INTEK GROUP

INTERIM FINANCIAL REPORT
AS AT 30 JUNE 2019
(1ST HALF 2019)

Pursuant to article 154-ter of the TUF (Consolidated Law on Finance)

Board of Directors
of 27 September 2019

Registered and Administrative Office:
20121 Milan - Foro Buonaparte, 44
Share capital Euro 335,069,009.80 fully paid-up
Tax Code and Milan Business
Register No. 00931330583
www.itkgroup.it

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Company Bodies

***Board of Directors** (appointed by the shareholders' meeting of 8 May 2018)*

Chairman	Vincenzo Manes [B]
Deputy Chairpersons	Diva Moriani [B]
	Marcello Gallo [B]
Directors	Giuseppe Lignana [A,C]
	James Macdonald
	Ruggero Magnoni
	Alessandra Pizzuti
	Luca Ricciardi [A,C]
	Francesca Marchetti [A, C]

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

***Board of Statutory Auditors** (appointed by the shareholders' meeting of 8 May 2018)*

Chairman	Marco Lombardi
Statutory Auditors	Giovanna Villa
	Alberto Villani
Alternate Auditors	Elena Beretta
	Andrea Zonca

Manager in charge of Financial Reporting	Giuseppe Mazza
Independent Auditors *(appointed by the shareholders' meeting of 31 May 2016)*	Deloitte & Touche SpA
Common Representative of Savings Shareholders	Simonetta Pastorino
Common Representative of ***"Intek Group SpA 2015/2020 Bonds Holders"***	Rossano Bortolotti

Interim report on operations

Dear Shareholders,

as already reported in the significant events section in the report on the financial statements of the previous year, the first half of 2019 was characterised by two important extraordinary transactions which concerned the subsidiary KME SE, the main investment of Intek Group SpA (hereinafter also referred to as "**Intek Group**", "**Intek**" or the "**Company**").

The conclusion of these transactions, one an acquisition, the other a disposal, enabled KME to take advantage of the opportunities arising from numerous, intense restructuring activities carried out in the last few years and refocus the product portfolio on copper laminates and copper alloys as well as on special products.

During the half year's review, the company continued to carry out its typical activity of holding of diversified investments through the active management of investments in the portfolio in an attempt to increase their value.

The company's priority objective is the dynamic management of investments and the other assets held, with a marked focus on their ability to generate cash and increase in value over time.

Huge efforts were also expended in the research and development of new projects, including in areas of increasing interest, such as sustainability (ESG).

In general, Intek carries out medium-term investments. The objective pursued is to create a flexible portfolio of assets, with reduced investment cycles compared to the approach adopted in the past and, subsequently, with more rapid cash generation. From this perspective, attention continues to be focussed, in terms of portfolio assets, on the most high-performing and promising components, while opportunities are seized for the disinvestment from industrial and financial segments that present reduced prospects for an increase in value or realisation times which are inconsistent with the Group's management policies.

In line with this strategy, the company's management believes that the overall evaluation of the performances of the managed businesses should be carried out by considering not only the economic results achieved, but also and above all, the increase in the value of the individual assets over time and their potential for creating shareholder value.

This interim financial report is presented in keeping with the approach adopted in the previous periods, using the accounting standards provided for investment entities (amendments made to IFRS 10, 12 and IAS 27) introduced by EU Regulation 1174/2013. Therefore, the investments in non-operating subsidiaries are not consolidated on a line-by-line basis, which are instead recognised at fair value through profit and loss.

Equity investments are excluded from consolidation, including KME SE, a holding company headed up by the KME Group, operating in the "copper" sector and Culti Milano SpA (hereinafter "Culti Milano").

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 Companies set forth in article 20 of Legislative Decree 58/98.

The main events characterising the operations of Intek and its subsidiaries in the first half of 2019, are described below.

(I) KME

Acquisition of a 100% stake in Mansfelder Kupfer und Messing GmbH (MKM), a leading operator in the European copper market, and the sale of the brass rods businesses in Germany, Italy and France, as well as the tube business in Germany and Spain to the Zhejiang Hailiang Co. group.

The acquisition of MKM, finalised in February 2019, having a strategic relevance since it is meant to drive KME's overall competitiveness in its reference markets and could also enable a further redefinition of the scope of industrial activities in the portfolio. The purchase price paid by KME was Euro 80 million plus the assignment to the seller, European Acquisition Midco Limited, of a 1% stake in KME SE, which was first sold by Intek to its subsidiary for Euro 4.6 million.

The disposal of the brass rods business in Germany, Italy and France and the tube business in Germany and Spain is instead intended to reduce the industrial complexity of the KME Group, by downsizing the number of products as well as plants. The agreement with Zhejiang Hailiang Co., signed in January 2019 and finalised at the end of March 2019, resulted in net proceeds of Euro 88 million, corresponding to the sale price of Euro 119 million, in addition to net working capital and the repayment of intercompany payables existing at the date on which the contract was entered into, and after deducting the obligatory repayments of working capital credit lines used in relation to the business disposed of for around Euro 112 million.

Furthermore, in June 2019 KME reacquired 49% of Tréfimetaux SAS, a French company that manufactures copper tubing and rods, of which it already held 51% of the share capital.

In the first half of 2019, KME registered an increase of 25.0% in sales revenues compared to the corresponding period of 2018 (+5.2% net of the value of raw materials). EBITDA came to Euro 39.4 million (+2.1%) and EBIT stood at Euro 16.6 million (-28.1%). The net consolidated result was Euro 25.5 million, compared to Euro 4.9 million, benefitting from the result of extraordinary transactions.

(II) Culti Milano SpA

In the first half of 2019, Culti recorded a positive performance, with an increase in the main economic indicators from the corresponding period of the year 2018. The turnover for the first six months of the year amounted to Euro 3.6 million, marking an increase of 18% compared to the first half of 2018 (Euro 3.1 million), while EBITDA was a positive Euro 0.5 million (Euro 0.2 million as at 30 June 2018; +104%). EBIT was also positive, amounting to Euro 255 thousand, compared to Euro 42 thousand in the first half of 2018 (+508%). The net financial position was a positive Euro 3.0 million, almost unchanged with respect to 31 December 2018.

At the start of July, Culti completed the purchase of 50.01% of Bakel Srl, a company whose business is focused on luxury skincare products, produced exclusively using natural active ingredients. The shares were acquired with an investment of Euro 2.5 million, of which Euro 2 million paid at closing. The final amount for a maximum of Euro 500 thousand, to be paid by 2021, will be subject to an incentive mechanism calculated on the basis of the company’s future profitability.

The outlay for the acquisition was financed using its own resources and through a medium-term amortising 5-year loan of Euro 1 million, granted by ICCREA.

The integration of the activities between Culti and Bakel is expected to bring significant benefits in terms of optimisation of the distribution network.

During the half, Intek, through market purchases, increased its stake in Culti Milano from 72.04% to 77.17%, with a total outlay of Euro 0.4 million.

(III) Closure of the I2 Capital Partners Fund

The end of July marked the end of the term for the liquidation of the Fund, with the distribution to investors of the entire remaining cash, amounting to Euro 6.9 million, and with the assignment to said investors of the shares of the company Isno 3 Srl, a vehicle in which all residual assets still not liquidated were concentrated.

In 2019, before the closing of the Fund, Intek had acquired, at a cost of Euro 3.2 million, the rights of some investors, increasing its stake in the Fund from 19.15% to 59.5%.

Due to the distribution of the Fund, Intek collected liquidity of Euro 3.6 million and assumed control of Isno 3.

In addition to continuing to develop the assets acquired by the Fund, Isno 3 will continue to manage the Festival Crociere dispute, currently pending before the Court of Cassation, as a result of the challenge of the part of the appeal ruling which saw it as the losing party, in conformance with the first instance ruling.

(IV) New Private Equity initiatives

After having established the benefit company Nextep, the first Italian investment platform dedicated to companies interested in integrating sustainability in their business model, Intek retains an active interest in innovative sectors such as that of investments heavily geared towards sustainability in both the financial and real estate domains.

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

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

(V) 2015-2020 Bond Loan

The Bond Loan with a nominal value of Euro 101.7 million will expire on 20 February 2020, as well as the associated interest coupon of Euro 5.1 million.

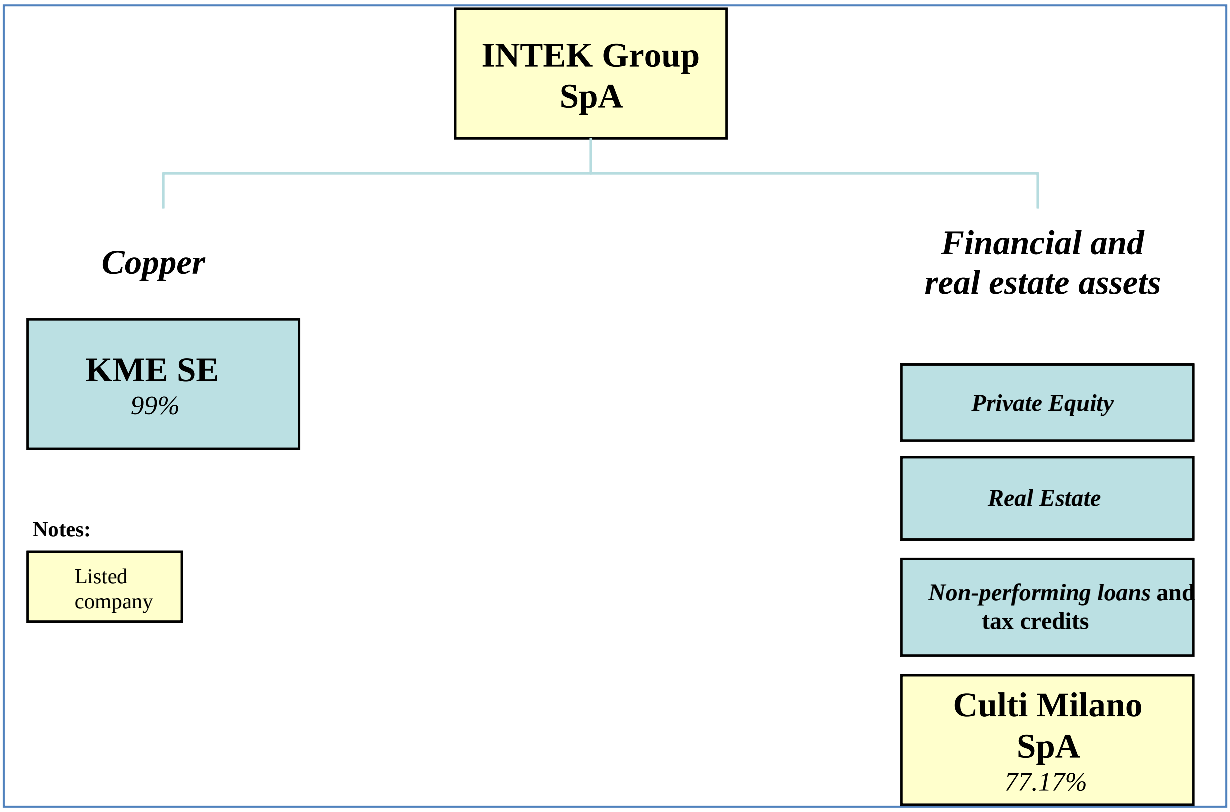
With reference to the requirements needed to extinguish the aforementioned loan, it should be noted that, at the date of approval of this report, Intek has liquidity of Euro 46.0 million, and expects, by the end of the year, collections of receivables from the subsidiary KME SE and guarantee deposits totalling Euro 18 million.

The company has initiated the negotiations with various financial institutions and, in particular, it is in advanced stage with a bank of prime standing for the definition of a 3-year Euro 50 million loan, with which Intek has already successfully completed transactions in the recent past which also concerned the main subsidiaries.

A project is also under way for the issuing of a bond instrument for an amount of at least Euro 50 million. The performance of the corporate debt securities market and, more generally speaking, of the financial markets, the success of the previous issues and the amount of debt with respect to the main company indicators are all elements which, together with the reduced size of the transaction, should help the issue be successful.

In light of the above, the Directors are reasonably certain that the company is able to meet its financial commitments connected with the expiry of the Bond Loan in place and, therefore, there are no uncertainties regarding the going concern assumption, on the basis of which this interim financial report has been prepared.

