 35.0 million loan.

The result for the year benefited from the effects of the fair value measurement of the equity investment in KME SE of Euro 26.7 million.

Last year, non-recurring expenses included, inter alia, costs incurred for the merger by incorporation of ErgyCapital SpA. This transaction, which became legally effective at the end of December, was backdated for accounting purposes to 1 January. Therefore, the costs and revenue of the incorporated company were also considered non-recurring.

Reclassified income statement		
(in thousands of Euro)	*2018*	*2017*
Fair value changes and other gains/losses from investment management	24,949	44,707
Investment management costs	(339)	(543)
Gross profit/(loss) from investments	**24,610**	**44,164**
Commission income on guarantees given (a)	1,258	3,932
Net operating costs (b)	(4,691)	(4,602)
Overheads (a) - (b)	*(3,433)*	*(670)*
Operating profit/(loss)	**21,177**	**43,494**
Net finance expense	**(4,396)**	**(3,817)**
Profit/(loss) before taxes and non-recurring items	**16,781**	**39,677**
Non-recurring income/(expenses)	30	(2,938)
Profit/(loss) before taxes	**16,811**	**36,739**
Taxes for the year	(20)	8
Net profit (loss) for the period	**16,791**	**36,747**

* * *

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 SE and it is expected that disinvestments of former Intek operations will 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 2018, which consist of the equity investments in: KME SE and Culti Milano, and the direct investment by Intek Group in the I2 Capital Partners fund (19.15%).

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.

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, at the end of the Report, we provide a brief summary of the equity, income and cash flow performance for the year 2018.

* * *

<u>Copper sector</u>

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

(in thousands of Euro)	*31 Dec 2018*	*31 Dec 2017*
KME investment	483,000	456,368
KME Beteiligungsgesellsch.mbH investment	1,104	1,143
Other	5,161	6,465
Total "copper"	**489,265**	**463,976**

The fair value as at 31 December 2018 was estimated at Euro 483.0 million, against Euro 456.4 million as at 31 December 2017, with a 5.8% increase.

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

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) <u>Initiatives which aim to contain and/or eliminate non-performing areas of operation</u> (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;
2) <u>Initiatives aimed at reinforcing the Group's performing areas of operation</u> (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, organisational 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 realisation, it is an option that is still viable.

* * *

Regarding the operating performance of the KME Group, the recovery of the worldwide economy which continued to strengthen from the end of 2016 and thereafter transformed into slower economic growth in the third quarter of 2018 and continues to slow. Implementation of a fiscal expansion policy by the 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 Eurozone, where the KME Group has the most concentrated presence, previous growth has transformed into stagnation due to the slowdown in the automobile industry as well as exports. Uncertainty with respect to general economic trends, deriving in part from geopolitical tensions, is the greatest risk factor for economic activity.

The difficult macroeconomic scenario of the last five 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 has led to a clear strategic focus and the launch of a package of investments in Germany for the expansion of alloy strip products, which have a higher added value and are intended for applications involving electric mobility and digitalisation, in the presence of strong demand for elements for connectors.

Regarding operational efficiency, in many production plants restructuring projects have been completed, aiming to reduce excess production capacity, rationalise the structure and optimise operating costs, with a significant impact on operations in terms of efficiency and the recovery of profitability, and which could be revised if current negative macroeconomic influences have a lasting impact on long-term growth outlooks in Europe and on its competitiveness.

In terms of the strategic plan aiming to reduce complexity and concentrate the product portfolio on sustainable, long-term growth and profit margin development, during 2018 KME decided to take advantage of several significant development opportunities:

Acquisition of MKM (Mansfelder Kupfer und Messing)

On 6 July 2018, KME SE entered into an agreement with European Acquisition Midco Limited for the acquisition of 100% control over MKM, one of KME’s major European competitors. After the conditions precedent were satisfied, on 28 February 2019 the agreement was performed and KME SE became the owner of MKM. The purchase price was Euro 80 million plus a 1% stake in KME SE. MKM employs roughly 1,100 resources and has turnover of around Euro 1.1 billion.

The acquisition of MKM strengthens KME’s product portfolio in the copper rolled business, creating the global leader of these products with plants specialised in the production of rolled, thus achieving a

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[2] These initiatives are realised, 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.

competitive advantage and a complete offer of all copper qualities and alloys, making it possible to reach all market segments worldwide.

Disposal of the Tubing and Rods business

On 28 January 2019 KME entered into an agreement with the Chinese group Zheijang Hailiang for the disposal of the brass rods business in Germany, Italy and France, as well as the tube business in Germany and Spain.

The KME Group companies involved in this transaction are KME Brass Germany GmbH, KME Brass Italy SpA, Kabelmetal Messing Beteiligungsgesellschaft mbh, KME Brass France SAS and KME Ibertubos SAU, as well as the assets and liabilities relating to the German tube business of KME Germany GmbH & Co. KG.

The performance of the contract resulted in net proceeds of approximately Euro 88 million, corresponding to the sale price of Euro 119 million, in addition to working capital and the repayment of intra-group payables existing at the date of the closing, and after deducting the obligatory repayments of working capital credit lines used in relation to the business disposed of, totalling around Euro 112 million.

The overall scope of the transaction includes a total of roughly 1,100 workers and in 2017 achieved turnover of around Euro 540 million, with EBITDA of approximately Euro 15 million.

The transaction with Hailiang is intended to concentrate KME's product portfolio within the core business of the Special Products and Copper Rolled Products divisions, thus reducing the industrial complexity of the KME Group by downsizing the number of products as well as plants.

Repurchase of the 100% stake in Tréfimetaux SAS

In March 2019, KME SE entered into an agreement with ECT – European Copper Tubes Ltd for the acquisition of 49% of Tréfimetaux Sas, so it now holds 100% of that company.

Tréfimetaux Sas is a French company that manufactures copper tube and rods at plants in Givet and Niederbruck, respectively, and controls Serravalle Copper Tubes Srl, an Italian company that works in the copper tube business, with registered office in Serravalle Scrivia. Consolidated turnover in 2018 was around Euro 220 million, and it employs around 560 people.

The purchase price, to be paid at the closing, is Euro 2.0 million. The contract is subject to a condition precedent. The repurchase of 49% of Tréfimetaux will enable KME to accelerate its business and market strategies.

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As regards the strategy of focusing on markets with greater growth potential, the joint venture KMD, intended to create the new rolled production plant for connectors in China, completed the foundry and the hot rolled line in July 2018. The plant is expected to reach its full operating capacity in mid-2020. The KMD plant in Xingxiang is the most modern in the world for the production of copper strips for connectors.

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Current business performance

Demand for copper semi-finished products for use in the construction sector is still characterised by a certain weakness and persistent volatility that continues to neutralise the positive effect of the increase in value added, obtained through a policy of pursuing high quality, offering a wide range of products, providing continuous customer support and developing design ideas, aiming to promote innovative solutions for residential architecture, interior design and, in general, large public spaces.

The sales volumes and prices of plumbing tubes for the building sector remained slightly weaker in 2018 than in the previous year. Market demand for industrial tubing decreased by 3% in Europe in 2018.

Demand trends for **semi-finished products in copper and copper alloys for the industrial sector**, in which the KME Group strives to be an important industrial player by making available its traditional know-how in the field of metallurgy, are confirming signs of long-term stability, although to varying extents in the different segments. However, sudden signs of a negative trend are arising in all applications indirectly connected to WLTP (Worldwide harmonized Light vehicles Test Procedure) programmes associated with the diesel crisis in Europe. Instead, the electronics sector is more stable in traditional segments and has interesting outlooks for long-term growth in the development of the electric mobility segment.

In 2018, the **special products division** was largely characterised by stable order flows and expansionary market activities across all product segments for engineering and semi-finished products.

Engineering products

For tubular ingot moulds volumes were positive, and for slab ingot moulds there was an improvement in the mix due to a higher share of products with larger profit margins and an increase in orders acquired.

Revenue and performance exceeded targets, with an improvement in margins despite the increase in costs relating to the Germany production units due to new collective bargaining agreements. The year ended with a satisfactory order portfolio for 2019, exceeding 5 months of production. In the second half of 2019, general market conditions are expected to possibly negatively influence end markets for engineering products and thus could potentially slow the future flow of orders.

Products for maritime use and tube bundles

In the products for maritime use segment, order flows were positive due to improvements especially in the oil and gas sectors. The mix in the order flow was different than forecast, but it improved significantly compared to 2017. The order flow from the US Navy, which was expected by the end of the first quarter of 2018, was confirmed only in the third quarter of 2018.

Market conditions improved considerably compared to the difficulties witnessed in previous years, but recorded a further downturn in the fourth quarter of 2018 as a result of the decline in oil and gas prices. In September 2017, the integration of the production assets acquired in Jacksonville USA began to support the orientation towards the naval defence market, which continued in 2018.

Extruded and drawn products

Sales and order flows were in line with 2018 targets. The estimates are still essentially positive. In Europe the market remains stable, while demand in Spain, Italy and France remained just in line with the previous year, but it was negatively influenced by the weak general economy and the industrial production levels seen in the 4th quarter of 2018.

Brass rods division

This Division has recovered its production volumes which, unfortunately, did not follow the recovery in prices and the adjustment in costs. The positive development in volumes and the recovery of prices, particularly at the German plant, were unable to offset the rise in personnel costs (collective labour agreement in Germany) and the increase in transportation costs in Europe.

Strong pressure on prices, especially on the Italian market, as well as pressure on volumes in the French market, influenced the Division's performance despite the streamlining programmes and the measures undertaken to cut costs in the Group's facilities.

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Financial management

On 9 February 2018, KME SE 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 was 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. The factoring agreements were also extended to February 2021, for Euro 400 million.

In June 2018, KfW IPEX-Bank GmbH joined the pool of banks, increasing the above-mentioned lines of credit by Euro 15 million, to a total of Euro 365 million.

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 2018, KME SE had complied fully with all the covenants.

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Transformation of KME AG into KME SE (European Company)

On 22 February 2019, KME AG changed its name to KME SE after it transformed into a European Company. The transformation into a European company is consistent with the identity and role of KME within the European market through its subsidiaries present in major EU area countries.

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The main results of the copper sector for 2018, compared to the previous year, can be summarised as follows:

Key results of the copper sector		
(in millions of Euro)	2018	2017
Revenue	1,961.2	1,876.1
Revenue (net of raw materials)	528.8	502.8
EBITDA	80.4	76.7
EBIT	50.3	45.9
Profit/(loss) before non-recurring items	12.8	16.1
Non-recurring income/(expenses)	(15.8)	(16.7)
Effect of IFRS measurement of inventories	2.5	11.6
Share of profit/(loss) of equity-accounted investees	(5.5)	(5.7)
Consolidated net profit/(loss)	(7.7)	0.4
Net debt *	219.4	254.4
Equity attributable to owners of the Parent *	204.5	198.9

The **Consolidated Revenue** in 2018 amounted to Euro 1,961.2 million, up 4.5% from Euro 1,876.1 million in 2017. Revenue, net of the value of raw materials, rose from Euro 502.8 million to Euro 528.8 million, up 5.2%.

Gross operating profit (**EBITDA**) in 2018 was Euro 80.4 million; 4.8% higher than 2017 when EBITDA was Euro 76.7 million, 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.

EBIT stood at Euro 50.3 million (Euro 45.9 million in 2017).

Profit before non-recurring items was Euro 12.8 million (Euro 16.1 million in 2017). The change compared to the previous year is linked to FX timing for a total of Euro 3.6 million.

At the end of 2018, the **Consolidated net profit/(loss)** of the copper sector showed a loss of Euro 7.7 million (compared to profit of Euro 0.4 million in 2017).

The effects of the valuation of inventories and forward agreements had a positive impact of Euro 2.5 million compared to Euro 11.6 million last year.

The results in 2018 were negatively influenced by non-recurring costs of Euro 15.8 million, of which Euro 3.1 million from write-downs/capital losses on plants no longer used and Euro 3.2 million from reorganisation expenses, including those for M&A activities.

The **Net Financial Position** as at 31 December 2018 was negative to the tune of Euro 219.3 million, compared to Euro 254.4 million at the end of December 2017. The figure for 2018 excludes the debt relating to the businesses sold in 2019 (on a like-for-like basis, the net financial position for 2018 would have been Euro 213.5 million). The Group continues to adopt measures to optimise its working capital requirements.

Shareholders' equity at the end of 2018 was equal to Euro 204.5 million (Euro 198.9 million at the end of 2017), with total **Investments** at Euro 32.6 million (Euro 18.7 million throughout 2017).

The number of Employees at 31 December 2018 was 3,971, compared to just over 3,800 at the end of 2017. Since 1 January 2018, the consolidation of KME America Tubes & Fitting and the service stations in Turkey, India and Ukraine resulted in an increase in the scope with 78 additional employees, not included in the total for 2017.

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The average price of copper increased slightly by 5.8% in US$ in 2018 compared to the previous year (from US$ 6,167/tonne to US$ 6,524/tonne) and by 1.2% in Euro (from Euro 5,454/tonne to Euro 5,520/tonne). In terms of trend, in the fourth quarter of 2018 average copper prices increased by 1.1% in US$ compared to the first quarter of 2018 (from US$ 6,106/tonne to US$ 6,173/tonne), and by 3.0% in Euro (from Euro 5,251/tonne to Euro 5,408/tonne).

Compared to the fourth quarter of 2017, average copper prices declined by 4.2% in US$ (from US$ 6,809/tonne to US$ 6,524/tonne) and by 4.6% in Euro (from Euro 5,784/tonne to Euro 5,520/tonne).

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Private Equity

The investment in the private equity area is represented by the Company's equity investment in I2 Capital Partners SGR SpA, 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 2018*	*31 Dec 2017*
I2 Capital Partners fund	2,368	5,055
I2 Capital Partners SGR investment	1,788	2,177
Financial payables to I2 Capital Partners SGR	(1,311)	(1,312)
Other	36	4
Total Private Equity	**2,881**	**5,924**

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, 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. The expiry of the Fund, originally scheduled for July 2017, was extended to 31 July 2018 and subsequently to 31 July 2019, 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.

To facilitate the closure of the Fund, in the early days of April 2019 all remaining positions (some receivables and non-controlling interests, payables for marginal amounts and guarantees to third parties that purchased Fund investments) which are not expected to be liquidated by the end of July 2019 were transferred by the Fund to Isno 3. These positions will therefore be managed by Isno 3, the shares of which are expected to be assigned to Fund investors, until their final liquidation.

During 2018, requests were made for the payment of a total of Euro 1.1 million, to be applied only to covering the Fund's overhead expenses.

As at 31 December 2018, the total amount called upon the launching of the Fund's operations was Euro 126.9 million, while following the amendment to the fund regulation which took place on 6 December 2012, the callable residual contributions totalled approximately Euro 8 million.

In the course of 2018, three partial repayments were carried out for a total of Euro 8.3 million, made possible due to the following amounts collected by the Fund:

- disposal of 23.01% of the share capital of Nuovi Investimenti SIM SpA ("NIS") for Euro 1.3 million and the release of guarantees received from the buyers for Euro 3.0 million;
- sale of 100% of the share capital of Nuova GS SpA and all receivables due from it for a total of Euro 1.9 million;
- release of Euro 250 thousand from an escrow account established to guarantee third party purchasers of Fund assets, with the corresponding collection by the Fund;
- final allocation of a portion of Isno 4 srl in liquidazione of Euro 1.8 million.

As at 31 December 2018, the existing investments amounted to Euro 7.2 million, and referred primarily to equity investments in unlisted financial instruments.

The year 2018 closed for the Fund with a profit of Euro 5.95 million, compared to a profit of Euro 3.1 million in 2017 and attributable mainly to the following reasons:

- revaluation to align the equity investment in Isno 3 Srl with the shareholders' equity of the company, up to the limits of its cost, for Euro 5.4 million;
- the closure of the liquidation of Isno 4 Srl which resulted in an additional Euro 0.7 million over the cost of the equity investment;
- capital gain from the disposal of the equity investment and receivables of Nuova GS for total consideration of Euro 1.9 million, which generated a capital gain, net of transaction costs, of Euro 1.85 million;
- release of the escrow account established as a guarantee for the purchasers of Alpi Fondi SGR SpA for Euro 0.25 million, which generated a capital gain in an equal amount;
- write-down of the receivable due from the purchasers of NIS for a nominal Euro 1.2 million by Euro 0.75 million;
- loss on the receivable due from the purchasers of Alpi Fondi SGR SpA of Euro 0.5 million;
- Fund operating expenses of Euro 1 million, which include the ordinary operating expenses of the Fund, defined on the basis of article 10.3 (b) of the Regulation, of Euro 0.1 million.

The table below shows the fair value of the main investments existing at 31 December 2018, in respect of the stake owned by the Intek Group, compared to 31 December 2017.

I2 Capital Partners fund investments		
(in thousands of Euro)	*31 Dec 2018*	*31 Dec 2017*
ISNO 3 Srl - official assignee of Festival Crociere SpA's composition	1,362	1,915
ISNO 4 Srl - official assignee of OP Computers SpA's composition	-	349
Nuovi Investimenti SIM SpA	182	627
Benten Srl - (official assignee of Mediafiction SpA's composition)	115	405
Safim Leasing SpA in liquidazione	221	86
Nuova GS S.r.l / Selecta SpA	-	287
Total investments	**1,880**	**3,669**
Other assets/liabilities	488	1,386
Total investments	**2,368**	**5,055**

Following is a brief description of the main investments existing at 31 December 2018.

Isno 3 Srl – Festival Crociere Procedure

The financial statements of Isno 3 as at 31 December 2018 had assets consisting mainly of cash and receivables of approximately Euro 9 million. Shareholders' equity was approximately Euro 7.1 million.

There is still a dispute ongoing against Crédit Agricole and other parties. At the end of May 2018, the Court of Genoa handed down the ruling in the second instance on this dispute, confirming the first instance ruling handed down in December 2012 and thus rejecting the main demands of Isno 3.

In September 2018, Isno 3, Credit Agricole and other defendants carried out the ruling which sentenced GIE Vision Bail, a wholly owned subsidiary of the French bank, paying Euro 8.4 million to Isno 3, inclusive of interest, by way of a clawback, while Isno 3 Srl provided compensation of roughly Euro 1 million to the counterparties for their legal expenses incurred.

Isno 3 Srl appealed before the Court of Cassation on several points that the rulings in the first and second instance had rejected.

In December 2018, Credit Agricole submitted its brief in response to the appeal filed by Isno 3 before the Court of Cassation against the ruling of the Genoa Court of Appeals. The counterparty's appeal did not challenge the clawback of roughly Euro 8.4 million, which therefore became definitive. However, the counterparty's counterappeal includes a claim relating to the reformulation of expenses that Isno 3 was ordered to pay, as the counterparty alleges that the calculation made by the Court of Appeals contains a material error. The higher amount requested is roughly Euro 0.7 million, which Isno 3 has already set aside in a provision in the 2018 financial statements.

As regards the second dispute, relating to the petition of the State Tax Authorities regarding the tax on the 2008 agreement with creditors initiated by Isno 3, which was paid at a fixed rate of Euro 168, the ruling of the Liguria Regional Tax Commission in favour of Isno 3 has become final.

Isno 4 Srl – OP Computers SpA

The Isno 4 liquidation procedure was completed in early August 2018, enabling the Fund to collect Euro 1.8 million at the end of the final allotment.

Nuovi Investimenti SIM SpA

At the end of 2010, with a total investment of Euro 7.7 million, the Fund had recovered the company NIS from the bankruptcy of Alpi Biellesi. This company is active in trading government and corporate bonds on own account and in asset management. This latter activity was carried out through the subsidiary Alpi Fondi SGR SpA ("Alpi Fondi") and the investment funds managed by it.

With a complex, multi-phase transaction, in October 2016 (disposal of 9.9%), August 2017 (disposal of 67%) and February 2018, when the remaining equity investment of 23.01% in the stock brokerage firm was sold, the Fund exited completely from that investment.

At the same time, based on a separate agreement, in June 2017 NIS sold 100% of Alpi Fondi to third parties. In July 2018, the first share (Euro 250 thousand) was released of the escrow account totalling Euro 750,000, established as a guarantee for the purchasers. At 30 June 2018 the Assets under Management (AuM) of the former Alpi Fondi SGR SpA did not reach the minimum level required for the earn out.

The remaining receivable of Euro 1.2 million relating to the sale of NIS, which has been collected in multiple instalments, the last of which scheduled by the end of June 2019, was misleadingly contested by the purchasers of the company and at the moment is subject to litigation. This receivable was therefore conservatively written down by Euro 0.75 million on the basis of collection forecasts.

Benten Srl

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

The litigation pursued by the company and certain tax receivables as well as receivables from other companies belonging to the Cecchi Gori, allowed Benten to achieve positive results totalling Euro 15 million. Between 2013 and 2016 the Fund, which holds 30% of the company, received in excess of Euro 4.5 million in dividends.

To date, the residual activities to be carried out refer to the collection of two tax receivables: one for a significant amount, for which litigation with the Italian Revenue Agency is under way which is not expected to be settled for at least 3-4 years; the other, of a more limited amount, which it is hoped will be paid quite a bit sooner.

Safim Leasing SpA

The amount of Euro 221 thousand relates to tax receivables assigned to the Fund on liquidation of the company, which are expected to be collected in the first half of 2019.

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

Until July 2018 the Fund held 100% of Nuova GS which, upon completion of the agreement for the restructuring of the debt of Selecta SpA to Poste Italiane and the Gruppo Selecta Srl with the lending banks, held 85% of Selecta SpA which in 2012 incorporated Gruppo Selecta Srl.

Following the above-mentioned 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 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.

In July 2018, the equity investment in Nuova GS was sold, along with the receivables held by the Fund, which entailed total proceeds of roughly Euro 1.9 million. A minimal portion of the consideration (Euro 150 thousand) may be potentially called by the counterparty for any tax liabilities of Nuova GS arising by the end of November 2019.

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The financial statements of I2 Capital Partners SGR SpA as at 31 December 2018 show a loss of Euro 392 thousand, compared to the loss of Euro 330 thousand last year. The lower management fees recognised to the Company by the Fund, which are calculated based on existing investments and no longer on the amount of subscribed capital as was instead the case until the end of the investment period, were lower than operating costs.

The shareholders' equity as at 31 December 2018 totalled Euro 1.8 million and consisted of the share capital of Euro 1.5 million and reserves of Euro 0.7 million in addition to the loss for the year of Euro 0.4 million.

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Culti/Other services

The item named above can be summarised as follows:

(in thousands of Euro)	*31 Dec 2018*	*31 Dec 2017*
Culti Milano and Progetto Ryan 3 (formerly Culti Srl) investment	11,057	11,735
Former ErgyCapital positions	1,583	1,010
Il Post investment	63	20
Payables to Progetto Ryan for investment acquisition	-	(848)
Other	64	170
Total Culti Milano/Other services	**12,767**	**12,087**

Culti Milano

The company, listed on the AIM market managed by Borsa Italiana since July 2017, is 72% owned by Intek and operates in the luxury market, producing and selling high-end room fragrances. In 2018, the management decided to anticipate the three-year plan, accelerating retail investments and at the same time initiating a process of expanding the commercial offering. Indeed, Culti decided to position the brand not only in the diffusers category, but also in the personal perfumes and cosmetics segment, evolving from a fragrance company to a personal well-being business, in all of its various facets: from fragrance for spaces (home, car, boat, etc.) to personal products (perfume, personal hygiene, cosmetics).

In 2018, several Culti Houses were opened, which carry out a dual function: i) strengthening brand awareness in the Italian market by covering areas of greatest commercial interest, and ii) introducing the new personal and cosmetics collections, thus creating a sense of “personal well-being”. There are now seven Culti Houses nationwide.

As regards domestic wholesale activities, new customers have been obtained which are contributing significantly to turnover growth in the Italian market, while internationally the company’s presence has been bolstered in certain European areas and distribution in the Asian Far East has increased.

Culti Milano also entered into a new sales agreement with an important distributor in the United States, completing the international development plan outlined last year.

The main indicators can be summarised as follows:

- total sales of Euro 6.6 million (Euro 6.2 million in 2017, up by 6.4%). Sales in the domestic market reached Euro 1.9 million, marking growth of 33% compared to the prior year (Euro 1.4 million); sales achieved in international markets (making up 72% of total turnover) reached Euro 4.7 million, in line with 2017;
- start-up expenses for new single-brand points of sale: Euro 580 thousand;
- Positive EBITDA of Euro 503 thousand (Euro 1.1 million in 2017);
- amortisation of AIM market listing costs: Euro 169 thousand;
- EBIT of Euro 118 thousand;
- negative earnings before taxes (EBT) of Euro 236 thousand;
- net loss of Euro 157 thousand (net profit of Euro 401 thousand in 2017);
- positive net financial position of Euro 3.0 million compared to available funds of Euro 3.8 million as at 31 December 2017.

The company’s Board of Directors proposed the distribution of part of the share premium reserve that became available, with the assignment of Euro 0.08 per ordinary share (after making the provisions required by law), for a total of Euro 248 thousand. The ordinary shareholders' meeting held on 5 April 2019 which approved the 2018 financial statements approved the assignment of reserves. The shareholders' meeting also approved the request to authorise the purchase of treasury shares.

In April 2019, Intek launched a plan for the purchase of Culti Milano shares which calls for an increase of up to a maximum of 15% in its stake in the share capital of that subsidiary.

Former ErgyCapital positions

The former ErgyCapital positions refer to the remaining equity investments and the relative financial receivable and payable positions.

In the course of 2018, we actively worked to realise those positions with the disposal of the equity investments in E.Geo Srl and in Società Agricola Carmagnola Biogas Srl, which generated a total of Euro 0.3 million in collections.

The subsidiary Società Agricola Agrienergia Srl manages a 999 kW plant for the production of electricity fuelled by biogas generated from the fermentation of cereal crops, located in the Municipality of Pegognaga (MN).

In 2018, Società Agricola Agrienergia distributed dividends of Euro 0.2 million to Intek and also made Euro 0.5 million in loan repayments.

To facilitate the completion of liquidation procedures, the companies Ergyca Two Srl in liquidazione, Ergyca Four Srl and Ergyca Sun Sicilia Srl in liquidazione, all wholly owned subsidiaries of Intek Group, were merged into Energetica Solare Srl in liquidazione. The liquidation is expected to be completed in 2019.

This item marked an increase due to the positive effect of valuations at the end of the year on Società Agricola Agrienergia and Energetica Solare. The first was determined on the basis of forecast cash flows set forth in the plan, and the second on the basis of the shareholders' equity which benefitted during the year from the positive closure of several disputes which entailed final outlays lower than those previously estimated.

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Non-operating assets

They can be summarised as follows:

(in thousands of Euro)	*31 Dec 2018*	*31 Dec 2017*
Breda Energia investment	6,162	6,162
Intek Investimenti investment	417	417
Former Fime receivables (net of advances)	4,285	5,274
Other non-performing receivables (tax receivables and from compositions with creditors)	279	2,279
Net assets concerning former Isno 2	-	(780)
Provisions for risks	(490)	(3,260)
Financial receivables from Intek Investimenti	546	-
Financial payables to Breda Energia in liquidazione	(3,479)	(3,608)
Other	(916)	(756)
Total non-operating assets	**6,804**	**5,728**

The reduction in provisions for risks is linked to the conclusion of the settlement with the Mareco procedure, which resulted in the release of a provision of Euro 1.6 million. For more details, please refer to the "*Disputes*" section.

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Real Estate/Other assets

Real Estate/Other assets can be summarised as follows:

(in thousands of Euro)	31 Dec 2018	31 Dec 2017
Immobiliare Pictea investment	24,133	24,133
Land and buildings	780	973
Financial receivables from Immobiliare Pictea	6,948	5,222
Other	504	685
Total Real Estate/Others	**32,365**	**31,013**

All of the real estate assets previously held by Rede Immobiliare Srl, I2 Real Estate Srl and Tecno Servizi were concentrated in Immobiliare Pictea starting at the end of 2017.

During the year, activities intensified to enhance the value of the properties held by the company. Numerous contacts were made with real estate operators and potential counterparties for real estate lease or sale negotiations which only in one case, and for only part of one property, were concluded successfully.

