

# INTEK GROUP

## INTERIM FINANCIAL REPORT AS AT 30 JUNE 2018 (1st HALF 2018)

Pursuant to Article 154 ter of the TUF

Board of Directors  
of 18 September 2018

Registered and Administrative Office:  
20121 Milan - Foro Buonaparte, 44  
Share capital Euro 335,069,009.80 fully paid-up  
Tax Code and Companies Register of Milan no. 00931330583  
[www.itkgroup.it](http://www.itkgroup.it)

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## Corporate Bodies

### Board of Directors (appointed by shareholders at the meeting of 08 May 2018)

<b>Chair</b>	Vincenzo Manes <sup>B</sup>
<b>Deputy Chairs</b>	Diva Moriani <sup>B</sup> Marcello Gallo <sup>B</sup>
<b>Directors</b>	Giuseppe Lignana <sup>A,C</sup> James Macdonald Ruggero Magnoni Alessandra Pizzuti Luca Ricciardi <sup>A,C</sup> Francesca Marchetti <sup>A,C</sup>

A. Independent Director

B. Executive Director

C. Member of the Control and Risk Committee (Chair Giuseppe Lignana)

### Board of Statutory Auditors (appointed by shareholders at the meeting of 08 May 2018)

<b>Chair</b>	Marco Lombardi
<b>Standing Statutory Auditors</b>	Giovanna Villa Alberto Villani
<b>Alternate Statutory Auditors</b>	Elena Beretta Andrea Zonca

### Manager in charge of Financial Reporting

Giuseppe Mazza

### Independent Auditors

(appointed by shareholders at the meeting of 31 May 2016)

Deloitte & Touche SpA

### Common Representative of Savings Shareholders

Simonetta Pastorino

### Common Representative of the

“Intek Group SpA 2015/2020 Bonds” Holders

Rossano Bortolotti

## Interim management report

Dear Shareholders,

Also during the half year under review, Intek Group SpA (hereinafter also referred to as “Intek” or the “Company”) carried on business as a diversified investment holding company, actively managing its investments for the purpose of value appreciation. The Company’s primary objective is to dynamically manage the investments and assets held, with a strong focus on their potential to generate cash and appreciate over time.

Intek invests with a medium to long term horizon, with the objective of creating and maintaining a flexible portfolio of assets. Its investment cycles are shorter than in the past, allowing for faster cash generation. Within this framework, the Company takes advantage of the possible disinvestment opportunities offered by the market, keeping focus on high-performing and promising sectors while exiting industrial and financial segments with limited potential for value creation or a payback period not consistent with the Group’s management policies.

In line with this strategic redefinition, the Company’s management believes that, in evaluating Intek’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.

This interim management report is presented, consistently with past practice, by applying the accounting standards envisaged for investment entities (amendments to IFRS 10, IFRS 12 and IAS 27) introduced by Regulation (EU) no. 1174/2013. As a result, investments in non-essential subsidiaries are recognized at fair value through profit or loss rather than consolidated on a line-by-line basis.

Equity investments held for investment purposes – including KME AG, the holding company of the KME Group, operating in the “copper” sector and representing the largest investment of the Company – and Culti Milano SpA (hereinafter “Culti Milano”) are excluded from the scope of consolidation. The latter company has been listed on the AIM (*Alternative Investment Market*) as of July 2017.

It is hereby noted that the operations of Intek are not considered as collective management of savings and, therefore, the Company is not required to be registered in the Register of investment firms provided for by Article 20 of Legislative Decree no. 58/98.

The main events in the first half of 2018 affecting Intek and its subsidiaries are reported below:

**(i) Activities aimed at increasing the value in the copper sector.**

- Another leading player in the European copper market, MKM (Mansfelder Kupfer und Messing GmbH) was acquired. The terms and conditions of this transaction were defined in early July 2018. This transaction is of considerable strategic importance, as it increases KME's overall competitiveness in the reference markets, potentially leading to new developments that could positively affect the scope of our business operations.

The purchase price was set at Euro 80 million and a small stake in the business combination resulting from the transaction. This will be paid to the seller on the basis of future value creation.

KME will finance the acquisition using its own resources, including the sale of non-core assets.

The transaction is expected to conclude by the end of this year. It is subject to the fulfilment of certain conditions precedent, including authorisation by the relevant antitrust authority. The latter has already been notified and commenced the audit process on 4 June 2018.

This transaction follows the strategic lines that have been set in order to increase the value of this sector by:

- (i) containing and eliminating non-performing operations, decreasing the number of production facilities and selling companies, business units or compendia to third parties;
- (ii) strengthening the KME Group's business, economic and equity/financial structure through actions aimed at increasing operating efficiency, simplifying organisation and concentrating resources in the businesses with the highest added value and which are located in the most dynamic geographical areas so as to guarantee long-term growth and stable revenues;
- (iii) rationalising the KME Group's financial structure.

To this latter end, in February 2018 KME AG issued a Euro 300 million bond reserved for qualified institutional investors which matures in 2023 and pays a fixed rate of 6.75%. Of these financial resources, approximately Euro 197 million were used to partially repay the syndicated bank loan capital and interest, while Euro 42 million were applied to repay the capital and interest of Intek Group's loans and to cover KME Group's requirements.

These actions enabled us to diversify the structure of existing loans and extend their expiration dates. In fact, KME AG concluded agreements with lenders to amend and extend the syndicated bank loan agreement and the factoring agreements for 3 years. This includes an option to extend expiration for a further 2 years, pending lender approval.

Another significant development is that the guarantee to the banks participating in the syndicated loan agreement issued by Intek Group on behalf of KME AG was significantly reduced from Euro 475 million to Euro 100 million.

It is important to emphasise the importance of this operation. KME's ability to enter the bond market, thereby partially freeing itself from bank lending, is proof of the Group's increased credibility and recognition of the results of the intense rationalisation and strategic repositioning actions of the recent years.

As part of the debt structure diversification efforts, in January 2018 Intek Group granted KME AG a Euro 30 million credit to be used for covering working capital requirements, in addition to the aforementioned syndicated loan. This credit line has not been drawn down to date.

- In the first half of 2018 EBITDA totalled Euro 38.6 million, compared to Euro 36.2 million in the same period of last year (+6.6%).

#### **(ii) Performance of the subsidiary Culti Milano SpA**

In the first half of 2018, the company, which has been listed on the AIM since July 2017, recorded a positive performance, with an increase in the main economic indicators from the first half of 2017 and in line with the budget. Sales reached Euro 3.1 million, up 13% on the first half of last year.

#### **(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 first half of 2018, the Fund sold its remaining equity investment (23%) in Nuovi Investimenti SIM SpA (hereinafter also "NIS") and received a new Euro 1.3 million instalment. An agreement was also made with the purchasers to reduce the previously issued contractual guarantees and postpone payment of the balance of the selling price of Euro 1.2 million to 30 June 2019.

Once these transactions were concluded, the Fund was able to distribute Euro 2.8 million (of which Euro 0.5 million to Intek), thereby refunding a portion of the amount due. A further Euro 3.1 million (of which Euro 0.5 million to Intek) were distributed in July following the completed liquidation of the investee ISNO 4 Srl and the release of part of the guarantees issued for the NIS/Alpi Fondi operation.

Moreover, the entire equity investment held by the Fund in Nuova GS SpA was sold in July 2018, against Euro 1.9 million.

The residual assets belonging to the Fund are currently undergoing valuation. Their maturity had initially been extended to July 2018 and was later extended to July 2019 to ensure optimal realisation of the portfolio assets.

At the end of May 2018, the Court of Genoa handed down a second-degree ruling on the final ongoing litigation involving the investee company ISNO 3 Srl, the official assignee of the Festival Crociere bankruptcy procedure. This latest ruling confirms the first instance ruling (issued in 2012) which sentenced the other side to pay Euro 6.8 million, plus interest since 2004, as a claw-back, but rejected the main claims made by ISNO 3 Srl.

#### **(iv) New initiatives in the Private Equity area**

##### **Establishment of Nextep Srl - Benefit Company**

In June 2018, Intek, its Vice President Diva Moriani and Nativa Srl set up the benefit company Nextep Srl. The benefit company's share capital was set at Euro 10,000 and it will operate in the private equity area. It is the first Italian investment platform dedicated to companies wishing to integrate sustainability into their business model.

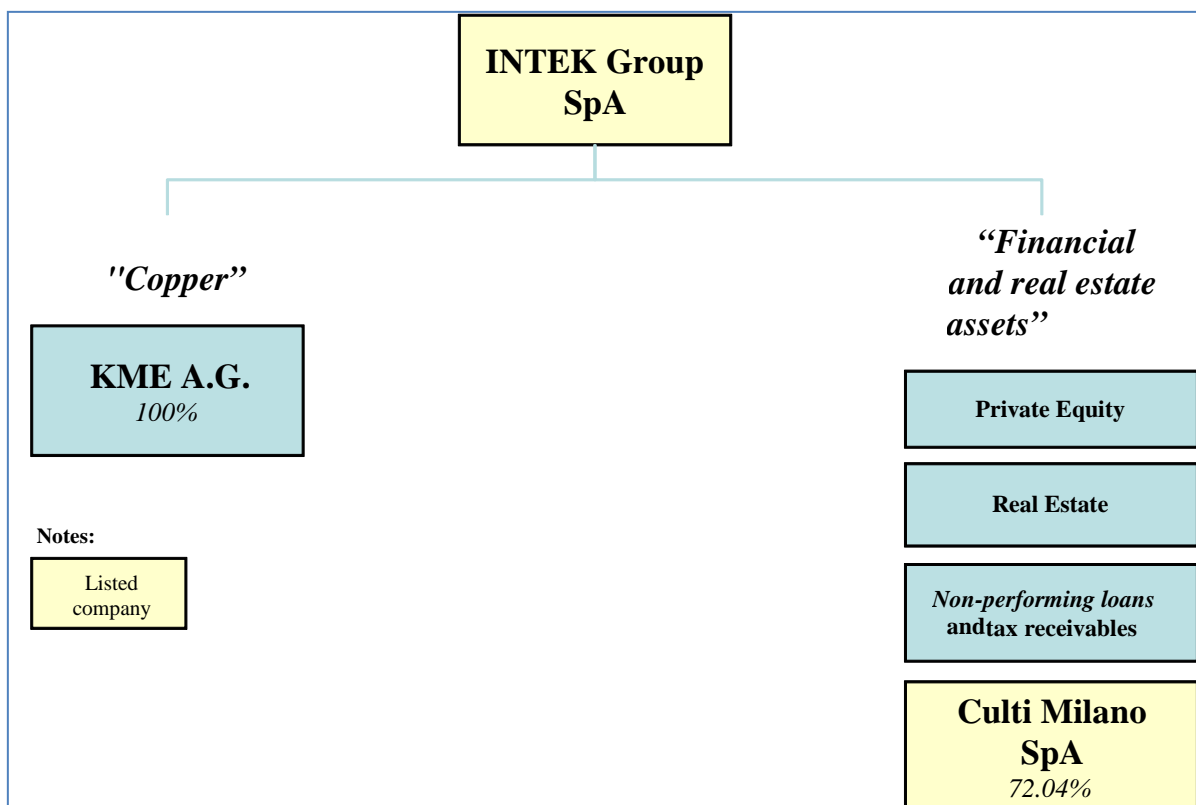
Nextep Srl will target high potential Italian companies and its purpose will be to contribute skills, capital and strategic vision to accelerate the sustainable growth and development of these companies. In this context, sustainability equates with innovation and leveraging growth, in economic, environmental and social terms.

This initiative is based on the market's interest in the ESG criteria (*Environmental, Social and Governance*) and the sustainability and governance experience that Intek and its management have accumulated over the years. Nativa, a consulting company that focuses on sustainability will be in charge of the environmental issues. Nativa was Italy's first benefit corporation and its mission is to create a broadly encompassing positive impact on society, the biosphere and the economy.

The objective of this initiative, which is slated to include a Euro 8.5 million investment from Intek, is to invest in companies interested in integrating sustainability into their investment and value creation strategies. There is currently no experience with private equity ventures in this format. A SPAC will be used for fund collection, estimated to total Euro 200/250 million. This model is currently receiving a great deal of interest from the banking and financial world.

#### **(v) Non-performing assets**

A settlement agreement was reached in September for the final settlement of the outstanding dispute with the liquidator of Fallimento Mareco Sistemi Industriali Srl. The conclusion of this agreement enabled the release of the Euro 1.6 million risk provision, with the amount now added to income.



Intek's **investment sectors** are the following:

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

With regard to "financial and real estate assets," in the half year under review, the Company continued pursuing the programmes aimed at accelerating their gradual realisation, and collections are reported for about Euro 0.4 million.

With regard to private equity investments, the current programmes aim not only to develop the Nextep project, but also to sell off the assets of I2 Capital Partners Fund, which ended its investment period at the end of July 2012 and whose term was in July 2018 (initially July 2017) pursuant to the regulation, but it has been extended for one additional year.

## Financial position of the parent company Intek Group

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

In line with this strategic redefinition, it should be noted that, as illustrated above, in evaluating Intek's overall performance, it is necessary to consider not only the results for the period, but also and above all the appreciation of the individual assets over time.

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

Intek's financial highlights as at 30 June 2018, compared to 31 December 2017, can be summarised as follows:

<b>Condensed separate statement of financial position</b>				
<i>(in thousands of Euro)</i>	<i>30 Jun 2018</i>		<i>31 Dec 2017</i>	
<b>Copper</b>	<b>464,133</b>	<b>88.57%</b>	<b>463,976</b>	<b>89.26%</b>
<b>Financial and real estate assets</b>				
<i>Private Equity</i>	<i>5,160</i>		<i>5,924</i>	
<i>Non-operating assets</i>	<i>8,955</i>		<i>5,728</i>	
<i>Real Estate/Others</i>	<i>31,149</i>		<i>31,013</i>	
<i>Culti/Other Services</i>	<i>11,989</i>		<i>12,087</i>	
<b>Total financial and real estate assets</b>	<b>57,253</b>	<b>10.93%</b>	<b>54,752</b>	<b>10.53%</b>
<b>Other assets/liabilities</b>	<b>2,615</b>	<b>0.50%</b>	<b>1,070</b>	<b>0.21%</b>
<b>Net investments</b>	<b>524,001</b>	<b>100.00%</b>	<b>519,798</b>	<b>100.00%</b>
<i>Outstanding bonds (*)</i>	<i>(103,121)</i>		<i>(105,590)</i>	
<i>Net cash from third parties</i>	<i>61,478</i>		<i>36,935</i>	
<b>Net financial debt to third parties</b>	<b>(41,643)</b>		<b>(68,655)</b>	
<i>Cash investments in KME</i>	<i>-</i>		<i>35,000</i>	
<b>Reclassified Net Financial Debt Intek Group</b>	<b>(41,643)</b>		<b>(33,655)</b>	
<b>Net financial debt of the holding company to third parties</b>	<b>(41,643)</b>	<b>7.95%</b>	<b>(33,655)</b>	<b>6.47%</b>
<b>Total equity</b>	<b>482,358</b>	<b>92.05%</b>	<b>486,143</b>	<b>93.53%</b>

Notes:

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



### **Investments**

As at 30 June 2018, the Company's investments totalled Euro 524.0 million, in line with the figure as at 31 December 2017 (Euro 519.8 million). The weight of the individual sectors is also unchanged, with the “copper” sector continuing to represent the largest single area of investment (approximately 89%).

### **Equity**

The holding company's equity totalled Euro 482.4 million, as compared to Euro 486.1 million at 31 December 2017; the change is due to the result for the period (negative by Euro 2.7 million, due to the absence of significant income from equity investments) and the effect of the first-time adoption of IFRS 9 (Euro 1.0 million, net of the tax effect). Equity per share was Euro 1.11, in line with the figure as at 31 December 2017 (Euro 1.12).

The **Share Capital** as at 30 June 2018, unchanged compared to 31 December 2017, was Euro 335,069,009.80, divided into 389,131,478 ordinary shares and 50,109,818 savings shares. The shares are without nominal value.

As at 30 June 2018, Intek held 5,713,572 ordinary treasury shares (1.468% of the share type capital) and 11,801 own savings shares (0.024% of the share type capital).

### **Financial management**

**Net financial debt of the holding company to third parties** totalled Euro 33.7 million as at 31 December 2017. The balance as at 30 June 2018 was Euro 41.6 million. Other than the bonds maturing in February 2020, there are no financial payables to third parties, except a loan totalling Euro 0.7 million from the merged company ErgyCapital which is due in December 2019.