Summary of the Group's corporate structure



The **investment sectors** of Intek are currently:

- the traditional "**copper**" sector, which includes the production and marketing of copper and copper-alloy semi-finished products, under the German subsidiary KME SE;
- the "**financial and real estate assets**" sector, which includes the private equity activity, carried out also through the I2 Capital Partners closed-end investment fund (the "**Fund**"), liquidated in July 2019 and the management of receivables (tax receivables, non-performing loans and receivables arising from insolvency proceedings) and real estate.

With regard to the "financial and real estate assets", during the half year's review, the programmes targeted at speeding up their gradual realisation continued, and collections of approximately Euro 2.0 million were recorded at the date of this report.

Economic-financial situation of the Parent company Intek Group

In the past, Intek has invested with a medium-term horizon, combining its entrepreneurial spirit with a solid financial structure. Its current strategy targets a flexible portfolio, with reduced investment cycles and faster cash generation.

In line with this strategic redefinition, as outlined previously, it should be noted how Intek's overall performance is evaluated by considering not only the economic results for the period, but also and above all the increase in the value of the individual assets over time.

This evaluation forms the basis of the choices made by management in allocating financial resources, which intend to privilege solely those sectors which appear more high-performing and promising while instead facilitating the exit from both business and financial segments with limited potential for value creation or realisation time-scales not in keeping with the Group's current management policies. Maximisation of the value of the assets managed is achieved through the accurate definition of business strategies and monitoring of subsidiaries, the identification of agreements and/or partnership opportunities, the enhancement of the value of specific assets and management of extraordinary transactions involving the subsidiaries.

Intek's financial highlights as at 30 June 2019, compared to 31 December 2018, are summarised in the table below.[1]

Condensed separate statement of financial position

(in thousands of Euro)	*30 Jun 2019*		*31 Dec 2018*	
Copper	**487,997**	**89.17%**	**489,265**	**89.59%**
Financial and real estate assets				
Private Equity	*5,801*		*2,881*	
Non-operating assets	*6,387*		*6,804*	
Real Estate/Others	*33,356*		*32,365*	
Culti/Other services	*13,181*		*12,767*	
Total financial and real estate assets	**58,725**	**10.73%**	**54,817**	**10.04%**
Other assets/liabilities	**541**	**0.10%**	**2,031**	**0.37%**
Net investments	**547,263**	**100.00%**	**546,113**	**100.00%**
Outstanding bonds (*)	*(103,303)*		*(105,766)*	
Net cash from third parties	*54,871*		*61,547*	
Net financial debt	**(48,432)**	**8.85%**	**(44,219)**	**8.10%**
Total equity	**498,831**	**91.15%**	**501,894**	**91.90%**

Notes:

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

[1] *It should be noted that IFRS 16 entered into force on 1 January 2019, which provides for the recognition of the asset forming the object of the lease, including operating, under assets, with a contra-item under financial payables. Intek applied the new standard by opting for the modified retrospective method and, therefore, without re-stating the comparative information and by determining the right of use equal to that of the lease liability. The application of the new standard involved the recognition of rights of use and financial liabilities of roughly Euro 4.5 million. In the condensed separate statement of financial position both items are classified under "Other assets/liabilities".*

Investments

The Net investments held by the Company amounted at 30 June 2019 to Euro 547.3 million, in line with the amount registered at 31 December 2018 (Euro 546.1 million). The incidence of the individual sectors remained unchanged, with the copper segment again representing the company's biggest investment sector (roughly 89%).

Equity

The holding company's equity amounted to Euro 498.8 million, compared to Euro 501.9 million as at 31 December 2018; the variation was attributable to the result for the period. Equity per share is Euro 1.15, unchanged with respect to 31 December 2018.

The "**Share Capital**" as at 30 June 2019, unchanged with respect to 31 December 2018, amounts to Euro 335,069,009.80, divided into 389,131,478 ordinary shares and 50,109,818 savings shares. None of the shares have a nominal value.

As at 30 June 2019, Intek held 5,713,572 ordinary treasury shares (1.468% of the shares in this category) and 11,801 own savings shares (0.024% of the shares in this category).

Financial management

Net financial debt totalled Euro 44.2 million as at 31 December 2018. The same balance as at 30 June 2019 was Euro 48.4 million. Aside from the bonds, which mature in February 2020, there are no other financial debts to third parties, except for a loan totalling Euro 0.2 million deriving from the merged company ErgyCapital and expiring in December 2019.

Intek's reclassified net financial position as at 30 June 2019, compared to 31 December 2018, can be broken down as follows:

Reclassified net financial position

(in thousands of Euro)		*30 Jun 2019*	*31 Dec 2018*
Cash and cash equivalents		(44,970)	(51,902)
Other financial assets		(10,369)	(10,184)
Current financial receivables from subsidiaries		(9,306)	(8,134)
(A) Net financial assets	**(A)**	**(64,645)**	**(70,220)**
Intek Group Bonds 2015 - 2020		103,303	4,375
Short-term financial payables		238	476
Financial payables to subsidiaries		4,632	5,017
Short-term financial leasing payables		534	-
(B) Short-term financial payables	**(B)**	**108,707**	**9,868**
(C) Short-term net financial position	**(A) - (B)**	**44,062**	**(60,352)**
Long-term financial leasing payables		3,673	-
Intek Group Bonds 2015 - 2020		-	101,391
(D) Medium to long-term financial payables		**3,673**	**101,391**
(E) Net financial position	**(C) - (D)**	**47,735**	**41,039**
Non-current financial receivables from subsidiaries		(598)	(599)
Non-current financial receivables from third parties		(140)	(140)
(F) Non-current financial receivables		**(738)**	**(739)**
(G) Reclassified net financial position	**(E) + (F)**	**46,997**	**40,300**

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

Statement of cash flows – indirect method			
(in thousands of Euro)		*1st half 2019*	*1st half 2018*
(A) Cash and cash equivalents at the beginning of the year		**51,902**	**28,066**
Profit/(loss) before taxes		(3,113)	(2,678)
Amortisation and depreciation		319	17
Impairment/(reversal of impairment) of current and non-current financial assets		(382)	893
Changes in pension funds, post-employment benefits and stock options		6	10
Changes in provisions for risks and charges		-	(1,570)
(Increase)/decrease in equity investments		4,385	(72)
(Increase)/decrease in other financial investments		(2,297)	398
Increase/(decrease) in financial payables to related companies		(385)	(199)
(Increase)/decrease in financial receivables from related companies		(1,172)	33,784
(Increase)/decrease in current receivables		(3,187)	37
Increase/(decrease) in current payables		1,930	(2,875)
(B) Total cash flows from/(used in) operating activities		**(3,896)**	**27,745**
(Increase) in non-current intangible assets and property, plant and equipment		(4)	(17)
Decrease in non-current intangible assets and property, plant and equipment		228	-
Increase/decrease in other non-current assets/liabilities		(119)	-
(C) Cash flows from/(used in) investing activities		**105**	**(17)**
Payment of interests on Bonds		(5,068)	(5,068)
Increase/(decrease) in current and non-current financial payables		2,112	2,031
(Increase)/decrease in current and non-current financial receivables		(185)	(82)
(D) Cash flows from/(used in) financing activities		**(3,141)**	**(3,119)**
(E) Change in cash and cash equivalents	**(B) + (C) + (D)**	**(6,932)**	**24,609**
(F) Effect of changes in accounting standards		**-**	**(525)**
(G) Cash and cash equivalents at the end of the period	**(A) + (E) + (F)**	**44,970**	**52,150**

The income statement that follows has been reclassified by indicating the results of investments in a specific section, including the costs of managing said investments.

Reclassified income statement		
(in thousands of Euro)	*1st half 2019*	*1st half 2018*
Fair value changes and other gains/losses from investment management	1,054	1,122
Investment management costs	(53)	(100)
Gross profit/(loss) from investments	**1,001**	**1,022**
Commission income on guarantees given (a)	487	786
Net operating costs (b)	(1,748)	(2,039)
Overheads (a) - (b)	*(1,261)*	*(1,253)*
Operating profit/(loss)	**(260)**	**(231)**
Net finance expense	**(2,085)**	**(1,814)**
Profit/(loss) before taxes and non-recurring items	**(2,345)**	**(2,045)**
Non-recurring income/(expenses)	(768)	(634)
Profit/(loss) before taxes	**(3,113)**	**(2,679)**
Taxes for the year	71	(62)
Net profit (loss) for the period	**(3,042)**	**(2,741)**

The Commission income on guarantees given fell as a result of the reduction in the guarantees granted to KME.

Net finance expense is influenced by the application of IFRS 16. Non-recurring income/(expenses) include the amortisation of rights of use relating to rentals from subsidiaries.

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With regard to the **business outlook**, the results depend primarily on the performance of the individual investments and any disinvestment of former Intek assets. Commission will also accrue on the financial guarantees granted in the interest of the subsidiaries, albeit to a lesser degree than in the past. As regards the performance of the equity investments, please refer to the provisions of the following sections on the evolution of the sectors Intek invests in.

* * *

Performance in the various investment sectors

Below is the performance of Intek's main investments existing as at 30 June 2019, which consist of the following main equity investments in: KME SE, a holding company headed up by the KME Group and Culti Milano.

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 held in the portfolio, considered to be instrumental to the Company's operations, 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.

In relation to instrumental equity investments, following the comment on the investments, we provide a brief summary of the equity, income and cash flow performance for the first half of 2019.

* * *

<u>Copper sector</u>

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

(in thousands of Euro)	*30 Jun 2019*	*31 Dec 2018*
KME SE investment	478,170	483,000
KME Beteiligungsgesellsch.mbH investment	1,104	1,104
Other	8,723	5,161
Total “copper”	**487,997**	**489,265**

The reduction of Euro 4.8 million in the investment in KME SE was determined by the sale of the 1% share as part of the acquisition of control of MKM by KME.

The update of the valuation using the Unlevered discounted cash flow method as at 30 June 2019, as a result of the higher flows expected due to the acquisition of MKM, would have led to a positive fair value change of approximately 9% with respect to 31 December last year. For said update, moreover, a WACC of 11.4% was used, compared to 10.28% in the previous valuation, also to reflect the risks related, especially in consideration of the recent date of completion of the transaction itself, to the new components in the business perimeter and the synergies in the process of being implemented. The results of the Unlevered discounted cash flow method were compared with those achieved using other methods (in particular, using the market multiples and the transaction multiples methods with the EV/EBITDA multiple) which confirmed the results of the main method.

In respect of the provisions of the policy on the determination of the fair value, at the time of drafting the interim report, no changes were made to the book value of the investment.

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The copper sector, which refers to the production and marketing of copper and copper-alloy semi-finished products by the German subsidiary KME SE, and represents Intek’s core business.

The KME Group concentrates its activities on the production and marketing of semi-finished and special copper and copper-alloy products.

In consideration of the broad range of applications of semi-finished and special copper and copper-alloy products, the associated demand is closely related to the general economic trend of the reference markets.

The recovery in the global economy, which had continued to gather pace from the end of 2016, suffered a slowdown in economic growth in the third quarter of 2018 and continued to decelerate further in the first half of 2019. Economic activity could be boosted by the change of expansionary commercial protection policy applied by the United States, China and the EU and the certainty of a “no-deal Brexit” being avoided, whose characteristics are still unclear. In addition, the risk has arisen that the global recovery may be halted by additional protectionist measures and turbulence in emerging economies and in the political battlefields of the key regions.

In the Eurozone, where the KME Group has the most concentrated presence, the previous growth has transformed into stagnation due to the slowdown in the automobile industry as well as exports. Uncertainty with respect to the global economic trends, deriving in part from geopolitical tensions, is the greatest risk factor for economic activity.

The difficult macroeconomic scenario of the last few years has led the units operating in the "copper" sector to reinforce their operational efficiency and organisational flexibility and to rationalise the business portfolio, in order to concentrate resources on a series of high added value markets and companies with a greater growth potential. This has led to a clear strategic focus and to the launch of a package of investments in Germany for the expansion of alloy strip products, which have a higher added value and are intended for applications involving electric mobility and digitalisation, in the presence of strong demand for elements for connectors. The project will be finalised at the end of the 3rd quarter, when all the investment units have started their production.

The current negative effects on the macroeconomic plan, which durably impact the long-term growth prospects in Europe and the associated competitiveness, prompted KME to connect the process of integration of MKM with a general extension to cost reduction initiatives, in order to be able to restructure the Group as well as the level of synergies envisaged by the MKM (now KME Mansfeld) integration plan.