The assets of Immobiliare Pictea also include an investment consisting of 100% of the category B special shares of Ducati Energia SpA, constituting 6.77% of its share capital. 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 shares will be converted into ordinary shares with the same rights as those afforded to the transferring shareholders. In light of the positive results achieved and future outlooks, Ducati Energia has attracted the attention of potential institutional investors, with appealing expectations for returns on the investment of Immobiliare Pictea.

Land and buildings include four properties which were assets of the former Fime Leasing. Part of the Sezze property was sold in 2019.

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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 0.5 million from the merger of ErgyCapital, which falls due at the end of 2019.

At the end of December 2018, Intek Group had cash and cash equivalents of Euro 51.9 million.

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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.

There were no changes in the scope of consolidation in 2018.

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

Consolidated equity		
(in thousands of Euro)	*31 Dec 2018*	*31 Dec 2017*
Share capital	335,069	335,069
Reserves	148,661	114,210
Profit/(loss) for the period	20,866	35,402
Equity attributable to owners of the Parent company	**504,596**	**484,681**
Non-controlling interests	-	-
Total equity	**504,596**	**484,681**

The change in shareholders' equity was due to the profit for the year (Euro 20.9 million) and, in the opposite sense, the effects of the adoption of IFRS 9 (Euro 0.9 million).

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

Consolidated net invested capital		
(in thousands of Euro)	*31 Dec 2018*	*31 Dec 2017*
Net non-current assets	552,459	534,213
Net working capital	9,181	11,398
Net deferred tax	1,429	1,774
Provisions	(1,385)	(5,361)
Net invested capital	**561,684**	**542,024**
Total equity	504,596	484,681
Net financial position	57,088	57,343
Sources of finance	**561,684**	**542,024**

"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 2018*
Parent company's equity including profit/(loss) for the period	**501,894**
Fair value measurement of investments held by subsidiaries (net of tax effect)	7,904
Excess cost allocation on property (net of tax effect)	3,772
Other	171
Difference between the consolidated companies' equity and their carrying amount	(9,145)
Group's consolidated equity including profit/(loss) for the period	**504,596**

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

Reclassified consolidated net financial position			
(in thousands of Euro)		*31 Dec 2018*	*31 Dec 2017*
Short-term financial payables		10,760	10,989
Medium to long-term financial payables		5,378	6,629
Financial payables to Group companies		3,706	4,409
(A) Financial payables	**(A)**	**19,844**	**22,027**
Cash and cash equivalents		(52,556)	(28,886)
Other financial assets		(10,242)	(217)
Financial receivables from Group companies		(1,349)	(36,796)
(B) Cash and current financial assets	**(B)**	**(64,147)**	**(65,899)**
(C) Consolidated net financial position (net of outstanding securities)	**(A) + (B)**	**(44,303)**	**(43,872)**
(D) Outstanding debt securities (net of interest)		**101,391**	**101,215**
(E) Consolidated net financial position	**(C) + (D)**	**57,088**	**57,343**
(F) Non-current financial assets		***(3,403)***	***(13,645)***
(G) Total net financial debt	***(E) + (F)***	***53,685***	***43,698***

(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)		*2018*	*2017*
(A) Cash and cash equivalents at the beginning of the year		**28,886**	**10,444**
Profit/(loss) before taxes		19,848	35,197
Amortisation and depreciation		404	437
Impairment of current assets		1,210	-
Impairment/(reversal of impairment) of non-current assets other than financial assets		3,307	608
Impairment/(reversal of impairment) of investments and financial assets		(33,194)	(44,859)
Changes in pension funds, post-employment benefits and stock options		30	(144)
Changes in provisions for risks and charges		(2,823)	(591)
(Increase)/decrease in investments		1,454	5,415
(Increase)/decrease in financial investments and financial assets		-	4,967
Increase/(decrease) in current and non-current financial payables to related companies		(703)	(759)
(Increase)/decrease in current and non-current financial receivables from related companies		34,975	25,707
Dividends received		306	174
(Increase)/decrease in current receivables		5,047	7,039
Increase/(decrease) in current payables		(3,539)	(2,491)
(B) Total cash flows from/(used in) operating activities		**26,322**	**30,700**
(Increase) in non-current intangible assets and property, plant and equipment		(658)	(245)
Decrease in non-current intangible assets and property, plant and equipment		3	10
Increase/decrease in other non-current assets/liabilities		(8)	(258)
(C) Cash flows from/(used in) investing activities		**(663)**	**(493)**
Increase/(decrease) in current and non-current financial payables		(1,304)	(3,835)
(Increase)/decrease in current and non-current financial receivables		(160)	(8,150)
(D) Cash flows from/(used in) financing activities		**(1,464)**	**(11,985)**
(E) Change in cash and cash equivalents	**(B) + (C) + (D)**	**24,195**	**18,222**
(F) Change in scope of consolidation		**-**	**220**
(G) Effect of changes in accounting standards		**(525)**	**-**
(H) Cash and cash equivalents at the end of the period	**(A) + (E) + (F) + (G)**	**52,556**	**28,886**

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

Consolidated income statement		
(in thousands of Euro)	*2018*	*2017*
Net income/(expenses) from investment management	33,233	44,859
Guarantee fees	1,258	3,932
Other income	1,066	1,801
Labour costs	(1,993)	(2,496)
Amortisation, depreciation, impairment and write-downs	(3,713)	(1,045)
Other operating costs	(5,204)	(7,789)
Operating profit/(loss)	**24,647**	**39,262**
Finance income	1,010	1,860
Finance expense	(5,809)	(5,925)
Net finance expense	*(4,799)*	*(4,065)*
Profit/(loss) before taxes	**19,848**	**35,197**
Current taxes	1,667	73
Deferred taxes	(649)	132
Total income taxes	**1,018**	**205**
Profit/(loss) for the period	**20,866**	**35,402**

* * *

Additional 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 2018, Intek had trade receivables from KME SE and its subsidiaries totalling Euro 4.9 million. These were mainly from commissions for guarantees, of which Euro 4.5 million already collected at the date of this Report.

There is one existing loan payable with the non-consolidated subsidiary Breda Energia Srl in liquidazione (Euro 3.5 million) which also holds a financial loan of Euro 2.5 million to the parent company Quattroduedue SpA. In addition to this position is a residual position of Euro 0.2 million with Energetica Solare Srl in liquidazione.

As regards the companies within the scope of consolidation, there is furthermore a loan of Euro 1.3 million from I2 Capital Partners SGR.

With respect to loans receivable, there is a current account with a balance of Euro 6.9 million with respect to the consolidated subsidiary Immobiliare Pictea. There are also less relevant positions with the following non-consolidated subsidiaries: Società Agricola Agrienergia Srl (Euro 0.4 interest bearing and Euro 0.4 million non-interest bearing), Intek Investimenti (Euro 0.5 million) and KME Yorkshire Ltd (Euro 0.3 million).

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.

Four of these lawsuits were resolved with a ruling at the first degree, all in favour of the Company, of which three were challenged and heard before the applicable Court of Appeal (Bari and Rome) with jurisdiction, while one was considered final.

In particular, one of the rulings that was challenged by the counterparty that lost the case before the Court of Appeal of Bari, accepted 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 other two rulings handed down by the Court of Rome (also challenged before the Rome Court of Appeal), accepting the requests of Intek Group, confirmed the non-existence of the receivables alleged by two savings shareholders (who in the meantime had also acted by means of a payment procedure, obtaining two court orders for payment that were objected to by Intek Group and are currently pending before the Court of Bari) from Intek Group for alleged undistributed dividends.

Both rulings sentenced the defendants to reimburse Intek Group for legal costs connected to the proceedings.

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, it was abandoned and thus cancelled after the savings shareholder involved notified the Intek Group of its irrevocable decision to waive its claims.

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.

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As concerns the main disputes regarding the former Fime Leasing, the lawsuit pending before the Court of Cassation against the bankruptcy receivers of Mareco Sistemi Industriali Srl was resolved in a settlement with an agreement that made it possible to release Euro 1.6 million from the provision for risks recognised previously.

Also for the activities carried out by the former Fime Leasing, the dispute pending before the Court of Cassation for an undue VAT deduction claim was resolved in favour of the tax authorities. The outcome of the ruling had no negative effects either in financial terms or in economic terms as all sums requested by the tax authorities had already been paid and charged to the income statement.

During the year, Equitalia issued the tax payment order for a total of Euro 1.2 million relating to the liability linked to the guarantee that Intek had issued for the disposal of an equity investment. In this regard, the tax payment order received was subsequently broken down into 24 months of instalments. As a result, the provision for risks previously recognised was classified under payables.

* * *

Parent company and ownership structure

The Company is controlled by Quattroduedue Holding BV, which is based in Amsterdam - Duivendrecht (Holland), Entrada 306, 5th Floor, through Quattroduedue SpA, a wholly owned subsidiary of Quattroduedue Holding BV. At 31 December 2018, 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 shares in this category). There were no changes during the year.

In June 2018, as the requirements and conditions set forth by legislation in force and the Articles of Association were met, the increase of the voting right with reference to 158,067,500 ordinary Intek Group shares held by the shareholder Quattroduedue SpA became effective; therefore, as a result of this increase, the total number of voting rights currently held by Quattroduedue SpA is 340,845,692, equal to 61.66% of the total 552,777,337 voting rights that may be exercised at the Company's shareholders' meetings.

Intek Group holds no shares or units of the parent company and during 2018 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 this report.

* * *

Research and development activities

No research and development activities were pursued during 2018, given the nature of the Company's specific activities.

Personnel

Following is the average number of employees in consolidated companies, as compared with 2017:

	31/12/2018	31/12/2017	Change	% Change
Executives	3	3	-	0.00%
	20.00%	21.43%		
Clerical workers	12	11	1	9.09%
	80.00%	78.57%		
Total employees (average)	**15**	**14**	**1**	**7.14%**
	100.00%	100.00%		

As at 31 December 2017, Intek Group had 16 employees, of whom 3 executives and 13 clerical workers. In the course of 2018, 1 executive and 3 clerical workers of the incorporated entity ErgyCapital left the company. Another resignation was replaced by a new recruit. Therefore, as at 31 December 2018, Intek Group had 12 employees, of whom 2 executives and 10 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 2018, 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 2018, 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 was performed in previous years, we would now like to update the corporate governance information provided with the financial statements at 31 December 2017 and the half-year financial statements as at 30 June 2018 with additional and specific details in the Report on corporate governance and the ownership structure.

There were no changes to the size and composition of the share capital in 2018. Therefore, as at 31 December 2018, 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 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 the procedure on transactions with related parties and in February 2019 the Organisational Model required by Legislative Decree 231/01 and the relative Code of Ethics.

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 Group 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 B.V. 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 fall short of the threshold after which this type of report is required.

Main risks and uncertainties to which Intek Group SpA is exposed and 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 Company's financial results mainly depend on these transactions and on the dividends distributed by its investees, 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 they provide. 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 Company 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 lead 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 and 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.

* * *

Significant events after 31 December 2018

No noteworthy events occurred after the balance sheet date, other than those set forth above, particularly with regard to the transactions that concerned the subsidiary KME SE.

Proposal to approve the 2018 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 2018 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 16,791,385;
- to allocate profit for the year of Euro 16,791,385 as follows:
  - 5% to the legal reserve, up to Euro 839,570;
  - 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 15,951,815."

Milan, 10 April 2019

The 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 2018 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.

The Company closed 2018 with a loss of Euro 0.4 million, due to a reduction in the commissions it collected. This loss reduces equity to Euro 1.8 million.

* * *

Immobiliare Pictea Srl (Pictea)

The 2018 financial statements, presented in abbreviated form, have a negative result of Euro 3.7 million (loss of Euro 1.2 million in 2017). At the end of the year, shareholders' equity was Euro 15.0 million.

During the year, activities intensified to enhance the value of the properties held by the company. Numerous contacts were made with real estate operators and potential counterparties for real estate lease or sale negotiations which only in one case, and for only part of one property, were concluded successfully.

Indeed, in September part of the Varedo complex was leased for an annual payment of Euro 340 thousand under normal circumstances. The tenant is expected to enter the property in May 2019 after the completion of maintenance works, part by Pictea and part by the tenant. The lease of part of the complex will provide benefits from cash flows and also allow for the property to be better maintained and increase commercial interest in the unleased section, for which possible divisions are currently being analysed. The decision was made to accept a solution that was not a sale and was only partial after no satisfactory offers had been received for years on the entire complex. This change also impacted the methods for estimating the recoverable amount, which generated a write-down of Euro 2,199 thousand.

Renovation works also continued on the residential portion of the property at Foro Buonaparte, 44 (5th and 6th floors), which should be completed by the end of this year. At that time, one of the two lifts was also upgraded, in addition to the heating system and the roof, improving the building's energy performance.

In the initial months of 2019, contacts were initiated with the municipal authorities of Sondrio to identify the best solutions for enhancing the value of the property owned by Fossati Uno, a company which is 35% owned by Pictea. The property was acquired from a bankruptcy procedure, is currently unused and is 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.

The assets of Pictea also include an investment consisting of 100% of the category B special shares of Ducati Energia SpA, constituting 6.77% of its share capital. 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 shares will be converted into ordinary shares with the same rights as those afforded to the transferring shareholders. In light of the positive results achieved and future outlooks, Ducati Energia has attracted the attention of potential institutional investors, with appealing expectations for returns on the investment of Pictea.

During the year, new recovery actions were launched for the receivable from Palano & Figli Srl, during which it was discovered that the properties that were pledged to secure the receivable had in the meantime been disposed of by the counterparty with the possibility of a clawback action only for one of them. This action was promptly exercised. Although the company intends to protect its rights in any manner whatsoever, it prudently recognised a significant adjustment on the receivable.

* * *

INTEK GROUP

YEAR 2018

REPORT ON CORPORATE GOVERNANCE

AND

OWNERSHIP STRUCTURE

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

OF

INTEK GROUP SPA

WWW.ITKGROUP.IT

APPROVED BY THE BOARD OF DIRECTORS ON 10 APRIL 2019

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Glossary

Code/Corporate Governance Code:	the Corporate Governance Code for listed companies approved in July 2018 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.
Issuer/Company/Intek Group:	Intek Group SpA
Financial year:	the financial year ended as at 31 December 2018, to which this report refers.
Merger:	the merger by incorporation of INTEK S.p.A. into KME Group (which assumed 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.
Related Parties Regulation:	the Regulation issued by Consob with its resolution 17221 of 2010 (as subsequently amended) regarding transactions with 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 10 April 2019, approved the Report on corporate governance and ownership structure for the 2018 reporting year, together with the draft financial statements for said financial year.

The Report provided below includes the amendments made to the Code in July 2018 and takes into account the subsequent regulatory changes.

The Code is available to the public on the Borsa Italiana website https://www.borsaitaliana.it/borsaitaliana/regolamenti/corporategovernance/codice2018clean.pdf.

In particular, in addition to taking into account the legislative changes made pursuant to Italian Legislative Decree 173 of 2008, which resulted in amendments being made to article 123-bis of Italian 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 Report has also been drafted based on the format provided by the latter for that obligation.

This new edition of the format for preparing the report on corporate governance and ownership structures incorporates the recommendations of the Corporate Governance Code, as approved by the Corporate Governance Committee in July 2018, relating to diversity in the corporate bodies, as well as equal treatment and opportunity between genders throughout the business organisation.

Please recall that the gender diversity criteria - referred to in principles 2.P.4 and 8.P.2 for the composition of the board of directors and the board of statutory auditors, respectively - are effective as of the start of the first term of office of such bodies subsequent to the termination of the effects of Italian Law no. 120 of 12 July 2011 (Par. IX of "Guiding principles and transitional regime").

The format has also been updated to incorporate the provisions of the SME transparency regime introduced by Consob with resolution no. 20621 of 10 October 2018: the new article 2-ter of the Consob Issuers' Regulation (entitled "Implementing provisions of the definition of SME") requires, inter alia, Consob to publish a list of SMEs on its website on the basis of capitalisation and turnover values that it has calculated (paragraph 5) and "Issuers of shares to report within their report on corporate governance and ownership structures, required under article 123-bis of the TUF, the information relating to the acquisition and maintenance of the classification of SME, specifying the value of capitalisation and turnover, as set forth on the list pursuant to paragraph 5" (paragraph 2).

The report also takes into account the most recent regulatory updates concerning:

- 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 Italian 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 Italian 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 was done in the Report presented for the last financial years, starting from 2013.

This Report has been prepared pursuant to the guidelines issued by Borsa Italiana (VIII edition of January 2019) 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 2018, taking into account 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 Control Authority's relative recommendations, in relation to the small dimension and corporate structure of Intek Group.

By resolution of the Board of Directors of 11 February 2019, the Company updated the organisational model adopted pursuant to Italian Legislative Decree 231/2001 (hereinafter, the "**Model**"), amended in light of the most recent regulatory updates on the matter.

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 on "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 articles 17 and 22 to the discipline regarding the balance between genders in the composition of the administration and control bodies as introduced by Italian 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 shareholders’ meeting on 8 May 2018 thus appointed the Board of Directors and the Board of Statutory Auditors for the years 2018/2020 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 Consolidated Law on Finance] by Italian 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.

Lastly, in line with this edition of the format, the Report takes into account the content of the letter dated 21 December 2018 addressed by the Chairman of the Corporate Governance Committee to the Chairmen of the Boards of Directors (and also carbon copied to the CEOs and Chairmen of the Boards of Statutory Auditors) of Italian listed companies and the four recommendations specified therein, brought to the attention of the Board, the competent Committees and the control body.

In this Report, information is provided concerning the governance of the Company with reference to the above-mentioned recommendations.

1. Issuer Profile

As an investment entity, the Company's operations are those of 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 new development strategies.

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.

Intek Group is qualified as an SME pursuant to art. 1, paragraph 1, letter w-quater.1) of the TUF and art. 2-ter of the Consob Issuers' Regulation. Its average capitalisation during 2018 was Euro 146 million (Euro 119 million in 2017). The amount of turnover[1] in the consolidated financial statements was Euro 33.6 million (Euro 50.6 million in 2017).

The Company has maintained its corporate governance structure over time, based on the traditional model, composed of the Shareholders' Meeting, Board of Directors and Board of Statutory Auditors.

In its meeting of 8 May 2018, the Board of Directors which was held immediately after the Shareholders' Meeting that appointed it for the years 2018/2020, resolved to establish only the Control and Risk Committee, the members of which are Independent Directors only.

Indeed, as has already taken place in previous years, the Company decided not to establish the Appointments Committee or the Remuneration Committee.

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

With regard to the Group companies, it is hereby specified that the governance of the German company KME SE, the main Intek Group 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 as at the date of this Report

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, 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 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.

[1] Represented by Net income from investment management, Guarantee fees and Other operating income

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 27 of the Articles of Association is Ms. Simonetta Pastorino. Ms. Pastorino was appointed for 2018/2020 by the Special Meeting of Holders of Savings Shares which was held on 8 May 2018 and her mandate will expire on the date of the shareholders' meeting called to approve the financial statements as at 31 December 2020.

The savings shares confer the following privileges:

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

The 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%

For additional information on the issuing of the outstanding "Intek Group 2015 – 2020" bond loan, please see the information provided in the report for the years subsequent to 2015.

The rights of bondholders are governed by the law as well as the regulation approved when the bond loan was issued.

The Common Representative of Bondholders, who is entitled to participate with the right to intervene in the ordinary Shareholders' Meeting and whose rights are indicated under article 2418 of the Italian Civil Code and article 10 of the regulation of the bond loan is Mr. Rossano Bortolotti, appointed by decree of the Court of Milan of 25 July 2018 pursuant to article 2417 paragraph II of the Italian Civil Code, at the initiative of the Company, as he was not appointed by the meeting of bondholders, in office for three financial years and therefore until the date of the shareholders' meeting called to approve the financial statements as at 31 December 2020.

* * * * * *

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, the performance of which in their respective trades is continually updated in real time through dedicated links for each instrument to Borsa Italiana SpA.

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

SHARE CAPITAL STRUCTURE			
Shares issued	ISIN Code	no. 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 2018

PERFORMANCE OF SECURITIES				
	Maximum value		***Minimum value***	
	Month	***Price***	***Month***	***Price***
Ordinary shares	September	0.3975	January	0.2736
Savings shares	January	0.4720	December	0.3250
Intek Group S.p.A. 2015-2020 Bonds	May	103.99	November	100.60

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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 2018, 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.

With regard to the entire share capital of Intek Group, 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.

The significant reporting threshold as provided by article 120, no. 2 is 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.

As at 31 December 2018, the Company has 18,803 Shareholders, according to the Shareholders Register.

At 31 December 2018, the Company directly 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 savings 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 2018 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, with the exception of the pool loan agreements on KME SE, when applicable.

The Company did not adopt any provisions in its Articles of Association that depart from the provisions of the passivity rule pursuant to article 104, paragraph I and II of the TUF, or provide for application of the neutralisation rules pursuant to the following article 104-bis, paragraph II and III of the TUF in regard to takeover bids or exchanges.

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

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

The Shareholders' Meeting held on 8 May 2018 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 Italian 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 5,000,000.

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 37 of the Consob Regulation no. 16191 of 29 October 2007 (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 Risk Committee consists exclusively of Independent Directors also pursuant to article 37, paragraph 1-bis of the Market Regulation.

* * * * *

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

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

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

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

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

The text of the Corporate Governance Code is available at Borsa Italiana S.p.A. and can also be viewed on the Corporate Governance Committee website at https://www.borsaitaliana.it/comitato-corporate-governance/codice/2018clean.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.

In the various sections of this Report, information is provided on the reasons for any failure to comply with one or more recommendations of the Code.

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 S.p.A.;
- the shareholding for presentation of the list is equal to the higher of the percentage identified by Consob pursuant to article 144-quater of the Issuers' Regulation and the one defined by Consob itself pursuant to determination no. 13 of 24 January 2019. To this end, based on the abovementioned Consob regulations, the percentage that is applicable for Intek Group is 2.5% 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 Italian 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 also available in a dedicated section of the website www.itkgroup.it.

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

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

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

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

The current Board of Directors was appointed by the Shareholders' Meeting on 8 May 2018 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 2020.

The list of candidates for the office of Director was presented on time by the controlling shareholder, Quattroduedue S.p.A. (holding 46.97% 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 185,495,807 votes, equal to 99.91% of the shares in attendance and 47.669% of voting shares.

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

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.

As the transitional regulations on "gender quotas" in the administrative and control bodies no longer apply, the appointments were 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.

Indeed, based on this provision, the less represented gender is equal to one third of the individual candidates as well as appointees.

Thus, among the Directors, there are three women, in line with the provisions of the regulation in force.

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 2018.

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.

Following is the information relative to all the Directors that were in office during 2018 and at the date of this Report.

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 8 May 2018, 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 its incorporation into the Intek Group.

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

During 2018, 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. as well as 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 S.p.A. until 27 December 2017, the date of the company’s merger into Intek Group. In addition, until 2014, she was a Director of I2 Capital Partners SGR S.p.A. (of which she was the Managing Director until 1 December 2012) and of Cobra Automotive Technology S.p.A.

In its meeting of 8 May 2018, the Company’s Board of Directors confirmed her appointment as Deputy Chairwoman, granted for the first time in 2010, attributing her executive powers. She joined the Board of Directors of Intek Group on 27 April 2005.

She was the CEO of the KME SE Vorstand until July 2017 and is currently 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 Chairwoman 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., offices she still currently holds.

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 (Executive Deputy Chairman)

Marcello Gallo was born 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 its incorporation into Intek Group (after being the General Manager of said company from 1998 to 2003); he is a Board member of Subsidiaries and, in particular, he is the Managing Director of I2 Capital Partners SGR S.p.A.

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

He was also 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 Director and as of 8 May 2018 he has been its Deputy Chairman with executive powers.

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

Since December 2017, he has also been 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 S.p.A. and a Director at Banca Commerciale Italiana S.p.A. 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 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 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 SE and KME Germany bet. GmbH.

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 S.p.A. from 30 April 2013 and a member of the Control and Risk Committee.

Francesca Marchetti

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.

She was a Standing Auditor of ErgyCapital S.p.A. until 27 December 2017.

She has been an independent director of Intek Group SpA since 8 May 2018, before which time she had been a Standing Auditor since 28 June 2012.

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.

He was an independent director of Intek Group S.p.A. from 30 April 2013 to 8 May 2018 and was also a member of the Control and Risk Committee.

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

He has also been the Chairman of Culti Milano S.p.A. since 2017.

* * * * * *

A table showing positions as Director or Statutory Auditor held by each of them at 31 December 2018 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
	Nextep Srl Benefit Corporation	Chairman of the Board of Directors
	Fondazione Adriano Olivetti	Member of the Board of Directors
	Fondazione La Triennale di Milano	Member of the Board of Directors
	Quattroduedue Holding B.V.	Member of the Supervisory Board
	KME SE (1)	Chairman of the Supervisory Board
	Tod's Group (2)	Member of the Board of Directors and the Remuneration and CO/Risk Committees
	Compagnia Immobiliare Azionaria (CIA) SpA (2)	Member of the Board of Directors
	Class Editori SpA (2)	Member of the Board of Directors
	Fondazione Italia Sociale	Chairman
	Robert Kennedy Human Rights	Member of the Board of Directors
Diva Moriani		
	Intek Group S.p.A. (2)	Deputy Chairman of the Board of Directors
	Nextep Srl Benefit Corporation	Managing Director
	KME Germany Bet. GmbH (1)	Member of the Supervisory Board
	Fondazione Dynamo	Member of the Board of Directors
	Associazione Dynamo Camp Onlus	Member of the Board of Directors
	Dynamo Academy S.r.l.	Member of the Board of Directors
	KME SE (1)	Deputy Chairman of the Supervisory Board and Chairman of the Audit and Strategy Committee within the Supervisory Board
	KME Srl	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 Internal Control and Remuneration Committees
	Generali Group (2)	Member of the Board of Directors - Member of the Appointments and Remuneration Committee and member of the Related Party Committee

Marcello Gallo		
	Intek Group S.p.A. (2)	Deputy Chairman 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 SE (1)	Member of the Supervisory Board
	Fondazione Dynamo	Member of the Board of Directors
	Fondazione Vita	Chairman of the Board of Directors
	KME Germany Bet. GmbH (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

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
	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 SE (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

Francesca Marchetti		
	Intek Group S.p.A. (2)	Chairman of the Board of Directors and of the Control and Risk Committee
	Nuovi Investimenti SIM S.p.A.	Standing Auditor
	Festa Trasporti e Logistica Srl Unipersonale	Standing Auditor

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

(2) company listed in a regulated market.

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

During 2018 compliance with this requirement was assessed also pursuant to the Bank of Italy regulation (Italian 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 2018, the Board of Directors met 6 times.

The average duration of the meetings of the Board of Directors was approximately 1 hour and 20 minutes.

In the year underway there have been three meetings of the Board of Directors and at least two additional meetings are planned on the financial calendar.

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 is also Administrative Director of the Company, 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 Italian Civil Code, by the directors of those companies.

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 Chairmen.

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 10 April 2019, the Board of Directors examined the positive opinion expressed by the aforementioned committee.

The Board also completed its own self-evaluation, pursued by means of a questionnaire transmitted to all the directors, with no findings.

With regard to **Application Criterion 1.C.1.g)** of the Code we specify that in the meeting of 10 April 2019, 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 two Deputy Chairmen (Diva Moriani and Marcello Gallo), 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, each Deputy Chairman may replace 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 Board on 8 May 2018, which 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 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 Chairmen of the Board of Directors

Also on that date, the Board of Directors assigned to the Deputy Chairwoman Diva Moriani and the Deputy Chairman Marcello Gallo 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 Chairmen have 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 Chairmen 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, the Deputy Chairwoman Diva Moriani and the Deputy Chairman Marcello Gallo 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.

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 between Euro 100 thousand and Euro 500 thousand.

Please note that identical powers have also been attributed, with a suitable power of attorney issued by the Chairman, to the Secretary of the Board Roberto De Vitis, the Company's external consultant who, until 31 March 2017, was also Director of Legal and Corporate Affairs of the company.

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 Chairmen specific powers in this regard.