Intek's reclassified net financial position as at 30 June 2018, compared to 31 December 2017, can be broken down as follows:

<b>Reclassified net financial position</b>			
<i>(in thousands of Euro)</i>		<i>30 Jun 2018</i>	<i>31 Dec 2017</i>
Cash and cash equivalents		(52,150)	(28,066)
Other financial assets		(260)	(150)
Current financial receivables from subsidiaries		(7,261)	(42,018)
<b>(A) Net financial assets</b>	<b>(A)</b>	<b>(59,671)</b>	<b>(70,234)</b>
Short-term financial payables		2,287	5,181
Financial payables to subsidiaries		5,522	5,721
<b>(B) Short-term financial payables</b>	<b>(B)</b>	<b>7,809</b>	<b>10,902</b>
<b>(C) Short-term net financial position</b>	<b>(A) - (B)</b>	<b>(51,862)</b>	<b>(59,332)</b>
Long-term financial payables		238	476
Intek Group Bonds 2015 - 2020		101,310	101,215
<b>(D) Medium to long-term financial payables</b>		<b>101,548</b>	<b>101,691</b>
<b>(E) Net financial position</b>	<b>(C) - (D)</b>	<b>49,686</b>	<b>42,359</b>
Non-current financial receivables from subsidiaries		(1,050)	(931)
Non-current financial receivables from third parties		(9,985)	(10,000)
<b>(F) Non-current financial receivables</b>		<b>(11,035)</b>	<b>(10,931)</b>
<b>(G) Reclassified net financial position</b>	<b>(E) + (F)</b>	<b>38,651</b>	<b>31,428</b>

The cash flows for the period can be summarised as follows:

<b>Statement of cash flows – indirect method</b>		
<i>(in thousands of Euro)</i>	<i>1st half 2018</i>	<i>1st half 2017</i>
<b>(A) Cash and cash equivalents at the beginning of the year</b>	<b>28,066</b>	<b>9,216</b>
Profit/(loss) before taxes	(2,678)	(3,071)
Amortisation and depreciation	17	30
Impairment/(reversal of impairment) of current and non-current financial assets	893	321
Changes in pension funds, post-employment benefits and stock options	10	(109)
Changes in provisions for risks and charges	(1,570)	(402)
(Increase)/decrease in equity investments	(72)	(1,907)
(Increase)/decrease in other financial investments	398	4,655
Increase/(decrease) in financial payables to related companies	(199)	(254)
(Increase)/decrease in financial receivables from related companies	33,784	811
(Increase)/decrease in current receivables	37	3,970
Increase/(decrease) in current payables	(2,875)	180
<b>(B) Total cash flows from/(used in) operating activities</b>	<b>27,745</b>	<b>4,224</b>
(Increase) in non-current intangible assets and property, plant and equipment	(17)	(3)
Increase/decrease in other non-current assets/liabilities	-	1,062
<b>(C) Cash flows from/(used in) investing activities</b>	<b>(17)</b>	<b>1,059</b>
Payment of interests on Bonds	(5,068)	(5,068)
Increase/(decrease) in current and non-current financial payables	2,031	2,591
(Increase)/decrease in current and non-current financial receivables	(82)	(10,172)
<b>(D) Cash flows from/(used in) financing activities</b>	<b>(3,119)</b>	<b>(12,649)</b>
<b>(E) Change in cash and cash equivalents</b>	<b>(B) + (C) + (D)</b>	<b>(7,366)</b>
<b>(F) Effect of changes in accounting standards</b>	<b>(525)</b>	<b>-</b>
<b>(G) Cash and cash equivalents at the end of the period</b>	<b>(A) + (E) + (F)</b>	<b>1,850</b>

The **Income statement** below was reclassified by indicating in a dedicated section the results of the investments, including investment management costs.

<b>Reclassified income statement</b>		
<i>(in thousands of Euro)</i>	<i>1st half 2018</i>	<i>1st half 2017</i>
Fair value changes and other gains/losses from investment management	1,122	(237)
Investment management costs	(100)	(258)
<b>Gross profit/(loss) from investments</b>	<b>1,022</b>	<b>(495)</b>
Commission income on guarantees given (a)	786	1,974
Net operating costs (b)	(2,039)	(2,226)
<i>Overheads (a) - (b)</i>	<i>(1,253)</i>	<i>(252)</i>
<b>Operating profit/(loss)</b>	<b>(231)</b>	<b>(747)</b>
<b>Net finance expense</b>	<b>(1,814)</b>	<b>(1,790)</b>
<b>Profit/(loss) before taxes and non-recurring items</b>	<b>(2,045)</b>	<b>(2,537)</b>
Non-recurring income/(expenses)	(634)	(534)
<b>Profit/(loss) before taxes</b>	<b>(2,679)</b>	<b>(3,071)</b>
Taxes for the year	(62)	297
<b>Net profit (loss) for the period</b>	<b>(2,741)</b>	<b>(2,774)</b>

The item “*Fair value changes and other gains/losses from investment management*” was positively affected by the conclusion of the Mareco dispute, which was related to the former Fime Leasing business.

“*Commission income on guarantees given*” has decreased following the reduction of the guarantees provided to KME.

\* \* \*

Regarding the **business outlook**, the results will depend mainly on the performance of the individual investments and on any disinvestments relating to the former Intek activities. Furthermore, commissions on financial guarantees given to subsidiaries will fall due, though to a lesser extent than in the past. As regards performance of the equity investments, reference should be made to the following sections on forecasts for future developments in Intek’s investment sectors.

\* \* \*

## Performance in the various investment sectors

Below is the performance of Intek's investments existing as at 30 June 2018, which consist of the following main equity investments: KME AG, holding company of the KME Group and Culti Milano. Furthermore, the 19.15% stake held by Intek in I2 Capital Partners Fund is defined as investment.

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 in the Company's portfolio, which have been considered to provide services related to the Company's investment activity, include: I2 Capital Partners SGR and Immobiliare Pictea. Pursuant to the application of the accounting standard on Investment Entities, these are the only companies included in the scope of the consolidated financial statements together with the parent company Intek.

With regard to subsidiaries which provide services related to the Company's investment activity, a brief summary of the assets, liabilities, financial position and profit or loss recorded in the first half of 2018 is provided after the comment on the investments.

\* \* \*

### “Copper” sector

The investment in the “copper” sector can be summarised as follows:

<i>(in thousands of Euro)</i>	<i>30 Jun 2018</i>	<i>31 Dec 2017</i>
KME AG investment	456,368	456,368
KME Beteiligungsgesellsch.mbH investment	1,143	1,143
Other	6,622	6,465
<b>Total “copper”</b>	<b>464,133</b>	<b>463,976</b>

The “copper” sector includes the production and marketing of copper and copper-alloy semi-finished products under the German subsidiary KME AG and represents Intek’s largest industrial investment.

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

In this regard, global economic recovery strengthened as from the end of 2016, but did not translate into a solid recovery of worldwide trade. The economic activity could be supported by the implementation of the new US administration’s fiscal expansion programme, the characteristics of which are however currently uncertain. There was also a risk that the recovery of the global economy would be held back by the triggering and spread of protectionist pressures, such as increasing commercial tariff announcements affecting semi-finished metal-based products.

In the Euro area, where KME Group is mostly present, growth continues to be moderate but gradually consolidating, driven by domestic demand. Uncertainty regarding the performance of the global economy, which is partially affected by geopolitical tensions, is the greatest risk factor insofar as economic activity is concerned.

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

This has led to a clearly defined strategic approach and to the launch of a series of investments for the expansion of alloy rolled products with higher added value in Germany, produced for electrical mobility and digital applications which are characterised by a high demand for connectors.

Regarding the increased operating efficiency, restructuring projects were concluded at many production facilities, which aimed to reduce excess capacity, streamline structure and optimise

business costs, with a significant impact on operations in terms of efficiency and profitability recovery.

During the first half of 2018, KME's incoming orders increased more than in the first half of 2017, in line with general growth expectations. The trend in the steel, oil and gas market worldwide promoted the development of special products. Despite their good performance on the market, in Germany semi-finished copper and brass products were negatively affected due to a collective agreement that was more onerous than expected and the lack of labour resources.

In Italy, production improved from 2017 levels and continues to benefit from the positive trend in industrial demand. Regarding semi-finished products overall, the strategy of increasing efficiency and changing the product portfolio to include elements with higher added value continues and is showing positive results.

In July 2018, the KMD joint venture successfully completed a new production facility that manufactures laminates for connectors in China. The cold rolling and annealing line was completed in autumn 2017, while the foundry and hot rolling line began operations in July 2018. The Henan plant operated under the appropriate ramp up plan for the entire first half of 2018.

Another leading player in the European copper market, MKM (Mansfelder Kupfer und Messing GmbH) was acquired in this context. This transaction is of considerable strategic importance, as it increases KME's overall competitiveness in the reference markets, potentially leading to new developments that could positively affect the scope of our business operations.

The purchase price was set at Euro 80 million and a small stake in the business combination resulting from the transaction. This will be paid to the seller on the basis of future value creation.

KME will finance the acquisition using its own resources, including the sale of non-core assets.

The transaction is expected to conclude by the end of this year. It is subject to the fulfilment of certain conditions precedent, including authorisation by the relevant antitrust authority. The latter has already been notified and commenced the audit process on 04 June 2018.

Further negotiations are underway with various partners. These could result in encouraging strategic developments, potentially including preliminary agreements involving the sale of some business units.

### **Individual market performances**

Regarding market performance, the demand for **copper and copper-alloy semi-finished products for the building sector** continues to be characterised by underlying weakness, which offsets the positive effect of the increase in added value obtained through a high quality policy, a broad range of products, continuous customer support, and the development of design ideas promoting innovative solutions for residential architecture, interior design, and large public spaces in general. The total laminate volumes in Q1 2018 featured a high inflow of orders in proportion to sales.

The sales volumes and prices of plumbing tubes for the building sector were slightly lower in the first half of 2018 compared to 2017. Market demand for industrial piping remained at 2017 levels.

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

The market level is stable and at a high standard in all materials areas, including the automotive, automation, electrical and mechanical engineering industries. In addition to increasing demand from the automotive sector, smart homes constitute a new force driving business in this sector.

With regard to **products for casting technology**, orders for fusion and casting products were brisk, considering the prevailing trend in the steel production industry. Concurrently, projects requiring niche products were initiated.

Products for **marine applications and tube bundles** fared better than in 2017, particularly in the marine sector. This has resulted in sales in line with the business plan and order inflows exceeding expectations. This trend was mainly due to orders from the United States, China and the United Kingdom.

The products of the **extruded and drawn** copper and copper alloy division achieved better than expected values. However, order inflows have been below expectations in recent months.

Demand was high in the **rods division**, aided by an exceptionally long expansion phase in Europe. While the automotive and industrial applications sectors (wires/rods >15 mm) have experienced capacity bottlenecks resulting in long delivery periods and the resulting shipment backlogs, orders in the construction sector (rods>20 mm, tubes) have remained highly competitive. However, the usage of alternatives, pressure from imports in the form of finished items and the trend towards miniaturisation have negatively affected demand and therefore the semi-finished product plants were not used to full capacity. In recent years the production capacity of these plants had been expanding.

Key consolidated results of the copper sector

<b>Key results of the copper sector</b>		
<i>(in millions of Euro)</i>	<i>1st half 2018</i>	<i>1st half 2017</i>
Revenue	1,027.9	954.9
Revenue (net of raw materials)	267.5	251.3
EBITDA	38.6	36.2
EBIT	23.1	20.5
Profit/(loss) before non-recurring items	5.8	6.9
Non-recurring income/(expenses)	(7.1)	(7.4)
Profit/(loss) net of taxes before IFRS inventory measurement	(1.2)	(3.3)
Effect of IFRS inventory measurement	9.1	12.3
Share of profit/(loss) of equity-accounted investees	(2.3)	(4.4)
Consolidated net profit/(loss)	4.9	3.8
Net debt *	189.9	254.4
Equity attributable to owners of the Parent*	201.6	198.3

*(\*) Data as at 30 June 2018 and as at 31 December 2017*

**Consolidated revenue** for the first half of 2018 amounted to Euro 1,027.9 million, up 7.6% compared to the first half of 2017 (Euro 954.9 million). Revenue, net of the value of raw materials, declined from Euro 251.3 million to Euro 267.5 million, up 6.4%.

**EBITDA** for the first half of 2018 stood at Euro 38.6 million, up 6.6% compared to the first half of 2017 (Euro 36.2 million), confirming the positive effect of the streamlining, flexibility, and focusing measures adopted by the Group.

**EBIT** stood at Euro 23.1 million (Euro 20.5 million in the first half of 2017).

**Profit before non-recurring items** was Euro 5.8 million (Euro 6.9 million in the first half of 2017).

**Consolidated net profit** in the first half of 2018 was Euro 4.9 million (loss of Euro 3.8 million in the first half of 2017).

This result was positively influenced by Euro 9.1 million pursuant to the IFRS valuation of stock and sales commitments; the figure was positive by Euro 12.3 million in the first half of 2017.

The result for the first half of 2018 reflects **non-recurring expenses** of Euro 7.1 million, of which Euro 3.1 million related to amortisation/losses on disposals, mainly of plants no longer used in operating activities.

The **Net Financial Position** as at 30 June 2018 was negative to the tune of Euro 189.9, while it showed a debt of Euro 183,7 million as at 30 June 2017. The balance as at 31 December 2017 was Euro 254.4 million. The group is continuing to take measures to optimise its working capital requirements.

On 9 February 2018, KME AG successfully issued a high-yield, five-year Euro 300 million bond. The bond loan has been rated and listed, while it is reserved for institutional investors and is guaranteed by a pledge of the shares of KME Germany GmbH & Co. KG, with voting rights reserved. There is also a first mortgage on the buildings and industrial installations of the Osnabrück plant (owned by KME Germany GmbH & Co. KG). Part of the bond loan proceeds were used to repay a portion of the syndicated loan coordinated by Deutsche Bank AG. On that same date, the loan expiration was extended until February 2021, with an option for a further two-year extension pending the approval of the financing institutions. The total amount is Euro 350 million.

In June 2018 KfW IPEX-Bank GmbH joined the banking pool and increasing the credit line by Euro 15 million, bringing the total loan amount to Euro 365 million.

Also on 9 February 2018, the KME Group concluded with Mediocredito Italiano SpA and Factofrance (formerly GE Factofrance SAS) the extension of the factoring agreements signed in June 2016 to February 2021. These are credit lines that can be used by the French and Italian companies of the KME Group, for mostly without and some with recourse factoring transactions totalling Euro 400 million.

All the above loans contain similar financial covenants, which are subject to quarterly review, except the bond which is subject to an “at incurrence covenant test” pursuant to the standards applicable to high yield bonds. At 30 June 2018 the Group had complied with all covenants.

**Equity** was Euro 201.6 million at 30 June 2018.

In the first half of 2018, **investments** amounted to Euro 13.7 million (Euro 8.7 million in 2017).

The number of **employees** at 30 June 2018 was 3,853 (3,801 on a like-for-like basis) compared to 3,820 at the end of 2017.

As for the **outlook**, the ongoing restructuring and streamlining of manufacturing operations, launched in recent months, are expected to generate additional benefits in terms of efficiency and flexibility. As the recovery in Europe continues consolidating, the KME Group will be able to make the most of its efforts to boost competitiveness in order to further improve its performance also through the positioning of the product portfolio focusing on higher margin products. To support its strategies, KME continues to examine internal and external consolidation potential for optimal use of its assets.

In the first half of 2018, the **price of copper** increased, compared to the previous year, by 20.3% in US\$ (from US\$ 5,749/tonne to US\$ 6,917/tonne) and by 7.6% in Euro (from Euro 5,313/tonne to Euro 5,716/tonne). In terms of trend, in the second quarter of 2018 average copper prices decreased by 1.3% in US\$ compared to the first quarter of 2018 (from US\$ 6,961/tonne to US\$ 6,873/tonne), and by 1.8% in Euro (from Euro 5,664 /tonne to Euro 5,768/tonne). Compared to Q4 2017, the average for 2018 increased by 1.6% in US\$ (from US\$ 6,809 per tonne to US\$ 6,917 per tonne) and decreased by 1.2% in Euro (from Euro 5,784 per tonne to Euro 5,716 per tonne).

\* \* \*

### Private Equity

The investment in the private equity area is represented by the Company's equity investment in I2 Capital Partners SGR, the credit-debt relationship with the latter, and the share of the I2 Capital Partners Fund held directly by Intek Group.

<i>(in thousands of Euro)</i>	<i>30 Jun 2018</i>	<i>31 Dec 2017</i>
I2 Capital Partners Fund	4,237	5,055
I2 Capital Partners SGR investment	2,177	2,177
Financial payables to I2 Capital Partners SGR	(1,323)	(1,312)
Other	69	4
<b>Total Private Equity</b>	<b>5,160</b>	<b>5,924</b>

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 owns 19.15% of the I2 Capital Partners fund (hereinafter also referred to as the “Fund”), which began operating in 2007, collecting subscriptions for Euro 200 million, the maximum amount allowed by the Fund Regulation. Subscriptions were collected from qualified investors only.

The Fund's Special Situation investment activity concluded on 31 July 2012.

In accordance with the Fund's Regulations, the I2 Capital Partners SGR Advisory Committee and Board of Directors have decided to extend the duration of the Fund for a further year, to 31 July 2019, in order to complete the disposal of the remaining investments and fully redeem the units under the best terms and conditions.

As at 30 June 2018, the total called-up amount since the launching of the Fund's operations was Euro 126.5 million, while the callable residual contributions totalled approximately Euro 8.2 million.