As part of the strategic plan aimed at reducing complexity and concentrating the product portfolio on sustainable, long-term growth and profit margin development, in 2019 KME decided to implement the "*Forerunner*" integration plan, targeted at specialising the copper production sites based on the strengths of the individual production facilities and promoting better use of its production units.

Acquisition of MKM (Mansfelder Kupfer und Messing)

After the conditions precedent were satisfied, on 28 February 2019, KME SE implemented the agreement for the acquisition (SPA) of the MKM Group, one of the main European competitors of the KME Group, therefore becoming its owner. The purchase price was Euro 80 million plus a 1% stake in KME SE. MKM employs roughly 1,100 resources and has turnover of around Euro 1.1 billion.

The acquisition of MKM strengthens KME's product portfolio in the copper rolled business, creating the global leader of these products. The objective of integration of MKM in KME's footprint is the achievement of a set of production facilities with specialisations in the portfolio of rolled products, thus achieving a competitive advantage and a complete range of all copper qualities and alloys, making it possible to reach all industrial market segments worldwide.

Transfer of brass rods business and activities relating to tubing

Following the verification of the conditions precedent, on 31 March 2019, the agreement with Zhejiang Hailiang Co was implemented, for the disposal of the brass rods business in Germany, Italy and France and the tube business in Germany and Spain. The disposal resulted in net proceeds of approximately Euro 88 million, corresponding to the sale price of Euro 119 million, in addition to working capital and the repayment of intra-group payables existing at the date of the closing, and after deducting the obligatory repayments of working capital credit lines used in relation to the business disposed of, totalling around Euro 112 million.

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

The disposal of the activities relating to tube and brass rods represents further bolstering of KME's product portfolio in the "core business" divisions relating to "special products" and "copper rolled", hence reducing the complexity of KME's business and commercial structure.

Repurchase of the 100% stake in Tréfimetaux SAS

On 9 July 2019, the agreement between KME SE and ECT–European Copper Tubes Ltd for the purchase of the 49% stake in Tréfimetaux SAS (TMX) by KME SE was stipulated, with the latter wholly owning said company again.

Tréfimetaux SAS is a French company that manufactures copper tube and rods at plants in Givet and Niederbruck, respectively, and controls Serravalle Copper Tubes Srl, an Italian company that works in the copper tube business with its facility located Serravalle Scrivia. The consolidated annual turnover of the aforementioned business at 31 December 2018 was around Euro 220 million, and it employs around 560 people.

The acquisition price paid at closing was Euro 2 million and the agreement makes provision for an earn-out based on the future performance of the business. The repurchase of 49% of Tréfimétaux will enable KME to accelerate its business and market strategies.

* * *

As regards the strategy of focusing on markets with greater growth potential, the Chinese joint venture KMD, intended to create a new production facility in Xing Xiang in China, launched the process in the first half of the year.

* * *

Current business performance

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

Demand trends for **semi-finished products in copper and copper alloys for the industrial sector**, in which the KME Group strives to be an important industrial player by making available its traditional know-how in the field of metallurgy, are confirming signs of long-term stability, although to varying extents in the different segments. However, sudden signs of a negative trend are arising in all applications indirectly connected to the automobile industry, due to the uncertainty over the development of technological standards and the destocking which is lasting longer than expected in the entire chain of value of the automobile industry. Instead, the electronics sector is more stable in traditional segments and has interesting outlooks for long-term growth in the development of the electric mobility segment, even though it is suffering from the performance of the automobile industry.

In 2018, the **special products division** was largely characterised by a slower order flow, but also expansionary market activities across all product segments for engineering and semi-finished products. The first half of the year was based on the strong order portfolio resulting from the acquisition of orders received in 2018.

Engineering products

For mould tubes, volumes were positive, while mould plates were characterised by a standard mix with average profit margins and the absence of AFM plates.

Revenues exceeded targets, with a slight improvement in margins despite the increase in costs relating to the German production units, due to the rise in tariffs in new collective bargaining agreements and the greater number of hours needed for the commissioning of the order portfolio. In the second half of 2019, general market conditions are expected to possibly negatively influence end markets for engineering products and thus could potentially slow the future flow of orders.

Products for maritime use and tube bundles

In the products for maritime use segment, order flows were positive due to improvements especially in the oil, gas and naval defence sectors. The orders from the US Navy were confirmed and the associated production started at the end of the first quarter of 2019, with a further increase forecast in the second half of 2019.

Market conditions improved considerably compared to the difficulties witnessed in previous years, but recorded a downturn in the fourth quarter of 2018, and continue to be uncertain due to global trade tensions. The acquisition of production assets in Jacksonville, USA began to support the growing focus on the naval defence market, which continued in 2019 with the positive acquisition of orders, despite the slowdown in the launch of production relating to the navy programme.

Extruded and drawn products

Sales and order flows were below the 2019 targets. In Europe, the German market was impacted by the negative performance of the automobile sector, while demand in Spain, Italy and also in France was adversely affected by the weak general economy and the industrial production levels recorded in the 4th quarter of 2018.

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Financial management

On 9 February 2018, KME SE successfully issued a high yield five-year bond of Euro 300 million. The bond was rated, is listed, and is dedicated to institutional buyers and guaranteed by a pledge, with reservation of the voting right, consisting of the shares of KME Germany GmbH & Co. KG, and a first-degree mortgage on the industrial buildings and installations of the Osnabrück plant (owned by KME Germany GmbH & Co. KG).

KME SE also has a credit facility, granted by the pool of banks, for a total of Euro 350 million (subsequently increased to Euro 365 million due to the entry of another bank). The current term of the loan is until February 2021, with an option to extend for a further two years upon the consent of the lending institutions.

The factoring agreements were also extended to February 2021, for Euro 400 million.

KME's overall credit facilities increased due to the addition of the lines of the subsidiary KME Mansfeld GmbH, which has a credit line for the financing of working capital granted by a pool of banks for a total of up to around Euro 154 million, comprised of two tranches: (a) a revolving credit facility of Euro 146 million expiring in December 2021, including a 12-month run-off period; (b) a quarterly amortising line of approximately Euro 8 million up to December 2021. In addition, there are other amortising lines totalling Euro 9.8 million, expiring in 2021. There is also a factoring line expiring in May 2021, for a total amount of up to Euro 140 million.

All the loans mentioned above contain financial covenants which are similar and subject to quarterly verification, except for the bond, which is subject to an "at incurrence covenant test" according to the standards set for high yield funds. As at 30 June 2019, KME SE had complied fully with all the covenants.

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Transformation of KME AG into KME SE (European company)

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

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

Main consolidated results of the copper sector

Key results of the copper sector		
(in millions of Euro)	*1st half 2019*	*1st half 2018*
Revenue	1,284.4	1,027.9
Revenue (net of raw materials)	281.5	267.5
EBITDA	39.4	38.6
EBIT	16.6	23.1
Profit/(loss) before non-recurring items	(3.9)	5.8
Non-recurring income/(expenses)	26.0	(7.1)
Effect of IFRS measurement of inventories	(2.3)	9.1
Share of profit/(loss) of equity-accounted investees	(5.9)	(2.3)
Consolidated net profit/(loss)	25.5	4.9
Net debt*	200.0	219.4
Equity attributable to owners of the Parent *	220.8	204.5

(*) Figures as at 30 June 2019 and 31 December 2018

The **Consolidated Revenue** at 30 June 2019 amounted to Euro 1,284.4 million, 25% higher than the amount registered in the corresponding period of 2018 (Euro 1,027.9 million). Revenue, net of the value of raw materials, rose from Euro 267.5 million to Euro 281.5 million, up 5.2%.

Gross operating profit (EBITDA) as at 30 June 2019 was Euro 39.4 million, 2.1% higher than 2018 when EBITDA was Euro 38.6 million.

EBIT stood at Euro 16.6 million (Euro 23.1 million in 2018).

Profit before non-recurring items was a negative Euro 3.9 million (positive Euro 5.8 million in 2018).

Consolidated net profit stood at Euro 25.5 million (Euro 4.9 million in 2018), and was positively impacted by Non-recurring revenue of Euro 26.0 million, of which Euro 14.0 million refers to the net capital gain on the sale of rods and tubing and Euro 19.7 million to the capital gain on the purchase of MKM.

The **Net Financial Position** as at 30 June 2019 was negative to the tune of Euro 200.0 million, compared to Euro 219.4 million at the end of December 2018. The Group continues to adopt measures to optimise its working capital requirements.

Shareholders' equity as at 30 June 2019 was equal to Euro 220.8 million, with total Investments at Euro 26.0 million (Euro 13.7 million in June 2018).

The number of Employees at 30 June 2019 was 4,055, compared to compared to 3,971 at the end of 2018. The increase is due to the acquisition of MKM, net of the disposal of rods and tube.

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As regards the company’s prospects, the automobile sector is unlikely to stabilise in the second half of the year, and there promises to be a modest recovery in underlying demand, following a rebalancing of stocks based on industrial activities in progress.

The real demand in all industrial sectors appears to be solid in the long-term and higher for copper semi-finished products in all regions. The strong trend in electric mobility, digitalisation and renewable energies sectors will continue to sustain demand.

This positive long-term trend will be supported by the realisation of synergies relating to all copper semi-finished products, based on the full integration of MKM activities in the KME Group as the single activity of KME SE. Cost synergies are expected to be fully realised, contributing around Euro 20 million on an annual basis until the end of 2020, where the partial effects based on these synergies will be approximately Euro 6 million in 2019 and will support the growth in EBITDA from the second half of 2019.

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The average price of copper fell by 11% in US$ in the second quarter of 2019, compared to the same period of the previous year (from US$ 6,872/tonne to US$ 6,113/tonne) and by 5.7% in Euro (from Euro 5,768/tonne to Euro 5,440/tonne). In terms of trend, average copper prices decreased by 6.3% in US$ compared to those of 2018 (from US$ 6,524/tonne to US$ 6,113/tonne), and by 1.4% in Euro (from Euro 5,520/tonne to Euro 5,440/tonne).

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Private Equity

The investment in the private equity area is represented by the Company's equity investment in I2 Capital Partners SGR, the relations involving payables to and receivables from said company, and the share of the I2 Capital Partners fund held directly by Intek Group and paid at the end of July 2019.

(in thousands of Euro)	*30 Jun 2019*	*31 Dec 2018*
I2 Capital Partners fund	5,277	2,368
I2 Capital Partners SGR investment	1,558	1,788
Financial payables to I2 Capital Partners SGR	(1,122)	(1,311)
Other	88	36
Total Private Equity	**5,801**	**2,881**

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

On 8 May 2019, the Board of Directors of the SGR (asset management company) resolved the placement into liquidation of the I2 Capital Partners Fund. This process was completed on 30 July, with the implementation of the distribution plan approved on 15 July.

Thanks to the payments made on 30 July, the entire residual cash was distributed to investors, amounting to Euro 6.9 million, and the shares of the company Isno 3 Srl were assigned, a vehicle in which all the illiquid assets of the Fund and those still not disposed were previously concentrated.

Between April and July 2019, Intek acquired, at a cost of Euro 3.2 million, the rights of some investors, who wished to definitively end their investment, increasing its stake in the Fund from 19.15% to 59.5%.

Due to the closure of liquidation of the Fund, Intek collected liquidity of Euro 3.6 million and assumed control of Isno 3, of which I2 Capital Partners SGR holds a stake of 3% based on the remuneration agreements relating to the final part of its management company activities.

A summary update of the illiquid assets of the Fund is provided below.

Isno 3 Srl – Festival Crociere Procedure

As reported, the challenge of the appeal ruling, which had confirmed the decisions of the Court of Genoa, rejecting the main claims put forward by Isno 3, is still pending before the Court of Cassation.

Safim Leasing

In August 2019, tax receivables of Euro 1.3 million were collected from Isno 3, the last asset relating to the Safim Leasing procedure.

Nuovi Investimenti SIM SpA

For said investment, a nominal receivable of Euro 1.2 million is outstanding, due from some of the purchasers of Nuovi Investimenti SIM SpA, for which a dispute is in progress, brought by I2 Capital Partners SGR.

Benten Srl

As at 30 June 2019, the assets of Benten (30% owned) still to be realised are composed solely of the disputed tax receivables with Agenzia delle Entrate, Italian Revenue Agency.