At board meetings, the Executive Directors periodically inform the Board 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, Francesca Marchetti 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 2018.

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, as part of the activities of the Control and Risk Committee, of which all independent directors of Intek Group are members.

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 two Executive Deputy Chairmen;
- 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.

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 (Italian 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 adjusted its procedures on internal dealing and insider information. The latter is continuously updated based on legislative and/or regulatory amendments introduced over time.

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), Francesca Marchetti 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 below.
Beginning from 19 June 2015, the Company has decided not to establish the Remuneration Committee, putting in place appropriate procedures for determination of the remuneration of the Executive Directors, as better specified in paragraph 8 below and the Report on Remuneration, to which reference is made.

7. Appointments Committee

The Company has decided not to establish the Appointments Committee (as provided by Principle 5.P.1 of the Code) as it believes that the Independent Directors, equal to one third of the members of the Board, 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 Board of Directors appointed by the shareholders' meeting on 8 May 2018, like that in office previously, decided not to re-establish the Remuneration Committee.

The Board decided that the redefinition by the Company of its strategic mission, its approach to the market and the new governance structure made management of the remuneration policy simpler than it had been in the past, since it 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 (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, the Company believes 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 that the Corporate Governance Code specifies must be carried out by the Remuneration Committee (see Principle 6.C.5) can therefore be carried out by the Board of Directors, in the specific 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), Francesca Marchetti and Luca Ricciardi.

All 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 verifying the internal control system 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 entire Board of Statutory Auditors are invited to its meetings.

The Committee met three times in 2018, compared to six in the previous year, and the participation of its members amounted to 100%.

The entire Board of Statutory Auditors always participated in the meetings, at which minutes are taken.

It met twice in 2019; its upcoming meetings are not scheduled.

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

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

11.Control and Risk Management System

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

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

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

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

The Company's guidelines for the development, implementation, monitoring and updating of the system over time are based on recognised international best practice and in particular the COSO-Internal Control-Integrated Framework[2], which defines internal control as a process implemented by the management of the Company and other associates in order to provide reasonable certainty regarding the achievement of objectives included in three categories (operation, reporting and compliance objectives).

The principles 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:

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

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

At the end of 2018, the Control and Risk Committee asked the Internal Audit function to methodologically assist it in a process of identifying and assessing the main risks relating to:

- efficacy and efficiency of operating activities,
- reliability of financial information,
- compliance with laws and regulations in force.

In particular, the Control and Risk Committee asked the internal audit function to resume Risk Assessment activities starting from the company risk mapping prepared by the previous Head of Internal Control in order to update it. This activity was performed using the same methodological approach to guarantee uniform comparability between the results of the two years.

The methodological approach used is consistent with the Enterprise Risk Management framework of the Committee of Sponsoring Organizations of the Treadway Commission, as well as with the CoSO Report. The technique used is the Control and Risk Self Assessment (CRSA), which requires identifying and self-assessing risks and, subsequently, risk management measures. The results of this process therefore represent an update of the mapping of the main risks of Intek Group S.p.A.

In operational terms and with reference to the Audit Plan for 2018 prepared by the Head of Internal Control, the risks of greatest interest were already identified by the Company as part of its compliance with the following articles:

- article 154-bis of the TUF (Italian Legislative Decree 58/1998) relative to the verification of the adequacy and the actual application of administrative and accounting procedures for the preparation of the separate and consolidated financial statements of the Company;
- article 6 of Italian Legislative Decree 231/2001 in relation to the verification of the suitability and effective implementation by the management body of organisational models intended to prevent predicate offences.

Therefore, in 2018, with reference to financial reporting risks, the phases of identifying and assessing risks were performed in a structured manner, following a formal methodological approach, with the methodological assistance of the internal audit function, as part of its duty to provide consulting to the Manager in charge of financial reporting.

On the other hand, the compliance risks relating to the offences set forth in Italian Legislative Decree 231/2001 are identified and managed within the Organisation, Management and Control Model adopted pursuant to art. 6 of the Decree and are subject to monitoring by the Supervisory Board.

The phases of identifying and assessing risk management measures were performed in a structured and complete manner, following a formal methodological approach, for financial reporting risks, as part of the consulting duties carried out by the internal audit function in support of the Manager in charge of financial reporting. In particular, the update and assessment of the adequacy and effectiveness of controls for such risk domain is carried out by the Manager in charge of financial reporting, relying on the internal audit function.

Similar considerations can also be made with reference to the phases of identifying and assessing measures for managing risks of offences, with reference to the Organisation, Management and Control Model, the suitability and effective implementation of which are monitored by the Supervisory Board, when necessary with the support of the internal audit function.

The Board of Directors is responsible for the internal control system, and relies on the support of the Control and Risk Committee to establish its guidelines and periodically verify its adequacy and effective functioning, ensuring that the main company risks are identified and properly managed, consistent with strategic objectives.

On 10 April 2019, the Board of Directors evaluated the adequacy and effective functioning of the internal control and risk management system with respect to the characteristics of the Group, providing a favourable opinion on the matter.

The Control and Risk Committee and the Board of Directors, also on the basis of the results of such analyses and the assessments of the Head of Internal Control and the Director in charge of the internal control and management risk system, deemed that the internal control and risk management system adopted by the Company is adequate with respect to the characteristics of the company and the risk profile assumed, as well as effective.

After consulting with the Control and Risk Committee, the Board of Directors approved the work plan for the year 2018 prepared by the manager of the Internal Audit function, after consulting with the Board of Statutory Auditors and the Director in charge of the internal control and management risk system and subsequent to approval by the Control and Risk Committee.

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

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

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

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

This approach can be 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 2018 financial statements (risk assessment phase);

[3] 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

[4] 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.

[5] 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.

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

- 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[7] referring to the significant accounting items.

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

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

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

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

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[7] **Existence and occurrence (E/O):** the assets and liabilities of the company exist as at a certain date and the transactions recorded represent events that actually took place during a specific period of time;
Completeness (C): all the transactions, assets and liabilities to be recognised have actually been included in the financial statements;
Rights and obligations (R/O): the assets and the liabilities of the company respectively represent its rights and obligations as at a certain date;
Valuation and accuracy (V/A): the assets, liabilities, equity, revenues and costs are recorded in the balance sheet at their correct amounts, pursuant to the reference accounting standards;
Presentation and disclosure (P/D): the items are correctly named, classified and explained.

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

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.

As already described previously, 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 Italian 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.

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 relating to financial reporting 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 risk management system

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

As part of his duties, the 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 Audit

The Head of Internal Control is 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 Audit 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 the outsourcing of that task, entrusted to a party with adequate professionalism and experience.

On 8 May 2018, the Board of Directors, with the favourable opinion of Control and Risk Committee and after consulting with the Board of Statutory Auditors, after evaluating the various offers received, assigned the internal audit engagement to Operari Srl, which already supports the Company in audits of the procedures set forth under Italian Law 262/2005. The manager of this function is Vittorio Gennaro, Partner and Managing Director of Operari, who was appointed at that time as the third member of the Supervisory Board pursuant to Italian Legislative Decree 231/2001 as well.

11.3. Organisational Model pursuant to Italian Legislative Decree 231/2001

The Company has adopted an "Organisation and management model pursuant to Italian 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).

The Model was most recently updated by the Board of Directors on 11 February 2019.

The Company has established a new supervisory board, currently composed of 3 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 Board and the Control and Risk Committee together with the Board of Statutory Auditors.

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

On 8 May 2018, the Board of Directors appointed, with the positive opinion of the Control and Risk Committee and the Board of Statutory Auditors, the new supervisory board now consisting of 3 members, in office until the date of the shareholders' meeting called for the approval of the financial statements as at 31 December 2020.

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 Italian Legislative Decree 231/2001, do not have organisational models in place.

11.4. Independent Auditors

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

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

The person in charge of the mandate for the Independent Auditors is Maurizio Ferrero. Article 17, paragraph IV of Italian Legislative Decree no. 39 of 27 January 2010 (the "**Consolidated Audit Law**") sets the maximum duration for such an office at seven financial years.

The total fees paid by the Company amount to Euro 133 thousand. The total fees paid at subsidiaries level were Euro 658 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 144 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.

This position was renewed for the subsequent years by the Board of Directors at their meetings held on 19 June 2015 and 8 May 2018.

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 2020.

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 and 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

The Directors with powers report to the Board of Directors and the Board of Statutory Auditors on transactions with reference to which they have a personal interest, not necessarily in conflict with the interests of the Company.

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 11 February 2019.

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 SE 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 and, in the case of his absence or impediment, or as a matter of urgency, each Deputy Chairman 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 Chairmen 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 Chairmen) 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 500,000.00 (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 most recent version of the procedure was updated on 18 September 2018 and, at the express request of Consob, was subject to further amendments on 11 February 2019.

This intervention concerned the elimination of Committee expense limits for the use of consultants during transactions of greater importance and the impossibility by executive directors to use their own powers if they have interests in the transactions and thus not only “conflicts of interest”. The provision was also eliminated in the case of urgent transactions, as specified in art. 15, as it is usable only if there is a specific clause in the Articles of Association, which is not present in those of the Company.

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 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 TUF, the applicable percentage is 2.5% of the ordinary capital pursuant to the provisions set forth by Consob with its determination no. 13 of 24 January 2019;
- 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 at the designation of Quattroduedue SpA, the Company's majority shareholder which holds 46.97% of the voting capital, by the Shareholders' Meeting held on 8 May 2018 for 2018, 2019 e 2020, and therefore its term of office will end with the Shareholders' Meeting called to approve the financial statements as at 31 December 2020.

Shareholders resolved to unanimously vote for the nominees; 47.714% 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.

It is hereby noted that this composition is compliant with the provisions regarding the "gender quotas" due to the presence of the Standing Auditor, Giovanna Villa and the Alternate Auditor, Elena Beretta.

The names of all the members of the Board of Statutory Auditors in office during 2018 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.

Giovanna Villa (Standing Auditor)

Giovanna Villa was born in 1966 and graduated in Economics and Business from Bocconi University in Milan. She is a Registered Certified Public Accountant and Auditor and participates in other Boards of Statutory Auditors as well as Boards of Directors and Supervisory Boards of listed and unlisted companies.

She joined the Board of Statutory Auditors on 8 May 2018.

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 already reported in another section of this Report, until 8 May 2018 (the date on which the new Board of Statutory Auditors was appointed) **Francesca Marchetti**, who was appointed Independent Director of the Company on the same date, was a **Standing Auditor**.

* * * * * *

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 in 2018 involved the position as the Standing Auditors of Marco Lombardi, Alberto Villani and Elena Beretta 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 Italian 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 2018, the Board of Statutory Auditors met 6 times (the same as in 2017); 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 1 hour and twenty minutes.

During this year, the Board of Statutory Auditors met 2 times.

In 2018, all members of the Board of Statutory Auditors 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 Audit, 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 2018 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
	Acciaierie e ferrerie di Piombino SpA	Standing Auditor

GSI Lucchini SpA	Standing Auditor
Piombino Logistics SpA	Standing Auditor
IMI Fondi Chiusi SGR S.p.A.	Member of the Board of Directors
Fondazione Palazzo Strozzi	Member of the Board of Auditors
Fondazione Angeli del bello	Member of the Board of Auditors

Giovanna Villa		
	Intek Group S.p.A. (2)	Standing Auditor
	Yapi Kredi AS	Member of the Board of Directors and the Audit Committee
	TitanMet SpA	Standing Auditor
	Ritrama Group (Ritrama SpA)	Standing Auditor
	Lenovo Italy Srl	Sole Auditor
	Lenovo Global Technology Italy Srl	Sole Auditor and Member of the SB
	Malvestiti SpA	Standing Auditor
	Eolo SpA	Standing Auditor
	Skylink Srl	Standing Auditor
	Cometa Srl	Standing Auditor
	Crippa Campeggio Srl	Chairman of the Board of Statutory Auditors
	Fabrizio Carlotto Srl	Sole Auditor
	Lubra SpA	Standing Auditor
	BPI Srl	Member of the Board of Directors
	Home Connexion SpA	Standing Auditor

Alberto Villani		
	Intek Group S.p.A. (2)	Standing Auditor
	AGB Nielsen M.R. Holding SpA	Chairman of the Board of Statutory Auditors
	Bennet S.p.A.	Standing Auditor
	Bennet Holding S.p.A.	Standing Auditor
	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	Chairman of the Board of Statutory Auditors
	De Longhi Appliances Srl	Chairman of the Board of Statutory Auditors
	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

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
Impresa Luigi Notari S.p.A.	Alternate Auditor
Lambda Stepstone Srl	Standing Auditor
Le Rocce 85 SpA	Member of the Board of Directors
Mare Blu 85 SpA	Member of the Board of Directors
Meg Property S.p.A.	Standing Auditor
Over Light S.p.A.	Standing Auditor
Pamal Srl	Liquidator
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
TP Industrial Holding SpA	Standing Auditor
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 liquidation	Alternate Auditor

Elena Beretta		
	Carcano Antonio S.p.A.	Alternate Auditor
	Fratelli Consolandi Srl	Standing Auditor
	I2 Capital Partners SGR S.p.A. (1)	Alternate 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
	Stips Italie S.p.A.	Alternate Auditor
	Tenuta Montemagno Soc. Agricola SpA	Alternate Auditor
	Viator S.p.A. in liquidation	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
INTEK Group S.p.A. (2)	Alternate 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 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 SE, and the website www.itk.it, 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 2018, the website www.itkgroup.it which is available in Italian as well as in English, had over 41 thousand hits by over 30 thousand visitors with over 197 thousand pages viewed. The peak of visits to the website was concentrated in the period from 15 September to 15 October 2018.

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 2018 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 Italian 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.

With regard to the provisions relating to the filing of shares 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.

As a departure from the Code, the Company has decided to do without specific "Shareholders' Meeting Rules" due to the existence of the provisions, regarding the powers of the Chairman, of Chapter III of the Articles of Association, available on the Company's website in the *Profile – Bylaws* section.

Within this framework, article 12 (Chairmanship of the Shareholders' Meeting) of the Articles of Association expressly requires the Chairman of the Shareholders' Meeting to ensure the correctness of the proceedings by directing and regulating discussions and limiting the length of individual contributions.

Owners of saving shares or bonds are not entitled to participate in the meetings of the holders of ordinary shares or bonds.

Each share carries unrestricted voting rights (1 vote per share) unless otherwise provided by law.

During 2018, a special Meeting of Holders of Savings Shares and an ordinary Shareholders' Meeting were held on 8 May 2018.

In 2019, 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 (article 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 Italian 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 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 in the special register that the Company has established. Two shareholders that have gained the relative rights set forth in the Articles of Association 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 Italian Law no. 62 of 18 April 2005 and the consequent amendments contained in the Issuers' Regulation, over the years and lately on 24 November 2016, the Company's Board of Directors has intervened to make the appropriate amendments in order to maintain the procedure updated and effective, 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 new 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

The Company has come into compliance with the legislation transposing EU provisions on the protection of personal data.

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 21 December 2018

With reference to the four main areas for improvement identified by the Committee and the recommendations set forth therein, please note:

- *Pre-meeting information*: as already indicated in the specific section of this Report, the meetings of the Board of Directors are preceded by adequate 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 and the procedures adopted by the Company with regard to privileged information. In this regard, in compliance with the Committee's recommendations, during the approval of this Report the Intek Group Board of Directors positively assessed the adequacy of the pre-meeting information provided throughout 2018, finding that, while safeguarding the need for confidentiality of the matters dealt with at the meetings, the measures adopted guarantee timely and adequate information flows such so as to provide complete, exhaustive information to the Directors and Statutory Auditors on the matters to be discussed and decided upon.
- *Concrete and full application of the independence criteria recommended by the Code*: as already mentioned in the dedicated section of this Report, the Company's Board of Directors includes 3 independent directors, evaluated as such upon appointment and, cyclically, when the financial statements are approved. This assessment, performed within the Board, has always been supported by the proactive involvement of the control body. Specifically with regard to the application criteria set forth in Art. 3 of the Code, it is acknowledged that the Board and the Control Body, insofar as it is responsible, have been able to verify that the independent directors do not meet application criteria 3.C.1 and 3.C.2, with the exception of criterion 3.C.1, letter e), limited to director Giuseppe Lignana, as he has been a member of the Board for more than 9 years, whose independence has been confirmed due to the fact that he meets the other requirements set forth in the Code and due to his full autonomy of judgement supported by a high degree of professionalism and experience.
- *Board review*: the self-evaluation process, as already noted in another section of this Report, was successfully completed in 2018, during the approval of the draft financial statements, with reference to the administrative body in office at that moment and repeated for the new board during the approval of this Report. This process which, at the request of the Chairman, is supervised by the Secretary of the Board with the support of the Control and Risk Committee, is performed through the preparation, completion and examination of a questionnaire filled out anonymously addressed to all the directors, the results of which have been disclosed elsewhere in this report. In this regard, please note that the varied composition of the Board, which includes individuals with high profile experience in the financial and business realms, ensures an efficient leveraging of the individual contribution of each Director when making the management decisions entrusted to the administrative body.
- *Substantial aspects of the remuneration of Executive Directors*: without prejudice to all details provided in the specific disclosure in the Report on Remuneration, 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. Indeed, the variable remuneration component of the Company's Executive Directors is essentially connected to strategic objectives linked to the creation of value basically in relation to disposal transactions within the Company or

the Group, calling for, in line with maximum amount limits, remuneration on a percentage basis within a pre-established range based on the consideration actually received.

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	08.05.2018	31.12.2020	M	X				6/6	7				
Deputy Chairwoman	Diva Moriani	1968	27.04.2005	08.05.2018	31.12.2020	M	X				6/6	7				
Deputy Chairman	Marcello Gallo	1958	14.02.2005	08.05.2018	31.12.2020	M	X				6/6	4				
Director	Giuseppe Lignana	1937	12.01.2005	08.05.2018	31.12.2020	M		X	X	X	6/6	-	C	3/3		
Director	James Macdonald	1951	30.04.2013	08.05.2018	31.12.2020	M		X			5/6	3				
Director	Ruggero Magnoni	1951	31.05.2016	08.05.2018	31.12.2020	M		X			6/6	11				
Director	Alessandra Pizzuti	1962	19.06.2015	08.05.2018	31.12.2020	M		X			6/6	2				
Director	Luca Ricciardi	1973	30.04.2013	08.05.2018	31.12.2020	M		X	X	X	6/6	-	M	3/3		
Director	Francesca Marchetti	1963	08.05.2018	08.05.2018	31.12.2020	M		X	X	X	3/3	2	M	2/2		
------DIRECTORS WHO CEASED TO HOLD OFFICE DURING THE YEAR-----																
Director	Franco Spalla	1952	30.04.2013	19.06.2015	31.12.2017	M		X	X	X	2/3		M	1/1		

Number of meetings held during the year	*BOARD OF DIRECTORS: 6*	*CONTROL AND RISK COMMITTEE: 3*	*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): 2.5%

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 and 8 May 2018.**

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	08.05.2018	31.12.2020	M	x	6/6	8
Standing Auditor	Giovanna Villa	1966	08.05.2018	08.05.2018	31.12.2020	M	x	4/4	14
Standing Auditor	Alberto Villani	1962	30.04.2013	08.05.2018	31.12.2020	M	x	6/6	35
Alternate Auditor	Elena Beretta	1969	19.06.2015	08.05.2018	31.12.2020	M	x	==	10
Alternate Auditor	Andrea Zonca	1966	30.04.2013	08.05.2018	31.12.2020	M	x	==	16

---------- STATUTORY AUDITORS WHOSE APPOINTMENT CEASED DURING THE YEAR ----------									
Standing Auditor	Francesca Marchetti	1963	28.06.2012	19.06.2015	31.12.2017	M	x	2/2	

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): 2.5%

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 2018

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

Board of Directors
of 10 April 2019

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

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. Italian Legislative Decree 259 of 30 December 2010 amended Italian 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 added article 84-quater to the Consob Resolution 11971 of 14 May 1999 (the "**Issuers' Regulation**") and outlined 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. (VIII edition, January 2019) 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 on Governance as well.

Again, in accordance with the aforementioned indications, the Report on Governance and this Report are available at the registered office of the Company and in 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 10 April 2019.

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.

Due to this configuration, the parent company 's separate financial statements most suitably represent 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, also taking into account 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.

1.2 Intek Group Governance

1.2.1 Corporate bodies

Following the decisions made by the Shareholders' Meeting held on 8 May 2018, 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 (1)	Control and Risk Committee
Vincenzo Manes	**Executive Chairman**		
Diva Moriani	**Executive Deputy Chairwoman**		
Marcello Gallo	**Executive Deputy Chairwoman**		
Giuseppe Lignana	**Independent Director**		**√ (Chairman)**
James Macdonald	**Director**		
Ruggero Magnoni	**Director**		
Francesca Marchetti	**Independent Director**		√
Alessandra Pizzuti	**Director**		
Luca Ricciardi	**Independent Director**		√

(1) This Committee is no longer in existence since 19 June 2015.

Board of Statutory Auditors

Members	Office held on the Board
Marco Lombardi	Chairman
Giovanna Villa	Standing Auditor
Alberto Villani	Standing Auditor
Andrea Zonca	Alternate Auditor
Elena Beretta	Alternate Auditor

Key executives

In 2018, just as in the prior three years, only the executive directors, i.e., Vincenzo Manes, Diva Moriani and Marcello Gallo, were considered key Intek Group key executives. The strategic executives in office at the investee companies are not considered “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. The administrative body appointed by the Shareholders' Meeting on 8 May 2018, which met on the same date, also decided not to re-establish that Committee, in line with the previous three-year period.

For the year 2018, as in previous years, the Board of Directors deemed that it, in its entirety, 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 Board continues to believe that the current definition of its strategic mission, its approach to the market and the 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.

The Board of Directors appointed by the shareholders’ meeting on 8 May 2018, like that in office previously, also decided not to re-establish the Remuneration Committee.

The Board indeed decided that the redefinition by the Company of its strategic mission, its approach to the market and the new governance structure made management of the remuneration policy simpler than it had been in the past, since it 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 – 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, the Company believes 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 that the Corporate Governance Code specifies must be carried out by the Remuneration Committee (see Principle 6.C.5) can therefore be carried out by the Board of Directors, in the specific 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.

Notwithstanding the responsibility of the Board of Directors on the matter, as described previously, as no Remuneration Committee has been established, the Remuneration Policy for executive directors and the remuneration criteria are approved with the favourable opinion of the Board of Statutory Auditors and the Control and Risk Committee.

1.3 General Remuneration Policy Principles

1.3.1 The objectives of the remuneration policy and its changes

On 26 April 2017, with the opinion in favour of the Board of Statutory Auditors and the Control and Risk Committee, the Board of Directors approved the remuneration policy for 2017. This policy was 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 2018-2020, modifying the criteria thereof with respect to the Policies of past years, later confirmed by the Board of Directors at its meeting held on 10 April 2019, along with the approval of this Report.

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 SE (formerly 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.

The shareholders' meeting of 8 May 2018 determined, for the 2018-2020 period, compensation of Euro 16,500 per annum for each director, plus 50% for directors who serve on the Committees established by the Company.

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 13 June 2018, the Board of Directors resolved to allocate to the Chairman Vincenzo Manes a fixed remuneration of Euro 700,000 per annum and to each of the Deputy Chairmen Diva Moriani and Marcello Gallo Euro 100,000 for the period from their appointment on 8 May 2018 until the Shareholder's Meeting date set for the approval of the financial statements for the period ended 31 December 2020.

Variable Component

For the years 2018, 2019 and 2020, the variable component of the executive directors and the key executives is determined 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 Company.

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 by the Company, 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 2018-2020, no End of Mandate compensation was paid to the Directors. Moreover, no compensation/indemnity is paid pursuant to "non-competition agreements" nor are any non-monetary benefits assigned or 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.

Additional 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 at Mediobanca S.p.A. – Via Filodrammatici n. 3 in Milan,

- *acknowledging the Report on Remuneration prepared by the Board of Directors and drafted pursuant to articles 123-ter of the TUF and 84-quater of the Issuers' Regulation,*
- *having reviewed in particular 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 procedures used for the adoption and implementation of that policy,*
- *with regard to the Corporate Governance Code for listed companies, which the Company follows,*

resolves

in favour of Section I of the Report on Remuneration drafted pursuant to articles 123-ter of the TUF and 84-quater of the Issuers' Regulation".

Milan, 10 April 2019

The Board of Directors

2 Section II

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

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

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

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

The shareholders' meeting of 8 May 2018 determined, for the 2018-2020 period, compensation of Euro 16,500 per annum for each director, plus 50% for directors who serve on the Committees established by the Company.

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.

2.1.1.2 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 and the Deputy Chairman Marcello Gallo.

Article 21 allows the Shareholders' Meeting the possibility to provide Directors with a fixed fee.

In its meeting of 13 June 2018, 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 8 May 2018 until the Shareholder's Meeting date set for the approval of the financial statements for the period ended 31 December 2020. The Deputy Chairmen Diva Moriani and Marcello Gallo were attributed a fixed remuneration of Euro 100,000 each per annum for the same period.

The Executive Directors did not receive any variable remuneration in 2018.

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%).

2.1.2 <u>Remuneration of Key executives and other Managers.</u>

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 <u>Stock option plan</u>

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 (2018-2019-2020) 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 <u>Fees paid to Directors</u>

The breakdown of fees paid to Directors in 2018, 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	Expiry of term of office	Fixed remuneration	Remuneration for participation in committees (*)	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Indemnity for end of office or termination of employment relationship
						Bonus and other incentives	Profit-sharing					
Vincenzo Manes (1)	*Chairman*	*01/01/2018 - 31/12/2018*	*Approval of 2020 financial statements*									
(I) Remuneration in the company drafting the financial statements				715.933	-	-	-	20.399	-	736.332	-	-
(II) Remuneration from subsidiaries and associates				405.000	-	-	-	-	-	405.000	-	-
(III) Total				1.120.933	-	-	-	20.399	-	1.141.332	-	-
Diva Moriani (2)	*Deputy Chairwoman*	*01/01/2018 - 31/12/2018*	*Approval of 2020 financial statements*									
(I) Remuneration in the company drafting the financial statements				115.933	-	-	-	-	-	115.933	-	-
(II) Remuneration from subsidiaries and associates				428.425	-	-	-	5.719	-	434.144	-	-
(III) Total				544.358	-	-	-	5.719	-	550.077	-	-
Marcello Gallo (3)	*Deputy Chairman*	*01/01/2018 - 31/12/2018*	*Approval of 2020 financial statements*									
(I) Remuneration in the company drafting the financial statements				80.449	-	-	-	-	-	80.449	-	-
(II) Remuneration from subsidiaries and associates				351.678	-	-	-	5.214	-	356.892	-	-
(III) Total				432.127	-	-	-	5.214	-	437.341	-	-
Giuseppe Lignana (*) (4)	*Director*	*01/01/2018 - 31/12/2018*	*Approval of 2020 financial statements*									
(I) Remuneration in the company drafting the financial statements				17.733	7.966	-	-	-	-	25.699	-	-
(II) Remuneration from subsidiaries and associates				-	-	-	-	-	-	-	-	-
(III) Total				17.733	7.966	-	-	-	-	25.699	-	-
James McDonald (5)	*Director*	*01/01/2018 - 31/12/2018*	*Approval of 2020 financial statements*									
(I) Remuneration in the company drafting the financial statements				15.933	-	-	-	-	-	15.933	-	-
(II) Remuneration from subsidiaries and associates				-	-	-	-	-	-	-	-	-
(III) Total				15.933	-	-	-	-	-	15.933	-	-
Ruggero Magnoni (5)	*Director*	*01/01/2018 - 31/12/2018*	*Approval of 2020 financial statements*									
(I) Remuneration in the company drafting the financial statements				15.933	-	-	-	-	-	15.933	-	-
(II) Remuneration from subsidiaries and associates				-	-	-	-	-	-	-	-	-
(III) Total				15.933	-	-	-	-	-	15.933	-	-
Francesca Marchetti (*) (6)	*Director*	*08/05/2018 - 31/12/2018*	*Approval of 2020 financial statements*									
(I) Remuneration in the company drafting the financial statements				10.714	5.366	-	-	-	-	16.080	-	-
(II) Remuneration from subsidiaries and associates				-	-	-	-	-	-	-	-	-
(III) Total				10.714	5.366	-	-	-	-	16.080	-	-
Alessandra Pizzuti (7)	*Director*	*01/01/2018 - 31/12/2018*	*Approval of 2020 financial statements*									
(I) Remuneration in the company drafting the financial statements				18.333	-	-	-	-	-	18.333	-	-
(II) Remuneration from subsidiaries and associates				145.240	-	-	-	4.603	-	149.843	-	-
(III) Total				163.573	-	-	-	4.603	-	168.176	-	-
Luca Ricciardi (5)	*Director*	*01/01/2018 - 31/12/2018*	*Approval of 2020 financial statements*									
(I) Remuneration in the company drafting the financial statements				15.933	-	-	-	-	-	15.933	-	-
(II) Remuneration from subsidiaries and associates				-	-	-	-	-	-	-	-	-
(III) Total				15.933	-	-	-	-	-	15.933	-	-
Franco Spalla (*) (8)	*Director*	*01/01/2018 - 07/05/2018*	*Approval of 2020 financial statements*									
(I) Remuneration in the company drafting the financial statements				5.819	2.610	-	-	-	-	8.429	-	-
(II) Remuneration from subsidiaries and associates				24.480	-	-	-	-	85.000	109.480	-	-
(III) Total				30.299	2.610	-	-	-	85.000	117.909	-	-
Other key executives												
(I) Remuneration in the company drafting the financial statements				-	-	-	-	-	-	-	-	-
(II) Remuneration from subsidiaries and associates				-	-	-	-	-	-	-	-	-
(III) Total				-	-	-	-	-	-	-	-	-

Notes

(1) Euro 16,500 for the fixed remuneration decided upon by the Shareholders' Meeting (Euro 15,000 until 07/05/2018), 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 250,000 for sitting in the Supervisory Board of KME SE.
The non-monetary benefits (Euro 20,399) are paid for the function of Intek Group S.p.A. Chairman.