The table below shows the fair value of the main investments existing at 30 June 2018, in respect of the stake owned by the Intek Group, compared to 31 December 2017.

<i>(in thousands of Euro)</i>	<i>30 Jun 2018</i>	<i>31 Dec 2017</i>
ISNO 3 Srl - official assignee of Festival Crociere SpA's composition	1,580	1,915
ISNO 4 Srl - official assignee of OP Computers S.p.A.'s composition	349	349
Nuovi Investimenti SIM SpA	373	627
Benten Srl - official assignee of Mediafiction SpA's composition	405	405
Safim Leasing SpA in liquidation	211	86
Editoriale Vita	-	-
Alitalia – Compagnia Aerea Italiana SpA	-	-
Nuova GS Srl / Selecta SpA	363	287
<b>Total investments</b>	<b>3,281</b>	<b>3,669</b>
Other assets/liabilities	956	1,386
<b>Total investments</b>	<b>4,237</b>	<b>5,055</b>

Following is a brief description of the main investments still in existence at 30 June 2018.

### ISNO 3 Srl – Festival Crociere Proceedings

At the end of May 2018, the Court of Genoa handed down a second instance ruling on the only outstanding litigation concerning ISNO 3 Srl. The judges upheld the first instance ruling issued in December 2012 and sentenced GIE Vision Bail, a wholly-owned subsidiary of Calyon, to pay Euro 6.8 million, plus interest, as a claw-back. However, they rejected ISNO 3's main claims, sentencing the



company to pay additional legal costs of approximately Euro 300 thousand, in addition to approximately Euro 600 thousand levied previously.

#### ISNO 4 Srl/OP Computers SpA

On 30 June 2018 the assets of ISNO 4 under liquidation consisted of cash and cash equivalents of approximately Euro 1.7 million. In July 2018, the collection of residual tax receivables totalling approximately Euro 0.1 million enabled the company's liquidation procedure to be completed. The ensuing liquidity was assigned to the Fund.

#### Nuovi Investimenti SIM SpA

In the first half of 2018, the Fund sold its remaining equity investment (23%) in Nuovi Investimenti SIM SpA (hereinafter also "NIS") and received a new Euro 1.3 million instalment. An agreement was also made with the purchasers to reduce the previously issued contractual guarantees and postpone payment of the balance of the Euro 1.2 million selling price to 30 June 2019.

#### Benten Srl

At 30 June 2018, the assets to be realised consisted of tax credits, for which a dispute is ongoing with Agenzia delle Entrate, the Italian Revenue Agency.

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

In May 2018, a contract was signed with the subsidiary's management for the sale of 100% of the Fund's investment in Selecta SpA, through the sub-holding company Nuova GS SpA. The sale of the investment, which was completed in July, and of a receivable held by the Fund, resulted in a total of approximately Euro 1.9 million. Euro 150 thousand can potentially be called up by the counterparty if Nuova GS incurs any new tax liabilities by November 2019.

\* \* \*

#### Non-operating assets

They can be summarised as follows:

<i>(in thousands of Euro)</i>	<i>30 Jun 2018</i>	<i>31 Dec 2017</i>
Breda Energia investment	6,162	6,162
Intek Investimenti investment	417	417
Former Fime receivables (net of advances)	5,260	5,274
Other non-performing receivables (tax receivables and from compositions with creditors)	2,279	2,279
Net liabilities former ISNO 2	-	(780)
Provisions for risks	(1,524)	(3,260)
Financial receivables from Intek Investimenti	580	-
Financial payables to Breda Energia in liquidazione	(3,552)	(3,608)
Other	(667)	(756)
<b>Total non-operating assets</b>	<b>8,955</b>	<b>5,728</b>

The Euro 3.2 million positive change compared to 31 December 2017 is due to:

- the settlement of the dispute with Mareco Sistemi Industriali, pursuant to which the previously allocated fund of Euro 1.6 million was released;
- the payment of the Euro 0.8 million debt connected to ISNO 2;
- the increase in financial receivables payable to Intek Investimenti in support of the subsidiary's initiatives.

\* \* \*

The credit recovery activity related to the former Fime and Isno 2 assets continued, and resulted in collections, during the first half year, totalling Euro 0.4 million.

\* \* \*

### Real Estate/Other assets

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

<i>(in thousands of Euro)</i>	<i>30 Jun 2018</i>	<i>31 Dec 2017</i>
Immobiliare Pictea investment	24,133	24,133
Land and buildings	973	973
Financial receivables from Immobiliare Pictea	5,359	5,222
Progetto Ryan 2/Mecchld investment	217	217
Other	467	468
<b>Total Real Estate/Others</b>	<b>31,149</b>	<b>31,013</b>

Activities aimed at enhancing the value of the real estate assets held by the Group continued during the period, through Immobiliare Pictea.

In September, a lease agreement was signed for part of the property in Varedo (formerly Tecno), which had previously been vacant. The lease of part of the building, in addition to the benefits deriving from the cash flows (Euro 0.3 million per year when fully operational), will allow for better maintenance of the property while increasing the commercial interest in the unleased portion. We are currently examining ways to split this portion into several units.

A preliminary sales contract was signed for part of the property in Sezze against consideration of approximately Euro 0.5 million. This was formerly a Fime Leasing property.

\* \* \*

### Culti Milano/Other Services

The assets can be broken down as follows:

<i>(in thousands of Euro)</i>	<i>30 Jun 2018</i>	<i>31 Dec 2017</i>
Culti Milano and Progetto Ryan 3 (formerly Culti Srl) investment	11,400	11,735
Il Post investment	91	20
Payables to Progetto Ryan for investment acquisition	(804)	(848)
Financial receivables from former ErgyCapital's investees	1,264	1,010
Other	38	170
<b>Total Culti Milano/Other Services</b>	<b>11,989</b>	<b>12,087</b>

### **Culti Milano SpA**

Culti Milano SpA, which designs, manufactures and sells products in more than 30 countries, operates in the luxury market, producing and selling high-end room fragrances. The strengths of the products it distributes are the *Made in Italy* style, the exclusiveness and sophistication of the fragrance, and the refined design which makes the brand iconic.

Revenues from sales and services in the first half of 2018 were Euro 3,052 thousand, up by Euro 327 thousand (+13%) compared to 2017.

Sales on the domestic market totalled Euro 810 thousand, up by 40% compared to the previous half year (Euro 580 thousand); sales on international markets (73% of total turnover) reached Euro 2,242 thousand, a significant increase (6%) compared to the first half of 2017.

EBITDA was Euro 220 thousand (Euro 209 thousand at 30 June 2017) (+5.26%) and EBIT was Euro 42 thousand (Euro 75 thousand in the first half of 2017). The net result was negative for Euro 125 million (positive for Euro 31 million in 2017).

The net financial position at 30 June 2018 was positive for Euro 3.0 million (loss of Euro 206 thousand at 30 June 2017). This figure amounted to Euro 3.7 million at 31 December 2017.

The strengthening of distribution on international markets, with a reorganisation in the United States and the entry into new countries such as Taiwan, contributed to the sales increase in the first half of 2018.

In July 2017, Culti Milano was admitted to trading on the Alternative Investment Market (AIM) with a capital increase of Euro 4.5 million. These resources modified significantly the company's equity structure, providing it with the resources necessary to adequately carry out the significant business development in progress both in Italy and abroad, including through the presence of Culti Milano branded points of sale, together with qualified partners where appropriate. The first step in this development plan was the opening of the *Culti House* in Naples and Bari at the end of 2017.

The first half of 2018 was particularly significant for the company. In fact, the essential activities were substantially carried out, commercially and insofar as expanding the collection.

In particular, investments in the retail sales channel were stepped up in Italy, with the opening of the new *Culti House* in Forte dei Marmi and Turin (additional to the Naples and Bari openings in the second half of 2017). The contract was also signed for the forthcoming opening of a *Culti House* in Rome, in the centrally-located Via Vittoria, scheduled for September 2018.

### **Former ErgyCapital activities**

During the first half of the current year, work continued on managing the assets from the merger of ErgyCapital, effective from December 2017. Following this merger, Intek received the remaining assets in the geothermal energy and biogas field and initiatives are currently underway for their realisation.

In July 2018, the wholly-owned equity investment in E.GEO Srl, a company operating in the design and installation of geothermal plants mainly in the northern regions of Italy, was sold to Veos SpA against Euro 150,000.

Also in July, the following companies, all wholly owned by Intek, were merged by incorporation into Energetica Solare Srl in liquidazione: Ergyca Four Srl, Ergyca Two Srl in liquidazione and Ergyca Sun Sicilia Srl in liquidazione.

\* \* \*

### **Financial management**

The Parent Company has no debt outstanding with third parties other than the Euro 101.2 million bond loan maturing in February 2020 and a Euro 0.7 million loan from the merged company ErgyCapital payable in December 2019.

The Euro 35 million loan to the subsidiary KME AG, falling due on 30 September 2018, was collected in the first half of the year.

During the half-year period, Intek provided the necessary financial support to its investee companies, covering instrumental and investment requirements.

At 30 June 2018, Intek Group's cash and cash equivalents amounted to Euro 52.2 million.

\* \* \*

## Group results

Given the absence of significant results in "Net income from investment management," the result for the period under review was negative by Euro 3.5 million. This is mainly due to net financial expenses and the reduction in revenues from commissions on guarantees given, almost entirely offset by the decrease in "Other operating costs."

<b>Consolidated income statement</b>		
<i>(in thousands of Euro)</i>	<i>1st half 2018</i>	<i>1st half 2017</i>
Net income from investment management	(606)	(276)
Guarantee fees	786	1,974
Other income	632	526
Labour costs	(968)	(955)
Amortisation, depreciation, impairment and write-downs	(425)	(267)
Other operating costs	(857)	(2,512)
<b>Operating profit/(loss)</b>	<b>(1,438)</b>	<b>(1,510)</b>
Financial income	904	1,140
Financial expense	(2,932)	(2,873)
<i>Net financial expense</i>	<i>(2,028)</i>	<i>(1,733)</i>
<b>Profit/(loss) before taxes</b>	<b>(3,466)</b>	<b>(3,243)</b>
Current taxes	799	492
Deferred taxes	(839)	(200)
<b>Total income taxes</b>	<b>(40)</b>	<b>292</b>
<b>Profit/(loss) for the period</b>	<b>(3,506)</b>	<b>(2,951)</b>

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

<b>Consolidated equity</b>		
<i>(in thousands of Euro)</i>	<i>30 Jun 2018</i>	<i>31 Dec 2017</i>
Share capital	335,069	335,069
Reserves	148,663	114,210
Profit/(loss) for the period	(3,506)	35,402
<b>Equity attributable to owners of the Parent company</b>	<b>480,226</b>	<b>484,681</b>
Non-controlling interests	-	-
<b>Total equity</b>	<b>480,226</b>	<b>484,681</b>

In addition to the result for the period, the change is also due to the effects of the first-time application of IFRS 9 which led, at consolidated level, to a Euro 0.9 million reduction in equity.

The Consolidated net invested capital is as follows:

<b>Consolidated net invested capital</b>		
<i>(in thousands of Euro)</i>	<i>30 Jun 2018</i>	<i>31 Dec 2017</i>
Net non-current assets	532,684	534,213
Net working capital	14,233	11,398
Net deferred tax	1,237	1,774
Provisions	(3,723)	(5,361)
<b>Net invested capital</b>	<b>544,431</b>	<b>542,024</b>
Total equity	480,226	484,681
Net financial position	64,205	57,343
<b>Sources of finance</b>	<b>544,431</b>	<b>542,024</b>

*“Net invested capital” is a financial item which is not envisaged in the IFRSs and should therefore not be considered as an alternative to the items that are included in IFRSs. 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 “*Net financial position*” can be broken down as follows:

<b>Reclassified consolidated net financial position</b>			
<i>(in thousands of Euro)</i>		<i>30 Jun 2018</i>	<i>31 Dec 2017</i>
Short-term financial payables		8,146	10,989
Medium to long-term financial payables		6,004	6,629
Financial payables to Group companies		4,198	4,409
<b>(A) Financial payables</b>	<b>(A)</b>	<b>18,348</b>	<b>22,027</b>
Cash and cash equivalents		(53,085)	(28,886)
Other financial assets		(315)	(217)
Financial receivables from Group companies		(2,053)	(36,796)
<b>(B) Cash and current financial assets</b>	<b>(B)</b>	<b>(55,453)</b>	<b>(65,899)</b>
<b>(C) Consolidated net financial position (net of outstanding securities)</b>	<b>(A) + (B) + (C)</b>	<b>(37,105)</b>	<b>(43,872)</b>
<b>(D) Outstanding debt securities (net of interest)</b>		<b>101,310</b>	<b>101,215</b>
<b>(E) Consolidated net financial position</b>	<b>(D) + (E)</b>	<b>64,205</b>	<b>57,343</b>
<b>(F) Non-current financial assets</b>		<b>(13,683)</b>	<b>(13,645)</b>
<b>(G) Total net financial debt</b>	<b>(F) + (G)</b>	<b>50,522</b>	<b>43,698</b>

The cash flows for the period can be summarised in the Consolidated statement of cash flows, prepared using the indirect method, as follows:

<b>Consolidated statement of cash flows – indirect method</b>			
<i>(in thousands of Euro)</i>	<i>1st half 2018</i>	<i>1st half 2017</i>	
<b>(A) Cash and cash equivalents at the beginning of the year</b>	<b>28,886</b>	<b>10,444</b>	
Profit/(loss) before taxes	(3,466)	(3,243)	
Amortisation and depreciation	203	213	
Impairment/(reversal of impairment) of non-current assets other than financial assets	222	54	
Impairment/(reversal of impairment) of investments and financial assets	943	294	
Changes in pension funds, post-employment benefits and stock options	18	(103)	
Changes in provisions for risks and charges	(1,571)	(402)	
(Increase)/decrease in investments	326	(2,096)	
(Increase)/decrease in financial investments and financial assets	(100)	4,847	
Increase/(decrease) in current and non-current financial payables to related companies	(211)	(147)	
(Increase)/decrease in current and non-current financial receivables from related companies	33,935	949	
(Increase)/decrease in current receivables	876	3,782	
Increase/(decrease) in current payables	(2,913)	37	
<b>(B) Total cash flows from/(used in) operating activities</b>	<b>28,262</b>	<b>4,185</b>	
(Increase) in non-current intangible assets and property, plant and equipment	(158)	(27)	
Increase/decrease in other non-current assets/liabilities	-	1,528	
<b>(C) Cash flows from/(used in) investing activities</b>	<b>(158)</b>	<b>1,501</b>	
Increase/(decrease) in current and non-current financial payables	(3,379)	(2,873)	
(Increase)/decrease in current and non-current financial receivables	-	(10,217)	
<b>(D) Cash flows from/(used in) financing activities</b>	<b>(3,379)</b>	<b>(13,090)</b>	
<b>(E) Change in cash and cash equivalents</b>	<b>(B) + (C) + (D)</b>	<b>24,725</b>	<b>(7,404)</b>
<b>(F) Effect of changes in accounting standards</b>		<b>(526)</b>	<b>-</b>
<b>(G) Cash and cash equivalents at the end of the period</b>	<b>(A) + (E) + (F)</b>	<b>53,085</b>	<b>3,040</b>

\* \* \*

## Update in matters of governance

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

The shareholders' meeting held on 08 May 2018 approved the Directors' report and the financial statements for the year ended 31 December 2017, as well as the proposal to use the profits of Euro 36,746,666 as follows:

- Euro 1,837,334 to the legal reserve;
- - the remaining amount of Euro 34,909,332 will be allocated to a specific non-distributable reserve, pursuant to Article 6 of Italian Legislative Decree no. 38/2005, of the profits from application of the fair value principle.

Furthermore, the shareholders' meeting approved, on a consultative basis, the report on remuneration pursuant to Article 123 ter of Italian Legislative Decree no. 58/1998.

This same shareholders' meeting renewed corporate offices appointing the Board of Directors and the Board of Statutory Auditors which will remain in office for three years, that is, until the Shareholders' Meeting summoned for the approval of the financial statements as at 31 December 2020.

The Directors, all appointed based on the list presented by the shareholder Quattrodue SpA, are Vincenzo Manes, Diva Moriani, Marcello Gallo, Giuseppe Lignana (independent), James Macdonald, Ruggero Magnoni, Francesca Marchetti (independent), Alessandra Pizzuti and Luca Ricciardi (independent).

The Board of Statutory Auditors includes Marco Lombardi (Chairman), Giovanna Villa and Alberto Villani (standing auditors). Elena Beretta and Andrea Zonca have been appointed as Alternate Auditors.

The Board of Directors which met upon conclusion of the Shareholders' Meeting, appointed Vincenzo Manes as the Chairman and Diva Moriani and Marcello Gallo as the Deputy Chairs, conferring upon them the appropriate powers for the management of the Company.