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Non-operating assets

They can be summarised as follows:

(in thousands of Euro)	*30 Jun 2019*	*31 Dec 2018*
Breda Energia investment	6,162	6,162
Intek Investimenti investment	417	417
Former Fime receivables (net of advances)	3,553	4,285
Other non-performing receivables (tax receivables and from compositions with creditors)	280	279
Provisions for risks	(490)	(490)
Financial receivables from Intek Investimenti	553	546
Financial payables to Breda Energia in liquidazione	(3,358)	(3,479)
Other	(730)	(916)
Total non-operating assets	**6,387**	**6,804**

The decrease of Euro 0.4 million compared to 31 December 2018 is attributable primarily:

- to the collection of former Fime positions of Euro 0.7 million;
- to the reimbursement of part of the financial payables due to Breda Energia for Euro 0.1 million;
- to the closure of an advance payment received for the sale of a former Fime property.

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Real Estate/Other assets

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

(in thousands of Euro)	*30 Jun 2019*	*31 Dec 2018*
Immobiliare Pictea investment	24,133	24,133
Land and buildings	553	780
Financial receivables from Immobiliare Pictea	8,153	6,948
Progetto Ryan 2/Mecchld investment	217	217
Other	300	287
Total Real Estate/Others	**33,356**	**32,365**

Activities continued during the half targeted at increasing the value of the real estate assets held by the Group, in particular through Immobiliare Pictea.

The company was forced to terminate the lease that concerned part of the Varedo (former Tecno) property, due to the repeated breaches of the legal and contractual provisions by the tenant, against whom the consequent legal actions have been initiated for the compensation for damages.

Subsequently, on 30 June, three of the four apartments owned in Padua were sold. The sales involved the collection of Euro 0.3 million, which allowed the underlying loan to be repaid and additional financial resources to be obtained.

In relation to the former Fime Leasing properties, part of the Sezze property was sold for a consideration of Euro 0.5 million, and a preliminary agreement was signed for the sale of the Torchiarolo property for a consideration of Euro 0.1 million, which is expected to be completed in the final quarter of 2019.

The sales, albeit not generating great returns, freed up financial resources and avoided further depreciation in value of the property units and the related expenses (such as insurance, taxes and maintenance charges).

The assets of Immobiliare Pictea also include an investment consisting of 100% of the category B special shares of Ducati Energia SpA, constituting 6.77% of its share capital. These shares enjoy a 2% premium over ordinary shares in the event of a dividend distribution. Moreover, if control of Ducati Energia SpA is given up, these shares will be converted into ordinary shares with the same rights as those afforded to the transferring shareholders. Ducati Energia closed its 2018 consolidated financial statements with revenues of Euro 246.3 million (+14.5% compared to the previous year), EBITDA of Euro 35.8 million (+20%), EBIT of Euro 26.2 million (+33.6%) and net profit of Euro 18.4 million (+61.4%).

Culti Milano/Other services

The activities can be summarised as follows:

(in thousands of Euro)	*30 Jun 2019*	*31 Dec 2018*
Culti Milano and Progetto Ryan 3 (formerly Culti Srl) investment	11,492	11,057
AgriEnergia investment	953	953
AgriEnergia loans	768	784
Other former ErgyCapital assets (other liabilities)	(174)	(155)
Il Post investment	138	63
Other	4	65
Total Culti Milano/Other services	**13,181**	**12,767**

Culti Milano SpA

Intek Group owns 77.17% of Culti Milano, a company listed since July 2017 on the AIM market managed by Borsa Italiana. The stake rose compared to 72.04% held as at 31 December 2018, due to the market purchases, with outlays of Euro 0.4 million.

Culti Milano, which designs, produces and sells in more than 30 countries, operates in the production and distribution of high-end room fragrances, a specific luxury market segment. The strengths of the product distributed by the company are that it clearly embodies the Made in Italy style, the exclusiveness and sophistication of the fragrances and the highly sought-after design, which help make it recognisable as an iconic brand.

In 2018, the management had disclosed in advance the actions set out in the three-year strategic plan by ramping up the company's retail investments on the Italian market and expanding the personal body care product range, evolving from a fragrance company to a personal well-being business, in all of its various facets: from fragrance for spaces (home, car, boat, etc.) to personal products (perfume, personal hygiene, cosmetics).

In this regard, it should be noted that the comparison with the income statement values recorded in the first half of 2019 with those as at 30 June 2018, shows the economic return of the significant investments made in the previous year and the capacity to absorb the start-up costs of new initiatives.

The main indicators can be summarised as follows:

- total sales: Euro 3.6 million (Euro 3.1 million in the first half of 2018) (+18%);
- sales in the domestic market stood at Euro 1 million, marking growth of 20% compared to the same balance in the previous half (Euro 0.8 million as at 30 June 2018);

- sales in the international markets (equal to 72% of total turnover) reached Euro 2.6 million, a significant increase (+16%) compared to the first half of 2018;
- EBITDA at Euro 0.5 million, compared to Euro 0.2 million as at 30 June 2018 (+104%);
- EBIT at Euro 0.3 million, compared to Euro 42 million in the first half of 2018 (+508%);
- the net financial position was a positive Euro 3.0 million (unchanged compared to 31 December 2018).

Acquisition of 50.01% of Bakel Srl

With an investment of Euro 2.5 million (of which Euro 2 million paid at closing, while the remaining maximum of Euro 500 thousand will be subject to an incentive mechanism, on the company's income component, to be paid by 2021), Culti completed the purchase of 50.01% of Bakel Srl at the start of July 2019, a company whose business is focused on luxury skincare products, produced exclusively using natural active ingredients.

The value of the acquisition was defined on the basis of an enterprise value of Euro 5.5 million.

The acquisition was financed using its the company's own resources and through a medium-term amortising 5-year loan of Euro 1 million, granted by ICCREA, with a spread of 150 basis points on the quarterly Euribor.

Former ErgyCapital activities

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

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

In 2019, Società Agricola Agrienergia distributed dividends of Euro 0.1 million to Intek and also made Euro 0.2 million in loan repayments in August.

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Financial management

The Parent Company has no outstanding debt towards third parties except for the bond of Euro 101.7 million which matures in February 2020 and a loan totalling Euro 0.2 million deriving from the merger of ErgyCapital, which falls due in December 2019.

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Group results

The result for the period, in the absence of significant results in relation to “Net income from investment management”, was a loss of Euro 2.0 million, due primarily to net financial expense.

Consolidated income statement		
(in thousands of Euro)	*1st half 2019*	*1st half 2018*
Net income/(expenses) from investment management	2,683	(606)
Guarantee fees	488	786
Other income	1,622	632
Labour costs	(980)	(968)
Amortisation, depreciation, impairment and write-downs	(679)	(425)
Other operating costs	(3,220)	(857)
Operating profit/(loss)	**(86)**	**(1,438)**
Finance income	688	904
Finance expense	(2,889)	(2,932)
Net finance expense	*(2,201)*	*(2,028)*
Profit/(loss) before taxes	**(2,287)**	**(3,466)**
Current taxes	703	799
Deferred taxes	(404)	(839)
Total income taxes	**299**	**(40)**
Profit/(loss) for the period	**(1,988)**	**(3,506)**

“Other income” benefitted from income related to “special situations” for Euro 0.7 million. “Other operating costs” in the first half of 2018 were positively impacted, for Euro 1.5 million, by the settlement of the Mareco proceedings.

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

Consolidated equity		
(in thousands of Euro)	*30 Jun 2019*	*31 Dec 2018*
Share capital	335,069	335,069
Reserves	169,382	148,661
Profit/(loss) for the period	(1,988)	20,866
Equity attributable to owners of the Parent company	**502,463**	**504,596**
Non-controlling interests	-	-
Total equity	**502,463**	**504,596**

The change is liked solely to the overall result for the period.

The Consolidated net invested capital was as follows:

Consolidated net invested capital		
(in thousands of Euro)	*30 Jun 2019*	*31 Dec 2018*
Net non-current assets	552,909	552,459
Net working capital	11,144	9,181
Net deferred tax	1,064	1,429
Provisions	(1,423)	(1,385)
Net invested capital	**563,694**	**561,684**
Total equity	502,463	504,596
Net financial position	61,231	57,088
Sources of finance	**563,694**	**561,684**

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

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

Details of the "Net financial position" are provided below:

Reclassified consolidated net financial position			
(in thousands of Euro)		*30 Jun 2019*	*31 Dec 2018*
Short-term financial payables		109,647	10,760
Medium to long-term financial payables		5,485	5,378
Financial payables to Group companies		3,510	3,706
(A) Financial payables	**(A)**	**118,642**	**19,844**
Cash and cash equivalents		(45,641)	(52,556)
Other financial assets		(10,426)	(10,242)
Financial receivables from Group companies		(1,344)	(1,349)
(B) Cash and current financial assets	**(B)**	**(57,411)**	**(64,147)**
(C) Consolidated net financial position (net of outstanding securities)	**(A) + (B)**	**61,231**	**(44,303)**
(D) Outstanding debt securities (net of interest)		**-**	**101,391**
(E) Consolidated net financial position	**(C) + (D)**	**61,231**	**57,088**
(F) Non-current financial assets		***(3,402)***	***(3,403)***
(G) Total net financial debt	***(E) + (F)***	***57,829***	***53,685***

The bond loan expiring in February 2020 and, therefore, within twelve months, was reclassified under financial payables.

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

Consolidated statement of cash flows – indirect method			
(in thousands of Euro)		*1st half 2019*	*1st half 2018*
(A) Cash and cash equivalents at the beginning of the year		**52,556**	**28,886**
Profit/(loss) before taxes		(2,287)	(3,466)
Amortisation and depreciation		276	203
Impairment/(reversal of impairment) of non-current assets other than financial assets		403	222
Impairment/(reversal of impairment) of investments and financial assets		(2,612)	943
Changes in pension funds, post-employment benefits and stock options		12	18
Changes in provisions for risks and charges		-	(1,571)
(Increase)/decrease in investments		4,385	326
(Increase)/decrease in financial investments and financial assets		(2,297)	(100)
Increase/(decrease) in current and non-current financial payables to related companies		(196)	(211)
(Increase)/decrease in current and non-current financial receivables from related companies		6	33,935
(Increase)/decrease in current receivables		(3,244)	876
Increase/(decrease) in current payables		2,103	(2,913)
(B) Total cash flows from/(used in) operating activities		**(3,451)**	**28,262**
(Increase) in non-current intangible assets and property, plant and equipment		(213)	(158)
Decrease in non-current intangible assets and property, plant and equipment		175	-
Increase/decrease in other non-current assets/liabilities		(122)	-
(C) Cash flows from/(used in) investing activities		**(160)**	**(158)**
Increase/(decrease) in current and non-current financial payables		(3,120)	(3,379)
(Increase)/decrease in current and non-current financial receivables		(184)	-
(D) Cash flows from/(used in) financing activities		**(3,304)**	**(3,379)**
(E) Change in cash and cash equivalents	**(B) + (C) + (D)**	**(6,915)**	**24,725**
(F) Effect of changes in accounting standards		**-**	**(526)**
(G) Cash and cash equivalents at the end of the period	**(A) + (E) + (F)**	**45,641**	**53,085**

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Update in matters of governance

Continuing on with the approach adopted in previous years, on presentation of the interim financial report, the company believes it appropriate to update the information on corporate governance.

The shareholders' meeting of 16 May 2019 approved the Board of Directors' report on operations and the financial statements for the year ended as at 31 December 2018, as well as the proposed allocation of profit for the year of Euro 16,791,385 as follows:

- 5% to the legal reserve, up to Euro 839,570;
- the remainder, of Euro 15,951,815, attributable to the profits deriving from application of the fair value method, was allocated to the special undistributable reserve pursuant to art. 6 of Legislative Decree 38/2005.

The shareholders' meeting also approved, on a consultation basis, the remuneration report, pursuant to art. 123-ter of Legislative Decree 58/1998 and authorised the Board of Directors, in respect of the limits and methods of law, of the articles of association and of regulations, to purchase and dispose treasury shares.

There were no changes to the size and composition of the share capital. It is hereby reiterated that, starting from 2 May 2013, the outstanding savings shares have had a single listing line characterised by the following ISIN codes:

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

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Additional information

Treasury shares

At the date of drafting of this report, the Company held 5,713,572 ordinary treasury shares, or 1.468% of the voting capital (1.30% of total capital), and 11,801 savings shares, or 0.024% of the share capital represented by this category of shares.