(2) Euro 16,500 for the fixed remuneration decided upon by the Shareholders' Meeting (Euro 15,000 until 07/05/2018), Euro 100,000 for the office of Deputy Chairman of Intek Group S.p.A.
Euro 150,000 for sitting in the Supervisory Board of KME SE and Euro 25,000 as a member of the Supervisory Board of KME Germany Bet Gmbh.
Euro 253,425 for the function of KME S.r.l. Manager (including Euro 3,425 for lump-sum reimbursements).
The non-monetary benefits (Euro 5,895) are paid for the function of KME Srl Manager.

(3) Euro 16,500 for the fixed remuneration decided upon by the Shareholders' Meeting (Euro 15,000 until 07/05/2018), Euro 64,513 for the office of Deputy Chairman of Intek Group S.p.A. as of 08/05/2018.
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 30,000 for the membership on the KME SE Supervisory Board, and 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 S.p.A. Manager.

(4) Euro 16,500 as fixed remuneration decided upon by the Shareholders' Meeting (Euro 15,000 until 07/05/2018), in addition to attendance fees of Euro 1,800.

(5) Euro 16,500 as fixed remuneration decided upon by the Shareholders' Meeting (Euro 15,000 until 07/05/2018).

(6) Euro 16,500 as fixed remuneration decided upon by the Shareholders' Meeting (as of 08/05/2018).

(7) Euro 16,500 as fixed remuneration decided upon by the Shareholders' Meeting (Euro 15,000 until 07/05/2018), in addition to attendance fees of Euro 2,400.
Euro 100,240 as Manager in KME Srl (including Euro 1,240 for lump-sum reimbursements). Euro 20,000 for the membership on the KME SE Supervisory Board, Euro 25,000 for the membership on the KME Germany Bet GmbH Supervisory Board.
The non-monetary benefits (Euro 4,603) are paid for the function of KME Srl Manager.

(8) Euro 15,000 as fixed remuneration decided upon by the Intek Group S.p.A. Shareholders' Meeting (until 07/05/2018), in addition to attendance fees of Euro 600.
In Culti Milano Spa, Euro 5,000 for the office of director and Euro 19,480 (Euro 30,000 per annum starting from 09/05/2018) for the office of Chairman.
Euro 85,000 for offices assigned subsequent to 09/05/2019.

(*) Euro 7,500 for the Control and Risk Committee until 07/05/2018 and 8,250 as of 08/05/2018.

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 start 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 attributable to 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	Strike price	Period of possible exercise (from - to)	Number of Options	Strike price	Period of possible exercise (from - to)	Fair value at the assignment date	Assignment date	Market price of the underlying shares at the assignment of options	Number of options	Strike price	Market price of the underlying shares at the exercise 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 2018, 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)	
			Disbursable/Disbursed	**Deferred**	**Reference period**	**No longer disbursable**	**Disbursable/Disbursed**	**Still deferred**	
(I) Remuneration in the company drafting the financial statements			-	-	-	-	-	-	-
(II) Remuneration from subsidiaries and associates			-	-	-	-	-	-	-
(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 2017	Number of shares purchased during 2018	Number of shares sold during 2018	Number of shares held at the end of 2018
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 2018, 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**	**Expiry of term of office**	**Fixed remuneration**	**Remuneration for participation in committees**	**Non-equity variable remuneration**		**Non-monetary benefits**	**Other remuneration**	**Total**	**Fair value of equity remuneration**	**Indemnity for end of office or termination of employment relationship**
						Bonus and other incentives	**Profit-sharing**					
Marco Lombardi	*Chairman*	*01/01/2018 - 31/12/2018*	*Approval of 2020 financial statements*									
(I) Remuneration in the company drafting the financial statements				48.400	-	-	-	-	-	48.400	-	-
(II) Remuneration from subsidiaries and associates				23.000	-	-	-	-	-	23.000	-	-
(III) Total				71.400	-	-	-	-	-	71.400	-	-
Francesca Marchetti	*Standing Auditor*	*01/01/2018 07/05/2018*	*Approval of 2017 financial statements*									
(I) Remuneration in the company drafting the financial statements				10.786	-	-	-	-	-	10.786	-	-
(II) Remuneration from subsidiaries and associates				-	-	-	-	-	-	-	-	-
(III) Total				10.786	-	-	-	-	-	10.786	-	-
Giovanna Villa	*Standing Auditor*	*08/05/2018 31/12/2018*	*Approval of 2020 financial statements*									
(I) Remuneration in the company drafting the financial statements				20.214	-	-	-	-	-	20.214	-	-
(II) Remuneration from subsidiaries and associates				-	-	-	-	-	-	-	-	-
(III) Total				20.214	-	-	-	-	-	20.214	-	-
Alberto Villani	*Standing Auditor*	*01/01/2018 31/12/2018*	*Approval of 2020 financial statements*									
(I) Remuneration in the company drafting the financial statements				31.000	-	-	-	-	-	31.000	-	-
(II) Remuneration from subsidiaries and associates				10.000	-	-	-	-	-	10.000	-	
(III) Total				41.000	-	-	-	-	-	41.000	-	-

Marco Lombardi: (I) Annual fixed remuneration of Euro 46,000; attendance fee of Euro 1,200
(II) Remuneration as Chairman of the Board of Statutory Auditors of KME Italy SpA
Francesa Marchetti: (I) Annual fixed remuneration of Euro 31,000 (in office until 7 May 2018)
Giovanna Villa: (I) Annual fixed remuneration of Euro 31,000 (in office as of 8 May 2018)
Alberto Villani: (I) Annual fixed remuneration of Euro 31,000
(II) Remuneration of Euro 10,000 as Chairman of the Board of Statutory Auditors of I2 Capital Partners SGR SpA

INTEK GROUP

Separate financial statements as at 31 December 2018

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 2018

Statement of financial position – Assets

(in Euro)	*Ref. Note*	*31-Dec-18*	*of which related parties*	*31-Dec-17*	*of which related parties*
Investments in equity interests and fund units	*4.1*	505,512,669	*502,397,153*	481,968,558	*449,654,730*
Instrumental equity investments	*4.2*	25,921,005	*25,921,005*	26,310,412	*26,310,412*
Non-current financial assets	*4.3*	2,057,550	*1,917,550*	10,930,684	*930,684*
Property, plant and equipment	*4.4*	321,984	-	340,110	-
Investment property	*4.5*	780,539	-	973,539	-
Intangible assets	*4.6*	5,553	-	6,172	-
Other non-current assets	*4.7*	2,961	-	2,961	-
Deferred tax assets	*4.21*	3,383,718	-	4,434,351	-
Total non-current assets		**537,985,979**		**524,966,787**	
Current financial assets	*4.8*	19,301,088	*9,059,042*	44,612,476	*44,395,005*
Trade receivables	*4.9*	10,673,011	*4,982,056*	13,211,725	*6,511,350*
Other current receivables and assets	*4.10*	4,646,443	*1,709,890*	5,925,770	*1,176,723*
Cash and cash equivalents	*4.11*	51,902,012	-	28,065,990	-
Total current assets		**86,522,554**		**91,815,961**	
Total assets		**624,508,533**		**616,782,748**	

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 2018

Statement of financial position – Liabilities

(in Euro)	*Ref. Note*	*31-Dec-18*	*of which related parties*	*31-Dec-17*	*of which related parties*
Share capital		335,069,010	-	335,069,010	-
Other reserves		78,659,710	-	41,906,977	-
Treasury shares		(1,819,672)	-	(1,819,672)	-
Retained earnings/(accumulated losses)		71,141,883	-	72,187,807	-
Stock option reserve		2,051,902	-	2,051,902	-
Profit/(loss) for the year		16,791,385	-	36,746,666	-
Total equity	*4.12*	**501,894,218**		**486,142,690**	
Employee benefits	*4.13*	233,421	-	223,984	-
Deferred tax liabilities	*4.21*	1,973,979	-	2,029,179	-
Non-current financial payables and liabilities	*4.14*	1,319,444	-	476,228	-
Bonds	*4.15*	101,391,485	-	101,215,317	-
Other non-current liabilities	*4.16*	1,545,126	-	691,800	-
Provisions for risks and charges	*4.17*	942,323	-	4,988,948	-
Total non-current liabilities		**107,405,778**		**109,625,456**	
Current financial payables and liabilities	*4.18*	10,792,800	*5,017,238*	13,279,396	*5,721,372*
Trade payables	*4.19*	1,061,128	*130,512*	2,505,374	*552,629*
Other current liabilities	*4.20*	3,354,609	*904,237*	5,229,832	*1,758,834*
Total current liabilities		**15,208,537**		**21,014,602**	
Total liabilities and equity		**624,508,533**		**616,782,748**	

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 2018

Statement of profit or loss and other comprehensive income

(in Euro)	*Ref. Note*	*2018*	*of which related parties*	*2017*	*of which related parties*
Net income from investment management	*6.1*	24,864,991	*26,630,954*	44,727,478	*44,193,897*
Guarantee fees	*6.2*	1,258,183	*1,258,183*	3,931,522	*3,931,522*
Other income	*6.3*	330,065	*189,993*	1,029,363	*511,728*
Labour costs	*6.4*	(1,608,388)		(2,109,409)	
Amortisation, depreciation, impairment and write-downs	*6.5*	(323,179)	-	(65,837)	-
Other operating costs	*6.6*	(3,313,799)	*(1,906,376)*	(6,957,386)	*(1,852,411)*
Operating profit/(loss)		**21,207,873**		**40,555,731**	
Finance income	*6.7*	1,147,723	*391,969*	2,024,387	*2,020,407*
Finance expense	*6.7*	(5,543,721)	*(136,665)*	(5,841,350)	*(378,267)*
Net finance expense		*(4,395,998)*		*(3,816,963)*	
Profit/(loss) before taxes		**16,811,875**		**36,738,768**	
Current taxes	*6.8*	1,305,237	-	1,027,646	-
Deferred taxes	*6.8*	(1,325,727)	-	(1,019,748)	-
Total income taxes		**(20,490)**		**7,898**	
Profit/(loss) from continuing operations		**16,791,385**		**36,746,666**	
Profit/(loss) from discontinued operations		-		-	
Net profit/(loss) for the year		**16,791,385**		**36,746,666**	
Other comprehensive income:					
Measurement of employee defined benefits		6,069		*4,579*	
Taxes on other comprehensive income		-		-	
Items that will not be reclassified to profit or loss		6,069		4,579	
Items that may be reclassified to profit or loss		-		-	
Other comprehensive income:		6,069		4,579	
Total comprehensive income for the year		**16,797,454**		**36,751,245**	

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 2018

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 2017, 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 2018

Statement of changes in equity as at 31 December 2018

(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 2017 - published	**335,069**	**41,907**	**(1,820)**	**72,188**	**2,052**	**-**	**36,747**	**486,143**
Effect of changes in accounting standards	-	-	-	(1,046)	-	-	-	(1,046)
Equity as at 31 December 2017								
Allocation of profit for the year	-	36,747	-	-	-	-	(36,747)	-
Actuarial losses on pension funds	-	6	-	-	-	-	-	6
Comprehensive income items	-	6	-	-	-	-	-	6
Profit/(loss) for the period	-	-	-	-	-	-	16,791	16,791
Total comprehensive income	-	6	-	-	-	-	16,791	16,797
Equity as at 31 December 2018	**335,069**	**78,660**	**(1,820)**	**71,142**	**2,052**	**-**	**16,791**	**501,894**
Reclassification of treasury shares	(1,820)	-	1,820	-	-	-	-	-
Equity as at 31 December 2018	**333,249**	**78,660**	**-**	**71,142**	**2,052**	**-**	**16,791**	**501,894**

At 31 December 2018, 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 2018

Statement of cash flows – indirect method

(in thousands of Euro)		*2018*	*2017*
(A) Cash and cash equivalents at the beginning of the year		**28,066**	**9,216**
Profit/(loss) before taxes		16,811	36,739
Amortisation and depreciation		37	66
Impairment of non-current non-financial assets		286	-
Impairment/(reversal of impairment) of current and non-current financial assets		(24,674)	(44,727)
Changes in pension funds, post-employment benefits and stock options		15	(156)
Changes in provisions for risks and charges		(2,873)	(641)
(Increase)/decrease in financial investments		1,454	10,451
Increase/(decrease) in financial payables to related companies		(704)	(6,091)
(Increase)/decrease in financial receivables from related companies		33,197	26,032
Dividends received		261	129
(Increase)/decrease in current receivables		5,124	8,343
Increase/(decrease) in current payables		(3,640)	(2,183)
(B) Total cash flows from/(used in) operating activities		**25,294**	**27,962**
(Increase) in non-current intangible assets and property, plant and equipment		(114)	(38)
Decrease in non-current intangible assets and property, plant and equipment		2	9
Increase/decrease in other non-current assets/liabilities		-	(779)
(C) Cash flows from/(used in) investing activities		**(112)**	**(808)**
Payment of interests on Bonds		(5,085)	(5,085)
Increase/(decrease) in current and non-current financial payables		4,456	4,918
(Increase)/decrease in current and non-current financial receivables		(192)	(8,150)
(D) Cash flows from/(used in) financing activities		**(821)**	**(8,317)**
(E) Change in cash and cash equivalents	**(B) + (C) + (D)**	**24,361**	**18,837**
(F) Cash contributed by merged companies		**-**	**13**
(G) Effect of changes in accounting standards		**(525)**	**-**
(H) Cash and cash equivalents at the end of the period	**(A) + (E) + (F) + (G)**	**51,902**	**28,066**

The notes are an integral part of these financial statements.

Intek Group – Separate financial statements as at 31 December 2018

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.

The separate financial statements at 31 December 2018 (the "Financial Statements") were approved by the Board of Directors on 10 April 2019 and will be published in accordance with legal requirements.

Although it is owned by Quattroduedue Holding B.V. 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. 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 Separate financial statements as at 31 December 2018 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 established by art. 20 of Legislative Decree 58/98 is not required.

2.2. Basis of presentation

The separate financial statements as at and for the year ended 31 December 2018 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 2017. 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 2017, except for the standards effective as from 1 January 2018. 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, with the exception of IFRS 9, had no effects on shareholders' equity or the profit/loss for the reporting period, are the following:

- *IFRS 9 – Financial Instruments*. It contains the results of the IASB's project to replace IAS 39.

  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 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 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 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 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.

The analyses performed, relating to the implementation of IFRS 9, specifically regarded the valuation of expected credit losses on receivables and cash and cash equivalents. These valuations resulted in a reduction of Euro 1,046 thousand in the Group’s shareholders' equity, net of tax effects.

The details of this adjustment and the reconciliation between the original valuation category and that set forth in IFRS 9 are provided in the following table:

(in thousands of Euro)	*IAS 39 Classification*	*New IFRS 9 Classification*	*IAS 39 Carrying Amount*	*IFRS 9 Carrying Amount*	*Difference*
Non-current financial assets	*Loans and receivables*	*Amortised cost*	10,931	10,903	28
Current financial assets					
Receivables	*Loans and receivables*	*Amortised cost*	42,168	41,345	823
Equity instruments	*Financial assets at fair value through profit or loss*	*Fair value - income statement*	67	67	-
Trade receivables	*Loans and receivables*	*Amortised cost*	13,212	13,212	-
Other current receivables and assets	*Loans and receivables*	*Amortised cost*	5,926	5,926	-
Cash and cash equivalents	*Loans and receivables*	*Amortised cost*	28,066	27,541	525
			100,370	**98,994**	**1,376**
		Tax effect			(330)
					1,046

There was no impact on financial liabilities.

Consistent with what is permitted by IFRS 9 (par. 7.2.15), the Company decided not to restate the balances for the previous year, also considering the limited impact of the introduction of that standard, and applied the new measurement criteria introduced by IFRS 9 as of 1 January 2018.

- *IFRS 15 – Revenue from Contracts with Customers.* This standard, along with further clarifications published on 12 April 2016, replaces *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.

  Given the activities of the Company, the application of this standard had no significant effects.

- "*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 to financial assets, before the IASB replaces the current IFRS 4 with the standard *IFRS 17 Insurance Contracts*, based on which financial liabilities are measured. The amendments introduce two possible approaches: an overlay or a deferral approach. This standard is of no interest given the Company's activities.

- "*Classification and measurement of share-based payment transactions (Amendments to IFRS 2)*". This document contains amendments to IFRS 2, which provide certain clarifications regarding: - the accounting of the effects of vesting conditions in cash-settled share-based payments, - the classification of 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 application of this standard had no effects.

- "*Annual Improvements to IFRSs: 2014-2016 Cycle*", a document which includes the amendments made to some standards as part of the annual improvement process for the standards.

  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 organisation 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 method) shall be applied to each individual investment upon initial recognition.
  - *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.

  The application of this document had no effects.

- "*Foreign Currency Transactions and Advance Consideration (IFRIC Interpretation 22)*". This interpretation 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.

The application of this interpretation had no effects.

- "*Transfers of Investment Property* (Amendments to IAS 40)". The document 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. The adoption of these amendments had no effects on 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 of 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 of 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 of 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 offset 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 is recognised based on the following phases:

1. identify the contract (or contracts) with the customer;
2. identify the performance obligations;
3. determine the transaction price: the transaction price is the amount of the consideration that the company is entitled to in exchange for the transfer of the promised services to the customer;
4. allocate the transaction price to the performance obligations in the contract;
5. recognise the revenue when the performance obligation is met.

Specifically, revenue can be recognised:

- at a point in time, when the performance obligation has been met by transferring the promised good or service to the customer, or
- over time, as the performance obligation is met by transferring the promised good or service to the customer.

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 2018, 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 2018.

Some of the most important standards are detailed below:

- 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*.

  In this regard, the Company has carried out the activities required to guarantee full compliance with the new accounting standard; below the main methodological decisions made for the transition are summarised and information is provided on the estimated impacts deriving from its application.

  The Company will apply the new accounting rules as of the financial statements starting on 1 January 2019 (initial application date), choosing to apply the modified retrospective method which does not require the restatement of comparative information and which requires making the right of use value equal to the value of the lease liability, adjusted for the amount of any deferrals/accruals.

In adopting the new Standard, the Company decided to:

a) not apply IFRS 16 for contracts containing a lease that have an intangible underlying asset;

b) make use of the exemptions relating to short-term leases and lease agreements for which the underlying asset is a low-value asset;

c) exclude the initial direct costs from the measurement of the right of use as at 1 January 2019;

d) use the experience acquired to determine the duration of the lease, particularly with reference to the exercise of early termination and renewal options (in particular, with reference to the contracts outstanding at the transition date, for properties for non-residential use, the lease duration will include the reasonable exercise of an additional contract renewal).

Furthermore, with reference to the lease term under normal circumstances for new contracts, the Company:

i. for real estate leases, decided to consider a contract renewal to be reasonably certain, unless contractual clauses prohibit it or there are events or circumstances that lead to the assumption of additional renewals or result in the end of the lease agreement;

ii. for leases of motor vehicles or office equipment, also when there are renewal options, decided not to consider the exercise reasonably certain.

The standard's scope of application concerns rented properties (in terms of impact, the most relevant is the rental of Foro Buonaparte 44), motor vehicles and certain rented office equipment.

The application of this standard is expected to have effects of less than 1%, which are thus not material, on total assets as at 31 December 2018.

With respect to the minimum lease payments due pursuant to IAS 17, the liabilities that will be recognised in the first financial statements in which IFRS 16 is applied will basically include, aside from the discounting effect, the higher liabilities deriving from payments relating to the additional renewal period which it is reasonably certain will be exercised.

- 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 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.

As at 31 December 2018, 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 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 loans that remain in existence even after the qualifying assets 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.

- Amendment to IAS 19 "*Plan Amendment, Curtailment or Settlement*" (published on 7 February 2018). This document clarifies how an entity should recognise an amendment (i.e., a curtailment or a settlement) of a defined benefit plan. The amendments require the entity to update its assumptions and remeasure the net liability or asset deriving from the plan. The amendments clarify that after this event takes place, an entity must use updated assumptions to measure the current service cost and the interest for the remaining reference period subsequent to the event. The adoption of these amendments is not expected to have a significant effect on the financial statements.

- On 22 October 2018 the IASB issued the document "*Definition of a Business (Amendments to IFRS 3)*". The document provides several clarifications on the definition of a business for the proper application of IFRS 3. In particular, the amendment clarifies that while a business generally produces an output, the presence of an output is not strictly necessary to identify an integrated set of activities/processes and goods as a business. However, to meet the definition of a business, a set of activities/processes and goods must include, as a minimum, an input and a substantial process that together significantly contribute to the capacity to create output. To that end, the IASB replaced the term "*ability to create outputs*" with "*ability to contribute to the creation of outputs*" to clarify that a business may exist even without all inputs and processes necessary to create an output.

  The amendment also introduced a concentration test, optional for the entity, to determine if a set of activities/processes and goods acquired is not a business. If the test provides a positive outcome, the set of activities/processes and goods acquired does not constitute a business and the standard does not require further verifications. If the test provides a negative outcome, the entity will need to perform further analyses on the activities/processes and goods acquired to identify whether it is a business. To that end, the amendment added numerous illustrative examples to IFRS 3 to help readers understand the practical application of the new definition of business in specific cases. The amendments apply to all business combinations and asset acquisitions subsequent to 1 January 2020, but early application is permitted.

  Since this amendment will be applied to new acquisition transactions that will be carried out starting on 1 January 2020, any effects will be recognised in the consolidated financial statements closed subsequent to that date. (or alternatively), the adoption of this amendment is not expected to have effects on the financial statements.

- On 31 October 2018 the IASB issued the document "*Definition of Material (Amendments to IAS 1 and IAS 8)*". This document introduced an amendment to the definition of "material" contained in *IAS 1 – Presentation of Financial Statements* and *IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors*. This amendment aims to make the definition of "material" more specific and introduced the concept of "obscured information" alongside the concepts of omitted or misstated information already present in the two amended standards. The amendment clarifies that information is "obscured" if it has been described in such a way so as to generate a similar effect for the primary readers of the financial statements to that which would be generated if the information had been omitted or misstated.

  The adoption of this amendment is not expected to have a significant effect on the financial statements.

- On 11 September 2014 the IASB issued an amendment to IFRS 10 and IAS 28 – *Sales or Contribution of Assets between an Investor and its Associate or Joint Venture*. The document was published 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 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 they provide. 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 Group is exposed to this risk only indirectly due to the risk that the fair value of the investments operating in currencies other than the Euro will be influenced by changes in exchange rates;

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 statement of financial position

4.1. Investments in equity interests and fund units

(in thousands of Euro)	*31 Dec 2018*	*31 Dec 2017*	*Movements*
Investments in subsidiaries	502,398	475,692	26,706
Other investments	12	12	-
Mutual investment funds	2,368	5,055	(2,687)
Other investments	735	1,210	(475)
Investments in equity interests and fund units	**505,513**	**481,969**	**23,544**

The breakdown of the item is as follows:

Name	*Registered office*	*Percentage of interest*	*Fair value 31/12/2018*	*Fair value 31/12/2017*	*Difference*
Subsidiaries and associates					
KME SE	Osnabrück (D)	100.00%	483,000	456,369	26,631
Culti Milano Spa	Milan	72.04%	10,323	10,525	(202)
Breda Energia Srl in liquidazione	Milan	100.00%	6,162	6,162	-
KME Beteiligungsgesellsch.mbH	Osnabrück (D)	100.00%	1,104	1,143	(39)
Former ErgyCapital investments			1,041	839	202
Intek Investimenti Srl	Milan	100.00%	417	417	-
Mecchld Srl	Milan	20.00%	217	217	-
Progetto Ryan 3 Srl in liquidazione	Milan	100.00%	65	-	65
Il Post SpA	Milan	19.95%	63	20	43
Nextep Società Benefit Srl	Milan	60.00%	6	-	6
Total subsidiaries and associates			**502,398**	**475,692**	**26,706**
Other			12	12	-
Total other investments			**12**	**12**	**-**
Total investments			**502,410**	**475,704**	**26,706**
I2 Capital Partners Fund			2,368	5,055	(2,687)
Total fund units			**2,368**	**5,055**	**(2,687)**
Culti Milano Warrant			735	1,210	(475)
Total other investments			**735**	**1,210**	**(475)**
Investments in equity interests and fund units			**505,513**	**481,969**	**23,544**

The breakdown of changes in the year is as follows:

Name	*Fair value 31/12/2017*	*Increases*	*Decreases*	*Measurement of assets*	*Measurement of liabilities*	*Fair value 31/12/2018*
Subsidiaries and associates						
KME SE	456,369	-	-	26,631	-	483,000
Culti Milano Spa	10,525	-	-	-	(202)	10,323
Breda Energia Srl in liquidazione	6,162	-	-	-	-	6,162
KME Beteiligungsgesellsch.mbH	1,143	-	-	-	(39)	1,104
Former ErgyCapital investments	839	-	(383)	600	(15)	1,041
Intek Investimenti Srl	417	-	-	-	-	417
Mecchld Srl	217	-	-	-	-	217
Progetto Ryan 3 Srl in liquidazione	-	145	-	-	(80)	65
Il Post SpA	20	142	-	-	(99)	63
Nextep Società Benefit Srl	-	6	-	-	-	6
Total subsidiaries and associates	**475,692**	**293**	**(383)**	**27,231**	**(435)**	**502,398**
Other	12	-	-	-	-	12
Total other investments	**12**	**-**	**-**	**-**	**-**	**12**
Total investments	**475,704**	**293**	**(383)**	**27,231**	**(435)**	**502,410**
I2 Capital Partners Fund	5,055	226	(1,590)	-	(1,323)	2,368
Total fund units	**5,055**	**226**	**(1,590)**	**-**	**(1,323)**	**2,368**
Culti Milano Warrant	1,210	-	-	-	(475)	735
Total other investments	**1,210**	**-**	**-**	**-**	**(475)**	**735**
Investments in equity interests and fund units	**481,969**	**519**	**(1,973)**	**27,231**	**(2,233)**	**505,513**

The fair value of the equity investment in KME SE 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 10.28% (including, as in the past, an additional premium of 1.5% to reflect the intrinsic risks of the forecasts, also taking into account the deviations that have been recorded in 2018).