In the same meeting, the Board appointed the members of the Control and Risk Committee, composed entirely of independent directors, namely Giuseppe Lignana (Chairman), Luca Ricciardi and Francesca Marchetti. This committee will also be carrying out the function of Committee for Transactions with Related Parties.

The Board resolved not to establish an Appointments Committee (as provided by Code Principle 5.P.1). The Code makes this provision in light of the requirements to ensure that the directors have an adequate level of independence vis a vis the management.

To this end, the Board opted not to proceed accordingly, since it considered that the independent directors, 3 over a total of 9, are characterised by a significant level of authority and decision-making independence and have adequate knowledge of the structures of the Company and the Group.

Consequently, the Board of Directors considers that the opinions regarding the size and composition of the Board of Directors, the proposals for the appointment of the candidates for the office of director in the event of co-optation, where necessary to replace independent directors, and the compilation of a plan for the succession of executive directors can be discussed and decided within the competencies and during the meetings of the Board of Directors itself.

The Company's Board of Directors, appointed by the Shareholders' Meeting held on 08 May 2018, which was called upon to make a resolution regarding the appointment of the Remuneration Committee, pursuant to Article 6 of the Borsa Italiana Corporate Governance Code, decided, in line with what had been decided for 2015-2017, not to re-establish this Committee.

The Board reiterates that the redefinition by the Company of its strategic mission, its approach to the market and the new governance structure, subsequent to the merger concluded in 2012, made management of the remuneration policy simpler than it had been in the past, since it refers only to Executive Directors of the Company, as the remuneration of the Directors and managers of



subsidiaries/investee companies which are considered to be investments, is handled by the administrative bodies of the individual subsidiaries/investee companies, without prejudice to the involvement of the Parent Company with regard to extraordinary remuneration in connection with investment disposal.

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

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

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

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

In order to allow the administrative body to make an assessment that is as informed and precise as possible, it has been confirmed, as in the previous three-year period, that the Board of Directors can, if 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.

The Board of Directors has confirmed the Chairman Vincenzo Manes as the director in charge of the internal control system and has appointed Fabio Ambrosiani (functioning as Chairman), Elena Pagliarani and Vittorio Gennaro as the members of the Supervisory Board pursuant to Law no. 231/2001.

Finally, the Board confirmed Giuseppe Mazza as the Manager in charge of Financial Reporting and Roberto De Vitis as Secretary to the Board.

The Special Meeting of Holders of Savings Shares, also held on 08 May 2017, appointed Simonetta Pastorino as the common representative of all the shareholders in this class. She will remain in office for a three-year period, until the shareholders meeting summoned for the approval of the financial statements as at 31 December 2020.

The Bondholders' Meeting could not resolve on the appointment of the Common Representative as it did not reach the required quorum. Therefore, pursuant to the Company's application, the Court of Milan issued order on 26 July 2018, appointing Rossano Bortolotti as the Common Representative of the Holders of the "Intek Group 2015 - 2020" bond. He will remain in office for three years, until the date of the shareholders' meeting called to approve the financial statements at 31 December 2020.

There were no changes to the amount and composition of the share capital. It is hereby reiterated that, starting from 02 May 2013, the outstanding savings shares have had a single listing line characterised by the following ISIN codes:

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

\* \* \*

## **Other information**

### **Treasury shares**

As at the date of this report, the Company held 5,713,572 ordinary treasury shares equal to 1.468% of voting capital (1.30% of overall capital) and 11,801 own savings shares (0.024% of the share type capital).

In the first half of 2018, no acquisitions or disposals of ordinary or savings shares were made by the Company or its subsidiaries.

### **Parent company and ownership structure**

The Company is controlled by Quattrodedue Holding BV, which is based in Amsterdam - Duivendrecht (Holland), Entrada 306, 5th Floor through Quattrodedue SpA, a wholly owned subsidiary of the aforementioned Quattrodedue Holding B.V. At 30 June 2018, Quattrodedue Holding BV held 182,778,192 Intek Group ordinary shares (46.97% of the Company's ordinary share capital) and 1,424,031 savings shares (2.842% of the share type capital).

In June 2018, the prerequisites and conditions provided for by current legislation and the Articles of Association were fulfilled and the increase in voting rights applicable to 158,067,500 Intek Group ordinary shares held by the shareholder Quattrodedue SpA took effect; therefore, as a result of this increase, the total number of voting rights to which Quattrodedue SpA is currently entitled totals 340,845,692, or 61.66% of the total number of 552,777,337 voting rights that can be exercised at shareholders' meetings.

It is hereby noted that, pursuant to the new reference regulation, any holders of so-called potential and/or long equity investments in the Issuer's capital shall provide relevant disclosure to Consob and the Issuer itself. To this end, during last July the Company received a declaration from Intesa Sanpaolo SpA regarding the ownership of financial instruments with characteristics of equity (convertible loan) which would provide an approximately 25% stake in the Company's ordinary share capital, if the conditions for their conversion were to apply.

For further information concerning the ownership structure, the Company governance, and any other related issue, reference should be made to the report compiled for 2017 pursuant to Art. 123 bis of Italian Legislative Decree no. 58/1998, which is attached to the financial statements.

### **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.

At 30 June 2018, the main outstanding loans to direct and indirect non-consolidated subsidiaries were:

- Società Agricola Agrienergia amounting to Euro 1.2 million;
- Intek Investimenti amounting to Euro 0.5 million;
- Società Agricola Carmagnola amounting to Euro 0.3 million.

Intek has also lent Immobiliare Pictea Euro 5.3 million which was eliminated in the consolidated financial statements.

Loans payable to non-consolidated companies relate to:

- Breda Energia Srl in liquidation (Euro 3.6 million), which also holds a financial loan of Euro 2.1 million to the parent company Quattrodedue SpA.
- Energetica Solare Srl in liquidation (Euro 0,6 million).

There is also a Euro 1.3 million loan from I2 Capital Partners SGR, which was eliminated in the consolidated financial statements.

The breakdown of transactions with related parties is included in the Notes to the interim financial statements.

### **Compliance with the new privacy legislation**

The Company has complied with the requirements of EU Regulation no. 2016/679 - European Regulation on the Protection of Personal Data, which replaces the previous Legislative Decree no. 196/2003, the Personal Data Protection Code.

The Register of Processing Operations has been prepared as required pursuant to Art. 30 of the Regulation; in addition, the Data Protection Impact Assessment has been prepared for processing identified as high risk, including with reference to the criteria of WP 248 rev. 01 (Guidelines on Data Protection Impact Assessment and determining whether processing is “likely to result in a high risk” for the purposes of Regulation 2016/679) and pursuant to Article 35 of the Regulation itself.

A highly-professional, independent external individual has been appointed as the data protection officer. The Chairman of the Company is the data controller.

### **Disputes**

The most significant litigation involving Intek Group is illustrated below.

During the year under review, the disputes pending since the first half of 2016 with some savings shareholders continued.

Two of these cases were settled with first instance judgements, both in favour of the Company. One of these cases was appealed before the Bari Court of Appeal, which has territorial jurisdiction and a hearing has already been held to clarify the conclusions. The other judgement has become final.

In particular, the appealed ruling upheld the Company's opposition to an injunction of Euro 118 thousand handed down by the Court of Bari. The Court then revoked the injunction in its final ruling, ordering the other side to return the amount Intek Group had paid on the basis of the provisional enforceability of the decree, bear all costs of the proceedings and pay damages for vexatious litigation.

Discussion of the investigative measures requested by the counterparties are pending in two of the other lawsuits before the Court of Bari. These lawsuits involve oppositions to injunctions (none of which are provisionally enforceable) obtained by some savings shareholders for the same purpose. The other two lawsuits have been postponed for clarification of the conclusions.

The two cases pending before the Civil Court of Rome were recently settled with two rulings which, in full acceptance of the Company's claims, found that the rights of the savings shareholders had not been violated and that all their claims in relation to the assignment described above were unfounded. The counterparties were therefore ordered to pay the costs of the proceedings.

Finally, a further lawsuit pending before the Civil Court of Milan that also falls within the scope of this complex dispute, was abandoned as the other side irrevocably renounced its claim against Intek Group and the lawsuit was therefore closed.

Intek Group firmly believes to have always acted in full respect of the rights and prerogatives of its own shareholders as well as of its Articles of Association, the law, and the regulations, strongly opposed such initiatives launched by some Saving Shareholders, aiming at taking the most effective measures in order to protect its interests and reputation.

To this end, Intek Group was also forced to initiate a penal lawsuit, lodging a complaint against those who, on several occasions, had falsely accused the Company of illegal conduct.

\* \* \*

As regards the main litigation concerning the former Fime Leasing, note should be taken of the conclusion by means of a settlement agreement of the lawsuit which was ruled upon by the Naples Court of Appeal in 2014, sentencing Intek to pay Euro 2.6 million (against which a specific risk provision was allocated in 2014) to the bankruptcy receivers of Mareco Sistemi Industriali Srl as part of the lawsuits connected to the operations of the former Fime Leasing. Pending the ruling of the

Supreme Court of Cassation, the settlement agreement allowed Intek to reduce the burden of the dispute to Euro 1.0 million.

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

\* \* \*

### **Personnel**

As at 30 June 2018, Intek had 12 employees, of whom 2 executives and 10 clerical workers.

The average number of employees in the consolidated companies, as compared with the previous year, is as follows:

	30/06/2018	31/12/2017	Change	% Change
Executives	4	3	1	33.33%
	25.00%	21.43%		
Clerical workers	12	11	1	9.09%
	75.00%	78.57%		
<b>Total employees (average)</b>	<b>16</b>	<b>14</b>	<b>2</b>	<b>14.29%</b>
	100.00%	100.00%		

\* \* \*

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

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

- with regard to the provisions of Article 36, Intek does not hold relevant investments, pursuant to Article 151 of Consob Issuers' Regulation, in non-EU Countries;
- although a subsidiary of Quattrodue 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:
  - it has autonomous powers of negotiation with respect to contractual arrangements with customers and suppliers;
  - it does not participate in any cash-pooling arrangements operated by the parent Quattrodue Holding BV or any other company under the parent's control;
  - the number of independent Directors (3 out of 9) is such as to ensure that their opinions have a material influence on board decisions;
- with regard to the provisions of Article 38, the Company does not fall within its scope of application, as its corporate purpose does not exclusively envisage equity investment activity in accordance with predetermined limitations.

\* \* \*

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.

\* \* \*

### **Risk Management**

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

Corporate equity investments are by their nature investments that carry a certain level of risk. Indeed, these types of investments do not provide the certainty that the invested capital will be refunded in full, that is to say that they could produce cash flows which 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 managers and the shareholders of the investee, could be limited.

For further information on corporate risks, reference should be made to the relevant paragraph included in the Notes to the interim financial statements.

**Significant events after 30 June 2018**

No significant events occurred after the reporting period other than those set out above.

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

Following is a summary of the comments regarding the operations carried out in the first half of 2018 by the companies identified as providing services related to Intek's investment activity.

For further details, reference should be made to the relevant note regarding operations in the different investment sectors.

### **I2 Capital Partners SGR SpA**

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

To date, the company manages a single fund, I2 Capital Partners, which collected total subscriptions of Euro 200 million, the maximum amount allowed. Subscriptions were collected from qualified investors only, including Intek, 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.

In July of the current year, the Fund's Advisory Committee and the company's Board of Directors resolved to extend the term of the fund for one more year, up to 31 July 2019.

As at 30 June 2018, the company's equity was Euro 2.0 million, after having incurred a loss for the half year of Euro 0.2 million.

### **Immobiliare Pictea Srl**

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

Further to the merger of Rede Immobiliare Srl, I2 Real Estate Srl and Tecno Servizi Srl, completed at the end of December 2017, Immobiliare Pictea became the owner of their activities.

The company had equity of Euro 18.2 million and reported a negative result for the period of Euro 0.5 million.

# INTEK GROUP

**Condensed consolidated  
interim financial statements  
as at 30 June 2018**



## Intek Group - Condensed consolidated interim financial statements as at 30 June 2018

### Statement of financial position – Assets

<i>(in thousands of Euro)</i>	Ref. Note	30/06/2018		31/12/2017	
			<i>of which related parties</i>		<i>of which related parties</i>
Investments in equity interests and fund units	4.1	488,183	442,140	489,483	442,140
Non-current financial assets	4.2	15,118	5,134	13,645	3,595
Property, plant and equipment	4.3	11,277		11,323	
Investment property	4.4	19,528		19,750	
Intangible assets	4.5	7		6	
Other non-current assets	4.6	6		6	
Deferred tax assets	4.20	4,724		5,310	
<b>Total non-current assets</b>		<b>538,843</b>		<b>539,523</b>	
Current financial assets	4.7	3,298	2,983	39,390	39,173
Trade receivables	4.8	13,703	6,814	13,413	6,531
Other current receivables and assets	4.9	7,136	1,030	7,504	232
Cash and cash equivalents	4.10	53,085		28,886	
<b>Total current assets</b>		<b>77,222</b>		<b>89,193</b>	
<b>Total assets</b>		<b>616,065</b>		<b>628,716</b>	

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

Details of related party transactions are disclosed in note 4.21.

## Intek Group - Condensed consolidated interim financial statements as at 30 June 2018

### Statement of financial position – Liabilities

<i>(in thousands of Euro)</i>	<i>Ref. Note</i>	<i>30/06/2018</i>	<i>31/12/2017</i>		
			<i>of which related parties</i>	<i>of which related parties</i>	
Share capital		335,069		335,069	
Other reserves		79,467		43,962	
Treasury shares		(1,820)		(1,820)	
Retained earnings/(accumulated losses)		71,145		72,196	
Other comprehensive income reserve		(129)		(128)	
Profit/(loss) for the period		(3,506)		35,402	
<b>Equity attributable to owners of the Parent</b>	<b>4.11</b>	<b>480,226</b>		<b>484,681</b>	
Non-controlling interests		-		-	
<b>Total equity</b>	<b>4.11</b>	<b>480,226</b>		<b>484,681</b>	
Employee benefits	4.12	336		322	
Deferred tax liabilities	4.20	3,487		3,536	
Non-current financial payables and liabilities	4.13	7,439		6,629	
Bonds	4.14	101,310		101,215	
Other non-current liabilities	4.15	1,492		1,492	
Provisions for risks and charges	4.16	3,387		5,039	
<b>Total non-current liabilities</b>		<b>117,451</b>		<b>118,233</b>	
Current financial payables and liabilities	4.17	13,274	4,198	17,775	4,409
Trade payables	4.18	1,449	339	2,647	434
Other current liabilities	4.19	3,665	1,672	5,380	1,759
<b>Total current liabilities</b>		<b>18,388</b>		<b>25,802</b>	
<b>Total liabilities and equity</b>		<b>616,065</b>		<b>628,716</b>	

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

*Details of related party transactions are disclosed in note 4.21.*

## Intek Group - Condensed consolidated interim financial statements as at 30 June 2018

### Statement of profit or loss and other comprehensive income

<i>(in thousands of Euro)</i>	<i>Ref. Note</i>	<i>1st half 2018</i>		<i>1st half 2017</i>	
			<i>of which related parties</i>		<i>of which related parties</i>
Net income from investment management	5.1	(606)		(276)	
Guarantee fees	5.2	786	786	1,974	3,029
Other income	5.3	632	46	526	69
Labour costs	5.4	(968)	-	(955)	(19)
Amortisation, depreciation, impairment and write-downs	5.5	(425)		(267)	
Other operating costs	5.6	(857)	(907)	(2,512)	(936)
<b>Operating profit/(loss)</b>		<b>(1,438)</b>		<b>(1,510)</b>	
Financial income		904	205	1,140	2,336
Financial expense		(2,932)	(45)	(2,873)	(141)
<i>Net financial expense</i>	5.7	(2,028)		(1,733)	
<b>Profit/(loss) before taxes</b>		<b>(3,466)</b>		<b>(3,243)</b>	
Current taxes	5.8	799		492	
Deferred taxes	5.8	(839)		(200)	
<b>Total income taxes</b>		<b>(40)</b>		<b>292</b>	
<b>Net profit/(loss) for the year</b>		<b>(3,506)</b>		<b>(2,951)</b>	
Other comprehensive income:					
<i>Measurement of employee defined benefits</i>		4		14	
<i>Tax on other comprehensive income</i>		-		-	
Items that will not be reclassified to profit or loss		4		14	
<i>Foreign currency translation gains/(losses)</i>		-		-	
<i>Net change in cash flow hedge reserve</i>		(6)		112	
<i>Other</i>		-		-	
<i>Taxes on other comprehensive income</i>		1		(27)	
Items that may be reclassified to profit or loss		(5)		85	
Other comprehensive income, net of tax effect:		(1)		99	
<b>Total comprehensive income for the year</b>		<b>(3,507)</b>		<b>(2,852)</b>	
Profit/(loss) for the period attributable to:					
- non-controlling interests		-		-	
- owners of the Parent Company		(3,506)		(2,951)	
Profit/(loss) for the period		(3,506)		(2,951)	
Total comprehensive income attributable to:					
- non-controlling interests		-		-	
- owners of the Parent Company		(3,507)		(2,852)	
Total comprehensive income for the period		(3,507)		(2,852)	
<b>Earnings per share (in Euro)</b>					
Basic earnings/(loss) per share		(0.0081)		(0.0076)	
Diluted earnings/(loss) per share		(0.0081)		(0.0076)	

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

Details of related party transactions are disclosed in note 4.21.