No purchases or disposals of ordinary treasury shares or savings shares by the company or its subsidiaries were recorded in the first half of 2019.

Parent company and ownership structure

The Company is controlled by Quattroduedue Holding BV, which is based in Amsterdam - Duivendrecht (Holland), Entrada 306, 5th Floor, through Quattroduedue SpA, a wholly owned subsidiary of the aforementioned Quattroduedue Holding BV. At 30 June 2019, Quattroduedue 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 capital represented by this category of shares).

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

In relation to "potential investments and/or long positions", it should be noted that, in July 2018, the company received a declaration from Intesa Sanpaolo SpA with reference to ownership of equity instruments (mandatory convertible bonds) which, where the conditions are satisfied for their conversion, would provide an entitlement to a stake of roughly 25% in the company's ordinary share capital.

For any other information regarding the ownership structures, the Company's governance and the fulfilment of any other obligations, refer to the specific report prepared for 2018 pursuant to art. 123 bis of Legislative Decree 58/98, and included in 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.

As at 30 June 2019, the main loans receivable from direct and indirect non-consolidated subsidiaries were as follows:

- Società Agricola Agrienergia for Euro 0.4 million;
- Intek Investimenti for Euro 0.5 million.

Intek is also due a receivable for a loan of Euro 8.0 million to Immobiliare Pictea, eliminated on preparation of the consolidated financial statements.

Loans payable in place with non-consolidated companies relate to:

- Breda Energia Srl in liquidazione (Euro 3.4 million) which also holds a financial receivable of Euro 2.7 million due from the parent company Quattroduedue SpA;
- Energetica Solare Srl in liquidazione - in liquidation - (Euro 0.2 million).

There is a loan payable of Euro 1.1 million by I2 Capital Partners SGR, eliminated on preparation of the consolidated financial statements.

Details of the transactions with related parties are included in the Notes to the interim financial report.

Disputes

Below is an update on the main litigation involving Intek Group.

The disputes still pending from the first half of 2016 with some savings shareholders are still in progress.

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

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

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

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

The other lawsuits pending before the Court of Bari, which involve challenges to court order for payments (none of which is executive) from certain savings shareholders, again with regard to the same issue, were adjourned to the hearing of 5 February 2020 for the presentation of conclusions, with the Judge having rejected all the preliminary motions requested by the counterparties.

Intek Group, firmly believing to have always acted in full respect of the rights and prerogatives of its own shareholders as well as of its Articles of Association, the law, and the regulations, opposed the initiatives thus started by some savings shareholders aiming to take the most effective measures in order to protect its interests as well as its own reputation.

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

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Personnel

As at 30 June 2019, Intek had 12 employees, of whom 2 executives and 10 clerical workers.

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

	30/06/2019	*31/12/2018*	*Change*	*% Change*
Executives	3	3	-	0.00%
	21.43%	20.00%		
Clerical workers	11	12	(1)	-8.33%
	78.57%	80.00%		
Total employees (average)	**14**	**15**	**(1)**	**-6.67%**
	100.00%	100.00%		

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

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

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

* * *

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 its investees, and therefore, in addition to the financial performance, they also reflect the investment and dividend distribution policies of the subsidiaries.

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

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

For more information on company risks, please refer to the appropriate section in the Notes to the interim fianancial report.

Significant events after 30 June 2019

No noteworthy events occurred after the balance sheet date, other than those set forth above.

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

Below is a summary of the comments regarding the operations carried out in the first half of 2019 by the companies identified as instrumental to Intek's operations.

For more details please refer to the appropriate note on the performance in the various investment sectors

I2 Capital Partners SGR SpA

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

Following the liquidation of the I2 Capital Partners fund, which took place in July 2019, other operating opportunities are being analysed in the private equity domain. As at 30 June 2019, the company had equity of Euro 1.6 million, after having recognised a loss of Euro 0.2 million for the half.

Immobiliare Pictea Srl

The company, which Intek assumed full control of in 2015, owns the property in Milan - Foro Buonaparte, 44 which houses the registered office of not only Intek but some of its investees.

Following the merger by incorporation of Rede Immobiliare Srl, I2 Real Estate Srl and Tecno Servizi Srl, which took place at the end of December 2017, Immobiliare Pictea became the owner of the assets previously held by the latter and, in particular, the property complex in Varedo (MB), Ivrea (TO) and Sondrio.

The company has equity of Euro 14.1 million and recorded a loss for the period of Euro 0.8 million.

INTEK GROUP

Condensed Consolidated Interim Financial Statements as at 30 June 2019

Intek Group – Consolidated Financial Statements as at 30 June 2019

Statement of financial position – Assets

(in thousands of Euro)	*Ref. Note*	*30-Jun-19*	*of which related parties*	*31-Dec-18*	*of which related parties*
Investments in equity interests and fund units	*4.1*	521,551	*498,527*	521,027	*502912*
Non-current financial assets	*4.2*	3,824	*3,684*	4,722	*4,582*
Property, plant and equipment	*4.3*	11,985		11,481	
Investment property	*4.4*	15,958		16,536	
Intangible assets	*4.5*	6		6	
Other non-current assets	*4.6*	7		6	
Deferred tax assets	*4.20*	4,592		4,958	
Total non-current assets		**557,923**		**558,736**	
Current financial assets	*4.7*	12,700	*2,274*	12,516	*2,274*
Trade receivables	*4.8*	13,647	*8,572*	10,844	*4,951*
Other current receivables and assets	*4.9*	6,628	*2,572*	5,484	*1,867*
Cash and cash equivalents	*4.10*	45,641		52,556	
Total current assets		**78,616**		**81,400**	
Non-current assets held for sale		-		-	
Total assets		**636,539**		**640,136**	

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 2019

Statement of financial position – Liabilities

(in thousands of Euro)	*Ref. Note*	*30-Jun-19*	*of which related parties*	*31-Dec-18*	*of which related parties*
Share capital		335,069		335,069	
Other reserves		100,336		79,467	
Treasury shares		(1,820)		(1,820)	
Retained earnings/(accumulated losses)		71,143		71,146	
Other comprehensive income reserve		(277)		(132)	
Profit/(loss) for the period		(1,988)		20,866	
Equity attributable to owners of the Parent	***4.11***	**502,463**		**504,596**	
Non-controlling interests		-		-	
Total equity	***4.11***	**502,463**		**504,596**	
Employee benefits	*4.12*	381		343	
Deferred tax liabilities	*4.20*	3,528		3,529	
Non-current financial payables and liabilities	*4.13*	5,907	-	6,697	
Bonds	*4.14*	-		101,391	
Other non-current liabilities	*4.15*	2,218		2,338	
Provisions for risks and charges	*4.16*	1,042		1,042	
Total non-current liabilities		**13,076**		**115,340**	
Current financial payables and liabilities	*4.17*	114,087	*3,510*	15,391	*3,706*
Trade payables	*4.18*	1,763	*112*	1,308	*179*
Other current liabilities	*4.19*	5,150	*811*	3,501	*904*
Total current liabilities		**121,000**		**20,200**	
Total liabilities and equity		**636,539**		**640,136**	

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 2019

Statement of profit or loss and other comprehensive income

(in thousands of Euro)	*Ref. Note*	*1st half 2019*	*of which related parties*	*1st half 2018*	*of which related parties*
Net income from investment management	*5.1*	2,683		(606)	
Guarantee fees	*5.2*	488	*488*	786	*786*
Other income	*5.3*	1,622	*2,287*	632	*46*
Labour costs	*5.4*	(980)	-	(968)	-
Amortisation, depreciation, impairment and write-downs	*5.5*	(679)		(425)	
Other operating costs	*5.6*	(3,220)	*(907)*	(857)	*(907)*
Operating profit/(loss)		**(86)**		**(1,438)**	
Finance income		688	*238*	904	*205*
Finance expense		(2,889)	*(54)*	(2,932)	*(45)*
Net finance expense	*5.7*	*(2,201)*		*(2,028)*	
Profit/(loss) before taxes		**(2,287)**		**(3,466)**	
Current taxes	*5.8*	703		799	
Deferred taxes	*5.8*	(404)		(839)	
Total income taxes		**299**		**(40)**	
Net profit/(loss) for the year		**(1,988)**		**(3,506)**	
Other comprehensive income:					
Measurement of employee defined benefits		(26)		*4*	
Items that will not be reclassified to profit or loss		(26)		4	
Net change in cash flow hedge reserve		(157)		(6)	
Taxes on other comprehensive income		38		1	
Items that may be reclassified to profit or loss		(119)		(5)	
Other comprehensive income, net of tax effect:		(145)		(1)	
Total comprehensive income for the year		**(2,133)**		**(3,507)**	
Profit/(loss) for the period attributable to:					
- non-controlling interests		-		-	
- owners of the Parent		(1,988)		(3,506)	
Profit/(loss) for the period		(1,988)		(3,506)	
Total comprehensive income attributable to:					
- non-controlling interests		-		-	
- owners of the Parent		(2,133)		(3,507)	
Total comprehensive income for the period		(2,133)		(3,507)	
Earnings per share (in Euro)					
Basic earnings/(loss) per share		(0.0046)		(0.0081)	
Diluted earnings/(loss) per share		(0.0046)		(0.0081)	

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

Details of related party transactions are disclosed in note 4.21

Statement of changes in equity as at 30 June 2018

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

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.

Statement of changes in equity as at 30 June 2019

(in thousands of Euro)	*Share capital*	*Other reserves*	*Treasury shares*	*Retained earnings/(accumulated losses)*	*Other comprehensive income reserve*	*Profit/(loss) for the period*	*Total equity attributable to owners of the Parent*	*Non-controlling interests*	*Total consolidated equity*
Equity as at 31 December 2018	**335,069**	**79,467**	**(1,820)**	**71,146**	**(132)**	**20,866**	**504,596**	**-**	**504,596**
Allocation of Parent company's profit/(loss)	-	16,792	-	-	-	(16,792)	-	-	-
Allocation of subsidiaries' profit/(loss)	-	4,077	-	(3)	-	(4,074)	-	-	-
Comprehensive income items	-	-	-	-	(145)	-	(145)	-	(145)
Profit/(loss) for the period	-	-	-	-	-	(1,988)	(1,988)	-	(1,988)
Total comprehensive income	-	-	-	-	(145)	(1,988)	(2,133)	-	(2,133)
Equity as at 30 June 2019	**335,069**	**100,336**	**(1,820)**	**71,143**	**(277)**	**(1,988)**	**502,463**	**-**	**502,463**
Reclassification of treasury shares	(1,820)	-	1,820	-	-	-	-	-	-
Equity as at 30 June 2019	**333,249**	**100,336**	**-**	**71,143**	**(277)**	**(1,988)**	**502,463**	**-**	**502,463**

At 30 June 2019, 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 2019

Statement of cash flows – indirect method

(in thousands of Euro)		*1st half 2019*	*1st half 2018*
(A) Cash and cash equivalents at the beginning of the year		**52,556**	**28,886**
Profit/(loss) before taxes		(2,287)	(3,466)
Amortisation and depreciation		276	203
Impairment/(reversal of impairment) of non-current assets other than financial assets		403	222
Impairment/(reversal of impairment) of investments and financial assets		(2,612)	943
Changes in pension funds, post-employment benefits and stock options		12	18
Changes in provisions for risks and charges		-	(1,571)
(Increase)/decrease in investments		4,385	326
(Increase)/decrease in financial investments and financial assets		(2,297)	(100)
Increase/(decrease) in current and non-current financial payables to related companies		(196)	(211)
(Increase)/decrease in current and non-current financial receivables from related companies		6	33,935
(Increase)/decrease in current receivables		(3,244)	876
Increase/(decrease) in current payables		2,103	(2,913)
(B) Total cash flows from/(used in) operating activities		**(3,451)**	**28,262**
(Increase) in non-current intangible assets and property, plant and equipment		(213)	(158)
Decrease in non-current intangible assets and property, plant and equipment		175	-
Increase/decrease in other non-current assets/liabilities		(122)	-
(C) Cash flows from/(used in) investing activities		**(160)**	**(158)**
Increase/(decrease) in current and non-current financial payables		(3,120)	(3,379)
(Increase)/decrease in current and non-current financial receivables		(184)	-
(D) Cash flows from/(used in) financing activities		**(3,304)**	**(3,379)**
(E) Change in cash and cash equivalents	**(B) + (C) + (D)**	**(6,915)**	**24,725**
(F) Effect of changes in accounting standards		**-**	**(526)**
(G) Cash and cash equivalents at the end of the period	**(A) + (E) + (F)**	**45,641**	**53,085**

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

Intek Group – Condensed Consolidated Interim Financial Statements as at 30 June 2019

Notes

1. General information

Intek Group is a diversified investment holding company, whose main objective is to manage its portfolio of assets and investments with a dynamic entrepreneurial perspective, focusing on cash generation and growth in the value of investments over time, also through sales functional to the development strategies.