The UDCF method was developed on economic forecasts and changes in some statement of financial position items included in the 2019-2023 Plan ("the Plan"), drafted and approved by the KME SE Board of Directors. The Plan used reflects the conditions of the KME Group at 31 December 2018 and accordingly does not consider the acquisitions carried out subsequently. For the assets disposed of in 2019, the recoverable amount is represented by the sale price.

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 2.6% annually (the increase in demand for copper at the global level (CAGR 2019-2023) is 2.1%);
- increase in the added value (2019-2023 CAGR of approximately 3.7%) 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 2019-2023 amounting to 1.2%, 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 5.0% 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 2018 plus a 2.00% spread, for a total gross rate of 5.05%;
- 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%.

The rate was also 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.

It should be noted that in 2017 the cash flows were discounted using a WACC discount rate of 10.33% (also increased by an additional premium of 1.5%), net of taxes. This rate took into account an average risk-free rate of about 1.67%, 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 2018 test was furthermore subjected to a sensitivity analysis using a WACC from 9.28% to 11.28% 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 (2023). 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 operating value thus estimated was subsequently adjusted using the same methodology as in previous years to consider:

- the fair value of assets held for sale, represented by the rods and tubing businesses, determined on the basis of the price of the sale which took place in 2019;
- the valuation of prior losses that can be carried forward for tax purposes;
- the fair value of surplus assets, consisting of properties not used in the business and other non-consolidated companies;
- the fair value of the joint ventures KMD and Cupori;
- the Group's net financial position as at 31 December 2018.

The values fluctuate between a minimum of Euro 481 million and a maximum of Euro 486 million and they were compared with other values resulting from other methods in particular using the market multiples and the transaction multiples methods with the EV/EBITDA multiple, calculated by using historical EBITDA. The first was calculated based on forecast and historical data, using the 2018 EBITDA not including the value attributable to the Brass and Tubes activities sold in the early months of 2019. The multiplier identified on the basis of similar businesses in terms of the market multiples was 6.5x and 7.40x, respectively, while for the transaction multiples the multiplier was equal to 8.43x. The results obtained from the application of the multipliers to the reference EBITDA were then subject to the same adjustments as in the UDCF method.

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 483 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 assumptions 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, particularly 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, listed on the AIM market, saw a significant reduction in trading volumes in the course of 2018, with a considerable number of days on which there was no price formation. This led to the conclusion that this year transactions were carried out in the reference market with insufficient frequency and volumes to provide useful information to determine the price on a continuous basis. As a result, the prices recorded at the end of December 2018 were not deemed representative of the fair value of the company, thus resulting in the opportunity to use the UDCF method for the valuation of the investee, with the multiples method as a control.

The former ErgyCapital equity investments mainly include those in Società Agricola Agrienergia Biogas Srl (Euro 953 thousand) and Ergyca Tracker 2 Srl (Euro 82 thousand). The UDCF method was used for the valuation of the equity investment in Società Agricola Agrienergia Biogas Srl, resulting in a positive valuation of Euro 660 thousand. During the year, the equity investments in E Geo Srl and in Società Agricola Carmagnola Srl were sold.

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 2018 is equal to Euro 2,368 thousand, down by Euro 2,687 thousand compared to 31 December 2017. This change is attributable for Euro 1,323 thousand to the negative effects of the valuation and for Euro 1,377 thousand to repayments received. 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 at 31.12.2018*	*Profit/(loss) at 31.12.2018*	*Percentage of interest*	*Carrying amount 31/12/2018*	*Carrying amount 31/12/2017*	*Difference*
I2 Capital Partners SGR SpA	Milan	1,500	1,788	(392)	100.00%	1,787	2,176	(389)
Immobiliare Pictea Srl	Milan	80	14,989	(3,733)	100.00%	24,134	24,134	-
Total Instrumental equity investments						**25,921**	**26,310**	**(389)**

The movements of the "*Instrumental equity investments*" item during 2018 were the following:

(in thousands of Euro)	*Investments in subsidiaries*	*Other investments*	*Total*
Historical cost	45,878	-	45,878
Impairment losses	(19,568)	-	(19,568)
Balance at 31 December 2017	**26,310**	**-**	**26,310**
Transfer by merger	-	-	-
Impairment losses	(389)	-	(389)
Change for year	**(389)**	**-**	**(389)**
Historical cost	45,878	-	45,878
Impairment losses	(19,957)	-	(19,957)
Balance at 31 December 2018	**25,921**	**-**	**25,921**

During the year, there were no movements other than the Euro 389 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 measuring the equity investments, the value of their shareholders' equity was considered, adjusted, in the case of Immobiliare Pictea, by the current value of the properties owned, particularly the property located at Foro Bonaparte 44 in Milan, and the equity investment in Ducati Energia SpA.

4.3. Non-current financial assets

This item can be broken down as follows:

(in thousands of Euro)	*31 Dec 2018*	*31 Dec 2017*	*Movements*
Receivables due from associates	599	931	(332)
Guarantee fees receivable	1,319	-	1,319
Other non-current financial assets	140	10,000	(9,860)
Non-current financial assets	**2,058**	**10,931**	**(8,873)**

"Receivables due from associates" relate to Società Agricola Agrienergia Srl (Euro 399 thousand) and Mecchld (Euro 200 thousand).

"*Guarantee fees receivable*" represent 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 are matched by payables of an equal amount.

"*Other non-current financial assets*" decreased on account of the reclassification to current assets of guarantee deposits established for companies insuring the loan in support of KME operations and which are expected to be collected in the first half of 2019.

4.4. Property, plant and equipment:

The breakdown of the item is as follows:

(in thousands of Euro)	*31 Dec 2018*	*31 Dec 2017*	*Movements*
Plant and equipment	-	-	-
Other assets	322	340	(18)
Property, plant and equipment	**322**	**340**	**(18)**

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 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
Increases	-	19	19
Disposals	-	(63)	(63)
Balance at 31 December 2018	170	2,019	2,189
Accumulated depreciation			
Balance at 31 December 2016	170	1,567	1,737
Increases	-	64	64
Increases due to ErgyCapital merger	-	121	121
Disposals	-	(29)	(29)
Balance at 31 December 2017	170	1,723	1,893
Increases	-	35	35
Disposals	-	(61)	(61)
Balance at 31 December 2018	170	1,697	1,867
Net carrying amount			
31-Dec-2016	-	371	371
31-Dec-2017	-	340	340
31-Dec-2018	**-**	**322**	**322**

Increases during the year refer to office furniture, while disposals also relate to a motor vehicle.

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 2018*	*31 Dec 2017*	*Movements*
Investment property	**781**	**974**	**(193)**

Details of changes are provided below:

(in thousands of Euro)	
Total at 31 December 2017	**974**
Increases during the period	92
Fair value adjustments	(285)
Total at 31 December 2018	**781**

4.6. *Intangible assets*

(in thousands of Euro)	*31 Dec 2018*	*31 Dec 2017*	*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 2016		12
Increases		2
Balance at 31 December 2017		14
Increases		2
Balance at 31 December 2018		16
Accumulated amortisation		
Balance at 31 December 2016		6
Increases		2
Balance at 31 December 2017		8
Increases		2
Balance at 31 December 2018		10
Net carrying amount		
	31-Dec-2016	6
	31-Dec-2017	6
	31-Dec-2018	**6**

4.7. Other non-current assets

The breakdown of the item is as follows:

(in thousands of Euro)	*31 Dec 2018*	*31 Dec 2017*	*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 2018*	*31 Dec 2017*	*Movements*
Financial receivables from related companies	8,134	42,018	(33,884)
Guarantee fees receivable	925	2,377	(1,452)
Financial assets held for trading	57	67	(10)
Other current financial assets	10,185	150	10,035
Current financial assets	**19,301**	**44,612**	**(25,311)**

The reduction in "*Financial receivables from related companies*" is linked to the collection in the first quarter of 2018 of the Euro 35,000 thousand loan granted to KME SE. At 31 December 2018 they included primarily:

- Euro 6,785 thousand representing the balance of the ongoing credit line with Immobiliare Pictea;
- Euro 533 thousand representing the balance of the ongoing credit line with Intek Investimenti;

- Euro 368 thousand which represents the balance of the existing interest-bearing loan to Società Agricola Agrienergia Srl;
- Euro 285 thousand representing the balance of the ongoing credit line with KME Yorkshire Ltd.

"*Guarantee fees receivable*" are the present value of fees that are receivable within 12 months, for guarantees issued by the Intek Group SpA to banks on behalf of subsidiaries, in particular KME SE, to which loans were granted. These receivables are matched by payables of an equal amount.

The item "*Other current financial assets*" included Euro 9,986 thousand in time deposits expected to be collected in the first half of 2019.

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 2018*	*31 Dec 2017*	*Movements*
Due from customers - gross amount	*170*	*190*	(20)
Allowance for impairment	-	-	-
Due from customers - net amount	170	190	(20)
From leasing and factoring activities	5,521	6,511	(990)
Due from associates	4,982	6,511	(1,529)
Trade receivables	**10,673**	**13,212**	**(2,539)**

"*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. The reduction is linked to the lower amount of commissions accrued in 2018. At the date on which these financial statements were drafted, collections of roughly Euro 4.5 million were recognised.

4.10. Other current receivables and assets

(in thousands of Euro)	*31 Dec 2018*	*31 Dec 2017*	*Movements*
Tax assets	1,321	1,480	(159)
Receivables from special situation activities	-	2,000	(2,000)
Accruals and prepayments	63	42	21
Receivables due from related companies	1,710	1,177	533
Other	1,552	1,227	325
Other current receivables and assets	**4,646**	**5,926**	**(1,280)**

The "*Tax assets*" include credits for direct taxes of Euro 490 thousand and VAT credits of Euro 831 thousand, of which Euro 447 thousand will be recovered in the first half of 2019.

The "*Receivables for special situation activities*" which referred to positions with respect to the Isotta Fraschini proceedings, were collected in full in 2018, generating income of Euro 324 thousand.

"*Receivables due from related companies*" include positions arising from the tax consolidation. The receivable of the previous year was recovered following the submission of the tax returns.

The "*Others*" item has increased on account of advances paid for projects that are under way, which will be realised in the course of 2019.

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 2018*	*31 Dec 2017*	*Movements*
Bank and post office accounts	51,896	28,052	23,844
Cash on hand	6	14	(8)
Cash and cash equivalents	**51,902**	**28,066**	**23,836**

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

4.12. Equity

The "*Share Capital*" as at 31 December 2018 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, also with reference to the previous year, are listed below:

	Ordinary shares		*Savings shares*	
	31 Dec 2018	*31 Dec 2017*	*31 Dec 2018*	*31 Dec 2017*
Issued on 1 January	389,131,478	345,506,670	50,109,818	50,109,818
Issued pursuant to the conversion of the Convertible loan	-	24,710,692	-	-
Issued due to merger	-	18,914,116	-	-
Issued on 31 December	**389,131,478**	**389,131,478**	**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 shown below:

(in Euro)	*31 Dec 2018*	*31 Dec 2017*	*Change*
Legal reserve	7,920,680	6,083,346	1,837,334
Share premium reserve	4,020,857	4,020,857	-
Available reserve (extraordinary)	9,582,175	9,582,175	-
ErgyCapital merger deficit reserve	3,214,951	3,214,951	-
Reserve for treasury shares held	1,819,672	1,819,672	-
Non-distributable reserve	49,781,823	14,872,491	34,909,332
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	7,330	1,263	6,067
Gain/loss reserve for treasury shares	28,458	28,458	-
Other reserves	**78,659,710**	**41,906,977**	**36,752,733**

The "*Legal Reserve*" and the "*Non-distributable Reserve*", established pursuant to Legislative Decree 38/2005, rose as a result of the allocation of profit of 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. The "*Reserve for surplus on ErgyCapital merger*" was created during the year 2017 by the difference between the value of the shareholder's equity contributed by non-controlling shareholders and the value of the shares issued.

The "*Reserves taxable on distribution*" and the "*Reserve for costs for public exchange offer"* 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 71,142 thousand respectively are unchanged from last year, net of the effects of the initial adoption of IFRS 9.

4.13. 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 2017*	*Increases*	*Contributions to the Funds*	*Decreases*	*31 Dec 2018*
Clerical workers	188	34	(12)	(7)	203
Executives	1	23	(23)	-	1
IFRS Adjustments	35	-	-	(6)	29
Employee benefits	**224**	**57**	**(35)**	**(13)**	**233**

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

General criteria	*31 Dec 2018*	*31 Dec 2017*
Discount rate	1.57%	1.30%
Rate of increase in future remuneration	1%	1%
Average remaining working life	12.3 years	13.1 years
General criteria		

A discount rate based on the "Iboxx Eurozone Corporate AA" index was used also at 31 December 2018 for the actuarial valuation of post-employment benefits.

4.14. Non-current financial payables and liabilities

(in thousands of Euro)	*31 Dec 2018*	*31 Dec 2017*	*Movements*
Payables for financial guarantees issued	1,319	-	1,319
Bank loans	-	476	(476)
Non-current financial payables and liabilities	**1,319**	**476**	**843**

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 is considered that the current value of the commissions to be collected, recognised as part of current and non-current financial assets, represents the best estimate of fair value of the contingent liabilities in relation to the guarantees issued.

The "*Loan contracts with credit institutions*" item referred to the non-current portion of a loan taken out by the incorporated entity ErgyCapital with a 5% interest rate, which expires on 31 December 2019 and therefore was reclassified in full to current liabilities.

4.15. Bonds

(in thousands of Euro)	*31 Dec 2018*	*31 Dec 2017*	*Movements*
Intek Group Bonds 2015/2020	101,391	101,215	176
Bonds and PFI	**101,391**	**101,215**	**176**

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.

4.16. Other non-current liabilities

(in thousands of Euro)	*31 Dec 2018*	*31 Dec 2017*	*Movements*
Payables for guarantees issued	853	-	853
Liabilities for "special situations"	692	692	-
Other non-current liabilities	**1,545**	**692**	**853 -**

"*Payables for guarantees issued*" refer to the non-current portion of the payable for tax liabilities assumed by the Company against guarantees given during the disposal of an equity investment. This guarantee was previously recognised in provisions for risks. It was reclassified as during the year following the ruling of the Court of Cassation, the payment request was received from Equitalia, which was broken down into instalments to be paid over 48 months.

"*Liabilities for special situations*" originated as part of agreements with creditors and refer to creditors that could not be found of the former FEB – Ernesto Breda SpA proceedings (Euro 596 thousand) and for the remainder to advances linked to former Fime Leasing positions.

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)	*31.12.2017*			*Increases*	*Releases/ uses*	*31.12.2018*		
	Non-current	*Current*	*Total*			*Non-current*	*Current*	*Total*
Provisions for equity investment risks	858	-	858	-	(506)	352	-	352
Provisions for risks for tax disputes	300	-	300	-	(9)	291	-	291
Provision for special situations' risks	2,731	-	2,731	-	(2,596)	135	-	135
Provisions for risks on guarantees for the disposal of assets	936	-	936	238	(1,174)	-	-	-
Other provisions for risks and charges	164	-	164	-	-	164	-	164
Total	**4,989**	**-**	**4,989**	**238**	**(4,285)**	**942**	**-**	**942**

The "*Provisions for equity investment risks*" are allocated for equity investments, from the merger with ErgyCapital, with negative shareholders' equity. During the year, part of the provision was released due to the lower deficit expected from the liquidation of Energetica Solare, including in relation to settlement agreements reached by the subsidiary with several creditors.

The "*Provisions for risks for tax disputes*" relate to disputes concerning registration tax and Invim (tax on increase in real estate value) of the Fime Group, recognised to the maximum extent of the estimated liability. During the year, a Court of Cassation ruling settled a VAT position arising from fraud for non-existent transactions in which the Fime Group was the injured party, with no additional expense for the company.

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 for which, as mentioned above, an instalment plan was defined in 2018.

The "*Provision for special situations' risks*" declined during the year due to a settlement with the bankruptcy receivers of a former leasing customer whereby a dispute that was pending judgement by the Court of Cassation was closed. The settlement, which required the payment of Euro 1,025 thousand, made it possible to close the position for which a Euro 2,597 thousand provision was recognised in 2014 following a negative ruling issued by the Naples Court of Appeal (Corte di Appello).

"*Other provisions for risks and charges*" contain, among others, 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.

4.18. Current financial payables and liabilities

(in thousands of Euro)	*31 Dec 2018*	*31 Dec 2017*	*Movements*
Due to related companies	5,017	5,721	(704)
Interest expense on bonds	4,375	4,375	-
Payables for financial guarantees issued	925	2,377	(1,452)
Shares of expiring loans	476	745	(269)
Due to banks	-	59	(59)
Due to lease companies	-	2	(2)
Current financial payables and liabilities	**10,793**	**13,279**	**(2,486)**

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 with the following subsidiaries:

- Euro 3,479 thousand with Breda Energia;
- Euro 1,311 thousand with I2 Capital Partners SGR;
- Euro 227 thousand with Energetica Solare.

The item "*Interest expense on bonds*" of Euro 4,375 thousand refers to the coupon which matured and was paid in February 2019.

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 4.8.

The "*Shares of expiring loans*" of Euro 476 thousand refer to the loan to the incorporated entity ErgyCapital.

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 interest only.

4.19. Trade payables

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

(in thousands of Euro)	*31 Dec 2018*	*31 Dec 2017*	*Movements*
Due to suppliers	930	1,952	(1,022)

Due to related companies	131	553	(422)
Trade payables	**1,061**	**2,505**	**(1,444)**

As at 31 December 2017 the amount was impacted by payables from the incorporated entity ErgyCapital.

4.20. Other current liabilities

(in thousands of Euro)	*31 Dec 2018*	*31 Dec 2017*	*Movements*
Payables to directors for end of office indemnity	699	774	(75)
Payables due to former lease customers	1,266	1,266	-
Payables due to employees	181	476	(295)
Tax liabilities	111	379	(268)
Payables due to related companies	206	985	(779)
Payables due to social security institutions	82	129	(47)
Other liabilities	810	1,221	(411)
Other current liabilities	**3,355**	**5,230**	**(1,875)**

"*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 2019.

"*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, and last year included leaving incentives agreed with the employees of ErgyCapital, which were settled during the year.

Both as at 31 December 2018 and 31 December 2017, the item "*Tax liabilities*" mainly refers to payables to the tax authorities, for withholding amounts. Also in this case, the amount from last year was influenced by positions referring to the incorporated entity ErgyCapital.

The item "*Payables due to related companies*" includes the payables to directors for accrued remuneration as well as a Euro 70 thousand advance of the subsidiary Società Agricola Agrienergia Srl. As at 31 December 2017, it included the residual debt of Euro 848 thousand payable to Progetto Ryan 3 for the purchase of the Culti Milano shares.

The item "*Other payables*" includes the current share of the payable linked to guarantees given, noted above.

4.21. Deferred tax assets and liabilities

(in thousands of Euro)	*31 Dec 2018*	*31 Dec 2017*	*Movements*
Deferred tax assets	3,384	4,434	(1,050)
Deferred tax liabilities	(1,974)	(2,029)	55
Deferred tax assets and liabilities	**1,410**	**2,405**	**(995)**

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 2018	*31 Dec 2017*	*31 Dec 2018*	*31 Dec 2017*
Investment property	9	7	-	-
Investments in equity interests	-	-	1,316	991

Non-current financial assets	2	-	-	-
Trade receivables	2,715	3,268	658	1,036
Current financial assets	52	-	-	2
Cash and cash equivalents	119	-	-	-
Provisions for risks and charges	67	729	-	-
Other current liabilities	82	91	-	-
Deferred taxes on tax losses carried forward	338	339	-	-
Total	**3,384**	**4,434**	**1,974**	**2,029**

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 100 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.

There are furthermore additional guarantees for non-revolving credit lines connected to the copper sector of Euro 24 million, and guarantees for tax credits of approximately Euro 1.7 million expiring insofar as Euro 0.3 million in 2019 and Euro 1.4 million in 2020.

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 1.5 million.

6. Notes to the income statement

It is noted first of all that the values for 2017 already also included those relative to the incorporated entity ErgyCapital SpA. The merger by incorporation was effective as of December, but for accounting purposes it was backdated to 1 January.

6.1. Net income from investment management

(in thousands of Euro)	*2018*	*2017*	*Change*	*% Change*
Value adjustments on equity investments and securities	(389)	(324)	(65)	20.06%
Gains/(losses) from the sale of equity investments and securities	(315)	196	(511)	-260.71%
Value adjustments on financial receivables from related companies	(196)	(557)	361	-64.81%
Measurement of investments at fair value	26,827	44,512	(17,685)	-39.73%
Measurement of fund units at fair value	(1,323)	771	(2,094)	-271.60%
Dividends	261	129	132	102.33%
Net income from investment management	**24,865**	**44,727**	**(19,862)**	**-44.41%**

This item consists of the following amounts:

- The Value adjustments on financial receivables from related companies of Euro 389 refer to I2 Capital Partners SGR;
- losses from the sale of equity investments and securities include Euro 220 thousand from the disposal of E.Geo Srl and Euro 125 thousand from the disposal of Società Agricola Carmagnola;
- Euro 175 thousand of the value adjustments on financial receivables from related companies related to a receivable from NewCocoot Srl in liquidazione;
- the fair value measurement of the equity investments includes the positive values of Euro 26,632 thousand for KME SE, Euro 600 thousand for Società Agricola Agrienergia and Euro 531 thousand for Energetica Solare.
- the fair value measurement of fund units of Euro 1,323 thousand refers to the I2 Capital fund.

For further details please see the comments under the corresponding asset items.

6.2. Guarantee fees

(in thousands of Euro)	*2018*	*2017*	*Change*	*% Change*
Guarantee fees	1,258	3,932	(2,674)	-68.01%
Guarantee fees	**1,258**	**3,932**	**(2,674)**	**-68.01%**

These refer to the remuneration of the guarantees provided for instrumental equity interests and investment instruments for securing loans. This amount declined as a result of lower guarantees given in favour of KME.

6.3. Other income

(in thousands of Euro)	*2018*	*2017*	*Change*	*% Change*
Income from “special situations”	88	245	(157)	-64.08%
Provision of services to related companies	190	512	(322)	-62.89%
Other income and revenues	52	272	(220)	-80.88%
Other income	**330**	**1,029**	**(699)**	**-67.93%**

“*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 administrative support to companies belonging to the group. The amount from last year was influenced by the subsidiaries of ErgyCapital.

Last year, the item "*Other income and revenues*" referred to Euro 154 thousand in contingent assets connected to ErgyCapital.

6.4. Labour costs

(in thousands of Euro)	*2018*	*2017*	*Change*	*% Change*
Wages and salaries	(809)	(1,370)	561	-40.95%
Social security charges	(248)	(364)	116	-31.87%
Other personnel costs	(551)	(375)	(176)	46.93%
Labour costs	**(1,608)**	**(2,109)**	**501**	**-23.76%**

The item "*Labour costs*" included Euro 748 thousand last year relative to ErgyCapital employees, including the costs from settlement agreements.

Other personnel expense includes remuneration to associates of Euro 315 thousand, in addition to contribution expenses of Euro 111 thousand, costs for a welfare plan of Euro 59 thousand and an allocation to the employees' post-employment benefits of Euro 65 thousand.

Average number of employees:

	31 Dec 2018	*31 Dec 2017*	*Change*
Executives	2	2	-
Clerical workers	11	10	1
Average number of employees	**13**	**12**	**1-**

6.5. Amortisation, depreciation, impairment and write-downs

(in thousands of Euro)	*2018*	*2017*	*Change*	*% Change*
Depreciation	(35)	(64)	29	-45.31%
Amortisation	(2)	(2)	-	0.00%
Reversal of impairment losses on investment property	(286)	-	(286)	n/a
Amortisation, depreciation, impairment and write-downs	**(323)**	**(66)**	**(257)**	**389.39%**

Please refer to the individual asset items for the relative comments.

6.6. Other operating costs

(in thousands of Euro)	*2018*	*2017*	*Change*	*% Change*
Directors' and Statutory Auditors' fees	(1,223)	(1,319)	96	-7.28%
Professional services	(1,100)	(2,509)	1,409	-56.16%
Travel costs	(271)	(339)	68	-20.06%
Other personnel expenses	(84)	(90)	6	-6.67%
Legal and company disclosure	(146)	(293)	147	-50.17%
Electricity, heating, postal and telephone costs	(90)	(84)	(6)	7.14%
Insurance premiums	(91)	(297)	206	-69.36%
Training and seminars	(1)	(3)	2	-66.67%
Real estate leases	(859)	(852)	(7)	0.82%
Maintenance	(25)	(27)	2	-7.41%
Leases and rentals	(83)	(99)	16	-16.16%
Other tax charges	(91)	(219)	128	-58.45%
Membership fees	(173)	(124)	(49)	39.52%
Other net costs	(190)	(384)	194	-50.52%
Donations	(23)	(69)	46	-66.67%
Bank fees	(21)	(23)	2	-8.70%
	(4,471)	*(6,731)*	*2,260*	*-33.58%*
Release of provisions	1,596	-	1,596	n/a
Provision for risks	(265)	(226)	(39)	17.26%
Losses on receivables	(174)	-	(174)	n/a
Other operating costs	**(3,314)**	**(6,957)**	**3,643**	**-52.36%**

Last year the item included costs of Euro 2,306 thousand relative to ErgyCapital and expenses incurred for the merger totalling Euro 500 thousand.

The "*Release of provisions*" relates to the positive effects of the Mareco settlement commented on in the item "*Provisions for risks and charges*".

6.7. Finance income and expense

(in thousands of Euro)	*2018*	*2017*	*Change*	*% Change*
Interest income from group companies	*392*	*2,020*	(1,628)	-80.59%
Other finance income and interest	*756*	*4*	752	18800.00%
Total finance income	1,148	2,024	(876)	-43.28%
Interest paid by group companies	*(112)*	*(378)*	266	-70.37%
Loan interest expense	*(42)*	*(29)*	(13)	44.83%
Interest expense on securities issued	*(5,261)*	*(5,296)*	35	-0.66%
Other finance expense	*(129)*	*(138)*	9	-6.52%
Total finance expense	(5,544)	(5,841)	297	-5.08%
Total net financial expense	**(4,396)**	**(3,817)**	**(579)**	**15.17%**

"*Interest income from group companies*" declined as a result of the lower exposure to KME. "*Other finance income and interest*" mainly contains the effect of the reduction of the adjustment made in accordance with IFRS 9 at the end of 2018.

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)	*2018*	*2017*	*Change*	*% Change*
Current taxes	1,305	1,028	277	26.95%
Deferred taxes	(1,326)	(1,020)	(306)	30.00%
Current and deferred taxes	**(21)**	**8**	**(29)**	**-362.50%**

Since 2007, Intek Group SpA 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)	*2018*	*2017*
Profit/(loss) before taxes	16,811	36,739
Tax charge at theoretical rate	(4,035)	(8,817)
- Impairment losses on securities and investments that are non-deductible/non-taxable	(6,242)	214
- Fair value measurements	6,345	10,393
- Other	4,317	(1,632)
- Previous year taxes	(405)	(150)
Total effective tax charge	**(20)**	**8**

7. Additional information

7.1. Financial instruments by category

The following table shows the total individual categories of financial instruments:

(in thousands of Euro)	*31 Dec 2018*	*31 Dec 2017*	*Change*
Financial assets at fair value through profit or loss	507,814	484,413	23,401
Financial assets at fair value through other comprehensive income	-	-	-
Amortised cost	84,961	98,826	(13,865)
Available-for-sale financial assets	-	-	-
Financial assets	**592,775**	**583,239**	**9,536**
Financial liabilities at fair value through profit or loss	(2,244)	(2,377)	133
Financial payables and liabilities at amortised cost	(117,109)	(120,641)	3,532
Financial liabilities	**(119,353)**	**(123,018)**	**3,665**

7.2. Financial instruments by financial statement item

Financial instruments and reconciliation with financial statement items at 31 December 2018:

(in thousands of Euro)	*Total*	*At amortised cost*	*At fair value*	*Outside the scope of IFRS 7*
Investments in equity interests and fund units	505,513	-	505,513	
Instrumental equity investments	25,921	-	-	25,921
Other non-current assets	3	3	-	-
Non-current financial assets	2,058	739	1,319	-
Trade receivables	10,673	10,673	-	-
Other current receivables and assets	4,646	3,325	-	1,321
Current financial assets	19,301	18,319	982	-
Cash and cash equivalents	51,902	51,902	-	-
Total financial assets	**620,017**	**84,961**	**507,814**	**27,242**
Non-current financial payables and liabilities	(1,319)	-	(1,319)	-
Bonds and PFI	(101,391)	(101,391)		-
Other non-current liabilities	(1,545)	(1,545)	-	-
Current financial payables and liabilities	(10,793)	(9,868)	(925)	-
Trade payables	(1,061)	(1,061)	-	-
Other current liabilities	(3,355)	(3,244)	-	(111)
Total financial liabilities	**(119,464)**	**(117,109)**	**(2,244)**	**(111)**

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 25.9 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*	*Impairment losses as at 31.12.2018*	*Net carrying amount*
Not yet due	-	-	-
Up to 60 days past due	4,982	-	4,982
61 to 120 days past due	-	-	-
121 days to 1 year past due	-	-	-
Over 1 year past due	170	-	170
Trade receivables	**5,152**	**-**	**5,152**

7.4. Currency risk exposure

Intek Group SpA had no financial statements items or sale or purchase commitments denominated in foreign currencies at the year end.