## Intek Group - Condensed consolidated interim financial statements as at 30 June 2018

### Statement of changes in equity as at 31 December 2017

<i>(in thousands of Euro)</i>	<i>Share capital</i>	<i>Other reserves</i>	<i>Treasury shares</i>	<i>Retained earnings/(accumulated losses)</i>	<i>Mandatory convertible loan</i>	<i>Consolidation reserves</i>	<i>Other comprehensive income reserve</i>	<i>Profit/(loss) for the period</i>	<i>Total equity attributable to owners of the Parent</i>	<i>Non-controlling interests</i>	<i>Total consolidated equity</i>
<b>Equity as at 31 December 2016</b>	<b>314,225</b>	<b>41,073</b>	<b>(1,820)</b>	<b>72,261</b>	<b>20,844</b>	-	<b>(227)</b>	<b>(4,378)</b>	<b>441,978</b>	-	<b>441,978</b>
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
<i>Comprehensive income items</i>	-	-	-	-	-	-	99	-	99	-	99
<i>Profit/(loss) for the period</i>	-	-	-	-	-	-	-	35,402	35,402	-	35,402
Total comprehensive income	-	-	-	-	-	-	99	35,402	35,501	-	35,501
<b>Equity as at 31 December 2017</b>	<b>335,069</b>	<b>43,962</b>	<b>(1,820)</b>	<b>72,196</b>	-	-	<b>(128)</b>	<b>35,402</b>	<b>484,681</b>	-	<b>484,681</b>
Reclassification of treasury shares	(1,820)	-	1,820	-	-	-	-	-	-	-	-
<b>Equity as at 31 December 2017</b>	<b>333,249</b>	<b>43,962</b>	-	<b>72,196</b>	-	-	<b>(128)</b>	<b>35,402</b>	<b>484,681</b>	-	<b>484,681</b>

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 condensed consolidated interim financial statements.

## Intek Group - Condensed consolidated interim financial statements as at 30 June 2018

### Statement of changes in equity as at 30 June 2018

<i>(in thousands of Euro)</i>	<i>Share capital</i>	<i>Other reserves</i>	<i>Treasury shares</i>	<i>Retained earnings/ (accumulated losses)</i>	<i>Mandatory convertible loan</i>	<i>Consolidation reserves</i>	<i>Other comprehensive income reserve</i>	<i>Profit/(loss) for the period</i>	<i>Total equity attributable to owners of the Parent</i>	<i>Non-controlling interests</i>	<i>Total consolidated equity</i>
<b>Equity as at 31 December 2017 - Published</b>	<b>335,069</b>	<b>43,962</b>	<b>(1,820)</b>	<b>72,196</b>	-	-	<b>(128)</b>	<b>35,402</b>	<b>484,681</b>	-	<b>484,681</b>
Effect of changes in accounting standards	-	-	-	(948)	-	-	-	-	(948)	-	(948)
<b>Equity as at 31 December 2017</b>	<b>335,069</b>	<b>43,962</b>	<b>(1,820)</b>	<b>71,248</b>	-	-	<b>(128)</b>	<b>35,402</b>	<b>483,733</b>	-	<b>483,733</b>
Allocation of Parent company's profit/(loss)	-	36,747	-	-	-	-	-	(36,747)	-	-	-
Allocation of subsidiaries' profit/(loss)	-	(1,242)	-	(103)	-	-	-	1,345	-	-	-
<i>Comprehensive income items</i>	-	-	-	-	-	-	(1)	-	(1)	-	(1)
<i>Profit/(loss) for the period</i>	-	-	-	-	-	-	-	(3,506)	(3,506)	-	(3,506)
Total comprehensive income	-	-	-	-	-	-	(1)	(3,506)	(3,507)	-	(3,507)
<b>Equity as at 30 June 2018</b>	<b>335,069</b>	<b>79,467</b>	<b>(1,820)</b>	<b>71,145</b>	-	-	<b>(129)</b>	<b>(3,506)</b>	<b>480,226</b>	-	<b>480,226</b>
Reclassification of treasury shares	(1,820)	-	1,820	-	-	-	-	-	-	-	-
<b>Equity as at 30 June 2018</b>	<b>333,249</b>	<b>79,467</b>	-	<b>71,145</b>	-	-	<b>(129)</b>	<b>(3,506)</b>	<b>480,226</b>	-	<b>480,226</b>

At 30 June 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 condensed consolidated interim financial statements.

## Intek Group - Condensed consolidated interim financial statements as at 30 June 2018

### Statement of cash flows – indirect method

<i>(in thousands of Euro)</i>	<i>1st half 2018</i>	<i>1st half 2017</i>	
<b>(A) Cash and cash equivalents at the beginning of the year</b>	<b>28,886</b>	<b>10,444</b>	
Profit/(loss) before taxes	(3,466)	(3,243)	
Amortisation and depreciation	203	213	
Impairment/(reversal of impairment) of non-current assets other than financial assets	222	54	
Impairment/(reversal of impairment) of investments and financial assets	943	294	
Changes in pension funds, post-employment benefits and stock options	18	(103)	
Changes in provisions for risks and charges	(1,571)	(402)	
(Increase)/decrease in investments	326	(2,096)	
(Increase)/decrease in financial investments and financial assets	(100)	4,847	
Increase/(decrease) in current and non-current financial payables to related companies	(211)	(147)	
(Increase)/decrease in current and non-current financial receivables from related companies	33,935	949	
(Increase)/decrease in current receivables	876	3,782	
Increase/(decrease) in current payables	(2,913)	37	
Taxes paid during the year	-	-	
<b>(B) Total cash flows from/(used in) operating activities</b>	<b>28,262</b>	<b>4,185</b>	
(Increase) in non-current intangible assets and property, plant and equipment	(158)	(27)	
Increase/decrease in other non-current assets/liabilities	-	1,528	
<b>(C) Cash flows from/(used in) investing activities</b>	<b>(158)</b>	<b>1,501</b>	
Increase/(decrease) in current and non-current financial payables	(3,379)	(2,873)	
(Increase)/decrease in current and non-current financial receivables	-	(10,217)	
<b>(D) Cash flows from/(used in) financing activities</b>	<b>(3,379)</b>	<b>(13,090)</b>	
<b>(E) Change in cash and cash equivalents</b>	<b>(B) + (C) + (D)</b>	<b>24,725</b>	<b>(7,404)</b>
<b>(F) Effect of changes in accounting standards</b>	<b>(526)</b>	<b>-</b>	
<b>(G) Cash and cash equivalents at the end of the period</b>	<b>(A) + (E) + (F)</b>	<b>53,085</b>	<b>3,040</b>

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

# Intek Group - Condensed consolidated interim financial statements as at 30 June 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 operated by Borsa Italiana SpA.

Although it is owned by Quattrodue Holding BV through the wholly-owned subsidiary Quattrodue 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 cash-pooling arrangements operated by the parent or any other company under the parent's control;
- the number of independent Directors (3 out of 9) is such as to ensure that their opinions have a material influence on board decisions.

The condensed consolidated interim financial statements as at 30 June 2018 were approved by the Board of Directors on 18 September 2018 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:

- 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 Condensed consolidated interim financial statements as at 30 June 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 Condensed consolidated interim financial statements as at 30 June 2018 have been prepared pursuant to Article 154 ter of Italian Legislative Decree no. 58/1998 and are compliant with the International Financial Reporting Standards (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 Italian Legislative Decree no. 38/2005 where applicable.

The Condensed Consolidated Interim Financial Statements as at 30 June 2018 are composed of the consolidated statement of financial position, the consolidated statement of profit or loss 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 from 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 reporting period are presented by nature, including financial expenses, 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 company as well as the amount attributable to non-controlling interests are given.

The statement of cash flows is presented using the indirect method, according to which the profit (loss) for the period is adjusted for the effects of:

- changes in receivables and payables generated from operating activities, which also include investing activities;
- non-cash activities;
- all other items for which the cash effects are cash flows from investing or financing activities.

The cash flows from investments in equity interests and mutual funds, including financial receivables and payables to related companies, are classified under cash from operating activities. In case of changes in the scope of consolidation, the changes in the assets are considered on the basis of the first consolidation date.

In preparing the financial statements, the Directors have applied the concepts of accruals, clarity, significance, materiality, reliability, neutrality, prudence and comparability and applied accounting policies consistent with those used for the financial statements as at 31 December 2017, except for the standards effective as from 01 January 2018. These financial statements have been prepared on a going concern basis, in accordance with IAS 1, as there are no doubts or uncertainties as to the Group's ability to continue as a going concern in the foreseeable future.

Except for IFRS 9, application of the new accounting standards, amendments and interpretations by the Group did not have any effect on equity or on the result for the year. Details follow below:

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



This standard introduces new requirements for the classification and measurement of financial assets and liabilities. In particular, for financial assets the new standard uses a single approach based on the procedures for the management of the financial instruments and contractual cash flow characteristics of the financial assets in order to determine the measurement criterion, replacing the various rules set forth in IAS 39. For financial liabilities, the main amendment that took place refers to the accounting treatment of the changes in the fair value of a financial liability measured at fair value and recognised in the income statement, in the event these changes should be due to the changes in the creditworthiness of the issuer of the liability itself. According to the new standard, these changes must be recognised under “*Other comprehensive income*” and no longer in profit or loss. Moreover, for non-substantial modifications of liabilities, it is no longer possible to spread out the economic effect of a renegotiation throughout the residual duration of the debt, modifying the effective interest rate as at that date. Instead, the relative effect must be recognised in profit and loss.

The new standard introduces an 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 amendment requires the impairment model to be applied to all financial instruments, namely, financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income, receivables from rental agreements and trade receivables.

Finally, 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 changes contained in this document are:

- more types of transactions eligible for hedge accounting, including the non-financial asset/liability risks selected to be handled through hedge accounting;
- the change in the method of accounting for forward contracts and options when they are included in a hedge accounting relationship in order to reduce volatility in the income statement;
- changes to the effectiveness test by replacing the current procedures based on the 80-125% parameter with the principle of the "economic relationship" between the hedged item and the hedging instrument; moreover, the retrospective effectiveness of the hedging relationship no longer has to be assessed.

The greater flexibility afforded by the new accounting rules is offset by additional disclosure requirements with regard to risk management activities.

The analyses conducted in connection with the implementation of IFRS 9 focused in particular on the measurement of expected credit losses on receivables and cash and cash equivalents.

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

The details of this adjustment and the reconciliation between the original valuation classification and the classification required by IFRS 9 are shown in the table below:

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

There was no impact on financial liabilities.

Pursuant to IFRS 9 (par. 7.2.15), the Group has opted not to restate the previous year's balances, in consideration also of the limited impact deriving from the introduction of this standard, applying the new measurement criteria introduced by IFRS 9 from 01 January 2018.

- *IFRS 15 – Revenue from Contracts with Customers.* This standard (together with clarifications issued on 12 April 2016), replaced *IAS 18 – Revenue* and *IAS 11 – Construction Contracts*, as well as *IFRIC 13 – Customer Loyalty Programmes*, *IFRIC 15 – Agreements for the Construction of Real Estate*, *IFRIC 18 – Transfers of Assets from Customers* and *SIC-31 – Revenues - Barter Transactions Involving Advertising Services*.

This standard establishes a new model for the recognition of revenues 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 fundamental steps for recognition of revenues according to the new model are: identification of the contract with the customer, identification of the performance obligations inherent in the contract, determination of the price, allocation of the price to the contractual performance obligations and the revenue recognition criteria when the entity fulfils each performance obligation.

Given the Group's activities, no significant effects arose from the application of the standard.

- *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 current IFRS 4 is replaced with the *IFRS 17 – Insurance Contracts*, based on which financial liabilities are measured. The changes introduce two different approaches: *overlay approach* and *deferral approach*. This standard does not concern the Group's operations.
- *Classification and measurement of share-based payment transactions (Amendments to IFRS 2).* The document contains some amendments to IFRS 2 which provide certain clarifications regarding: – the classifications of share-based payments – the accounting of the effects of vesting conditions in cash-settled share-based payments – with net settlement features and the accounting of modifications to the terms and conditions of share-based payments which change from cash-settled to equity-settled. There have been no significant effects from the application of this standard.
- *Annual Improvements to IFRSs: 2014-2016 Cycle*, a document that contains amendments to certain standards within the context of the annual improvement cycle.

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 for periods beginning on 1 January 2018 and refers to the elimination of certain short term exemptions as provided in paragraphs E3-E7 of IFRS 1 Appendix E, as the benefit of these exemptions is now considered to no longer apply.
- *IAS 28 Investments in Associates and Joint Ventures – Measuring investees at fair value through profit or loss: an investment-by-investment choice or a consistent policy choice.* The amendment clarifies that the option for a venture capital organization or another similarly qualified entity (such as a mutual fund or similar entity) to measure investments in associates or joint ventures measured at fair value through profit and loss (rather than through application of 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 applicable to all the shares classified as held for sale, held for distribution to shareholders or as discontinued operations pursuant to IFRS 5.

No effects arose from the application of this standard.

- *Foreign Currency Transactions and Advance Consideration (IFRIC Interpretation 22).* which aims to provide guidelines for the accounting of foreign currency transactions when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before recognition of the related asset, expense or income. This document provides instructions on how an entity can determine the date of the transaction and, consequently, the spot exchange rate to use when foreign currency transactions are carried out in which the payment is made or received in advance.

There have been no significant effects from the application of this interpretation.

- *Transfers of Investment Property (Amendments to IAS 40).* The standard contains 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 application of these amendments did not have an impact 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 Directors' report disclose the content and meaning of the non-IFRS alternative performance indicators, where applicable, in compliance with CESR recommendation 05 - 178b published on 03 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 the income statement, as provided for by IFRS 10, paragraph 25. In this case:

- a) the assets and liabilities of the former subsidiary are derecognised from the consolidated statement of financial position;
- b) any investment retained in the former subsidiary is recognised at the corresponding fair value on the date the control is lost and, subsequently, the investment and any amounts owed by or to the former subsidiary in accordance with relevant IFRSs are accounted for. This fair value becomes the basis for the next posting of the investment;
- c) the gain or loss associated with the loss of control attributable to the former controlling interest are recognised;
- d) the amounts previously recognised in other comprehensive income in relation to the former subsidiary are reclassified to profit or loss or transferred directly to retained earnings if required in accordance with other IFRSs.

The following table lists all subsidiaries consolidated on a line-by-line basis:

Name	Registered office	Currency	Share capital		Activity	% ownership	
						direct	indirect
Intek Group SpA	Italy	Euro	335,069,009.80		Holding company	Parent company	
I2 Capital Partners Sgr SpA	Italy	Euro	1,500,000		Mgmt investment funds	100.00%	
Immobiliare Pictea Srl	Italy	Euro	80,000		Real Estate	100.00%	

#### **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 measurement techniques based on a series of methods and assumptions relating to market conditions at the reporting date. The measurement techniques used are the discounted cash flow method, the market multiples or transaction multiples method, the cost method, and the equity method.

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

The market multiples method consists in estimating the current theoretical value considering the indications expressed by the market with regard to a sample of listed companies which are similar in nature of business to the company to be evaluated. The comparable transaction multiples method consists in recognising the company at a value equal to the prices of recent transactions involving companies which are similar and operate in the same sector as the one to be evaluated.

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

### **2.5. Investment property**

These are properties which are not used in the production or supply of goods or services by the Group. These assets are initially recognised at fair value with any subsequent changes recognised in profit or loss, and are consequently not systematically amortised.

For determination of the fair value, reference is made to a specific value, mainly provided through external appraisals carried out by independent third parties who possess recognised professional qualifications and have experience in the specific type of properties. These appraisals are based on the value per square meter as estimated based on assessments made by the land registry office for buildings located in the same area and used for the same purpose, and take into consideration the state of upkeep and future potential of the property.

### **2.6. Financial assets and liabilities**

Financial assets and liabilities are classified in three different categories:

- Financial instruments measured at fair value through profit or loss.
- Financial assets measured at fair value with an impact on overall profitability;
- Financial instruments measured at amortised cost.

*Financial instruments measured 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 this prevents accounting mismatches arising from the valuation of assets and associated liabilities according to different valuation criteria.

Pursuant to IFRS 9, financial liabilities, like financial assets, may be designated as financial liabilities measured at fair value upon initial recognition, provided that:

- such designation eliminates or significantly reduces the mismatch that would otherwise result from the valuation of assets or liabilities and related gains and losses on differing bases; 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 internally by the Company's governing bodies.

A financial asset is classified as a financial asset that must be measured at fair value if it does not meet the conditions, in terms of business model or cash flow characteristics, for measurement at amortised cost or fair value with an effect on comprehensive income.