Intek Group is a joint-stock company (Società per Azioni) registered in Italy with the Milan Companies Register under no. 00931330583 and its shares are listed on the electronic share market (MTA) organised and managed by Borsa Italiana SpA.

Although it is owned by Quattroduedue Holding B.V. through the wholly-owned subsidiary Quattroduedue SpA, Intek Group is not subject to management and coordination as defined in articles 2497 et seq. of the Italian Civil Code and article 37 of the Market Regulation, insofar as that:

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

b) it does not participate in any centralised treasury arrangements operated by the parent or any other company under the parent's control;

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

The condensed consolidated interim financial statements at 30 June 2019 were approved by the Board of Directors on 27 September 2019 and will be published in accordance with legal requirements.

2. Accounting policies

2.1. Assessment of Investment Entity status

Intek Group considers that it possesses all the elements set forth in paragraphs 27 and 28 of IFRS 10 to qualify as an investment entity.

Paragraph 27 of IFRS 10 requires that the company:

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

b) commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

c) measure and evaluate the performance of substantially all of its investments on a fair value basis.

The typical characteristics of investment entities as provided by paragraph 28 of IFRS 10 are the following:

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

The condenses consolidated interim financial statements as at 30 June 2019 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 2019 were drafted in accordance with art. 154-ter of Legislative Decree 58/98, as well as the relevant Consob provisions and the provisions set out in IAS 34 - Interim financial reporting, and are subject to a limited audit according to the criteria recommended by Consob. In particular, as at 30 June 2019, they were drafted in condensed form and do not include all the information and notes required for the annual consolidated financial statements and must therefore be read together with the consolidated financial statements as at 31 December 2018.

The Condensed Consolidated Interim Financial Report at 30 June 2019 is composed of the consolidated statement of financial position, the consolidated profit and loss statement and other comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity, as well as the Notes thereto.

The financial statements and the notes thereto include, besides the amounts relating to the reference period, the corresponding comparative data relating to the previous year. There were no changes to the structure of the statements compared to those at 31 December 2018.

These condensed consolidated interim financial statements were prepared on a going concern basis, as required by IAS 1, as there exist no doubts or uncertainties regarding the Group’s ability to pursue its activities and continue to operate as a going concern in the foreseeable future.

The Bond Loan with a nominal value of Euro 101.7 million will expire on 20 February 2020, as well as the associated interest coupon of Euro 5.1 million.

With reference to the requirements needed to extinguish the aforementioned loan, it should be noted that, at the date of approval of these condensed consolidated interim financial statements, Intek has liquidity of Euro 46.0 million, and expects, by the end of the year, collections of receivables from the subsidiary KME SE and guarantee deposits totalling Euro 18 million.

The company commenced negotiations with various financial institutions and, in particular, it is in advanced negotiations with a bank of prime standing for the definition of a 3-year Euro 50 million loan, with which Intek has already successfully completed transactions in the recent past which also concerned the main subsidiaries.

A project is also under way for the issuing of a bond instrument for an amount of at least Euro 50 million. The performance of the corporate debt securities market and, more generally speaking, of the financial markets, the success of the previous issues and the amount of debt with respect to the main company indicators are all elements which, together with the reduced size of the transaction, should help the issue be successful.

In light of the above, the Directors are reasonably certain that the company is able to meet its financial commitments connected with the expiry of the Bond Loan in place and, therefore, there are no uncertainties regarding the going concern assumption, on the basis of which these condensed consolidated interim financial statements have been prepared.

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 2018, except for the standards effective as from 1 January 2019 indicated hereunder.

The accounting standards, amendments and interpretations applied for the first time by the Group, which had no effects on shareholders’ equity or the profit/loss for the reporting period, are the following:

- On 13 January 2016, the IASB published the standard IFRS 16 – Leases replacing IAS 17 Leases, and the interpretations IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

  The new standard provides a new definition of lease and introduces a criterion based on the right of use of an identified asset in order to distinguish leases from service contracts, identifying the following discriminating factors: identification of the asset, right of substitution of the asset, right to obtain substantially all the economic benefits from using the asset, and right to direct the identified asset's use.

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

The Group applied the new standard by opting for the modified retrospective method and, therefore, without re-stating the comparative information and by determining the value of right of use equal to that of the lease liability, adjusted for the amount of any deferrals/accruals.

The decision was also taken:

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

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

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

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

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

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

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

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

With respect to the minimum lease payments due pursuant to IAS 17, the liabilities recognised in the financial statements as at 1 January 2019 due to the application of IFRS 16 included not only the discounting effect, but the higher liabilities deriving from payments relating to the additional renewal period which it is reasonably certain will be exercised.

The application of the standard involved the recognition, as at 1 January 2019, of values in use of Euro 0.5 million and financial liabilities for the same amount.

The marginal rate of financing used for the purposes of measuring the leasing liability on the date of first-time application is 5%, identified as the rate at which Intek remunerates the debt exposure to third parties booked to its financial statements.

As regards the need to provide disclosure of the issue of the reconciliation of future leasing commitments pursuant to IAS 17 with the leasing liabilities accounted for in the financial statements as at 1 January 2019, we report that the former totalled Euro 654 thousand the latter Euro 567 thousand.

- 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.

- On 7 June 2017 the IASB issued interpretation IFRIC 23 – Uncertainty over Income Tax Treatments. The document discusses the issue of uncertainty regarding the tax treatment to adopt for income taxes.

  This document provides that uncertainties in determining assets or liabilities for tax purposes must be reflected in the financial statements only when it is probable that the entity will pay or recover the amount in question. Furthermore, the document contains no new disclosure requirements, but underlines that an entity must establish whether it will be necessary to provide information on the considerations made by management relative to the uncertainty inherent in accounting for taxes, pursuant to IAS 1.

- On 12 October 2017 the IASB issued the document “Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)”. This document clarifies the need to apply IFRS 9, including the impairment requirements, to other long-term interests in associated companies and joint ventures to which the equity method is not applied.

- On 12 December 2017 the IASB issued the document “Annual Improvements to IFRSs 2015-2017 Cycle” which includes the amendments to some standards as part of the annual improvement process. The main amendments concern:

  - IFRS 3 Business Combinations and IFRS 11 Joint Arrangements: the amendment clarifies that when an entity obtains control of a business that represents a joint operation, it must remeasure the interest held previously in that business. Conversely, this process is not required when joint control is obtained.

  - IAS 12 Income Taxes: this amendment clarifies that all the tax effects connected to dividends (including the payments on financial instruments classified under shareholders' equity) must be recognised coherently with the transaction that generated the profits (income statement, OCI or shareholders' equity).

  - IAS 23 Borrowing costs: the amendment clarifies that loans that remain in existence even after the qualifying assets is ready for use or sale become a part of the loans used to calculate the financing cost.

- Amendment to IAS 19 “Plan Amendment, Curtailment or Settlement” (published on 7 February 2018). This document clarifies how an entity should recognise an amendment (i.e., a curtailment or a settlement) of a defined benefit plan. The amendments require the entity to update its assumptions and remeasure the net liability or asset deriving from the plan. The amendments clarify that after this event takes place, an entity must use updated assumptions to measure the current service cost and the interest for the remaining reference period subsequent to the event.

The Group has not yet applied the accounting standards listed below in paragraph 2.4, which, although already issued by the IASB, will become effective after the date of these condensed consolidated interim financial statements or which have not yet completed the endorsement process by the European Union.

Events and transactions affecting the Company are recognised and presented with respect to their economic substance rather than legal form.

Specific notes contained in the management report disclose the content and meaning of the non-IFRS alternative performance indicators, where applicable, in compliance with CESR recommendation 05 - 178b published on 3 November 2005.

These financial statements are presented in Euro, the functional currency of the Parent Company and all the consolidated subsidiaries. The tables and data in the notes are in thousands of Euro, unless otherwise indicated.

2.3. *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. Considering that the interim financial statements are based primarily on updates to the estimates prepared for previous year-end financial statements, in the absence of objective elements, the values of assets and liabilities are only adjusted if the results of the updates of the estimate processes differ significantly from the previous ones.

The estimates were mainly used to determine: the fair value of investments in equities and funds, investment property, the useful lives of non-current assets and the related recoverable amount, allowance for impairment, any impairment losses, the cost of employee benefits, the estimated current and deferred tax charges, the estimated indefinite useful lives of intangible assets and other provisions.

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

2.4. *Basis of consolidation*

The consolidation standards only affect equity investments in ancillary services subsidiaries, as equity investments held for investment purposes are excluded from the scope of consolidation.

Subsidiaries are all those companies over which the Intek Group simultaneously has:

- power, i.e. it holds legitimate rights that bestow upon it the actual capacity to manage relevant activities, i.e. activities that have a significant effect on returns;
- exposure or rights to variable returns arising from the relationship with the company itself;
- capacity to exercise its power.

The assets and liabilities, income and expenses of the subsidiaries consolidated on a line-by-line basis are recognised in the financial statements at their full value; the carrying amount of the investments is eliminated by offsetting it against the underlying interest in the respective equity, and the individual assets and liabilities are measured at their fair value at the date when control of the investee was established. Any difference, if positive, is recognised under asset item “Goodwill and goodwill arising on consolidation”; if negative, in profit or loss. The portion of equity and profit (loss) attributable to non-controlling interests is recognised under the relevant items. After initial recognition, “goodwill” is measured at cost less accumulated impairment losses as required by IAS 36 – Impairment of Assets.

Unrealised profits on intra-group transactions, if material, are eliminated. Receivables, payables, income, expenses, guarantees, commitments and contingencies in connection with transactions between and among consolidated companies are also eliminated. Intra-group losses are not eliminated as they are deemed to represent an impairment loss on the asset sold. All financial statements of subsidiaries, if necessary, have been adjusted to ensure consistency of accounting policies and standards with those of the Group.

The financial year of all consolidated subsidiaries is the calendar year. They draft their financial statements using the Euro.

In the case of the sale or transfer of an investee, the deconsolidation is accounted for from the date of effective loss of control.

In the case of the transfer of a subsidiary to a jointly-controlled or associated company, the profit or loss from the loss of control is recognised in profit or loss, as provided for by IFRS 10, paragraph 25. In this case, it:

a) derecognises the assets and liabilities of the former subsidiary from the consolidated statement of financial position;
b) recognises any investment retained in the former subsidiary at the corresponding fair value on the date the control is lost and subsequently accounts for it and for any amounts owed by or to

the former subsidiary in accordance with relevant IFRSs. This fair value becomes the basis for the next posting of the investment;

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

d) reclassifies to profit or loss, or transfers directly to retained earnings if required in accordance with other IFRSs, the amounts previously recognised in other comprehensive income in relation to the former subsidiary.

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

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

2.5. Accounting standards not yet applied

As at 30 June 2019, the competent bodies of the European Union had not yet concluded the approval process required for adoption of the amendments and the standards described below:

- On 18 May 2017, the IASB issued IFRS 17 – Insurance Contracts, which is set to replace IFRS 4 – Insurance Contracts. The objective of the new standard is to ensure that an entity will provide pertinent information that faithfully represents the rights and obligation arising from the insurance contracts issued by that entity. The IASB developed the standard to eliminate incongruities and weaknesses inherent in the existing accounting standards, provided a single principle based framework that would take all types of insurance contracts into account, including the reinsurance contracts held by an insurer. The new standard also includes presentation and disclosure requirements to improve comparability between the entities that belong to this sector. Based on the activities carried out by the Group, no significant impacts are expected from this standard.
- On 22 October 2018 the IASB issued the document "Definition of a Business (Amendments to IFRS 3)". The document provides several clarifications on the definition of a business for the proper application of IFRS 3. In particular, the amendment clarifies that while a business generally produces an output, the presence of an output is not strictly necessary to identify an integrated set of activities/processes and goods as a business. However, to meet the definition of a business, a set of activities/processes and goods must include, as a minimum, an input and a substantial process that together significantly contribute to the capacity to create output. To that end, the IASB replaced the term "ability to create outputs" with "ability to contribute to the creation of outputs" to clarify that a business may exist even without all inputs and processes necessary to create an output.