7.5. Interest rate risk exposure

As at 31 December 2018 the Group's interest-bearing financial assets and liabilities had the following interest rate risk exposure:

(in thousands of Euro)	*31 Dec 2018*	*31 Dec 2017*
Financial assets	-	-
Financial liabilities	(101,867)	(102,436)
Fixed rate instruments	**(101,867)**	**(102,436)**
Financial assets	60,629	71,001
Financial liabilities	(5,017)	(5,782)
Floating rate instruments	**55,612**	**65,219**

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 505 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	505,513	735	-	504,778
Non-current financial assets	1,319	-	-	1,319
Current financial assets	982	-	-	982
Total financial assets	**507,814**	**735**	**-**	**507,079**
Non-current financial payables and liabilities	(1,319)	-	-	(1,319)
Current financial payables and liabilities	(925)	-	-	(925)
Total financial liabilities	**(2,244)**	**-**	**-**	**(2,244)**

The financial instruments recognised in the balance sheet and income statement at fair value, except for the Culti Milano SpA warrants, consist of participating investments and units in closed-end and restricted investment funds and guarantees issued which fall under the level 3 assets. For determination of the fair value of the participating investments and the investment fund units, please see the appropriate note. The fair value of the guarantees issued is determined by applying a rate which is considered to be representative of the risk undertaken.

In 2018, the Culti Milano shares were considered Level 3 and no longer Level 1 on the basis of the considerations set forth in section 4.1.

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 2018*	*31 Dec 2017*
Within 1 year	727	586
From 1 to 5 years	1,114	1,473
Due after 5 years	-	-
Minimum irrevocable payments	**1,841**	**2,059**

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 SpA and other companies belonging to its network:

(in thousands of Euro)	*Total*	*Intek Group*	*Subsidiaries*
a) audit fees	791	133	658
b) fees other than audit	25	7	18
- audit services for the issue of certification			
financial covenants, compliance opinions	12	7	5
- other fees	13	-	13
c) fees charged by network companies	-	-	120
Independent auditors’ fees	**935**	**140**	**796**

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 Srl in liquidazione	-	-	-	-	(3,479)	-	-
EM Moulds SpA	-	-	12	-	-	-	-
Energetica Solare Srl in liquidazione	-	-	-	-	(227)	-	-
Ergyca Bio Srl in liquidazione	-	149	-	-	-	-	-
HG Power Srl in liquidazione	-	15	-	-	-	-	-
I2 Capital Partners SGR SpA	-	-	31	-	(1,311)	-	-
Immobiliare Pictea Srl	-	6,785	-	-	-	-	-
Intek Investimenti Srl	-	533	-	-	-	-	-
KME Brass Italy Srl	-	-	15	-	-	-	-
KME Germany GmbH	-	-	33	-	-	-	-
KME Italy SpA	-	-	34	-	-	-	-
KME SE	-	-	4,551	-	-	-	-
KME Srl	-	-	-	-	-	(17)	-
KME Yorkshire Ltd	-	284	249	-	-	(7)	-
Mecchld Srl	200	-	-	-	-	-	-
Nextep Srl benefit corporation	-	-	10	-	-	-	-
Quattroduedue SpA	-	-	31	-	-	-	-
Società Agricola Agrienergia Srl	399	368	16	-	-	-	(70)
Directors/Statutory Auditors	-	-	-	-	-	(107)	(826)
Receivables from guarantees issued	1,319	925	-	-	-	-	-
Receivables/Payables for tax consolidation	-	-	-	1,710	-	-	-
	1,918	**9,059**	**4,982**	**1,710**	**(5,017)**	**(131)**	**(904)**
Total	**2,058**	**19,301**	**10,673**	**4,646**	**(10,793)**	**(1,061)**	**(3,355)**
Effect	**93.20%**	**46.94%**	**46.68%**	**36.81%**	**46.48%**	**12.35%**	**26.94%**

(in thousands of Euro)	*Net income from investment management*	*Guarantee fees*	*Other operating income*	*Other operating costs*	*Finance income*	*Finance expense*
Breda Energia Srl in liquidazione	-	1	15	-	-	(89)
Culti Milano SpA	(500)	6	15	-	-	-
E.Geo Srl	(220)	-	-	-	-	
EM Moulds SpA	-	24	-	-	-	-
Energetica Solare Srl in liquidazione	531	-	-	-	-	-
Ergyca Bio Srl in liquidazione	(53)	-	-	-	-	-
Ergyca Tracker 2 Srl	(9)	-	-	-	-	-
HG Power Srl in liquidazione	11	-	-	-	-	-
I2 Capital Partners SGR SpA	(389)	-	73	-	-	(23)
Il Post Srl	(99)	-	-	-	-	-
Immobiliare Pictea Srl	-	-	25	(714)	138	-
Intek Investimenti Srl	-	-	15	-	8	-
KME Beteiligungsgesellsch.mbH	(39)	-	-	-	-	-
KME Brass Italy Srl	-	29	-	-	-	-
KME Germany & CO KG	-	67	-	-	-	-
KME Italy SpA	-	64	-	(4)	-	-
KME SE	26,632	1,067	-	-	182	-
KME Srl	-	-	-	(25)	-	-
KME Yorkshire Ltd	-	-	-	-	9	-
Newcocot Srl in liquidazione	(175)					
Progetto Ryan 3 Srl in liquidazione	(84)	-	-	-	4	-
Quattroduedue SpA	-	-	15	-	-	-
Società Agricola Agrienergia Srl	677	-	32	-	51	-
Società Agricola Carmagnola Srl	(126)	-	-	-	-	-
Directors/Statutory Auditors	-	-	-	(1,163)	-	(25)
	26,157	**1,258**	**190**	**(1,906)**	**392**	**(137)**
Total	**24,865**	**1,258**	**330**	**(3,314)**	**1,148**	**(5,544)**
Effect	**105.20%**	**100.00%**	**57.58%**	**57.51%**	**34.15%**	**2.47%**

7.13. Proposal to approve the 2018 financial statements

Refer to the Directors' Report.

List of direct equity investments as at 31 December 2018

Equity investments (in Euro)	Notes	Nominal value	Balance as at 31 December 2017		Changes during the period (+ / -)		Write-backs/ (Value adjustments)	Balance as at 31 December 2018				Market value as at 31 December 2018	
		Euro	Quantity	Value	Quantity	Value		Quantity	%	Average carrying amount	Book value	Unit value	Equivalent value
Subsidiaries and other equity investments (**) (recognised under financial assets)													
KME A.G.	(*)	no nominal value	27.918.276	456.369.000	-	-	26.631.000	27.918.276	100,00%		483.000.000		
KME Germany Beteiligungs Gmbh	(*)		-	1.143.000	-		(39.000)	-	100,00%		1.104.000		
Energetica Solare Srl in liquidazione (1)	(*)	116.945	1	-	-	5.730	-	1	100,00%		5.730		
Ergyca Tracker 2 Srl	(*)	10.000	1	96.900	-	-	(15.000)	1	51,00%		81.900		
HG Power Srl	(*)	100.000	1	4.167	-	-	(4.167)	1	51,00%		-		
Ergyca Sun Sicilia Srl in liquidazione (1)	(*)	50.000	1	-	(1)	-	-	-	100,00%		-		
Ergyca Two Srl in liquidazione (1)	(*)	10.000	1	-	(1)	-	-	-	100,00%		-		
Ergyca Four Srl (1)	(*)	10.000	1	5.730	(1)	(5.730)	-	-	100,00%		-		
Ergyca Bio Srl in liquidazione	(*)	100.000	1	-	-	-	-	1	100,00%		-		
Società Agricola Carmagnola Srl (2)	(*)	10.000	1	9.000	(1)	(9.000)	-	-	51,00%		-		
Società Agricola Agrienergia Srl	(*)	20.000	1	353.411	-	-	600.000	1	51,00%		953.411		
E.Geo Srl (2)	(*)	60.000	1	370.000	(1)	(370.000)	-	1	100,00%		-		
Culti Milano SpA	(*)	no nominal value	2.230.000	10.525.600	-	-	(203.545)	2.230.000	72,04%		10.322.055	3,07	6.846.100,00
Progetto Ryan 3 Srl in liquidazione	(*)	100.000	1	-	-	145.000	(80.000)	1	100,00%		65.000		
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	19.908	3.992	142.370	(99.461)	60.585	19,90%		62.817		
Intek Investimenti Srl	(*)	10.000	-	416.743	-	-	-	-	100,00%		416.743		
Mecchld Srl	(*)	8.000	1	217.590	-	-	-	1	20,00%		217.590		
Nextep	(*)	10.000	-	-	1	6.000	-	1	60,00%		6.000		
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	2.177.130	-	-	(389.407)	1.500.000	100,00%		1.787.723		
Immobiliare Pictea Srl		80.000	1	24.133.282	-	-	-	1	100,00%		24.133.282		
Warrant Culti Milano SpA			2.230.000	1.209.775	-	-	(474.375)	2.230.000	n/a		735.400	0,33	735.900,00
Total				**502.003.368**		**(85.630)**	**26.400.420**				**528.318.158**		
Treasury shares (recognised as a reduction from Equity)													
Intek Group S.p.A. savings shares		no nominal value	11.801	6.867	-	-		11.801	-	0,5819	6.867	0,3260	3.847
Intek Group S.p.A. ordinary shares		no nominal value	5.713.572	1.812.805	-	-		5.713.572	-	0,3173	1.812.805	0,3100	1.771.207
Total				**1.819.672**		**0**	**-**				**1.819.672**		
Total				**503.823.040**			**26.400.420**				**530.137.830**		

(*): recognised in the item "Investments in equity interests and fund units"
(1): incorporated into Energetica Solare Srl in liquidazione in August 2018
(2): companies sold during 2018

List of indirect equity investments as at 31 December 2018

Company Name	Registered office	Activity	Currenc	Share Capital	% Stake	Investor Company	Total Equity Investment
AMT - Advanced Mould Technology India Private Ltd.	India	Services	INR	40.000.000	72,00%	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	Commercial	Euro	62.000	84,70%	KME Germany Gmbh & Co. K.G.	100,00%
					15,30%	KME Italy SpA	
Culti USA LLC	USA	Commercial	$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	Industrial	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 in metals	Euro	500.000	100,00%	KME Recycle Srl	100,00%
Immobiliare Agricola Limestre Srl	Italy	Real Estate	Euro	110.000	100,00%	KME Italy SpA	100,00%
Irish Metal Industries Ltd.	Ireland	Commercial	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 company	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	239.214.000	50,00%	KMD (HK) Holdings Ltd.	50,00%
KME – MAGMA Service Ukraine LLC	Ukraine	Commercial	UAH	14.174.000	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	Commercial	CHF	100.000	100,00%	KME Germany Gmbh & Co. K.G.	100,00%
KME America Inc.	United States	Commercial	USD	5.000	100,00%	KME Germany Gmbh & Co. K.G.	100,00%
KME America Marine Holding Inc.	United States	Holding company	USD	4.800.000	100,00%	KME Germany Gmbh & Co. K.G.	100,00%
KME America Marine Tube and Fitting, LLC	United States	Design	USD	2.132.000	100,00%	KME America Marine Holding Inc.	100,00%
KME Asia Pte. Ltd. In liquidation	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 in metals	PSC	9.000.000	100,00%	KME Germany Gmbh & Co. K.G.	100,00%
KME Engineered Copper Products GmbH & Co. KG	Germany	Commercial			100,00%	KME A.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	Commercial	INR	6.500.000	99,80%	KME Germany Gmbh & Co. K.G.	100,00%
					0,20%	KME A.G.	
KME Italy S.p.A	Italy	Industrial	Euro	85.724.000	100,00%	KME A.G.	100,00%
KME Kalip Servis A.S.	Turkey	Commercial	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	Commercial	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%	KME A.G.	
KME Moulds Service Australia PTY Ltd.	Australia	Commercial	AUD	100	65,00%	KME Germany Gmbh & Co. K.G.	65,00%
KME Polska Sp.z.o.o.	Poland	Commercial	PLN	250.000	100,00%	KME Germany Gmbh & Co. K.G.	100,00%
KME Recycle Srl	Italy	Holding company	Euro	2.000.000	100,00%	KME A.G.	100,00%
KME Rolled France SAS	France	not operating	Euro	40.000	100,00%	KME Italy SpA	100,00%
KME Service Russland Ltd.	Russia	Services	RUB	10.286.000	70,00%	KME Germany Gmbh & Co. K.G.	70,00%
KME Spain S.A.U.	Spain	Commercial	Euro	92.446	100,00%	KME A.G.	100,00%
Kmetal Srl	Italy	Trading in metals	Euro	100.000	100,00%	KME A.G.	100,00%
KME Yorkshire Ltd.	Great Britain	Industrial	LST	10.014.603	100,00%	KME A.G.	100,00%
Oasi Dynamo Società Agricola Srl	Italy	Agricultural activity	Euro	20.000	100,00%	Immobiliare Agricola Limestre Srl	100,00%
Oasi FoodCo Srl	Italy	Sale of food products	Euro	10.000	100,00%	Immobiliare Agricola Limestre Srl	100,00%
P.H.M. Pehamet Sp.Zo.o.	Poland	Commercial	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	Commercial	$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 in 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 S.p.A., hereby certify:
   - the adequacy with respect to the characteristics of the Company and
   - the effective application

   of administrative and accounting procedures for the preparation of the separate financial statements during 2018, 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, 10 April 2019

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

Report of the Board of Statutory Auditors of INTEK Group S.p.A. on the separate financial statements as at 31 December 2018, 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, into 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 2018

The most significant transactions that took place in 2018 and in the course of this year until this report was drafted relate to KME SE, which operates in the copper sector and is the main investment of Intek Group S.p.A. (the "Company").

In particular, at industrial level the extraordinary transactions concerning this sector are described below:

1) Acquisition in 2018, with the closing finalised in February 2019, of a 100% stake in MKM (Mansfelder Kupfer und Messing GmbH), a leading operator in the European copper market, for a purchase price paid by KME of Euro 80 million plus the assignment to European Acquisition Midco Limited of a 1% stake in KME SE;
2) The disposal to the Zhejiang Hailiang Co. group, agreed to in the early months of 2019, of the brass rods business in Germany, Italy and France and the tubing business in Germany and Spain, for a sale price of Euro 119 million, in addition to net working capital and the repayment of intercompany payables existing at the date on which the contract was entered into, and after deducting the obligatory repayments of working capital credit lines used in relation to the business disposed of.
3) In March 2019 KME SE reacquired full control over Tréfimetaux sas, a French company that manufactures copper tubing and rods, of which it already held 51% of the share capital.

As illustrated by the Board of Directors, the purpose of those transactions was to continue to streamline the industrial structure of the KME Group, making it leaner so as to boost its EBITDA margins.

At financial level, already in the report to the previous financial statements, we highlighted the importance of the issue in February 2018 by KME SE of a Euro 300 million bond restricted to qualified institutional buyers, maturing in 2023 with a fixed rate of 6.75%.

Likewise, in terms of significant financial data we should also mention the maturity in February 2020 of the bond loan issued by Intek Group for a nominal Euro 101.7 million.

No extraordinary transactions took place in the other investment areas.

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 pursuant to IFRS 10 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, which has significant impacts on the separate financial statements of the Company, the Board of Statutory Auditors verified, including following meetings with management and the audit firm, that determination of the fair value had been reasonable and 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 in the 2018 financial statements regarding the equity investments, compared with the book values in the previous year:

Name	*Registered office*	*Percentage of interest*	*Fair value 31/12/2018*	*Fair value 31/12/2017*	*Difference*
Subsidiaries and associates					
KME SE	*Osnabrück (D)*	*100.00%*	*483,000*	*456,369*	*26,631*
Culti Milano Spa	*Milan*	*72.04%*	*10,323*	*10,525*	*(202)*
Breda Energia Srl in liquidazione	*Milan*	*100.00%*	*6,162*	*6,162*	*-*
KME Beteiligungsgesellsch.mbH	*Osnabrück (D)*	*100.00%*	*1,104*	*1,143*	*(39)*
Former ErgyCapital investments			*1,041*	*839*	*202*
Intek Investimenti Srl	*Milan*	*100.00%*	*417*	*417*	*-*
Mecchld Srl	*Milan*	*20.00%*	*217*	*217*	*-*
Progetto Ryan 3 Srl in	*Milan*	*100.00%*	*65*	*-*	*65*
Il Post Srl	*Milan*	*19.95%*	*63*	*20*	*43*
Nextep Società Benefit Srl	*Milan*	*60.00%*	*6*	*-*	*6*
Total subsidiaries and associates			***502,398***	***475,692***	***26,706***
Other			*12*	*12*	*-*
Total other investments			***12***	***12***	***-***
Total investments			***502,410***	***475,704***	***26,706***
I2 Capital Partners Fund			*2,368*	*5,055*	*(2,687)*
Total fund units			***2,368***	***5,055***	***(2,687)***
Culti Milano Warrant			*735*	*1,210*	*(475)*
Total other investments			***735***	***1,210***	***(475)***
Investments in equity interests			***505,513***	***481,969***	***23,544***

and fund units

As is clear, the main higher fair value recognised in the income statement relates to the subsidiary KME SE. Such higher value was subject to a specific assessment by the independent advisor E&Y.

Atypical or unusual transactions, including intra-group or related party transactions during 2018

The Board of Statutory Auditors 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 and in the Directors' Report on operations.

These transactions essentially related to the provision of services, including financial and administrative services.

In 2018 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, with special meetings held with the individual members.

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 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.

Until the date on which this report was drafted, the Board of Statutory Auditors did not receive any reports pursuant to art. 2408 of the Italian Civil Code beyond what was already noted in the report to last year's financial statements.

Duties of the Independent Auditors Deloitte & Touche S.p.A.

In addition to auditing, for which total consideration of Euro 133 thousand was paid by the Parent company, a further Euro 658 thousand was 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 144 thousand.

In particular the Board of Statutory Auditors examined the non-auditing duties conferred, ensuring that they did not present any potential risks in terms of independence.

Opinions issued by the Independent Auditors in compliance with legal requirements

In 2018, the independent auditors did not issue opinions other than those relating to audit activities.

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 Risk Committee and had regular contacts with the Internal Audit Department and the Supervisory Body pursuant to Legislative Decree 231/2001, as well as with the independent auditors Deloitte & Touche SpA and also participated in the meetings of the Control and Risk Committee, in addition obviously to continuous interaction with the Company's management.

During 2018, the Board of Statutory Auditors met 6 times (6 times in 2017); participation in the meetings by the members was 100%, as in the previous year.

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 the main fair value estimation activities 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 appears to be adequate in light of its activities.

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 2018;
- 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 2018, 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.

There are also no findings in the report of the Internal Audit function.

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, also on the basis of the declaration provided today by the auditor.

Today, the independent auditors also issued the Additional Report to the internal control and auditing committee (Art. 11, Regulation (EU) 537/2014).

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 2018 separate financial statements

The financial statements as at 31 December 2018 show a positive result of Euro 16,791 thousand, with a positive net impact from fair value measurements of Euro/thousand 23,544.

On 19 April 2019, 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 10 April 2019, 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 2018, 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 2018, allocating the profit for the year of Euro 16,791,385 as follows:

- 5% to the legal reserve, up to Euro 839,570;
- 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 15,951,815.

Milan, 19 April 2019

THE BOARD OF STATUTORY AUDITORS

The Chairman of the Board of Statutory Auditors

(signed Marco Lombardi)

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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 2018, 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 2018 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.

Fair Value Measurement for investment in KME SE

Description of the Key Audit Matter	Paragraph 4.1 of the explanatory notes to the financial statements at 31 December 2018 shows Euro 506 million of investments in equity interests and fund units measured at *fair value*, of which Euro 483 million referred to the 100% stake held in KME SE, parent company of the KME SE Group that operates in the "copper" industry. The fair value of the investment in KME SE 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 other above mentioned 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.
Audit procedures to address the Key Audit Matter identified	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; 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 methodology 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, the appropriate discount rate (WACC) and 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 compliance of the disclosures provided by the Company in the financial statements with accounting standards.

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.

- 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 2018, 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 2018 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 2018 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
19 April 2019

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 2018

Intek Group – Consolidated financial statements as at 31 December 2018

Statement of financial position – Assets

(in thousands of Euro)	*Ref. Note*	*31-Dec-18*	*of which related parties*	*31-Dec-17*	*of which related parties*
Investments in equity interests and fund units	*4.1*	521,027	*502,912*	489,483	*442,140*
Non-current financial assets	*4.2*	4,722	*4,582*	13,645	*3,595*
Property, plant and equipment	*4.3*	11,481		11,323	
Investment property	*4.4*	16,536		19,750	
Intangible assets	*4.5*	6		6	
Other non-current assets	*4.6*	6		6	
Deferred tax assets	*4.20*	4,958		5,310	
Total non-current assets		**558,736**		**539,523**	
Current financial assets	*4.7*	12,516	*2,274*	39,390	*39,173*
Trade receivables	*4.8*	10,844	*4,951*	13,413	*6,531*
Other current receivables and assets	*4.9*	5,484	*1,867*	7,504	*232*
Cash and cash equivalents	*4.10*	52,556		28,886	
Total current assets		**81,400**		**89,193**	
Total assets		**640,136**		**628,716**	

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

Details of related party transactions are disclosed in note 4.21

Intek Group – Consolidated financial statements as at 31 December 2018

Statement of financial position – Liabilities

(in thousands of Euro)	*Ref. Note*	*31-Dec-18*	*of which related parties*	*31-Dec-17*	*of which related parties*
Share capital		335,069		335,069	
Other reserves		79,467		43,962	
Treasury shares		(1,820)		(1,820)	
Retained earnings/(accumulated losses)		71,146		72,196	
Other comprehensive income reserve		(132)		(128)	
Profit/(loss) for the period		20,866		35,402	
Equity attributable to owners of the Parent	***4.11***	**504,596**		**484,681**	
Non-controlling interests		-		-	
Total equity	***4.11***	**504,596**		**484,681**	
Employee benefits	*4.12*	343		322	
Deferred tax liabilities	*4.20*	3,529		3,536	
Non-current financial payables and liabilities	*4.13*	6,697		6,629	
Bonds	*4.14*	101,391		101,215	
Other non-current liabilities	*4.15*	2,338		1,492	
Provisions for risks and charges	*4.16*	1,042		5,039	
Total non-current liabilities		**115,340**		**118,233**	
Current financial payables and liabilities	*4.17*	15,391	*3,706*	17,775	*4,409*
Trade payables	*4.18*	1,308	*179*	2,647	*434*
Other current liabilities	*4.19*	3,501	*904*	5,380	*1,759*
Total current liabilities		**20,200**		**25,802**	
Total liabilities and equity		**640,136**		**628,716**	

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

Details of related party transactions are disclosed in note 4.21

Intek Group – Consolidated financial statements as at 31 December 2018

Statement of profit or loss and other comprehensive income

	Ref. Note	*2018*	*of which related parties*	*2017*	*of which related parties*
Net income from investment management	*5.1*	33,233		44,859	
Guarantee fees	*5.2*	1,258	*1,259*	3,932	*1,986*
Other income	*5.3*	1,066	*92*	1,801	*403*
Labour costs	*5.4*	(1,993)	-	(2,496)	-
Amortisation, depreciation, impairment and write-downs	*5.5*	(3,713)		(1,045)	
Other operating costs	*5.6*	(5,204)	*(921)*	(7,789)	*(982)*
Operating profit/(loss)		**24,647**		**39,262**	
Finance income		1,010	*254*	1,860	*2,336*
Finance expense		(5,809)	*(114)*	(5,925)	*(141)*
Net finance expense	*5.7*	*(4,799)*		*(4,065)*	
Profit/(loss) before taxes		**19,848**		**35,197**	
Current taxes	*5.8*	1,667		73	
Deferred taxes	*5.8*	(649)		132	
Total income taxes		**1,018**		**205**	
Net profit/(loss) for the year		**20,866**		**35,402**	
Other comprehensive income:					
Measurement of employee defined benefits		9		*5*	
Tax on other comprehensive income		-		-	
Items that will not be reclassified to profit or loss		9		5	
Foreign currency translation gains/(losses)		-		-	
Net change in cash flow hedge reserve		(17)		125	
Other		-		-	
Taxes on other comprehensive income		4		(30)	
Items that may be reclassified to profit or loss		(13)		95	
Other comprehensive income, net of tax effect:		(4)		100	
Total comprehensive income for the year		**20,862**		**35,502**	
Profit/(loss) for the period attributable to:					
- non-controlling interests		-		-	
- owners of the Parent		20,866		35,402	
Profit/(loss) for the period		20,866		35,402	
Total comprehensive income attributable to:					
- non-controlling interests		-		-	
- owners of the Parent		20,862		35,502	
Total comprehensive income for the period		20,862		35,502	

Earnings per share (in Euro)			
Basic earnings/(loss) per share		0.0398	0.0896
Diluted earnings/(loss) per share		0.0398	0.0896

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

Details of related party transactions are disclosed in note 4.21

Intek Group – Consolidated financial statements as at 31 December 2018

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.