In particular, the following are classified in this portfolio:

- debt instruments, securities and loans whose business model is neither *held to collect* nor *held to collect and sell* but which do not belong to the trading portfolio;
- debt instruments, securities and loans, the cash flows of which do not represent only the payment of principal and interest;
- UCITS;
- equity instruments not held for trading to which the company does not apply the option granted by IFRS 9 to measure these instruments at fair value with an effect on comprehensive income.

*Financial assets designated at fair value with an effect on overall profitability;*

A financial asset is classified under financial assets measured at fair value with an effect on overall profitability if:

- the objective of its business model is pursued through both the collection of contractual cash flows and the sale of financial assets (*"held to collect and sell"*);
- the related cash flows represent only the payment of capital and interest.

Moreover, equity instruments not held for trading to which the company applies the option granted by IFRS 9 to measure these instruments at fair value with an effect on overall profitability, are included in this classification.

*Financial instruments measured at amortised cost*

A financial asset is classified under financial assets measured at amortised cost if:

- the objective of its business model is to hold assets for the purpose of collecting contractual cash flows (*"held to collect"*);
- the related cash flows represent only the payment of capital and interest.

Financial liabilities measured at amortised cost include financial instruments (other than trading liabilities and liabilities designated at fair value) representing the various 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 non-derivative, unlisted 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, also considering the effects of the 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 measured at fair value recognised in comprehensive income 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 a financial asset measured at fair value recognised in 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 a financial asset measured at fair value recognised in 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**

The tax expense for the period includes both current and deferred tax. Income taxes are recognised in profit or loss, unless they relate to transactions recognised directly in equity, in which case the relevant tax is also recognised directly in equity.



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

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

### **2.13. Employee benefits**

Post-employment benefits are payable under plans which, depending on their economic substance, are classified either as a “defined contribution” plan or a “defined benefit” plan. Under a defined contribution plan, the Group’s obligation is limited to the payment of contributions to a separate legal entity, and consists of the contributions due at the end of the reporting period.

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

### **2.14. Provisions for risks and charges**

Provisions for risks and charges are liabilities, the amount or due date of which are uncertain. The entity must recognise a provision if, and only if:

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

The amount recognised as a provision is, therefore, the best estimate of the expenditure required to settle the present obligation at the end of the reporting period or transfer it to a third party. Where the time value of money is material, the provision is equal to the present value of expenditures required to settle the obligation.

### **2.15. Dividends**

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

## **2.16. Non-current assets held for sale (IFRS 5)**

Non-current assets are classified in this category when it is expected that their carrying amount will be recovered mainly through sale rather than through continuing use. The sale must be highly probable, within 12 months of classification as held for sale. If the sale is expected to be concluded after more than one year, the costs to sell are measured at their current value. Any increase in the present value of the costs to sell that arises from the passage of time shall be presented as a financial component in the income statement.

## **2.17. Revenue recognition**

Revenues arising from the provision of services, including the guarantees granted, are recognised based on the progress of the service at the reporting date.

Costs and other operating expenses are recognised as a component of the result when they are incurred based on the accruals principle referring to revenues and when they do not fulfil the requirements for recognition as balance sheet assets.

## **2.18. Finance income and expense**

Finance income and expense are recognised in profit or loss based on their maturities.

## **2.19. Earnings/(loss) per share**

Basic and diluted earnings/(loss) per ordinary share are calculated in the following manner:

- a) the numerator is equal to profit or loss attributable to the Parent company, adjusted by the profit or loss that is to be set aside, for the current year, for outstanding savings shares less any savings treasury shares held directly or through subsidiaries;
- b) the denominator of “basic earnings per share” is the weighted average number of ordinary shares outstanding during the period less ordinary treasury shares;
- c) the denominator of “diluted earnings per share” is the weighted average number of ordinary shares adjusted by adding the number of any new ordinary shares that could be issued through:
  - i) conversion of all outstanding warrants;
  - ii) exercise of all stock options granted, if any.

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

The calculation at 30 June 2018 of the basic earnings per share was done by taking the Group net profit (loss) less 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 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. In consideration of the fact that interim financial statements are mostly based on updates of the estimates made in previous end-of-year financial statements, in absence of objective elements the amounts of assets and liabilities are adjusted only if the results of the updates differ significantly from those of the previous estimates.

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 reporting date, however, 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 30 June 2018, the following new standards and interpretations, already endorsed by the European Union, were not yet mandatory to apply and Intek Group did not opt for early adoption.

Some of the most important standards are detailed below:

- On 13 January 2016, the IASB published the new 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*. The application of this standard is expected not to have a material impact.

- 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 measuring the possible effects of introducing these amendments on the financial statements.

As at 30 June 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 relevant information that faithfully represents the rights and obligations arising from the insurance contracts issued by that entity. The IASB developed the standard to eliminate incongruities and weaknesses inherent in the existing accounting standards, providing a single principle based framework that would take all types of insurance contracts into account, including the reinsurance contracts held by an insurer. The new standard also sets presentation and disclosure requirements to improve comparability between entities in this sector. Application of this standard is expected to have a significant effect, given the Group's activities.
- On 7 June 2017, the IASB published the interpretation *IFRIC 23 - Uncertainty over Income Tax Treatments*. The document concerns 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 measuring the possible effects of introducing this interpretation on the financial statements.

- On 12 October 2017, the IASB issued the document *Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)*. This document clarifies the obligation to apply IFRS 9, including the requirements connected to impairment and to other long-term interests in associates and joint-ventures to which the equity method does not apply. The amendment is effective for reporting periods beginning on or after 01 January 2019. Earlier application is permitted. We are currently measuring 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 transposes the amendments of certain standards within the context of the annual improvement process. The main amendments concern:
  - *IFRS 3 Business Combinations e 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 asset is ready for use or sale become a part of the total loans used to calculate the financing cost.

These amendments are effective for periods beginning on or after 01 January 2019. Earlier application is permitted. No material impact on the financial statements is expected.

- On 11 September 2014 the IASB issued an amendment to IFRS 10 and IAS 28 – *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*. The document was issued in order to resolve the current conflict between 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 loss of control of a subsidiary, even if the entity continues to have a non-controlling interest therein. 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 the event of 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, within the meaning 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. Assessments are currently ongoing regarding the possible effects of introducing these amendments.

- On 30 January 2014, the IASB published *IFRS 14 - Regulatory Deferral Accounts*, which allows only first-time IFRS adopters to continue to recognise amounts relating to assets subject to regulated rates ("*Rate Regulation Activities*") according to the previous accounting standards adopted. As the Group is not a first-time adopter, this standard is not applicable.

- Amendment to *IAS 19 – Plant Amendment, Curtailment or Settlement* (issued on 07 February 2018). The document clarifies how an entity should recognise a change (i.e., a curtailment or a settlement) in a defined-benefit plan. The amendments require the entity to update its assumptions and remeasure the net liability or net assets arising from the plan. The amendments clarify that after the occurrence of such an event, an entity shall use updated assumptions to measure the current service cost and interest for the remainder of the reporting period following the event. The Directors do not expect adoption of these amendments to have a significant effect on the Group’s consolidated financial statements.

### 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, namely 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 divestment process may 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 equity investments in order to promote their growth, including through a relationship with the management and the shareholders of the investee, could be limited.

#### *Types of risk:*

**a) credit risk:** given the operations of Intek and its consolidated subsidiaries, there are no significant receivables from third-party entities;

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

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

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

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

#### 4. Notes to the condensed consolidated interim financial statements as at 30 June 2018

##### 4.1. Investments in equity interests and fund units

<i>(in thousands of Euro)</i>	30 Jun 2018	31 Dec 2017	Change
Investments in subsidiaries and associates	475,792	476,206	(414)
Investments in other companies	7,012	7,012	-
Mutual fund units	4,237	5,055	(818)
Other investments	1,142	1,210	(68)
<b>Investments in equity interests and fund units</b>	<b>488,183</b>	<b>489,483</b>	<b>(1,300)</b>

The breakdown of the item is as follows:

Name	Registered office	Activity	Percentage of interest at 30/06/2018	31/12/2017	Increases	Decreases	Other changes	Positive change in fair value	Negative change in fair value	30/06/2018
KME AG	Osnabrück (D)	Industrial	100.00%	456,369	-	-	-	-	-	456,369
Culti Milano SpA	Milan	Furniture	72.04%	10,525	-	-	-	-	(267)	10,258
Breda Energia Srl in liquidation	Milan	Holding company	100.00%	6,162	-	-	-	-	-	6,162
KME Beteiligungsgesellsch.mbH	Osnabrück (D)	Real Estate	100.00%	1,143	-	-	-	-	-	1,143
Former ErgyCapital investment		Alternative Energy		839	-	-	(5)	-	(219)	615
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%	-	-	-	-	-	-	-
Mecchld Srl	Milan	Credit broker	20.00%	217	-	-	-	-	-	217
Il Post Srl	Milan	Publishing	19.90%	20	71	-	-	-	-	91
Nextep Società Benefit Srl	Milan	Investments	60.00%	-	6	-	-	-	-	6
<b>Total subsidiaries and associates</b>				<b>476,206</b>	<b>77</b>	<b>-</b>	<b>(5)</b>	<b>-</b>	<b>(486)</b>	<b>475,792</b>
Ducati Energia				7,000	-	-	-	-	-	7,000
Other smaller investments				12	-	-	-	-	-	12
<b>Other investments</b>				<b>7,012</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,012</b>
<b>Total investments</b>				<b>483,218</b>	<b>77</b>	<b>-</b>	<b>(5)</b>	<b>-</b>	<b>(486)</b>	<b>482,804</b>
I2 Capital Partners Fund				5,055	138	(536)	-	-	(420)	4,237
<b>Total fund units</b>				<b>5,055</b>	<b>138</b>	<b>(536)</b>	<b>-</b>	<b>-</b>	<b>(420)</b>	<b>4,237</b>
Culti Milano Warrant				1,210	-	-	-	-	(68)	1,142
<b>Total other investments</b>				<b>1,210</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(68)</b>	<b>1,142</b>
<b>Investments in equity interests and fund units</b>				<b>489,483</b>	<b>215</b>	<b>(536)</b>	<b>(5)</b>	<b>-</b>	<b>(974)</b>	<b>488,183</b>

Regarding the equity investment in KME AG, with the assistance of an external consultant, the unlevered discounted cash flow (UDCF) method was used to discount the operating cash flows generated by the assets (net of tax effect) at a discount rate which is representative of the weighted average cost of capital (WACC) equal to 10.16%, plus an additional premium of 1.5% to reflect the risks inherent to the estimates taking into account the historic deviations which have been recorded. The economic forecasts and changes to certain balance sheet items contained in the 2018-2022 Plan already used previously, were used as a basis. Similarly to 31 December 2017, sensitivity analyses were carried out in relation to the WACC applied and the EBITDA levels.

The values were compared and averaged out with other values resulting from other methods in particular using the market transaction multiples method with the EV/EBITDA multiple.

The results of the valuation process would have led to a positive change in fair value of around 6.7% compared to the one used as at 31 December.

This change is due to the performance of the multiples methods. In light of these results and the higher level of estimates inherent in a process of updating the calculation, no changes were made to the carrying value of the investment, in compliance with the provisions of the fair value determination policy upon preparation of the half-yearly report.

This estimation process is characterised by significant complexity and subjectivity and, in the case of the unlevered discounted cash flow method, is based on assumptions concerning, among other things, the forecast of the cash flows expected from the subsidiary, 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, with particular reference to the European copper market. The application of the methodologies based on multiples, in relation to the selection and definition of the benchmark samples, is also linked to subjective elements.

The equity investment in Culti Milano and the relative warrants, both of which are listed on the AIM market, were measured at the stock market prices as at 30 June 2018.

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.

#### 4.2. Non-current financial assets

This item can be broken down as follows:

<i>(in thousands of Euro)</i>	<i>30 Jun 2018</i>	<i>31 Dec 2017</i>	<i>Change</i>
Receivables due from related companies	3,699	3,595	104
Guarantee fees receivables	1,435	-	1,435
Other non-current financial assets	9,984	10,050	(66)
<b>Non-current financial assets</b>	<b>15,118</b>	<b>13,645</b>	<b>1,473</b>

Receivables from subsidiaries and associates, net of the effects of the application of IFRS 9, can be broken down as follows:

▪ Fossati Uno Srl	2.664
▪ Società Agricola Agrienergia Srl	398
▪ Società Agricola Carmagnola Srl	262
▪ Mecchld	200
▪ NewCocot	<u>175</u>
	<u>3,699</u>

“*Guarantee fees receivables*” are the present value of guarantee fees that are receivable in more than 12 months, for guarantees issued by the Parent Company to banks on behalf of the non-consolidated subsidiaries to which the loans were extended. These receivables were matched by payables of an equal amount.

“*Other non-current financial assets*” concern guarantee deposits for companies ensuring the loan in support of KME operations.

#### 4.3. Property, plant and equipment:

<i>(in thousands of Euro)</i>	30 Jun 2018	31 Dec 2017	Change
Buildings	10,546	10,721	(175)
Other assets	364	375	(11)
Advances and assets under development	367	227	140
<b>Property, plant and equipment</b>	<b>11,277</b>	<b>11,323</b>	<b>(46)</b>

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.

Changes in the period may be analysed as follows:

<i>(in thousands of Euro)</i>	Buildings	Movable property	Advances	Total
Gross amount	13,506	2,405	227	16,138
Accumulated amortisation	(2,785)	(2,030)	-	(4,815)
<b>Total at 31 December 2017</b>	<b>10,721</b>	<b>375</b>	<b>227</b>	<b>11,323</b>
<b>Gross amount at 31 December 2017</b>	<b>13,506</b>	<b>2,405</b>	<b>227</b>	<b>16,138</b>
Purchases in the period	-	16	140	156
Disposals (cost)	-	(36)	-	(36)
<b>Gross amount at 30 June 2018</b>	<b>13,506</b>	<b>2,385</b>	<b>367</b>	<b>16,258</b>
<b>Accumulated amortisation at 31 December 2017</b>	<b>(2,785)</b>	<b>(2,030)</b>	<b>-</b>	<b>(4,815)</b>
Amortisation, depreciation, impairment and write-downs	(175)	(27)	-	(202)
Disposals (accumulated depreciation)	-	36	-	36
<b>Accumulated amortisation at 30 June 2018</b>	<b>(2,960)</b>	<b>(2,021)</b>	<b>-</b>	<b>(4,981)</b>
Gross amount	13,506	2,385	367	16,258
Accumulated amortisation	(2,960)	(2,021)	-	(4,981)
<b>Total at 30 June 2018</b>	<b>10,546</b>	<b>364</b>	<b>367</b>	<b>11,277</b>

The advances were paid against the works in progress for the restructuring of the fifth and sixth floors at Foro Buonaparte, 44 – Milan.

#### 4.4. Investment property

<i>(in thousands of Euro)</i>	
<b>Total at 31 December 2017</b>	<b>19,750</b>
Fair value adjustments	(222)
<b>Total at 30 June 2018</b>	<b>19,528</b>



The breakdown of the individual buildings is as follows:

<i>(in thousands of Euro)</i>	<i>30 Jun 2018</i>
Limbiate – Varedo	14,340
Ivrea	3,036
Padova	843
Sezze	718
Other	591
<b>Total at 30 June 2018</b>	<b>19,528</b>

#### **4.5. Intangible assets**

<i>(in thousands of Euro)</i>	<i>30 Jun 2018</i>	<i>31 Dec 2017</i>	<i>Change</i>
Other	7	6	1
<b>Intangible assets</b>	<b>7</b>	<b>6</b>	<b>1</b>

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

The movements in the period were as follows:

<i>(in thousands of Euro)</i>	<i>Other</i>	<i>Payments on account and ongoing development</i>	<i>Total</i>
Gross amount	15	-	15
Accumulated amortisation	(9)	-	(9)
<b>Total at 31 December 2017</b>	<b>6</b>	<b>-</b>	<b>6</b>
<b>Gross amount at 31 December 2017</b>	<b>15</b>	<b>-</b>	<b>15</b>
Purchases in the period	2	-	2
Decreases (cost)	(1)	-	(1)
<b>Gross amount at 30 June 2018</b>	<b>16</b>	<b>-</b>	<b>16</b>
<b>Accumulated amortisation at 31 December 2017</b>	<b>(9)</b>	<b>-</b>	<b>(9)</b>
Amortisation, depreciation, impairment and write-downs	(1)	-	(1)
Decreases (provision for amortisation)	1	-	1
<b>Accumulated amortisation at 30 June 2018</b>	<b>(9)</b>	<b>-</b>	<b>(9)</b>
Gross amount	16	-	16
Accumulated amortisation	(9)	-	(9)
<b>Total at 30 June 2018</b>	<b>7</b>	<b>-</b>	<b>7</b>

#### **4.6. Other non-current assets**

The breakdown of the item is as follows:

<i>(in thousands of Euro)</i>	<i>30 Jun 2018</i>	<i>31 Dec 2017</i>	<i>Change</i>
Guarantee deposits	6	6	-
<b>Other non-current assets</b>	<b>6</b>	<b>6</b>	<b>-</b>

#### 4.7. Current financial assets

<i>(in thousands of Euro)</i>	30 Jun 2018	31 Dec 2017	Change
Financial receivables from related companies	2,053	36,796	(34,743)
Guarantee fees receivables	930	2,377	(1,447)
Financial assets held for trading	57	67	(10)
Other current financial assets	258	150	108
<b>Current financial assets</b>	<b>3,298</b>	<b>39,390</b>	<b>(36,092)</b>

The “*Financial receivables from related companies*” listed in table 4.21 mainly comprise:

- Euro 869 thousand which is the balance of the existing interest-bearing loan to Società Agricola Agrienergia Srl;
- Euro 565 thousand which is the balance of the current accounts held with Intek Investimenti Srl;
- Euro 284 thousand which is the balance of the current accounts held with KME Yorkshire Ltd.