Statement of changes in equity as at 31 December 2018

(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 2017 - published	**335,069**	**43,962**	**(1,820)**	**72,196**	**-**	**-**	**(128)**	**35,402**	**484,681**	**-**	**484,681**
Effect of changes in accounting standards	-	-	-	(948)	-	-	-	-	(948)	-	(948)
Equity as at 31 December 2017	**335,069**	**43,962**	**(1,820)**	**71,248**	**-**	**-**	**(128)**	**35,402**	**483,733**	**-**	**483,733**
Allocation of Parent company's profit/(loss)	-	36,747	-	-	-	-	-	(36,747)	-	-	-
Allocation of subsidiaries' profit/(loss)	-	(1,242)	-	(103)	-	-	-	1,345	-	-	-
Other	-	-	-	1	-	-	-	-	1	-	1
Comprehensive income items	-	-	-	-	-	-	(4)	-	(4)	-	(4)
Profit/(loss) for the period	-	-	-	-	-	-	-	20,866	20,866	-	20,866
Total comprehensive income	-	-	-	-	-	-	(4)	20,866	20,862	-	20,862
Equity as at 30 December 2018	**335,069**	**79,467**	**(1,820)**	**71,146**	**-**	**-**	**(132)**	**20,866**	**504,596**	**-**	**504,596**
Reclassification of treasury shares	(1,820)	-	1,820	-	-	-	-	-	-	-	-
Equity as at 30 December 2018	**333,249**	**79,467**	**-**	**71,146**	**-**	**-**	**(132)**	**20,866**	**504,596**	**-**	**504,596**

At 31 December 2018, 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 2018

Statement of cash flows – indirect method

(in thousands of Euro)		*2018*	*2017*
(A) Cash and cash equivalents at the beginning of the year		**28,886**	**10,444**
Profit/(loss) before taxes		19,848	35,197
Amortisation and depreciation		404	437
Impairment of current assets		1,210	-
Impairment/(reversal of impairment) of non-current assets other than financial assets		3,307	608
Impairment/(reversal of impairment) of investments and financial assets		(33,194)	(44,859)
Changes in pension funds, post-employment benefits and stock options		30	(144)
Changes in provisions for risks and charges		(2,823)	(591)
(Increase)/decrease in investments		1,454	5,415
(Increase)/decrease in financial investments and financial assets		-	4,967
Increase/(decrease) in current and non-current financial payables to related companies		(703)	(759)
(Increase)/decrease in current and non-current financial receivables from related companies		34,975	25,707
Dividends received		306	174
(Increase)/decrease in current receivables		5,047	7,039
Increase/(decrease) in current payables		(3,539)	(2,491)
(B) Total cash flows from/(used in) operating activities		**26,322**	**30,700**
(Increase) in non-current intangible assets and property, plant and equipment		(658)	(245)
Decrease in non-current intangible assets and property, plant and equipment		3	10
Investments in instrumental equity interests net of acquired cash		-	-
Increase/decrease in other non-current assets/liabilities		(8)	(258)
(C) Cash flows from/(used in) investing activities		**(663)**	**(493)**
Increase/(decrease) in current and non-current financial payables		(1,304)	(3,835)
(Increase)/decrease in current and non-current financial receivables		(160)	(8,150)
(D) Cash flows from/(used in) financing activities		**(1,464)**	**(11,985)**
(E) Change in cash and cash equivalents	**(B) + (C) + (D)**	**24,195**	**18,222**
(F) Change in scope of consolidation		**-**	**220**
(G) Effect of changes in accounting standards		**(525)**	**-**
(H) Cash and cash equivalents at the end of the period	**(A) + (E) + (F) + (G)**	**52,556**	**28,886**

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

Intek Group – Consolidated financial statements as at 31 December 2018

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 B.V. 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:

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 the parent or any other company under the parent's control;

c) 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 2018 were approved by the Board of Directors on 10 April 2019 and will be published in accordance with legal requirements.

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:

- it has more than one investment;
- it has more than one investor;
- it has investors that are not related parties of the entity; and
- it has ownership interests in the form of equity or similar interests.

The consolidated financial statements as at 31 December 2018 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 31 December 2018 were drafted pursuant to art. 154 of Legislative Decree 58/1998 and conform to the International Financial Reporting Standard (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission in accordance with the procedure as set out in art. 6 of Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002 as well as with the provisions issued in implementation of art. 9 of Legislative Decree 38/2005.

The Consolidated Financial Statements as at 31 December 2018 are composed of the consolidated statement of financial position, the consolidated statement of profit or loss for the year 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 2017.

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 year 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 year 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 consolidated 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 2017, except for the standards effective as from 1 January 2018. These consolidated 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, with the exception of IFRS 9, had no effects on shareholders' equity or the profit/loss for the reporting period, are the following:

- *IFRS 9 – Financial Instruments*. It contains the results of the IASB's project to replace IAS 39.

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 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 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 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 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.

The analyses performed, relating to the implementation of IFRS 9, specifically regarded the valuation of expected credit losses on receivables and cash and cash equivalents.

These valuations resulted in a reduction of Euro 948 thousand in the Group's shareholders' equity, net of tax effects.

The details of this adjustment and the reconciliation between the original valuation category and that set forth in IFRS 9 are provided in the following table:

(in thousands of Euro)	*IAS 39 Classification*	*New IFRS 9 Classification*	*IAS 39 Carrying Amount*	*IFRS 9 Carrying Amount*	*Difference*
Non-current financial assets	*Loans and receivables*	*Amortised cost*	13,645	13,617	28
Current financial assets					
Receivables	*Loans and receivables*	*Amortised cost*	36,946	36,252	694
Equity instruments	*Financial assets at fair value through profit or loss*	*Fair value - income statement*	67	67	-
Trade receivables	*Loans and receivables*	*Amortised cost*	13,413	13,413	-
Other current receivables and assets	*Loans and receivables*	*Amortised cost*	7,504	7,504	-
Cash and cash equivalents	*Loans and receivables*	*Amortised cost*	28,886	28,361	525
			100,461	**99,214**	**1,247**
		Tax effect			(299)
					948

There was no impact on financial liabilities.

Consistent with what is permitted by IFRS 9 (par. 7.2.15), the Group decided not to restate the balances for the previous year, also considering the limited impact of the introduction of that standard, and applied the new measurement criteria introduced by IFRS 9 as of 1 January 2018.

- *IFRS 15 – Revenue from Contracts with Customers.* This standard, along with further clarifications published on 12 April 2016, replaces *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.

  Given the activities of the Group, the application of this standard had no significant effects.

- "*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 to financial assets, before the IASB replaces the current IFRS 4 with the standard *IFRS 17 Insurance Contracts*, based on which financial liabilities are measured. The amendments introduce two possible approaches: an overlay or a deferral approach. This standard is of no interest given the Group's activities.

- "*Classification and measurement of share-based payment transactions (Amendments to IFRS 2)*". This document contains amendments to IFRS 2, which provide certain clarifications regarding: - the accounting of the effects of vesting conditions in cash-settled share-based payments, - the classification of 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 application of this standard had no effects.

- "*Annual Improvements to IFRSs: 2014-2016 Cycle*", a document which includes the amendments made to some standards as part of the annual improvement process for the standards.

  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 organisation 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 method) shall be applied to each individual investment upon initial recognition.
- *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.

The application of this document had no effects.

- "*Foreign Currency Transactions and Advance Consideration (IFRIC Interpretation 22)*". This interpretation 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.

  The application of this interpretation had no effects.
- "*Transfers of Investment Property* (Amendments to IAS 40)". The document 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. The adoption of these amendments had no effects on 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, it:

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	Share capital	Activity	% ownership direct	% ownership 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%	

There were no changes in the scope of consolidation during the year 2018.

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 of 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 of 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 of 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.

Please note that, on the basis of article 264b HGB (German Commercial Code), the indirect subsidiaries KME Germany GmbH & Co. KG, Osnabrück, and article 264 para. 3 HGB (German Commercial Code) KME Brass Germany GmbH, Osnabrück, do not prepare a "management report" and do not publicly disclose their financial statements. German law (§ 264b No. 3a HGB and § 264 (3) No. 3 HGB) requires in those cases the indication that the direct subsidiary KME SE (formerly KME AG) and its subsidiaries KME Brass Germany GmbH, KME Germany GmbH & Co. KG and KME Grundstücksgesellschaft AG & Co. KG are included in the consolidated financial statements of Intek Group, even if they are measured at 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

Financial assets and liabilities are classified in three different categories:

- Financial instruments at fair value through profit or loss;
- Financial assets at fair value through other comprehensive income;
- Financial instruments at amortised cost.

Financial instruments at fair value through profit or loss

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”.

A non-derivative financial asset may be designated at fair value if that designation makes it possible to avoid an accounting mismatch deriving from the measurement of assets and the associated liabilities using different valuation criteria.

Like financial assets, in accordance with IFRS 9 financial liabilities may be designated on initial recognition as financial liabilities designated at fair value, provided:

- this designation eliminates or significantly reduces a discrepancy which could otherwise arise from the measurement of assets or liabilities and the relative gains and losses on a different basis; or
- a group of financial assets, financial liabilities or both is managed and measured at fair value according to a risk management or investment strategy documented within the Company’s Management Bodies.

A financial asset is classified under financial assets necessarily measured at fair value if it does not qualify, in terms of its business model or cash flow characteristics, for measurement at amortised cost or at fair value through other comprehensive income.

In particular, this portfolio includes:

- debt instruments, securities and loans whose business model is not either held to collect or held to collect and sell, but which do not belong to the trading portfolio;
- debt instruments, securities and loans whose cash flows do not represent solely payments of principal and interest;
- UCI units;
- equity instruments not held for trading for which the company does not apply the option granted by IFRS 9 for measurement at fair value through other comprehensive income.

Financial assets at fair value through other comprehensive income

A financial asset is classified under financial assets at fair value through other comprehensive income when:

- the objective of its business model is pursued by collecting contractual cash flows and by selling it (held to collect and sell);
- the relative cash flows represent solely payments of principal and interest.

This category also includes equity instruments not held for trading for which the company applies the accounting option granted by IFRS 9 for measurement at fair value through other comprehensive income.

Financial instruments at amortised cost

A financial asset is classified under financial assets at amortised cost when:

- the objective of its business model is to hold the asset in order to collect the contractual cash flows (held to collect);
- the relative cash flows represent solely payments of principal and interest.

Financial liabilities at amortised cost include financial instruments (other than trading liabilities and those designated at fair value) representing different forms of funding from third parties.

Fair value measurement

The fair value of financial assets and liabilities at fair value is determined on initial recognition 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 unlisted non-derivative financial instruments is determined by discounting future cash flows at the market interest rate at the reporting date.

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 IFRS 9 and therefore also considering the effects of expected losses.

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 a financial asset at fair value through other comprehensive income is calculated with reference to the fair value of that asset.

All impairment losses are recognised in profit or loss. Any accumulated impairment losses relating to a financial asset at fair value through other comprehensive income, 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 assets at fair value through other comprehensive income 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

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. 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 offset 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:

- the Group 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. 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

Revenue is recognised based on the following phases:

1. identify the contract (or contracts) with the customer;
2. identify the performance obligations;
3. determine the transaction price: the transaction price is the amount of the consideration that the company is entitled to in exchange for the transfer of the promised services to the customer;
4. allocate the transaction price to the performance obligations in the contract;
5. recognise the revenue when the performance obligation is met.

Specifically, revenue can be recognised:

- at a point in time, when the performance obligation has been met by transferring the promised good or service to the customer, or
- over time, as the performance obligation is met by transferring the promised good or service to the customer.

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 year 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 year and that the conversion and exercise did not result in increased income or decreased expenses.

The calculation at 31 December 2018 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 433,515,923, 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 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 2018, 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 2018.

Some of the most important standards are detailed below:

- 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*.

  In this regard, the Company has carried out the activities required to guarantee full compliance with the new accounting standard; below the main methodological decisions made for the transition are summarised and information is provided on the estimated impacts deriving from its application.

  The Company will apply the new accounting rules as of the financial statements starting on 1 January 2019 (initial application date), choosing to apply the modified retrospective method which does not require the restatement of comparative information and which requires making the right of use value equal to the value of the lease liability, adjusted for the amount of any deferrals/accruals.

In adopting the new Standard, the Company decided to:

a) not apply IFRS 16 for contracts containing a lease that have an intangible underlying asset;

b) make use of the exemptions relating to short-term leases and lease agreements for which the underlying asset is a low-value asset;

c) exclude the initial direct costs from the measurement of the right of use as at 1 January 2019;

d) use the experience acquired to determine the duration of the lease, particularly with reference to the exercise of early termination and renewal options (in particular, with reference to the contracts outstanding at the transition date, for properties for non-residential use, the lease duration will include the reasonable exercise of an additional contract renewal).

Furthermore, with reference to the lease term under normal circumstances for new contracts, the Company:

i. for real estate leases, decided to consider a contract renewal to be reasonably certain, unless contractual clauses prohibit it or there are events or circumstances that lead to the assumption of additional renewals or result in the end of the lease agreement;

ii. for leases of motor vehicles or office equipment, also when there are renewal options, decided not to consider the exercise reasonably certain.

The standard's scope of application concerns rented properties, motor vehicles and certain rented office equipment.

The application of this standard is expected to have effects of less than 1%, which are thus not material, on total assets as at 31 December 2018.

With respect to the minimum lease payments due pursuant to IAS 17, the liabilities that will be recognised in the first financial statements in which IFRS 16 is applied will basically include, aside from the discounting effect, the higher liabilities deriving from payments relating to the additional renewal period which it is reasonably certain will be exercised.

- 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 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.

As at 31 December 2018, 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 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 loans that remain in existence even after the qualifying assets 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

- Amendment to IAS 19 "*Plan Amendment, Curtailment or Settlement*" (published on 7 February 2018). This document clarifies how an entity should recognise an amendment (i.e., a curtailment or a settlement) of a defined benefit plan. The amendments require the entity to update its assumptions and remeasure the net liability or asset deriving from the plan. The amendments clarify that after this event takes place, an entity must use updated assumptions to measure the current service cost and the interest for the remaining reference period subsequent to the event. The adoption of these amendments is not expected to have a significant effect on the financial statements.

- On 22 October 2018 the IASB issued the document "*Definition of a Business (Amendments to IFRS 3)*". The document provides several clarifications on the definition of a business for the proper application of IFRS 3. In particular, the amendment clarifies that while a business generally produces an output, the presence of an output is not strictly necessary to identify an integrated set of activities/processes and goods as a business. However, to meet the definition of a business, a set of activities/processes and goods must include, as a minimum, an input and a substantial process that together significantly contribute to the capacity to create output. To that end, the IASB replaced the term "*ability to create outputs*" with "*ability to contribute to the creation of outputs*" to clarify that a business may exist even without all inputs and processes necessary to create an output.

  The amendment also introduced a concentration test, optional for the entity, to determine if a set of activities/processes and goods acquired is not a business. If the test provides a positive outcome, the set of activities/processes and goods acquired does not constitute a business and the standard does not require further verifications. If the test provides a negative outcome, the entity will need to perform further analyses on the activities/processes and goods acquired to identify whether it is a business. To that end, the amendment added numerous illustrative examples to IFRS 3 to help readers understand the practical application of the new definition of business in specific cases. The amendments apply to all business combinations and asset acquisitions subsequent to 1 January 2020, but early application is permitted.

Since this amendment will be applied to new acquisition transactions that will be carried out starting on 1 January 2020, any effects will be recognised in the consolidated financial statements closed subsequent to that date. (or alternatively), the adoption of this amendment is not expected to have effects on the financial statements.

- On 31 October 2018 the IASB issued the document "*Definition of Material (Amendments to IAS 1 and IAS 8)*". This document introduced an amendment to the definition of "material" contained in *IAS 1 – Presentation of Financial Statements* and *IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors*. This amendment aims to make the definition of "material" more specific and introduced the concept of "obscured information" alongside the concepts of omitted or misstated information already present in the two amended standards. The amendment clarifies that information is "obscured" if it has been described in such a way so as to generate a similar effect for the primary readers of the financial statements to that which would be generated if the information had been omitted or misstated.

  The adoption of this amendment is not expected to have a significant effect on the financial statements. On 11 September 2014 the IASB issued an amendment to IFRS 10 and IAS 28 – *Sales or Contribution of Assets between an Investor and its Associate or Joint Venture*. The document was published 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 this risk only indirectly due to the risk that the fair value of the investments operating in currencies other than the Euro will be influenced by changes in 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 2018

4.1. Investments in equity interests and fund units

(in thousands of Euro)	*31 Dec 2018*	*31 Dec 2017*	*Change*
Investments in subsidiaries and associates	502,912	476,206	26,706
Investments in other companies	15,012	7,012	8,000
Mutual fund units	2,368	5,055	(2,687)
Other investments	735	1,210	(475)
Investments in equity interests and fund units	**521,027**	**489,483**	**31,544**

The breakdown of the item is as follows:

Name	*Registered office*	*Activity*	*Percentage of interest as at 31/12/2018*	*31/12/2017*	*Increases*	*Decreases*	*Other movements*	*Positive change in fair value*	*Negative change in fair value*	*31/12/2018*
KME SE	Osnabrück (D)	Industrial	100.00%	456,369	-	-	-	26,631	-	483,000
Culti Milano SpA	Milan	Furniture	72.04%	10,525	-	-	-	-	(202)	10,323
Breda Energia SpA in liquidazione	Milan	Holding company	100.00%	6,162	-	-	-	-	-	6,162
KME Beteiligungsgesellsch.mbH	Osnabrück (D)	Real Estate	100.00%	1,143	-	-	-	-	(39)	1,104
Former ErgyCapital investments		Alternative Energy		839	-	(383)	-	600	(15)	1,041
Fossati Uno Srl	Milan	Real Estate	35.00%	514	-	-	-	-	-	514
Intek Investimenti Srl	Milan	Deeds of Arrangement	100.00%	417	-	-	-	-	-	417
Progetto Ryan 3 in liquidazione	Milan	Furniture	100.00%	-	145	-	-	-	(80)	65
Mecchld srl	Milan	Credit broker	20.00%	217	-	-	-	-	-	217
Il Post Srl	Milan	Publishing	19.90%	20	142	-	-	-	(99)	63
Nextep Società Benefit Srl	Milan	Investments	60.00%	-	6	-	-	-	-	6
Total subsidiaries and associates				**476,206**	**293**	**(383)**	**-**	**27,231**	**(435)**	**502,912**
Ducati Energia				7,000	-	-	-	8,000	-	15,000
Other minor investments				12	-	-	-	-	-	12
Other investments				**7,012**	**-**	**-**	**-**	**8,000**	**-**	**15,012**
Total investments				**483,218**	**293**	**(383)**	**-**	**35,231**	**(435)**	**517,924**
I2 Capital Partners Fund				5,055	226	(1,590)	-	-	(1,323)	2,368
Total fund units				**5,055**	**226**	**(1,590)**	**-**	**-**	**(1,323)**	**2,368**
Culti Milano Warrant				1,210	-	-	-	-	(475)	735
Total other investments				**1,210**	**-**	**-**	**-**	**-**	**(475)**	**735**
Investments in equity interests and fund units				**489,483**	**519**	**(1,973)**	**-**	**35,231**	**(2,233)**	**521,027**

The fair value of the equity investment in KME SE 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 10.28% (including, as in the past, an additional premium of 1.5% to reflect the intrinsic risks of the forecasts, also taking into account the deviations that have been recorded in 2018).

The UDCF method was developed on economic forecasts and changes in some statement of financial position items included in the 2019-2023 Plan ("the Plan"), drafted and approved by the KME SE Board of Directors. The Plan used reflects the conditions of the KME Group at 31 December 2018 and accordingly does not consider the acquisitions carried out subsequently. For the assets disposed of in 2019, the recoverable amount is represented by the sale price.

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 2.6% annually (the increase in demand for copper at the global level (CAGR 2019-2023) is 2.1%);
- increase in the added value (2019-2023 CAGR of approximately 3.7%) 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 2019-2023 amounting to 1.2%, 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 5.0% 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 2018 plus a 2.00% spread, for a total gross rate of 5.05%;
- 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%.

The rate was also 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.

It should be noted that in 2017 the cash flows were discounted using a WACC discount rate of 10.33% (also increased by an additional premium of 1.5%), net of taxes. This rate took into account an average risk-free rate of about 1.67%, 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 2018 test was furthermore subjected to a sensitivity analysis using a WACC from 9.28% to 11.28% 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 (2023). 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 operating value thus estimated was subsequently adjusted using the same methodology as in previous years to consider:

- the fair value of assets held for sale, represented by the rods and tubing businesses, determined on the basis of the price of the sale which took place in 2019;
- the valuation of prior losses that can be carried forward for tax purposes;
- the fair value of surplus assets, consisting of properties not used in the business and other non-consolidated companies;
- the fair value of the joint ventures KMD and Cupori;
- the Group’s net financial position as at 31 December 2018.

The values fluctuate between a minimum of Euro 481 million and a maximum of Euro 486 million and they were compared with other values resulting from other methods in particular using the market multiples and the transaction multiples methods with the EV/EBITDA multiple, calculated by using historical EBITDA. The first was calculated based on forecast and historical data, using the 2018 EBITDA not including the value attributable to the Brass and Tubes activities sold in the early months of 2019. The multiplier identified on the basis of similar businesses in terms of the market multiples was 6.5x and 7.40x, respectively, while for the transaction multiples the multiplier was equal to 8.43x. The results obtained from the application of the multipliers to the reference EBITDA were then subject to the same adjustments as in the UDCF method.

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 483 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 assumptions 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, particularly 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, listed on the AIM market, saw a significant reduction in trading volumes in the course of 2018, with a considerable number of days on which there was no price formation. This led to the conclusion that this year transactions were carried out in the reference market with insufficient frequency and volumes to provide useful information to determine the price on a continuous basis. As a result, the prices recorded at the end of December 2018 were not deemed representative of the fair value of the company, thus resulting in the opportunity to use the UDCF method for the valuation of the investee, with the multiples method as a control.

The former ErgyCapital equity investments mainly include those in Società Agricola Agrienergia Biogas Srl (Euro 953 thousand) and Ergyca Tracker 2 Srl (Euro 82 thousand). The UDCF method was used for the valuation of the equity investment in Società Agricola Agrienergia Srl, resulting in a positive valuation of Euro 660 thousand. During the year, the equity investments in E Geo Srl and in Società Agricola Carmagnola Srl were sold.

The equity investment in Ducati Energia, given the lack of availability of a plan to use the UCF method, was measured using the market multiples method and the transaction multiples method. Since there were no results from 2018, those from 2017 were used.

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 2018 is equal to Euro 2,368 thousand, down by Euro 2,687 thousand compared to 31 December 2017. This change is attributable for Euro 1,323 thousand to the negative effects of the valuation and for Euro 1,377 thousand to repayments received. 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 2018*	*31 Dec 2017*	*Change*
Receivables due from related companies	3,263	3,595	(332)
Guarantee fees receivable	1,319	-	1,319
Other non-current financial assets	140	10,050	(9,910)
Non-current financial assets	**4,722**	**13,645**	**(8,923)**

The breakdown of receivables to subsidiaries and associates, net of the effects of the application of IFRS 9, is as follows:

- Fossati Uno Srl 2,664
- Società Agricola Agrienergia Srl 399
- Mecchld 200

3,263

"*Guarantee fees receivable*" represent 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 are matched by payables of an equal amount.

"*Other non-current financial assets*" decreased on account of the reclassification to current assets of guarantee deposits established for companies insuring the loan in support of KME operations and which are expected to be collected in the first half of 2019.

4.3. Property, plant and equipment:

(in thousands of Euro)	*31 Dec 2018*	*31 Dec 2017*	*Change*
Buildings	10,369	10,721	(352)
Plant and equipment	-	-	-
Other assets	341	375	(34)
Advances and assets under development	771	227	544
Property, plant and equipment	**11,481**	**11,323**	**158**

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 can be summarised as follows:

(in thousands of Euro)	*Buildings*	*Moveable property*	*Advances*	*Total*
Gross amount	13,506	2,405	227	16,138
Accumulated depreciation	(2,785)	(2,030)	-	(4,815)
Total at 31 December 2017	**10,721**	**375**	**227**	**11,323**
Gross amount at 31 December 2017	**13,506**	**2,405**	**227**	**16,138**
Purchases in the period	-	21	544	565
Disposals (cost)	-	(63)	-	(63)
Gross amount at 31 December 2018	**13,506**	**2,363**	**771**	**16,640**
Accumulated depreciation at 31 December 2017	**(2,785)**	**(2,030)**	**-**	**(4,815)**
Amortisation, depreciation, impairment and write-downs	(352)	(52)	-	(404)
Disposals (accumulated depreciation)	-	60	-	60
Accumulated depreciation at 31 December 2018	**(3,137)**	**(2,022)**	**-**	**(5,159)**
Gross amount	13,506	2,363	771	16,640
Accumulated depreciation	(3,137)	(2,022)	-	(5,159)
Total at 31 December 2018	**10,369**	**341**	**771**	**11,481**

On the other hand, in the previous year they were as follows:

(in thousands of Euro)	*Buildings*	*Moveable property*	*Advances*	*Total*
Gross amount	13,506	2,279	22	15,807
Accumulated depreciation	(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 depreciation 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 depreciation at 31 December 2017	**(2,785)**	**(2,030)**	**-**	**(4,815)**
Gross amount	13,506	2,405	227	16,138
Accumulated depreciation	(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, which is expected to be completed in 2019.

4.4. *Investment property*

(in thousands of Euro)	*31 Dec 2018*	*31 Dec 2017*	*Change*
Investment property	**16,536**	**19,750**	**(3,214)**

The changes in the item were as follows:

Total at 31 December 2017	**19,750**
Increases during the period	93
Fair value adjustments	(3,307)
Total at 31 December 2018	**16,536**

The breakdown by property is as follows:

(in thousands of Euro)	*31 Dec 2018*	*31 Dec 2017*
Limbiate - Varedo	11,970	14,508
Ivrea	2,670	3,090
Padua	780	843
Sezze	600	718
San Marcello Pistoiese	334	334
Torchiarolo	150	225
Castronno	32	32
Total at 31 December 2018	**16,536**	**19,750**

4.5. *Intangible assets*

(in thousands of Euro)	*31 Dec 2018*	*31 Dec 2017*	*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	15
Accumulated amortisation	(9)
Total at 31 December 2017	**6**
Gross amount at 31 December 2017	**15**
Purchases in the period	2
Decreases (cost)	(1)
Gross amount at 31 December 2018	**16**
Accumulated amortisation at 31 December 2017	**(9)**
Amortisation, depreciation, impairment and write-downs	(2)
Decreases (accumulated amortisation)	1
Accumulated amortisation at 31 December 2018	**(10)**
Gross amount	16
Accumulated amortisation	(10)
Total at 31 December 2018	**6**

The following changes instead took place in the previous year:

(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 2018*	*31 Dec 2017*	*Change*
Guarantee deposits	6	6	-
Other non-current assets	**6**	**6**	**-**

4.7. Current financial assets

(in thousands of Euro)	*31 Dec 2018*	*31 Dec 2017*	*Change*
Financial receivables from related companies	1,349	36,796	(35,447)
Guarantee fees receivable	925	2,377	(1,452)
Financial assets held for trading	57	67	(10)
Other current financial assets	10,185	150	10,035
Current financial assets	**12,516**	**39,390**	**(26,874)**

"*Financial receivables from related companies*", broken down in table 4.21, mainly include:

- Euro 533 thousand representing the balance of the current account with Intek Investimenti Srl;
- Euro 368 thousand which represents the balance of the existing interest-bearing loan to Società Agricola Agrienergia Srl;
- Euro 284 thousand representing the balance of the current account with KME Yorkshire Ltd.

The values specified above are net of IFRS 9 adjustments.

"*Guarantee fees receivable*" are the present value of fees that are receivable within 12 months, for guarantees issued by the Intek Group SpA to banks on behalf of subsidiaries, in particular KME SE, to which loans were granted. These receivables are matched by payables of an equal amount.

The item "*Other current financial assets*" included Euro 9,986 thousand in time deposits expected to be collected in the first half of 2019.

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 2018*	*31 Dec 2017*	*Change*
Due from customers - gross amount	*636*	*635*	1
Allowance for impairment	*(264)*	*(264)*	-
Due from customers - net amount	372	371	1
Due to related companies	4,951	6,531	(1,580)
Receivables from factoring/leases	5,521	6,511	(990)
Trade receivables	**10,844**	**13,413**	**(2,569)**

"*Trade receivables from customers*", linked for the most part to real estate proceeds, includes a preferential receivable for the net amount of Euro 120 thousand from an arrangement with creditors procedure, which is expected to be collected in the coming months.

The receivables "*Due from related companies*" at 31 December 2018 mainly referred to guarantees issued. The reduction is linked to the lower amount of commissions accrued in 2018. At the date on which these financial statements were drafted, collections of roughly Euro 4.5 million were recognised.

"*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 2018*	*31 Dec 2017*	*Change*
Tax assets	1,442	1,575	(133)
Receivables from special situation activities	300	3,510	(3,210)
Accruals and prepayments	68	56	12
Receivables due from related companies	1,867	232	1,635
Other receivables	1,807	2,131	(324)
Other current receivables and assets	**5,484**	**7,504**	**(2,020)**

The "*Tax assets*" include primarily positions of the parent company, i.e., credits for direct taxes of Euro 490 thousand and VAT credits of Euro 831 thousand, of which Euro 447 thousand will be recovered by the end of the first half of 2019.

The "*Receivables for special situation activities*" as at 31 December 2017 consisted of Euro 2,000 thousand of credits relative to the Isotta Fraschini proceedings, collected in 2018, and Euro 1,510 thousand are loans secured by mortgages, which were written down to Euro 300 thousand as a result of collection difficulties.

"*Receivables due from related companies*" include positions arising from the tax consolidation. The receivable of the previous year was recovered following the submission of the tax returns.

The item "*Other receivables*" as at 31 December 2017 included a guarantee deposit of Euro 466 thousand, paid as part of the disposal of a property, which was collected during the year.

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 2018*	*31 Dec 2017*	*Change*
Bank and post office accounts	52,546	28,870	23,676
Cash on hand	10	16	(6)
Cash and cash equivalents	**52,556**	**28,886**	**23,670**

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

4.11. *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*".

There were no changes in the number of shares during the year.

4.12. *Employee benefits*

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

(in thousands of Euro)	*31 Dec 2018*	*31 Dec 2017*	*Change*
Executives	72	64	8
Clerical workers	240	220	20
IAS adjustment	31	38	(7)
Employee benefits	**343**	**322**	**21**

The changes in the item were as follows:

(in thousands of Euro)	*31 Dec 2017*	*Increases*	*Decreases*	*Contributions to the fund*	*31 Dec 2018*
Executives	64	41	-	(33)	72
Clerical workers	220	38	(6)	(12)	240
IFRS differences	38	-	(7)	-	31
Employee benefits	**322**	**79**	**(13)**	**(45)**	**343**

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

General criteria	*31 Dec 2018*	*31 Dec 2017*
Discount rate	1.13-1.57%	0.88-1.30%
Rate of increase in future remuneration	0.5-1.0%	0.5-1.0%
Average remaining working life	7.7-12.3 years	8.2-13.1 years
General criteria		

A discount rate based on the "Iboxx Eurozone Corporate AA" index was used also at 31 December 2018 for the actuarial valuation of post-employment benefits.

4.13. Non-current financial payables and liabilities

The breakdown of the item is as follows:

(in thousands of Euro)	*31 Dec 2018*	*31 Dec 2017*	*Change*
Payables for financial guarantees issued	1,319	-	1,319
Due to banks	5,195	6,463	(1,268)
Due to others	183	166	17
Non-current financial payables and liabilities	**6,697**	**6,629**	**68**

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	291	149	440
UBI	40	189	229
Banco BPM	467	4,857	5,324
Mediocredito centrale	5,111	-	5,111
Mortgage loans	**5,909**	**5,195**	**11,104**
Friulia loan	**476**	**-**	**476**
Payables due to banks	**6,385**	**5,195**	**11,580**

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 the reporting date 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 interest 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 225 thousand in estimated accrued interest. 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 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*".

4.14. Bonds

(in thousands of Euro)	*31 Dec 2018*	*31 Dec 2017*	*Change*
Intek Group Bonds 2015/2020	101,391	101,215	176
Bonds	**101,391**	**101,215**	**176**

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.

4.15. *Other non-current liabilities*

(in thousands of Euro)	*31 Dec 2018*	*31 Dec 2017*	*Change*
Payables for guarantees issued	853	-	853-
Liabilities for "special situations"	692	692	-
Other liabilities	793	800	7
Other non-current liabilities	**2,338**	**1,492**	**846**

"*Payables for guarantees issued*" refer to the non-current portion of the payable for tax liabilities assumed by the Company against guarantees given during the disposal of an equity investment. This guarantee was previously recognised in provisions for risks. It was reclassified as during the year following the ruling of the Court of Cassation, the payment request was received from Equitalia, which was broken down into instalments to be paid over 24 months.

"*Liabilities for special situations*" originated as part of agreements with creditors and refer to creditors that could not be found of the former FEB – Ernesto Breda SpA proceedings (Euro 596 thousand) and for the remainder to advances linked to former Fime Leasing positions.

"*Other payables*", amounting to Euro 793 thousand, refer to an investment agreement concerning the Fossati Uno initiative, which provides for payment to the counterparty of part of the net proceeds arising from the initiative.

4.16. *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)	*31.12.2017*	*Increases*	*Releases/ uses*	*31.12.2018*
Provisions for equity investment risks	858	-	(506)	352
Provisions for risks for tax disputes	300	-	(9)	291
Provision for special situations' risks	2,731	-	(2,596)	135
Provisions for risks on guarantees for the disposal of assets	936	238	(1,174)	-
Other provisions for risks and charges	214	50	-	264
Total	**5,039**	**288**	**(4,285)**	**1,042**

The "*Provisions for equity investment risks*" are allocated for equity investments, from the merger with ErgyCapital, with negative shareholders' equity. During the year, part of the provision was released due to the lower deficit expected from the liquidation of Energetica Solare, including in relation to settlement agreements reached by the subsidiary with several creditors.

The "*Provisions for risks for tax disputes*" relate to disputes concerning registration tax and Invim (tax on increase in real estate value) of the Fime Group, recognised to the maximum extent of the estimated liability. During the year, a Court of Cassation ruling settled a VAT position arising from fraud for non-existent transactions in which the Fime Group was the injured party, with no additional expense for the company.

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 for which, as mentioned above, an instalment plan was defined in 2018.

The "*Provision for special situations' risks*" declined during the year due to a settlement with the bankruptcy receivers of a former leasing customer whereby a dispute that was pending judgement by the Court of Cassation was closed. The settlement, which required the payment of Euro 1,025 thousand, made it possible to close the position for which a Euro 2,597 thousand provision was recognised in 2014 following a negative ruling issued by the Naples Court of Appeal (Corte di Appello).

"*Other provisions for risks and charges*" contain, among others, allocations for disputes with former employees.

At the approval date of these consolidated financial statements, as far as the management is aware, there were no other significant contingent liabilities.

4.17. Current financial payables and liabilities

(in thousands of Euro)	*31 Dec 2018*	*31 Dec 2017*	*Change*
Due to related companies	3,706	4,409	(703)
Overdrafts on the bank accounts of the former ErgyCapital	-	59	(59)
Shares of expiring loans	6,385	6,553	(168)
Payables for financial guarantees issued	925	2,377	(1,452)
Interest expense on bonds	4,375	4,375	-
Due to lease companies	-	2	(2)
Current financial payables and liabilities	**15,391**	**17,775**	**(2,384)**

"*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 3,479 thousand with Breda Energia;
- Euro 227 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 accruing for the period from 20 February to 31 December 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 interest 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.

4.18. *Trade payables*

(in thousands of Euro)	*31 Dec 2018*	*31 Dec 2017*	*Change*
Due to suppliers	1,129	2,213	(1,084)
Due to related companies	179	434	(255)
Trade payables	**1,308**	**2,647**	**(1,339)**

The reduction of this item can be linked to the payment of suppliers from the incorporated entity ErgyCapital.

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

4.19. *Other current liabilities*

(in thousands of Euro)	*31 Dec 2018*	*31 Dec 2017*	*Change*
Payables to directors for end of office indemnity	699	774	(75)
Payables due to related companies	205	985	(780)
Due to employees	198	502	(304)
Tax liabilities	185	450	(265)
Due to social security institutions	116	172	(56)
Other liabilities	2,098	2,497	(399)
Other current liabilities	**3,501**	**5,380**	**(1,879)**

"*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 2019.

The item "*Payables due to related companies*" includes the payables to directors for accrued remuneration and last year also included the residual debt of Euro 848 thousand payable to Progetto Ryan 3 for the purchase of the Culti Milano shares in 2017.

The reduction in "*Payables due to employees*" (referring to amounts accrued but not yet settled), "*Payables due to social security institutions*" (for contributions withheld from employees or associates or borne by the company) and "*Tax liabilities*" (which primarily includes payables for withholding tax to be paid) can be linked to the payment of payables referring to the incorporated entity ErgyCapital.

The item "*Other payables*" includes Euro 1,266 thousand for payables due to former leasing customers relating to sums received by way of advance from customers and not offset with credit entries. As at 31 December 2018, the same item also includes Euro 321 thousand for the current share of the payable linked to guarantees given, noted above. Last year, there was a payable of Euro 780 thousand linked to special situation activities extinguished in 2018.

4.20. *Deferred tax assets and liabilities*

(in thousands of Euro)	*31 Dec 2018*	*31 Dec 2017*	*Change*
Deferred tax assets	4,958	5,310	(352)
Deferred tax liabilities	(3,529)	(3,536)	7
Deferred tax assets and liabilities	**1,429**	**1,774**	**(345)**

As at the reporting date of these consolidated financial statements, the Group recorded deferred tax assets on tax losses carried forward amounting to Euro 1.4 million. Moreover, there are losses of Euro 35.7 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 2018	*31 Dec 2017*	*31 Dec 2018*	*31 Dec 2017*
Property, plant and equipment	-	-	(1,458)	(1,507)
Investment property	1,026	382	-	-
Equity/Financial investments	-	-	(1,412)	(991)
Non-current financial assets	2	-	-	-
Trade receivables	2,775	3,328	(659)	(1,036)
Other current receivables and assets	406	115	-	-
Current financial assets	13	-	-	(2)
Cash and cash equivalents	119	-	-	-
Non-current financial liabilities	44	40	-	-
Provisions for risks and charges	67	729	-	-
Other current liabilities	82	91	-	-
Deferred taxes on tax losses carried forward	424	625	-	-
Total	**4,958**	**5,310**	**(3,529)**	**(3,536)**

4.21. 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.

Receivables and payables

(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	-	-	-	-	(3,479)	-	-
EM Moulds Srl	-	-	12	-	-	-	-
Energetica Solare Srl in liquidazione	-	-	-	-	(227)	-	-
Ergyca Bio Srl in liquidazione	-	149	-	-	-	-	-
Fossati Uno Srl	2,664	-	-	-	-	-	-
HG Power Srl in liquidazione	-	15	-	-	-	-	-
Intek Investimenti Srl	-	533	-	-	-	-	-
KME Brass Italy Srl	-	-	15	-	-	-	-
KME Germany GmbH	-	-	33	-	-	-	-
KME Italy SpA	-	-	33	-	-	(36)	-
KME SE	-	-	4,552	-	-	-	-
KME Srl	-	-	-	-	-	(17)	-
KME Yorkshire Ltd	-	284	249	-	-	(7)	-
Mecchld Srl	200	-	-	-	-	-	-
Nextep Srl benefit corporation	-	-	10	-	-	-	-
Oasi Dynamo Foodco	-	-	-	-	-	-	(7)
Progetto Ryan 3 Srl in liquidazione	-	-	-	-	-	-	(1)
Quattroduedue SpA	-	-	31	-	-	-	-
Società Agricola Agrienergia Srl	399	368	16	-	-	-	(70)
Receivables from guarantees	1,319	925	-	-	-	-	-
Receivables/Payables for tax consolidation	-	-	-	1,867	-	-	-
Directors and Statutory Auditors	-	-	-	-	-	(119)	(826)
	4,582	**2,274**	**4,951**	**1,867**	**(3,706)**	**(179)**	**(904)**
Total	**4,722**	**12,516**	**10,844**	**5,484**	**(15,391)**	**(1,308)**	**(3,501)**
Percentage	**97.04%**	**18.17%**	**45.66%**	**34.04%**	**24.08%**	**13.69%**	**25.82%**

Flows of costs and revenues

(in thousands of Euro)	*Guarantee fees*	*Other operating income*	*Other operating costs*	*Finance income*	*Finance expense*
Breda Energia Srl in Liquidazione	1	15	-	-	(89)
Culti Milano SpA	6	15	-	-	-
EM Moulds Srl	24	-	-	-	-
Green Recycle	1	-	-	-	-
Intek Investimenti Srl	-	15	-	8	-
KME Brass Italy	29	-	-	-	-
KME Germany GmbH & Co. KG	67	-	-	-	-
KME Italy Srl	64	-	(4)	-	-
KME SE	1,067	-	-	182	-
KME Srl	-	-	(25)	-	-
KME Yorkshire Ltd	-	-	-	9	-
Progetto Ryan 3 Srl in liquidazione	-	-	-	4	-
Società Agricola Agrienergia S.r.l.	-	32	-	51	-
Quattroduedue SpA	-	15	-	-	-
Directors/Statutory Auditors	-	-	(892)	-	(25)
	1,259	**92**	**(921)**	**254**	**(114)**
Total	**1,258**	**1,066**	**(5,204)**	**1,010**	**(5,809)**

Percentage	100.08%	8.63%	17.70%	25.15%	1.96%

5. *Income Statement*

It is noted first of all that the values for 2017 also included those relative to the incorporated entity ErgyCapital SpA. The merger by incorporation was effective as of December, but for accounting purposes it was backdated to 1 January.

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

5.1. Net income from investment management

The breakdown of the item is as follows:

(in thousands of Euro)	*2018*	*2017*	*Change*	*% Change*
Measurement of investments at fair value	34,827	44,354	(9,527)	-21.48%
Measurement of fund units and securities at fair value	(1,323)	771	(2,094)	-271.60%
Value adjustments on equity investments and securities	(66)	1	(67)	n/s
Gains/losses from the sale of fund units and securities	(315)	196	(511)	-260.71%
Value adjustments on financial receivables from related companies	(196)	(637)	441	-69.23%
Dividends	306	174	132	75.86%
Net income from investment management	**33,233**	**44,859**	**(11,626)**	**-25.92%**

This item consists of the following amounts:

- the fair value measurement of the equity investments includes the positive values of Euro 26,632 thousand for KME SE, Euro 8,000 thousand for Ducati Energia SpA, Euro 600 thousand for Società Agricola Agrienergia and Euro 531 thousand for Energetica Solare;
- the fair value measurement of fund units of Euro 1,323 thousand refers to the I2 Capital fund;
- losses from the sale of equity investments and securities include Euro 220 thousand from the disposal of E.Geo Srl and Euro 125 thousand from the disposal of Società Agricola Carmagnola;
- Euro 175 thousand of the value adjustments on financial receivables from related companies related to a receivable from NewCocoot Srl in liquidazione.

5.2. Guarantee fees

(in thousands of Euro)	*2018*	*2017*	*Change*	*% Change*
Guarantee fees	1,258	3,932	(2,674)	-68.01%
Guarantee fees	**1,258**	**3,932**	**(2,674)**	**-68.01%**

They refer to guarantees provided for subsidiaries and mainly refer to KME SE and its subsidiaries. Fees declined due to the decrease in the amount of guarantees given as part of the renegotiation of KME credit lines.

5.3. Other income

(in thousands of Euro)	*2018*	*2017*	*Change*	*% Change*
Fund management fees	771	783	(12)	-1.53%
Income from "special situations"	88	245	(157)	-64.08%
Lease income	60	65	(5)	-7.69%
Provision of services to related companies	92	403	(311)	-77.17%
Other	55	305	(250)	-81.97%
Other income	**1,066**	**1,801**	**(735)**	**-40.81%**

"*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 administrative support to companies belonging to the group. Last year, it also included services provided by ErgyCapital to its subsidiaries.

5.4. Labour costs

(in thousands of Euro)	*2018*	*2017*	*Change*	*% Change*
Wages and salaries	(1,065)	(1,641)	576	-35.10%
Social security charges	(333)	(455)	122	-26.81%
Other personnel costs	(595)	(400)	(195)	48.75%
Labour costs	**(1,993)**	**(2,496)**	**503**	**-20.15%**

The item "*Labour costs*" included Euro 748 thousand last year relative to ErgyCapital employees, including the costs from settlement agreements. During the year in question wages and contributions relating to personnel of the incorporated entity ErgyCapital totalled Euro 94 thousand and Euro 39 thousand, respectively.

Other personnel expense includes remuneration to associates of Euro 315 thousand, in addition to contribution expenses of Euro 111 thousand, costs for a welfare plan of Euro 76 thousand and an allocation to the employees' post-employment benefits of Euro 79 thousand.

Average number of employees:

	31/12/2018	*31/12/2017*	*Change*	*% Change*
Executives	3	3	-	0.00%
	20.00%	21.43%		
Clerical workers	12	11	1	9.09%
	80.00%	78.57%		
Total employees (average)	**15**	**14**	**1**	**7.14%**
	100.00%	100.00%		

5.5. Amortisation, depreciation, impairment and write-downs

(in thousands of Euro)	*2018*	*2017*	*Change*	*% Change*
Depreciation	(404)	(435)	31	-7.13%
Amortisation	(2)	(2)	-	0.00%
Reversal of impairment losses on investment property	(3,307)	(608)	(2,699)	443.91%
Amortisation, depreciation, impairment and write-downs	**(3,713)**	**(1,045)**	**(2,668)**	**255.31%**

Please see the comments under the individual asset items.

5.6. Other operating costs

(in thousands of Euro)	*2018*	*2017*	*Change*	*% Change*
Directors' and Statutory Auditors' fees	(1,514)	(1,652)	138	-8.35%
Professional services	(1,356)	(2,801)	1,445	-51.59%
Travel costs	(283)	(355)	72	-20.28%
Other personnel costs	(4)	(94)	90	-95.74%
Legal and company disclosure	(146)	(293)	147	-50.17%
Electricity, heating, postal and telephone costs	(273)	(351)	78	-22.22%
Insurance premiums	(121)	(326)	205	-62.88%
Training and seminars	(1)	(3)	2	-66.67%
Real estate leases	(169)	(201)	32	-15.92%
Maintenance	(225)	(78)	(147)	188.46%
Leases and rentals	(99)	(116)	17	-14.66%
Other tax charges	(349)	(486)	137	-28.19%
Membership fees	(186)	(135)	(51)	37.78%
Other net costs	(328)	(425)	97	-22.82%
Donations	(23)	(69)	46	-66.67%
Bank fees	(24)	(27)	3	-11.11%
	(5,101)	*(7,412)*	*2,311*	-31.18%
Release of provisions	1,596	-	1,596	n/a
Provision for risks	(265)	(276)	11	-3.99%
Losses on receivables	(1,434)	(101)	(1,333)	1319.80%
Other operating costs	**(5,204)**	**(7,789)**	**2,585**	**-33.19%**

Last year the item included costs of Euro 2,306 thousand relative to ErgyCapital and expenses incurred for the merger totalling Euro 500 thousand.

The "*Release of provisions*" relates to the positive effects of the Mareco settlement commented on in the item "*Provisions for risks and charges*".

5.7. *Net finance expense*

(in thousands of Euro)	*2018*	*2017*	*Change*	*% Change*
Interest income from related companies	*254*	*1,855*	(1,601)	-86.31%
Other finance income and interest	*756*	*5*	751	15020.00%
Total finance income	1,010	1,860	(850)	-45.70%
Interest paid to related companies	*(114)*	*(94)*	(20)	21.28%
Loan interest expense	*(261)*	*(288)*	27	-9.38%
Interest expense on securities issued	*(5,261)*	*(5,296)*	35	-0.66%
Other interest expense	-	*(66)*	66	-100.00%
Other finance expense	*(173)*	*(181)*	8	-4.42%
Total finance expense	(5,809)	(5,925)	116	-1.96%
Total net financial expense	**(4,799)**	**(4,065)**	**(734)**	**18.06%**

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.

The item "*Other finance income and interest*" includes Euro 746 thousand relating to the release of adjustments on expected losses pursuant to IFRS 9 due to the collection of the underlying positions.

"*Other finance expense*" includes both adjustments on expected losses (Euro 62 thousand) and differentials on interest rate hedging contracts (Euro 78 thousand).

5.8. *Current and deferred taxes*

(in thousands of Euro)	*2018*	*2017*	*Change*	*% Change*
Current taxes	1,667	73	1,594	2183.56%
Deferred taxes	(649)	132	(781)	-591.67%
Current and deferred taxes	**1,018**	**205**	**813**	**396.59%**

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)	*2018*
Profit/(loss) before taxes	19,848
Theoretical tax charge *(tax rate used 24%)*	**(4,763)**
Reconciliation:	
Effect due to different tax rates:	-
Other effects:	-
- Non-deductible (expenses) and non-taxable income	4,338
- Tax losses – Deferred taxes not set aside	(79)
- Impairment losses/(reversal of impairment losses) on investments and securities	1,927
- Current taxes for previous years	(405)
Taxes recognised in profit or loss	**1,018**

6. ***Additional information***

6.1. Financial instruments by category

	31 Dec 2018	*31 Dec 2017*	*Change*
Financial assets at fair value through profit or loss	523,328	491,927	31,401
Financial assets at fair value through other comprehensive income	-	-	-
Amortised cost	82,385	98,825	(16,440)
Financial assets	**605,713**	**590,752**	**14,961**
Financial liabilities at fair value through profit or loss	(2,427)	(2,543)	116
Financial payables and liabilities at amortised cost	(128,014)	(132,145)	4,131
Financial liabilities	**(130,441)**	**(134,688)**	**4,247**

6.2. Financial instruments by financial statement item

Financial instruments and reconciliation with financial statement items at 31 December 2018:

(in thousands of Euro)	*Total*	*At amortised cost*	*At fair value*	*Outside the scope of IFRS 7*
Investments in equity interests and fund units	521,027	-	521,027	-
Non-current financial assets	4,722	3,403	1,319	-
Other non-current assets	6	6	-	-
Trade receivables	10,844	10,844	-	-
Other current receivables and assets	5,484	4,042	-	1,442
Current financial assets	12,516	11,534	982	-
Cash and cash equivalents	52,556	52,556	-	-
Total financial assets	**607,155**	**82,385**	**523,328**	**1,442**
Non-current financial payables and liabilities	(6,697)	(5,195)	(1,502)	-
Bonds	(101,391)	(101,391)	-	-
Other non-current liabilities	(2,338)	(2,338)	-	-
Current financial payables and liabilities	(15,391)	(14,466)	(925)	-
Trade payables	(1,308)	(1,308)	-	-
Other current liabilities	(3,501)	(3,316)	-	(185)
Total financial liabilities	**(130,626)**	**(128,014)**	**(2,427)**	**(185)**

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 financial 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	521,027	735	-	520,292
Non-current financial assets	1,319	-	-	1,319
Current financial assets	982	-	-	982
Total financial assets	**523,328**	**735**	**-**	**522,593**
Non-current financial payables and liabilities	(1,502)	-	(183)	(1,319)
Current financial payables and liabilities	(925)	-	-	(925)
Total financial liabilities	**(2,427)**	**-**	**(183)**	**(2,244)**

The financial instruments recognised in the balance sheet and income statement at fair value, except for the Culti Milano SpA warrants, consist of participating investments and units in closed-end and restricted investment funds and guarantees issued which fall under the level 3 assets. For determination of the fair value of the participating investments and the investment fund units, please see the appropriate note. The fair value of the guarantees issued is determined by applying a rate which is considered to be representative of the risk undertaken.

In 2018, the Culti Milano shares were considered Level 3 and no longer Level 1.

6.3. Notional value of financial instruments and derivatives

No derivative financial instruments are recognised as at 31 December 2018, except for the interest rate hedge on the Immobiliare Pictea mortgage loan, the notional value of which is Euro 5,405 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*	*Impairment losses as at 31 Dec 2018*	*Net carrying amount*
Not yet due	5	-	5
Up to 60 days past due	5	-	5
61 to 120 days past due	6	-	6
121 days to 1 year past due	-	-	-
Over 1 year past due	620	(264)	356
Trade receivables	**636**	**(264)**	**372**

There were no changes during the year.

6.5. Currency risk exposure

At 31 December 2018, there were no assets or liabilities in a foreign currency.

6.6. Interest rate risk exposure

As at 31 December 2018 the Group's interest-bearing financial assets and liabilities had the following interest rate risk exposure:

(in thousands of Euro)	*31 Dec 2018*	*31 Dec 2017*
Financial assets	-	50
Financial liabilities	(107,191)	(108,220)
Fixed rate instruments	**(107,191)**	**(108,170)**
Financial assets	67,483	79,411
Financial liabilities	(9,486)	(10,481)
Floating rate instruments	**57,997**	**68,930**

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 290 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 SE and its main subsidiaries operating in the copper and copper-alloy semi-finished products sector as follows:

- Euro 100 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.

There are furthermore additional guarantees for non-revolving credit lines connected to the copper sector of Euro 24 million, and guarantees for tax credits of approximately Euro 1.7 million expiring insofar as 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 1.5 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 2018:

(in thousands of Euro)	*31 Dec 2018*
Profit/(loss) of Intek Group S.p.A.	**16,791**
Profit/(loss) of consolidated companies (1)	(4,125)
Reversal of impairment losses on investments	389
Amortisation of excess cost allocation on property (net of tax effect)	(126)
Fair value measurement of investments held by subsidiaries (net of tax effect)	7,904
Other	33
Group's consolidated net profit/(loss)	**20,866**

Reconciliation of the equity of the Parent company Intek Group SpA and the consolidated equity for the period ended 31 December 2018:

(in thousands of Euro)	*31 Dec 2018*
Parent company's equity including profit/(loss) for the period	**501,894**
Fair value measurement of investments held by subsidiaries (net of tax effect)	7,904
Excess cost allocation on property (net of tax effect)	3,772
Other	171
Difference between the consolidated companies' equity and their carrying amount	(9,145)
Group's consolidated equity including profit/(loss) for the period	**504,596**

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 S.p.A., hereby certify:
   - the adequacy with respect to the characteristics of the Company and
   - the effective application

   of administrative and accounting procedures for the preparation of the consolidated financial statements during 2018, 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, 10 April 2019

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 2018

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 2018.

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 2018, which 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 has for many years now resulted in a significant change in the representation of the consolidated financial statements.

Indeed, the consolidated financial statements differ 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, which certainly constitutes the most significant element for the separate financial statements and as noted the consolidated financial statements, as also indicated in the report to the separate financial statements, the Board specifically verified that it has been measured with the support of an independent and qualified advisor, which was E&Y S.p.A.

The main consequence of the above is that the difference between the values in the separate financial statements and those in the consolidated financial statements are not relevant.

The following table lists all subsidiaries consolidated on a line-by-line basis in 2018:

Name	Registered office	Currency	Share capital	Activity	% ownership direct	% ownership 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%	

There were no changes in the scope of consolidation during the year 2018.

As usual, 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 between the results of the parent company Intek Group S.p.A. and the consolidated results as at 31 December 2018, with regard to the income statement as well as shareholders' equity.

Income Statement

(in thousands of Euro)	*31 Dec 2018*
Profit/(loss) of Intek Group S.p.A.	**16,791**
Profit/(loss) of consolidated companies	(4,125)
Reversal of impairment losses on investments	389
Amortisation of excess cost allocation on property (net of tax effect)	(126)
Fair value measurement of investments held by subsidiaries (net of tax effect)	7,904
Other	33
Group's consolidated net profit/(loss)	**20,866**

Equity

(in thousands of Euro)	*31 Dec 2018*
Parent company's equity including profit/(loss) for the period	**501,894**
Fair value measurement of investments held by subsidiaries (net of tax effect)	7,904
Excess cost allocation on property (net of tax effect)	3,772
Other	171
Difference between the consolidated companies' equity and their carrying amount	(9,145)
Group's consolidated equity including profit/(loss) for the period	**504,596**

As is easy to discern from the figures above, the differences between the income statement and shareholders' equity data in the separate and consolidated financial statements are not relevant in absolute terms and are clearly linked to the results for the year of the companies consolidated line by line.

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 1 April 2019, 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 2018, and their compliance with international financial reporting standards.

On 19 April 2019, the Independent Auditors Deloitte & Touche SpA issued an unreserved opinion on the consolidated financial statements.

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 2018, 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.

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 2018.

The consolidated financial statements and accompanying documents have only been provided to Shareholders for information purposes and do not require approval.

Milan, 19 April 2019

THE BOARD OF STATUTORY AUDITORS

The Chairman of the Board of Statutory Auditors

(signed Marco Lombardi)

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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 2018, 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 2018, 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.

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Codice Fiscale/Registro delle Imprese di Milano Monza Brianza Lodi n. 03049560166 - R.E.A. n. MI-1720239 | Partita IVA: IT 03049560166

Fair Value Measurement for investment in KME SE

Description of the Key Audit Matter	Paragraph 4.1 of the explanatory notes to the consolidated financial statements at 31 December 2018 shows Euro 521 million of investments in equity interests and fund units measured at *fair value*, of which Euro 483 million referred to the 100% stake held in KME SE, parent company of the KME SE Group that operates in the "copper" industry. The fair value of the investment in KME SE 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 other above mentioned 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.
Audit procedures to address the Key Audit Matter identified	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; 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 methodology 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, the appropriate discount rate (WACC) and 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 compliance of the disclosures provided by the Company in the consolidated financial statements with accounting standards.

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 2018, including their consistency with the related consolidated financial statements and their compliance with the law.

Deloitte.

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 2018 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 2018 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
19 April 2019

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