The amounts above are net of IFRS 9 adjustments.

“*Guarantee fees receivables*” 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 the Group companies to which loans were granted. These receivables are matched by payables of an equal amount.

In reference to Consob Communication no. DEM/11070007 of 05 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

<i>(in thousands of Euro)</i>	30 Jun 2018	31 Dec 2017	Change
<i>Due from customers - gross amount</i>	657	635	22
<i>Allowance for impairment</i>	(264)	(264)	-
Due from customers - net amount	393	371	22
Due from related companies	6,814	6,531	283
Receivables for factoring/leases	6,496	6,511	(15)
<b>Trade receivables</b>	<b>13,703</b>	<b>13,413</b>	<b>290</b>

The receivables “*Due from related companies*” at 30 June 2018 mainly referred to guarantees issued. Receivables for Euro 1,878 million were collected in July.

“*Receivables for factoring/leases*” relate to non-performing loans from the business previously handled by Fime Leasing and Fime Factoring.

#### 4.9. Other current receivables and assets

<i>(in thousands of Euro)</i>	30 Jun 2018	31 Dec 2017	Change
Tax assets	885	1,575	(690)
Receivables for special situations	3,510	3,510	-
Accruals and prepayments	198	56	142
Receivables due from related companies	1,030	232	798
Other receivables	1,513	2,131	(618)
<b>Other current receivables and assets</b>	<b>7,136</b>	<b>7,504</b>	<b>(368)</b>

The offsetting of VAT and IRES receivables in the half year under review also contributed to reducing the “*Tax assets*”.

The “*Receivables for special situations*” consist of Euro 2,000 thousand of receivables from the Isotta Fraschini proceedings, to be distributed during 2018 and Euro 1,510 thousand of loans secured by mortgages.

“Receivables due from related companies” include both for 2018 as well as 2017 only positions arising from the tax consolidation.

At 31 December 2017, the item “*Other receivables*” included a security deposit of Euro 466 thousand, paid in connection with the sale of a property and which was collected in the half year under review.

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.

<i>(in thousands of Euro)</i>	<i>30 Jun 2018</i>	<i>31 Dec 2017</i>	<i>Change</i>
Bank and post office accounts	53,079	28,870	24,209
Cash on hand	6	16	(10)
<b>Cash and cash equivalents</b>	<b>53,085</b>	<b>28,886</b>	<b>24,199</b>

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

#### 4.11. *Equity attributable to owners of the Parent Company*

For an analysis of the changes in consolidated equity, reference should be made to the “*Statement of changes in equity*”.

There were no changes to the number of shares during the first half of 2018.

#### 4.12. *Employee benefits*

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

<i>(in thousands of Euro)</i>	<i>30 Jun 2018</i>	<i>31 Dec 2017</i>	<i>Change</i>
Executives	68	64	4
Clerical workers	232	220	12
IAS adjustment	36	38	(2)
<b>Employee benefits</b>	<b>336</b>	<b>322</b>	<b>14</b>

The changes in the item were as follows:

<i>(in thousands of Euro)</i>	<i>31 Dec 2017</i>	<i>Increases</i>	<i>Decreases</i>	<i>Contributions to the fund</i>	<i>30 Jun 2018</i>
Executives	64	19	-	(15)	68
Clerical workers	220	18	-	(6)	232
IFRS differences	38	-	(2)	-	36
<b>Employee benefits</b>	<b>322</b>	<b>37</b>	<b>(2)</b>	<b>(21)</b>	<b>336</b>

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

<i>General criteria</i>	<i>30 Jun 2018</i>	<i>31 Dec 2017</i>
Discount rate	0.98-1.45%	0.88-1.30%
Rate of increase in future remuneration	0.5-1.0%	0.5-1.0%
Average remaining working life	8.1-12.8 years	8.2-13.1 years
<b>General criteria</b>		

A discount rate based on the “*Iboxx Eurozone Corporate AA*” index was used also at 30 June 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:

<i>(in thousands of Euro)</i>	<i>30 Jun 2018</i>	<i>31 Dec 2017</i>	<i>Change</i>
Payables for financial guarantees issued	1,435	-	1,435
Due to banks	5,831	6,463	(632)
Due to others	173	166	7
<b>Non-current financial payables and liabilities</b>	<b>7,439</b>	<b>6,629</b>	<b>810</b>

The “*Due to Banks*” item, including with reference to the division between the short term and the medium-long term portions breaks down as follows:

<i>(in thousands of Euro)</i>	<i>Current</i>	<i>Non-current</i>	<i>Total</i>
Intesa SanPaolo	286	296	582
UBI	40	208	248
Banco BPM	467	5,088	5,555
Mediocredito centrale	5,066	-	5,066
<b>Mortgage loans</b>	<b>5,859</b>	<b>5,592</b>	<b>11,451</b>
<b>Friulia loan</b>	<b>476</b>	<b>239</b>	<b>715</b>
<b>Total payables due to banks</b>	<b>6,335</b>	<b>5,831</b>	<b>12,166</b>

No financial covenants apply to the existing loans.

The outstanding loan with Banco BPM expires in July 2030 and carries 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 at the reporting date is included in “*Due to others*”. The property in Foro Buonaparte 44, Milan was mortgaged as a guarantee.

The Intesa Sanpaolo loan expires on 30 June 2020 and provides for interests based on six-month Euribor plus a spread of 0.9 points, while the UBI loan, which matures on 30 June 2024, provides for six-month Euribor plus a spread of 1.25 points. The Intesa Sanpaolo loan is guaranteed through a mortgage on the Ivrea property, while the UBI loan is guaranteed by a mortgage on the Padua properties.

The Mediocredito Centrale loan is secured by a mortgage on the property in Varedo. It relates to two loans due on 31 December 2015 and includes an estimated principal of Euro 4,841 thousand and an estimated accrued interest of Euro 225 thousand. The official agreement for the extension of these mortgages was not yet concluded on the date of these financial statements and therefore the debt was classified as due next year.

The Friulia loan refers to a non-current portion of a loan taken out by the incorporated entity ErgyCapital, which expires on 31 December 2019, at 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**

<i>(in thousands of Euro)</i>	<i>30 Jun 2018</i>	<i>31 Dec 2017</i>	<i>Change</i>
Intek Group 2015/2020 bonds	101,310	101,215	95
<b>Bonds</b>	<b>101,310</b>	<b>101,215</b>	<b>95</b>

The “*Intek Group 2015-2020 bonds*” expire in February 2020, with 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 period is connected to the progressive recognition of the issue costs in profit and loss.

#### 4.15. Other non-current liabilities

<i>(in thousands of Euro)</i>	30 Jun 2018	31 Dec 2017	Change
Payables for “special situations”	692	692	-
Other liabilities	800	800	-
<b>Other non-current liabilities</b>	<b>1,492</b>	<b>1,492</b>	<b>-</b>

The “*Payables for special situations*” originated as part of the assumption of the agreements which relate to untraceable creditors of the former FEB-Ernesto Breda SpA proceedings.

“*Other liabilities*” amount to Euro 800 thousand from an investment agreement concerning the Fossati Uno initiative, which provides for the payment to the counterparty of part of the 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:

<i>(in thousands of Euro)</i>	31 December 2017	Increases	Releases/ uses	30 June 2018
Provisions for investment risks	858	-	(81)	777
Provisions for risks for tax disputes	300	-	-	300
Provisions for special situations risks	2,731	-	(1,571)	1,160
Provisions for risks on guarantees for asset disposals	936	-	-	936
Other provisions for risks and charges	214	-	-	214
<b>Total</b>	<b>5,039</b>	<b>-</b>	<b>(1,652)</b>	<b>3,387</b>

The “*Provisions for investment risks*” from the merger with ErgyCapital are allocated for equity investments with negative shareholders’ equity, mainly involving the subsidiary Energetica Solare in liquidazione.

The “*Provisions for risks for tax disputes*”, unchanged compared to 31 December 2017, contain, among other things, a provision for VAT which resulted from fraud involving non-existent transactions in which the Fime Group, which handled the leasing and factoring, was the damaged party. This provision has been established to cover the entire risk of the dispute, for which the Court of Cassation’s ruling is awaited.

The “*Provisions for risks on guarantees for asset disposals*” refer to an allocation connected to the commitments assumed upon disposal of an equity investment and is relative to a tax inspection which became final after the Court of Cassation issued its ruling in 2015. In 2017, the liabilities relative to the tax assessment notices received were settled, while awaiting definition of the residual amounts to be paid.

As at 31 December 2017, the “*Provisions for special situations risks*” mainly referred to an allocated amount of Euro 2,597 thousand established in 2014 following a negative ruling issued by the Naples Court of Appeal (Corte di Appello) for a dispute initiated by the bankruptcy receivers of a former leasing client. An appeal against this ruling was lodged with the Court of Cassation. In September, a final out-of-court settlement was signed pursuant to which the matter was concluded. This transaction resulted in a charge for the Group of Euro 1,025 thousand; the provision for risks was therefore reduced to this amount, and Euro 1,572 thousand was recognised as income.

“*Other provisions for risks and charges*” contain, among other things, allocations for disputes with former employees.

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

#### 4.17. *Current financial payables and liabilities*

<i>(in thousands of Euro)</i>	<i>30 Jun 2018</i>	<i>31 Dec 2017</i>	<i>Change</i>
Due to related companies	4,198	4,409	(211)
Overdrafts on the current bank accounts of the former ErgyCapital	-	59	(59)
Loan amounts falling due	6,335	6,553	(218)
Payables for financial guarantees issued	930	2,377	(1,447)
Interest expense on bonds	1,811	4,375	(2,564)
Due to lease companies	-	2	(2)
<b>Current financial payables and liabilities</b>	<b>13,274</b>	<b>17,775</b>	<b>(4,501)</b>

“*Due to related companies*” contains the balance of the current account, held at market rates with remuneration set at Euribor plus a spread, in existence with the following subsidiaries:

- Euro 3,553 thousand with Breda Energia.
- Euro 637 thousand with Energetica Solare.

“*Loan amounts falling due*” 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 maturing in the period from 20 February to 30 June 2018.

During the half-year, no new loans were taken out nor were there any drawdowns of previous loans. Any increases refer only to accrued interests.

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 “Interim Directors’ report” rather than in these notes.

#### 4.18. *Trade payables*

<i>(in thousands of Euro)</i>	<i>30 Jun 2018</i>	<i>31 Dec 2017</i>	<i>Change</i>
Due to suppliers	1,110	2,213	(1,103)
Due to related companies	339	434	(95)
<b>Trade payables</b>	<b>1,449</b>	<b>2,647</b>	<b>(1,198)</b>

The reduction in this item is due to the payment of suppliers from the merged company ErgyCapital.

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

#### 4.19. Other current liabilities

<i>(in thousands of Euro)</i>	30 Jun 2018	31 Dec 2017	Change
Due to employees	213	502	(289)
Due to social security institutions	81	172	(91)
Tax liabilities	144	450	(306)
Payables to directors for end of office indemnity	687	774	(87)
Payables due to related companies	985	985	-
Other liabilities	1,555	2,497	(942)
<b>Other current liabilities</b>	<b>3,665</b>	<b>5,380</b>	<b>(1,715)</b>

“Payables to directors for end of office indemnity” refer to the residual amount due to the Chairman for the end of office indemnity accrued to 31 December 2012, the date on which the office ended. The amount in question has been accruing interest of 5% since 2014. The Chairman has allowed extension of the payment expiration date to 31 December 2018.

The reduction in the item “Due to employees” (referring to amounts accrued but not yet paid), “Due to social security institutions” (for contributions withheld from employees or associates or borne by the companies) and “Tax liabilities” (which mainly includes payables for withholding taxes to be paid) is linked to the settlement of payables relating to the merged company ErgyCapital.

The item “Payables due to related companies” includes the payables to directors for accrued remuneration and the residual debt of Euro 804 thousand payable to Progetto Ryan 3 for the purchase of Culti Milano shares.

The reduction in the item “Other liabilities” is related to the payment, in March 2018, of a debt of Euro 945 thousand relating to special situations. The item includes, for Euro 1,266 thousand, payables due to former lease customers received by way of advance from customers and not offset with credit entries.

#### 4.20. Deferred tax assets and liabilities

<i>(in thousands of Euro)</i>	30 Jun 2018	31 Dec 2017	Change
Deferred tax assets	4,724	5,310	(586)
Deferred tax liabilities	(3,487)	(3,536)	49
<b>Deferred tax assets and liabilities</b>	<b>1,237</b>	<b>1,774</b>	<b>(537)</b>

As at the reporting date of these consolidated financial statements, the Group recorded deferred tax assets on tax losses carried forward amounting to Euro 2.6 million. Moreover, there are losses of Euro 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:

<i>(in thousands of Euro)</i>	<i>Deferred tax assets</i>		<i>Deferred tax liabilities</i>	
	<i>30 Jun 2018</i>	<i>31 Dec 2017</i>	<i>30 Jun 2018</i>	<i>31 Dec 2017</i>
Property, plant and equipment	-	-	(1,482)	(1,507)
Investment property	384	382	-	-
Equity/Financial investments	-	-	(987)	(991)
Non-current financial assets	7	-	-	-
Trade receivables	3,051	3,328	(1,018)	(1,036)
Other current receivables and assets	115	115	-	-
Non-current assets held for sale	-	-	-	-
Current financial assets	13	-	-	(2)
Cash and cash equivalents	128	-	-	-
Non-current financial liabilities	42	40	-	-
Provisions for risks and charges	313	729	-	-
Other current liabilities	46	91	-	-
Deferred taxes on tax losses carried forward	625	625	-	-
<b>Total</b>	<b>4,724</b>	<b>5,310</b>	<b>(3,487)</b>	<b>(3,536)</b>

#### 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.

<i>(in thousands of Euro)</i>	<i>Non-current financial assets</i>	<i>Current financial assets</i>	<i>Trade receivables</i>	<i>Other current receivables and assets</i>	<i>Other non-current liabilities</i>	<i>Financial payables and liabilities</i>	<i>Trade payables</i>	<i>Other current liabilities</i>
Breda Energia Srl in liquidazione	-	-	9	-	-	(3,553)	-	-
Culti Milano SpA	-	-	13	-	-	-	-	(1)
HG Power Srl in liquidazione	-	11	-	-	-	-	-	-
Soc Agr. Carmagnola Srl	262	-	-	-	-	-	-	-
Società Agricola Agrienergia Srl	398	869	17	-	-	-	-	(144)
Ergyca Two Srl	-	8	7	-	-	-	-	-
Ergyca Sun Sicilia	-	153	50	-	-	-	-	-
Ergyca Bio	-	163	-	-	-	-	-	-
ErgycaTracker 2 Srl	-	-	-	-	-	-	-	(3)
ErgycaFour Srl	-	-	4	-	-	(8)	-	-
Energetica Solare Srl in liquidazione	-	-	-	-	-	(637)	-	-
Mecchld Srl	200	-	-	-	-	-	-	-
EM Moulds Srl	-	-	24	-	-	-	-	-
Green Recycle Srl	-	-	1	-	-	-	-	-
Intek Investimenti Srl	-	565	9	-	-	-	-	-
KME AG	-	-	6,035	-	-	-	-	-
KMD Connectors Stolberg	-	-	15	-	-	-	-	-
KME Brass Germany GmbH	-	-	-	-	-	-	(37)	-
KME Brass Italy Srl	-	-	34	-	-	-	-	-
Tréfirmétaux Sas	-	-	12	-	-	-	-	-
KME Italy SpA	-	-	112	-	-	-	(126)	-
KME Germany GmbH	-	-	163	-	-	-	-	-
KME Yorkshire Ltd	-	284	245	-	-	-	(8)	-
KME Srl	-	-	20	-	-	-	(162)	-
Valika SAS	-	-	3	-	-	-	-	-
NewCocot Srl in liquidazione	175	-	15	-	-	-	-	-
Nextep Srl benefit company	-	-	8	-	-	-	-	-
Progetto Ryan 3 Srl in liquidazione (formerly Culti Srl)	-	-	-	-	-	-	-	(804)
Quattrodue SpA	-	-	18	-	-	-	-	-
Fossati Uno Srl	2,664	-	-	-	-	-	-	-
Receivables from guarantees	1,435	930	-	-	-	-	-	-
Receivables/Payables for tax consolidation	-	-	-	1,030	-	-	-	-
Directors and Statutory Auditors	-	-	-	-	-	-	(6)	(720)
	<b>5,134</b>	<b>2,983</b>	<b>6,814</b>	<b>1,030</b>	<b>-</b>	<b>(4,198)</b>	<b>(339)</b>	<b>(1,672)</b>
<b>Total</b>	<b>15,118</b>	<b>3,298</b>	<b>13,703</b>	<b>7,136</b>	<b>(1,492)</b>	<b>(13,274)</b>	<b>(1,449)</b>	<b>(3,665)</b>
<b>Percentage</b>	<b>33.96%</b>	<b>90.45%</b>	<b>49.73%</b>	<b>14.43%</b>	<b>0.00%</b>	<b>31.63%</b>	<b>23.40%</b>	<b>45.62%</b>

<i>(in thousands of Euro)</i>	<i>Guarantee fees</i>	<i>Other operating income</i>	<i>Other operating costs</i>	<i>Financial income</i>	<i>Financial expense</i>
Breda Energia SpA in Liquidazione	-	8	-	-	(45)
Culti Milano SpA	3	7	-	-	-
EM Moulds Srl	12	-	-	-	-
Società Agricola Agrienergia S.r.l.	-	17	-	25	-
Intek Investimenti Srl	-	7	-	-	-
KME AG	691	-	-	171	-
KME Brass Italy	15	-	-	-	-
KME Germany & Co. KG GmbH	33	-	-	-	-
KME Italy Srl	31	-	(2)	-	-
KME Srl	-	-	(13)	-	-
KME Yorkshire Ltd	-	-	-	5	-
Green Recycle	1	-	-	-	-
Progetto Ryan 3 Srl in liquidazione	-	-	-	4	-
Quattrodue SpA	-	7	-	-	-
Directors/Statutory Auditors	-	-	(892)	-	-
	<b>786</b>	<b>46</b>	<b>(907)</b>	<b>205</b>	<b>(45)</b>
<b>Total</b>	<b>786</b>	<b>632</b>	<b>(857)</b>	<b>904</b>	<b>(2,932)</b>
<b>Percentage</b>	<b>100.00%</b>	<b>7.28%</b>	<b>105.83%</b>	<b>22.68%</b>	<b>1.53%</b>

## 5. Income Statement

Pursuant to Consob Communication no. 6064293/06 it is hereby specified that the Group did not carry out any “atypical and/or unusual transactions” during the 1st half of 2018.

### 5.1. *Net income from investment management*

The breakdown of the item is as follows:

<i>(in thousands of Euro)</i>	<i>1st half 2018</i>	<i>1st half 2017</i>	<i>Change</i>	<i>% Change</i>
Value adjustments on equity investments and securities	(50)	-	(50)	n/a
Profit/loss from the sale of fund units and securities	32	28	4	14.29%
Value adjustments on financial receivables from related companies	-	(137)	137	-100.00%
Measurement of investments at fair value	(407)	(169)	(238)	140.83%
Measurement of fund units and securities at fair value	(488)	-	(488)	n/a
Dividends	307	2	305	15250.00%
<b>Net income from investment management</b>	<b>(606)</b>	<b>(276)</b>	<b>(330)</b>	<b>119.57%</b>

This item consists of the following amounts:

- the dividends include Euro 178 thousand from Culti Milano and Euro 77 thousand from AgriEnergia;
- the measurement of investments at fair value includes the negative value of Euro 267 thousand for Culti Milano shares and Euro 220 thousand for the shares of the former ErgyCapital. The item includes the positive effect of the release of Euro 80 thousand of the provision for risks on equity investments;
- The measurement of fund units and shares at fair value includes the negative value of Euro 420 thousand for I2 Capital Fund and the negative value of Euro 68 thousand for Warrant Culti Milano.

### 5.2. *Guarantee fees*

<i>(in thousands of Euro)</i>	<i>1st half 2018</i>	<i>1st half 2017</i>	<i>Change</i>	<i>% Change</i>
Guarantee fees	786	1,974	(1,188)	-60.18%
<b>Guarantee fees</b>	<b>786</b>	<b>1,974</b>	<b>(1,188)</b>	<b>-60.18%</b>

They refer to guarantees provided for subsidiaries and mainly refer to KME AG and its subsidiaries. The reduction in fees is due to the decrease in the guarantee amounts given as part of the renegotiation of KME's bank lines.

### 5.3. *Other income*

<i>(in thousands of Euro)</i>	<i>1st half 2018</i>	<i>1st half 2017</i>	<i>Change</i>	<i>% Change</i>
Income from “special situations”	158	10	148	1480.00%
Fund management fees	344	407	(63)	-15.48%
Lease income	25	36	(11)	-30.56%
Provision of services to related companies	46	29	17	58.62%
Other	59	44	15	34.09%
<b>Other income</b>	<b>632</b>	<b>526</b>	<b>106</b>	<b>20.15%</b>

“Fund management fees” refer to the fees and charges collected by I2 Capital Partners SGR for managing the I2 Capital Partners Fund, which are calculated on the amount invested, as the investment period has ended.

“Income from special situations” refers to Intek's activities connected to the undertaking of compositions with creditors.

The item “Provision of services to related companies” contains only the amounts invoiced for the administrative support to companies belonging to the group.

#### 5.4. Labour costs

<i>(in thousands of Euro)</i>	<i>1st half 2018</i>	<i>1st half 2017</i>	<i>Change</i>	<i>% Change</i>
Wages and salaries	(558)	(594)	36	-6.06%
Social security charges	(183)	(184)	1	-0.54%
Other personnel costs	(227)	(177)	(50)	28.25%
<b>Labour costs</b>	<b>(968)</b>	<b>(955)</b>	<b>(13)</b>	<b>1.36%</b>

This item includes remuneration for Euro 94 thousand and contributions for Euro 39 thousand related to the personnel of the merged company EryCapital.

“Other personnel costs” includes remuneration to associates of Euro 115 thousand and an allocation to the employees’ post-employment benefits of Euro 35 thousand.

Average number of employees:

	<i>30/06/2018</i>	<i>31/12/2017</i>	<i>Change</i>	<i>% Change</i>
Executives	4	3	1	33.33%
	25.00%	21.43%		
Clerical workers	12	11	1	9.09%
	75.00%	78.57%		
<b>Total employees (average)</b>	<b>16</b>	<b>14</b>	<b>2</b>	<b>14.29%</b>
	100.00%	100.00%		

#### 5.5. Amortisation, depreciation, impairment and write-downs

<i>(in thousands of Euro)</i>	<i>1st half 2018</i>	<i>1st half 2017</i>	<i>Change</i>	<i>% Change</i>
Depreciation	(202)	(213)	11	-5.16%
Amortisation	(1)	-	(1)	n/a
Reversal of impairment losses on investment property	(222)	(54)	(168)	311.11%
<b>Amortisation, depreciation, impairment and write-downs</b>	<b>(425)</b>	<b>(267)</b>	<b>(158)</b>	<b>59.18%</b>

### 5.6. Other operating costs

<i>(in thousands of Euro)</i>	<i>1st half 2018</i>	<i>1st half 2017</i>	<i>Change</i>	<i>% Change</i>
Directors' and Statutory Auditors' fees	(698)	(691)	(7)	1.01%
Professional services	(553)	(580)	27	-4.66%
Travel costs	(111)	(190)	79	-41.58%
Other personnel costs	(46)	(37)	(9)	24.32%
Legal and company disclosure	(54)	(45)	(9)	20.00%
Electricity, heating, postal and telephone costs	(142)	(106)	(36)	33.96%
Insurance premiums	(57)	(64)	7	-10.94%
Real estate leases	(84)	(79)	(5)	6.33%
Maintenance	(59)	(45)	(14)	31.11%
Leases and rentals	(49)	(36)	(13)	36.11%
Other tax charges	(385)	(458)	73	-15.94%
Membership fees	(91)	(89)	(2)	2.25%
Other net costs	(77)	(78)	1	-1.28%
Donations	(11)	(4)	(7)	175.00%
Bank fees	(12)	(10)	(2)	20.00%
	(2,429)	(2,512)	83	-3.30%
Release of provisions	1,572	-	1,572	n/a
<b>Other operating costs</b>	<b>(857)</b>	<b>(2,512)</b>	<b>1,655</b>	<b>-65.88%</b>

"Release of provisions" relates to the positive effects of the Mareco transaction, commented on under "Provisions for risks and charges".

### 5.7. Net financial expense

<i>(in thousands of Euro)</i>	<i>1st half 2018</i>	<i>1st half 2017</i>	<i>Change</i>	<i>% Change</i>
Interest income from related companies	205	1,139	(934)	-82.00%
Other financial income and interests	699	1	698	n/a
Total financial income	904	1,140	(236)	-20.70%
Interest paid to related companies	(45)	(47)	2	-4.26%
Loan interest expense	(148)	(85)	(63)	74.12%
Interest expense on securities issued	(2,616)	(2,611)	(5)	0.19%
Other interests expense	(13)	(27)	14	-51.85%
Other financial expense	(110)	(103)	(7)	6.80%
Total financial expense	(2,932)	(2,873)	(59)	2.05%
<b>Total net financial expense</b>	<b>(2,028)</b>	<b>(1,733)</b>	<b>(295)</b>	<b>17.02%</b>

Interest income and expense from related companies refer to the debit and credit positions described under current and non-current financial assets and current financial liabilities. The breakdown is provided in the paragraph regarding related parties.

"Other financial income and interests" include Euro 697 thousand related to the release of adjustments to expected losses in accordance with IFRS 9, following the collection of the underlying positions.

"Other financial expense" include both adjustments to expected losses (Euro 69 thousand) and differentials on interest rate hedging contracts (Euro 40 thousand).

### 5.8. Current and deferred taxes

<i>(in thousands of Euro)</i>	<i>1st half 2018</i>	<i>1st half 2017</i>	<i>Change</i>	<i>% Change</i>
Current taxes	799	492	307	62.40%
Deferred taxes	(839)	(200)	(639)	319.50%
<b>Current and deferred taxes</b>	<b>(40)</b>	<b>292</b>	<b>(332)</b>	<b>-113.70%</b>

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 effective charge:*

<i>(in thousands of Euro)</i>	<i>1st half 2018</i>
Profit/(loss) before taxes	(3,466)
<b>Theoretical tax charge (tax rate used 27.9%)</b>	<b>968</b>
Reconciliation:	
Use of different tax rates:	-
Other effects:	-
- Non-deductible (expenses) and non-taxable income	(899)
- Impairment losses/(reversal of impairment losses) on investments and securities	(109)
<b>Taxes recognised in profit or loss</b>	<b>(40)</b>

## 6. Other information

### 6.1. Financial instruments by category

<i>(in thousands of Euro)</i>	30 Jun 2018	31 Dec 2017	Change
Financial assets at fair value through profit or loss	490,605	491,927	(1,322)
Financial assets at fair value through profit or loss and other comprehensive income	-	-	-
Amortised cost	89,039	98,825	(9,786)
<b>Financial assets</b>	<b>579,644</b>	<b>590,752</b>	<b>(11,108)</b>
Financial liabilities at fair value through profit or loss	(2,538)	(2,543)	5
Financial payables and liabilities at amortised cost	(125,947)	(132,145)	6,198
<b>Financial liabilities</b>	<b>(128,485)</b>	<b>(134,688)</b>	<b>6,203</b>

### 6.2. Financial instruments by financial statement item

Financial instruments and reconciliation with financial statement items at 30 June 2018:

<i>(in thousands of Euro)</i>	Total	At amortised cost	At fair value	Outside the scope of IFRS 7
Investments in equity interests and fund units	488,183	-	488,183	-
Non-current financial assets	15,118	13,683	1,435	-
Other non-current assets	6	6	-	-
Trade receivables	13,703	13,703	-	-
Other current receivables and assets	7,136	6,251	-	885
Current financial assets	3,298	2,311	987	-
Cash and cash equivalents	53,085	53,085	-	-
<b>Total financial assets</b>	<b>580,529</b>	<b>89,039</b>	<b>490,605</b>	<b>885</b>
Non-current financial payables and liabilities	(7,439)	(5,831)	(1,608)	-
Bonds	(101,310)	(101,310)	-	-
Other non-current liabilities	(1,492)	(1,492)	-	-
Current financial payables and liabilities	(13,274)	(12,344)	(930)	-
Trade payables	(1,449)	(1,449)	-	-
Other current liabilities	(3,665)	(3,521)	-	(144)
<b>Total financial liabilities</b>	<b>(128,629)</b>	<b>(125,947)</b>	<b>(2,538)</b>	<b>(144)</b>

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:

<i>(in thousands of Euro)</i>	<i>Total fair value</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
Investments in equity interests and fund units	488,183	11,400	-	476,783
Non-current financial assets	1,435	-	-	1,435
Current financial assets	987	-	-	987
<b>Total financial assets</b>	<b>490,605</b>	<b>11,400</b>	<b>-</b>	<b>479,205</b>
Non-current financial payables and liabilities	(1,608)	-	(173)	(1,435)
Current financial payables and liabilities	(930)	-	-	(930)
<b>Total financial liabilities</b>	<b>(2,538)</b>	<b>-</b>	<b>(173)</b>	<b>(2,365)</b>

The share investments in Culti Milano and the relevant warrants fall under Level 1 financial instruments.

### **6.3. Notional value of financial instruments and derivatives**

No derivative financial instruments are recognised as at 30 June 2018, except for the interest rate hedge on the Immobiliare Picta mortgage loan, the notional value of which is Euro 5,639 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:

<i>(in thousands of Euro)</i>	<i>Gross carrying amount</i>	<i>Write-down as at 30 June 2018</i>	<i>Net carrying amount</i>
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	641	(264)	377
<b>Trade receivables</b>	<b>657</b>	<b>(264)</b>	<b>393</b>

The changes in the receivable write-downs were as follows:

<i>(in thousands of Euro)</i>	
<b>Balance at 31 December 2017</b>	<b>180</b>
Impairment losses of the year	84
Uses	-
Releases	-
<b>Balance at 30 June 2018</b>	<b>264</b>

### **6.5. Currency risk exposure**

At 30 June 2018, there were no assets or liabilities in a foreign currency.

## 6.6. Interest rate risk exposure

The interest rate structure of the Group's interest-bearing financial instruments at 30 June 2018 was as follows:

<i>(in thousands of Euro)</i>	<i>30 Jun 2018</i>	<i>31 Dec 2017</i>
Financial assets	-	50
Financial liabilities	(107,580)	(108,220)
<b>Fixed-rate instruments</b>	<b>(107,580)</b>	<b>(108,170)</b>
Financial assets	69,073	79,411
Financial liabilities	(10,094)	(10,481)
<b>Floating-rate instruments</b>	<b>58,979</b>	<b>68,930</b>

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 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 23 million, and guarantees for tax credits of approximately Euro 2.1 million expiring insofar as Euro 0.4 million in 2018, Euro 0.3 million in 2019 and Euro 1.4 million in 2020.

In December 2015, Intek Group indicated its willingness to issue a guarantee of up to Euro 5.0 million for Associazione Dynamo for the granting of a mortgage loan for the restructuring of certain buildings located in Limestone. 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 1.6 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 30 June 2018:

<i>(in thousands of Euro)</i>	<i>30 Jun 2018</i>
<b>Profit/(loss) of Intek Group SpA</b>	<b>(2,741)</b>
Profit/(loss) of consolidated companies	(708)
Amortisation of excess cost allocation on property (net of tax effect)	(63)
Other	6
<b>Group's consolidated net profit/(loss)</b>	<b>(3,506)</b>

Reconciliation of the equity of the Parent Company Intek Group SpA and the consolidated equity for the period ended 30 June 2018:

<i>(in thousands of Euro)</i>	<i>30 Jun 2018</i>
<b>Parent company's equity including profit/(loss) for the period</b>	<b>482,358</b>
Excess cost allocation on property (net of tax effect)	3,835
Other	143
Difference between the consolidated companies' equity and their carrying amount	(6,110)
<b>Group's consolidated equity including profit/(loss) for the period</b>	<b>480,226</b>

**CERTIFICATION OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL  
STATEMENTS PURSUANT TO ARTICLE 154 BIS, PARAGRAPH 5 OF ITALIAN  
LEGISLATIVE DECREE 58/1998 AND ARTICLE 81 TER OF CONSOB REGULATION NO.  
11971 OF 14 MAY 1999, AS SUBSEQUENTLY AMENDED AND SUPPLEMENTED**

1. Having regard to the requirements of Article 154 bis, paragraphs 3 and 4 of 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 condensed consolidated interim financial statements for the half year from 01 January 2018 to 30 June 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 condensed consolidated interim 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. Investment Entities (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 interim management report includes a fair review of the important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated interim financial statements, together with a description of the principal risks and uncertainties for the remaining six months of the financial year. The interim management report also includes a fair review of the information on significant related party transactions.

Milan, 18 September 2018

The Chairman

The Manager in charge of Financial  
Reporting

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*signed Vincenzo Manes*

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*signed Giuseppe Mazza*