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

  Since this amendment will be applied to new acquisition transactions that will be carried out starting on 1 January 2020, the adoption of this amendment is not expected to have any impact on the financial statements.
- On 31 October 2018 the IASB issued the document "Definition of Material (Amendments to IAS 1 and IAS 8)". This document introduced an amendment to the definition of "material" contained in

IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. This amendment aims to make the definition of “material” more specific and introduced the concept of “obscured information” alongside the concepts of omitted or misstated information already present in the two amended standards. The amendment clarifies that information is “obscured” if it has been described in such a way so as to generate a similar effect for the primary readers of the financial statements to that which would be generated if the information had been omitted or misstated.

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

- On 11 September 2014 the IASB issued an amendment to IFRS 10 and IAS 28 – Sales or Contribution of Assets between an Investor and its Associate or Joint Venture. The document was published to resolve the current conflict between the requirements of IAS 28 and IFRS 10.

  Pursuant to IAS 28, the profit or loss from the sale or transfer of a non-monetary asset to a joint venture or associated company in exchange for a share of the latter’s capital is restricted to the share held in the joint venture or associated company by other investors who are not involved in the transaction. Conversely, IFRS 10 requires recognition of all the profit or loss in the event of losing control of a subsidiary, even if the entity continues to have a non-controlling interest therein, and the sale or transfer of a subsidiary to a joint venture or associated company also falls under this requirement. The amendments introduced provide that in a disposal/transfer of an asset or a subsidiary to a joint venture or associated company, the profit or loss to be recognised in the assignor’s financial statements depends on whether or not the assets or the subsidiary that was sold/transferred constitute a business, in the sense of IFRS 3. If the assets or subsidiary which was sold/transferred constitute a business, the entity shall recognise the profits or the losses for the entire share previously held; on the other hand, the portion of the profits or losses relative to the share that continues to be held by the entity must be derecognised. Currently, the IASB has suspended application of this amendment. We are currently assessing the possible effects of introducing these amendments on the financial statements.

- On 30 January 2014 the IASB issued IFRS 14 – Regulatory Deferral Accounts which allows only first-time adopters to continue to recognise the amounts relative to assets subject to regulated fees (“Rate Regulation Activities”) according to the previous accounting principles that had been adopted. Since the Group is not a first-time adopter, this standard cannot be applied.

3. ***Financial risk management***

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

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

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

Types of risk:

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

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

c) currency risk: the Group is exposed to this risk only indirectly due to the risk that the fair value of the investments operating in currencies other than the Euro will be influenced by changes in exchange rates;

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

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

4. *Notes to the Condensed Consolidated Interim Financial Statements at 30 June 2019*

4.1. *Investments in equity interests and fund units*

(in thousands of Euro)	*30 Jun 2019*	*31 Dec 2018*	*Change*
Investments in subsidiaries and associates	498,527	502,912	(4,385)
Investments in other companies	17,012	15,012	2,000
Mutual fund units	5,277	2,368	2,909
Other investments	735	735	-
Investments in equity interests and fund units	**521,551**	**521,027**	**524**

The breakdown of the item is as follows:

Name	*Registered office*	*Activity*	*Percentage of interest as at 30/06/2019*	*31/12/2018*	*Increases*	*Decreases*	*Change fair value*	*30/06/2019*
KME SE	Osnabrück (D)	Industrial	99.00%	483,000	-	(4,830)	-	478,170
Culti Milano SpA	Milan	Furniture	77.17%	10,323	435	-	-	10,758
Breda Energia Srl in liquidazione	Milan	Holding company	100.00%	6,162	-	-	-	6,162
KME Beteiligungsgesellsch.mbH	Osnabrück (D)	Real Estate	100.00%	1,104	-	-	-	1,104
Società Agricola Agrienergia Srl	Pecognaga (Mn)	Alternative Energy	51.00%	953	-	-	-	953
Fossati Uno Srl	Milan	Real Estate	35.00%	514	-	-	-	514
Intek Investimenti Srl	Milan	Deeds of Arrangement	100.00%	417	-	-	-	417
Mecchld srl	Milan	Credit broker	20.00%	217	-	-	-	217
Il Post Srl	Milan	Publishing	19.90%	63	75	-	-	138
Ergyca Tracker 2 Srl	Florence	Alternative Energy	51.00%	82	-	-	-	82
Nextep Società Benefit Srl	Milan	Investments	60.00%	6	-	-	-	6
Energetica Solare Srl in liquidazione	Milan	Alternative Energy	100.00%	6	-	-	-	6
Progetto Ryan 3 Srl in liquidazione	Milan	Furniture	100.00%	65	-	(65)	-	-
Total subsidiaries and associates				**502,912**	**510**	**(4,895)**	**-**	**498,527**
Ducati Energia				15,000	-	-	2,000	17,000
Other minor investments				12	-	-	-	12
Other investments				**15,012**	**-**	**-**	**2,000**	**17,012**
Total investments				**517,924**	**510**	**(4,895)**	**2,000**	**515,539**
I2 Capital Partners Fund				2,368	2,297	-	612	5,277
Total fund units				**2,368**	**2,297**	**-**	**612**	**5,277**
Culti Milano Warrant				735	-	-	-	735
Total other investments				**735**	**-**	**-**	**-**	**735**
Investments in equity interests and fund units				**521,027**	**2,807**	**(4,895)**	**2,612**	**521,551**

The increases and decreases in the period refer:

- to the sale of the 1% share in KME SE as part of the acquisition of MKM by KME;
- the 5.13% increase in the stake in Culti Milano following the purchases on the market;
- to the purchases of rights to units of the I2 Capital Partners fund;
- to the closure of the liquidation of Progetto Ryan 3;
- to the subscription of a share capital increase in the company Il Post Srl.

The equity investments in Società Agricola Agrienergia, Tracker 2 and Energetica Solare were previously jointly indicated as “Former ErgyCapital investments”.

For the determination of the fair values of the different investments, the estimates prepared for the financial statements as at 31 December 2018 were updated.

With reference to the investments in KME SE, the *Unlevered discounted cash flow* (UDCF) was used, with the help of an external advisor, by discounting the operating cash flows expected from said assets (net of the tax effect). In terms of an information base, use was made of the economic projections and the changes of some equity items contained in the 2019-2023 plan, already used previously, supplemented to consider the effects of the recent acquisition of MKM. For the discounting of the cash flows, a discount rate representative of the average cost of capital (WACC) was used, also inclusive of an additional premium of 3.0% to reflect the risk intrinsic in the forecasts, taking into account not only the historical deviations that have been recorded, but new components within the business and the synergies in the process of being implemented in relation to the acquisition completed a few months ago. The rate applied was 11.4% compared to 10.28% on 31 December 2018, which included an additional premium of 1.5%.

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

- risk free-rate: weighted average of the 10-year government bonds in each country in which the Group operates;
- market risk premium: equal to 5.5%, in line with the Italian valuation practices;
- debt cost: 10-year USD swap rate at 30 June plus a 2.00% spread, for a total gross rate of 4.85%;
- Unlevered Beta: average of unlevered beta factors of a sample of comparable listed companies;
- Additional Alpha premium on the cost of own capital equal to 4%.

The operating value thus estimated was subsequently adjusted using the same methodology as in previous years to consider:

- the valuation of prior losses that can be carried forward for tax purposes;
- the fair value of surplus assets, consisting of properties not used in the business and other non-consolidated companies;
- the fair value of the KMD joint venture;
- the Group’s net financial position as at 30 June 2019.

The values obtained were compared with those achieved using other methods, in particular, using the market multiples and the transaction multiples methods using the EV/EBITDA multiple. The results of the two methods of control highlighted deviations within 20%, therefore, confirming, in respect of the provisions of the policy on the determination of the fair value, the results of the main method.

The results of the valuation process, as a result of the higher flows expected due to the acquisition of MKM, would have led to a positive fair value change of approximately 9% compared to that recognised in the financial statements at 31 December 2018.

In light of these results and the higher estimate level inherent in a calculation updated process, no changes were made to the book value of the investment, in respect of the provisions of the policy on the determination of the fair value, at the time of drafting the interim report.

The above estimation process is characterised by a significant level of complexity and subjectivity, based, on the case of the Unlevered Discounted Cash Flow, on assumptions regarding, among other things, the expected cash flows of the investee, the determination of an appropriate discount rate (WACC) and a long-term growth rate (g-rate); these assumptions are influenced by future expectations, the success of the implementation of the plans and market conditions, particularly with regard to the copper market. The application of the methodologies which are based on multiples, in relation to the selection and definition of the benchmark samples, are also subjective elements.

For the investment in Culti Milano, listed on the AIM market, owing to the persistent scarcity of trades, the prices recorded were considered, also on this occasion, not representative of the company's fair value, consequently leading to the opportunity to make use of the multiples methods which confirmed the book value.

The equity investment in Ducati Energia, given the lack of availability of a plan to use the UCF method, was measured using the market multiples method and the transaction multiples method.

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 (54.5%) in the I2 Capital Partners investment fund managed by the subsidiary I2 Capital Partners SGR SpA. The fair value of the units was calculated on the basis of the values of the assets assigned following the closure of the liquidation of the fund on 30 July 2019.

4.2. Non-current financial assets

This item can be broken down as follows:

(in thousands of Euro)	*30 Jun 2019*	*31 Dec 2018*	*Change*
Receivables due from related companies	3,262	3,263	(1)
Guarantee fees receivable	422	1,319	(897)
Other non-current financial assets	140	140	-
Non-current financial assets	**3,824**	**4,722**	**(898)**

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

▪ Fossati Uno Srl	2,664
▪ Società Agricola Agrienergia Srl	398
▪ Mecchld	200
	3,262

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

4.3. Property, plant and equipment:

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.

(in thousands of Euro)	*30 Jun 2019*	*31 Dec 2018*	*Change*
Buildings	10,626	10,369	257
Plant and equipment	65	-	65
Other assets	386	341	45
Advances and assets under development	908	771	137
Property, plant and equipment	**11,985**	**11,481**	**504**

The breakdown of owned and leased assets is shown below.

(in thousands of Euro)	*Owned*	*Leased*	*Total*
Buildings	10,194	432	10,626
Plant and equipment	65	-	65
Other assets	326	60	386
Advances and assets under development	908	-	908
Property, plant and equipment	**11,493**	**492**	**11,985**

Changes in owned assets are detailed below:

(in thousands of Euro)	*Buildings*	*Plant and equipment*	*Moveable property*	*Advances*	*Total*
Gross amount	13,506	-	2,363	771	16,640
Accumulated amortisation	(3,137)	-	(2,022)	-	(5,159)
Total at 31 December 2018	**10,369**	**-**	**341**	**771**	**11,481**
Gross amount at 31 December 2018	**13,506**	**-**	**2,363**	**771**	**16,640**
Purchases in the period	-	68	7	137	212
Disposals (cost)	-	-	-	-	-
Gross value as at 30 June 2019	**13,506**	**68**	**2,370**	**908**	**16,852**
Accumulated amortisation at 31 December 2018	**(3,137)**	**-**	**(2,022)**	**-**	**(5,159)**
Amortisation, depreciation, impairment and write-downs	(175)	(3)	(22)	-	(200)
Disposals (accumulated depreciation)	-	-	-	-	-
Accumulated amortisation as at 30 June 2019	**(3,312)**	**(3)**	**(2,044)**	**-**	**(5,359)**
Gross amount	13,506	68	2,370	908	16,852
Accumulated amortisation	(3,312)	(3)	(2,044)	-	(5,359)
Total as at 30 June 2019	**10,194**	**65**	**326**	**908**	**11,493**

Leased assets recorded the following changes:

(in thousands of Euro)	*Buildings*	*Plant and equipment*	*Moveable property*	*Advances*	*Total*
Gross amount	492	-	75	-	567
Total at 1 January 2019	**492**	**-**	**75**	**-**	**567**
Gross amount at 1 January 2019	**492**	**-**	**75**	**-**	**567**
Purchases in the period	-	-	-	-	-
Gross value as at 30 June 2019	**492**	**-**	**75**	**-**	**567**
Accumulated amortisation at 1 January 2019	**-**	**-**	**-**	**-**	**-**
Amortisation, depreciation, impairment and write-downs	(60)	-	(15)	-	(75)
Accumulated amortisation as at 30 June 2019	**(60)**	**-**	**(15)**	**-**	**(75)**
Gross amount	492	-	75	-	567
Accumulated amortisation	(60)	-	(15)	-	(75)
Total as at 30 June 2019	**432**	**-**	**60**	**-**	**492**

4.4. Investment property

(in thousands of Euro)	*30 Jun 2019*	*31 Dec 2018*	*Change*
Investment property	**15,958**	**16,536**	**(578)**

The changes in the item were as follows:

(in thousands of Euro)	
Total at 31 December 2018	**16,536**
Decreases	(175)
Fair value adjustments	(403)
Total as at 30 June 2019	**15,958**

The breakdown by property is as follows:

(in thousands of Euro)	*30 Jun 2019*	*31 Dec 2018*	*Change*
Limbiate - Varedo	11,970	11,970	-
Ivrea	2,670	2,670	-
Padua	430	780	(350)
Sezze	427	600	(173)
San Marcello Pistoiese	334	334	-
Torchiarolo	95	150	(55)
Castronno	32	32	-
Total as at 30 June 2019	**15,958**	**16,536**	**(578)**

4.5. Intangible assets

(in thousands of Euro)	*30 Jun 2019*	*31 Dec 2018*	*Change*
Other	6	6	-
Intangible assets	**6**	**6**	**-**

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

The changes in the year were as follows:

(in thousands of Euro)	*Total*
Gross amount	16
Accumulated amortisation	(10)
Total at 31 December 2018	**6**
Gross amount at 31 December 2018	**16**
Purchases in the period	1
Gross value as at 30 June 2019	**17**
Accumulated amortisation at 31 December 2018	**(10)**
Amortisation, depreciation, impairment and write-downs	(1)
Accumulated amortisation as at 30 June 2019	**(11)**
Gross amount	17
Accumulated amortisation	(11)
Total as at 30 June 2019	**6**

4.6. Other non-current assets

The breakdown of the item is as follows:

(in thousands of Euro)	*30 Jun 2019*	*31 Dec 2018*	*Change*
Guarantee deposits	7	6	1
Other non-current assets	**7**	**6**	**1**

4.7. Current financial assets

(in thousands of Euro)	*30 Jun 2019*	*31 Dec 2018*	*Change*
Financial receivables from related companies	1,349	1,349	-
Guarantee fees receivable	929	925	4
Financial assets held for trading	57	57	-
Other current financial assets	10,365	10,185	180
Current financial assets	**12,700**	**12,516**	**184**

“Financial receivables from related companies”, broken down in table 4.21, mainly include:

- Euro 539 thousand representing the balance of the current account with Intek Investimenti Srl;
- Euro 362 thousand which represents the balance of the existing interest-bearing loan to Società Agricola Agrienergia Srl;
- Euro 285 thousand representing the balance of the current account with KME Yorkshire Ltd.

The values specified above are net of IFRS 9 adjustments.

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

The item “Other current financial assets” includes Euro 9,986 thousand in time deposits expected to be collected by the end of the current year.

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

4.8. Trade receivables

(in thousands of Euro)	*30 Jun 2019*	*31 Dec 2018*	*Change*
Due from customers - gross amount	*550*	*636*	(86)
Allowance for impairment	*(264)*	*(264)*	-
Due from customers - net amount	286	372	(86)
Due from related companies	8,572	4,951	3,621
Receivables from factoring/leases	4,789	5,521	(732)
Trade receivables	**13,647**	**10,844**	**2,803**

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

The receivables "Due from related companies" at 31 December 2018 mainly referred to guarantees issued and to the sale of the 1% stake in KME SE.

"Receivables for leasing and factoring" relate to non-performing loans from the business previously handled by Fime Leasing and Fime Factoring. The change is mainly due to the collections during the period.

4.9. Other current receivables and assets

(in thousands of Euro)	*30 Jun 2019*	*31 Dec 2018*	*Change*
Tax assets	1,160	1,442	(282)
Receivables from special situation activities	300	300	-
Accruals and prepayments	168	68	100
Receivables due from related companies	2,572	1,867	705
Other receivables	2,428	1,807	621
Other current receivables and assets	**6,628**	**5,484**	**1,144**

The "Tax assets" include primarily positions of the parent company, of which Euro 520 thousand for direct tax credits and VAT credits of Euro 545 thousand.

"Receivables for special situation activities", amounting to Euro 300 thousand, relate to receivables guaranteed by mortgages on properties.

"Receivables due from related companies" include positions arising from the tax consolidation, which will be recovered on the submission of tax returns.

Prepayments and accrued income are due to the recording of prepayments mainly for travel costs and services to be used in subsequent periods.

All the receivables are due within twelve months.

4.10. Cash and cash equivalents

"Cash and cash equivalents" consist of bank and post office accounts and cash on hand.

(in thousands of Euro)	*30 Jun 2019*	*31 Dec 2018*	*Change*
Bank and post office accounts	45,632	52,546	(6,914)
Cash on hand	9	10	(1)
Cash and cash equivalents	**45,641**	**52,556**	**(6,915)**

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

4.11. Equity attributable to owners of the Parent

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

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

4.12. Employee benefits

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

(in thousands of Euro)	*30 Jun 2019*	*31 Dec 2018*	*Change*
Executives	76	72	4
Clerical workers	247	240	7
IAS adjustment	58	31	27
Employee benefits	**381**	**343**	**38**

The changes in the item were as follows:

(in thousands of Euro)	*31 Dec 2018*	*Increases*	*Decreases*	*Contributions to the fund*	*30 Jun 2019*
Executives	72	16	-	(12)	76
Clerical workers	240	19	(6)	(6)	247
IFRS differences	31	27	-	-	58
Employee benefits	**343**	**62**	**(6)**	**(18)**	**381**

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

General criteria	*30 Jun 2019*	*31 Dec 2018*
Discount rate	0.35-0.77%	1.13-1.57%
Rate of increase in future remuneration	0.5-1.0%	0.5-1.0%
Average remaining working life	7.8-12.6 years	7.7-12.3 years
General criteria		

A discount rate based on the "Iboxx Eurozone Corporate AA" index was used also at 30 June 2019 for the actuarial valuation of post-employment benefits.

4.13. Non-current financial payables and liabilities

The breakdown of the item is as follows:

(in thousands of Euro)	*30 Jun 2019*	*31 Dec 2018*	*Change*
Due to banks	4,796	5,195	(399)
Payables for financial guarantees issued	422	1,319	(897)
Leasing payables	349	-	349
Due to others	340	183	157
Non-current financial payables and liabilities	**5,907**	**6,697**	**(790)**

The payables to "Credit institutions", including with reference to the division between the short term and the medium-long term portions can be broken down as follows:

(in thousands of Euro)	*Current*	*Non-current*	*Total*
Intesa SanPaolo	296	-	296
UBI	41	168	209
Banco BPM	467	4,628	5,095
Mediocredito centrale	5,156	-	5,156
Mortgage loans	**5,960**	**4,796**	**10,756**
Friulia loan	**238**	**-**	**238**
Total payables due to banks	**6,198**	**4,796**	**10,994**

No financial covenants apply to the existing loans.

The loan entered into with Banco BPM, expiring in July 2030, has a variable rate of 1-month Euribor plus a spread of 2.80 points. An interest rate swap contract was concluded to hedge the interest rate risk for the same duration. The notional amount is amortising 100% of the loan hedged with a fixed rate of 0.99%. The fair value of this instrument as at the reporting date is included in "Due to others". The mortgage on the property at Foro Buonaparte 44 in Milan was used as a guarantee.

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

The Mediocredito Centrale loan, guaranteed by a mortgage on the Varedo property, is relative to two mortgages which expired on 31 December 2015 and includes Euro 4,841 thousand in capital and Euro 315 thousand in estimated accrued interest. The official agreement for the extension of these mortgages had not yet been concluded on the date of these financial statements and therefore the debt was classified as being due in the upcoming year.

The Friulia loan refers to a current portion of a loan taken out by the incorporated entity ErgyCapital, with expiration on 31 December 2019 which features a 5% interest rate.

For further details on the item "Payables for financial guarantees issued", reference should be made to note 4.2 "Non-current financial assets".

4.14. Bonds

(in thousands of Euro)	*30 Jun 2019*	*31 Dec 2018*	*Change*
Intek Group Bonds 2015/2020	-	101,391	(101,391)
Bonds	**-**	**101,391**	**(101,391)**

The “Intek Group S.p.A. 2015-2020 Bonds” were reclassified under current liabilities as a result of the expiry (February 2020) of less than twelve months. They are remunerated 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.

4.15. Other non-current liabilities

(in thousands of Euro)	*30 Jun 2019*	*31 Dec 2018*	*Change*
Payables for guarantees issued	733	853	(120)
Liabilities for “special situations”	692	692	-
Other liabilities	793	793	-
Other non-current liabilities	**2,218**	**2,338**	**(120)**

“Payables for guarantees issued” refer to the non-current portion of the payable for tax liabilities assumed by the Group against guarantees given during the disposal of an equity investment.

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

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

4.16. Provisions for risks and charges

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

(in thousands of Euro)	*31 December 2018*	*Change in scope of consolidation*	*Increases*	*Releases/ uses*	*30 June 2019*
Provisions for equity investment risks	352	-	-	-	352
Provisions for risks for tax disputes	291	-	-	-	291
Provision for special situations’ risks	135	-	-	-	135
Provisions for risks on guarantees for the disposal of assets	-	-	-	-	-
Other provisions for risks and charges	264	-	-	-	264
Total	**1,042**	**-**	**-**	**-**	**1,042**

The “Provisions for equity investment risks” are allocated for equity investments, from the merger with ErgyCapital, with negative shareholders’ equity.

The “Provisions for risks for tax disputes” relate to disputes concerning registration tax and Invim (tax on increase in real estate value) of the Fime Group, recognised to the maximum extent of the estimated liability.

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

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

4.17. *Current financial payables and liabilities*

(in thousands of Euro)	*30 Jun 2019*	*31 Dec 2018*	*Change*
Bond payables	103,303	4,375	98,928
Shares of expiring loans	6,198	6,385	(187)
Due from related companies	3,510	3,706	(196)
Payables for financial guarantees issued	929	925	4
Leasing payables	147	-	147
Current financial payables and liabilities	**114,087**	**15,391**	**98,696**

"Bond payables" include the payable for principal (Euro 101,170 thousand), interest relating to the coupon being accrued (Euro 1,811 thousand) and are adjusted by residual issue costs (Euro 211 thousand).

"Due to related companies", amounting to Euro 3,358 thousand, contains the balance of the current account, held at market rates with remuneration set at Euribor plus a spread, with the subsidiary Breda Energia.

The item "Shares of expiring loans" includes amounts falling due within twelve months of the long-term loans as mentioned above.

For further details on the item "Payables for guarantees issued", reference should be made to the item "Non-current financial assets".

During the first six months of the year, no new loans were taken out nor were there any draw downs of previous loans. Any increases refer to the accrued interest only.

The net financial position with the details of its main components pursuant to Consob Communication no. 6064293 and CESR recommendation of 10 February 2005 "Recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses" is presented in the "Management report" rather than in these notes.

4.18. *Trade payables*

(in thousands of Euro)	*30 Jun 2019*	*31 Dec 2018*	*Change*
Due to suppliers	1,651	1,129	522
Due to related companies	112	179	(67)
Trade payables	**1,763**	**1,308**	**455**

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

4.19. *Other current liabilities*

(in thousands of Euro)	*30 Jun 2019*	*31 Dec 2018*	*Change*
Due to employees	272	198	74
Due to social security institutions	77	116	(39)
Tax liabilities	168	185	(17)
Accrued expenses and deferred income	1	-	1
Payables to directors for end of office indemnity	710	699	11
Payables due to related companies	101	205	(104)
Other liabilities	3,821	2,098	1,723
Other current liabilities	**5,150**	**3,501**	**1,649**

"Payables to directors for end of office indemnity" refer to the residual amount due to the Chairman for the end of office indemnity accrued to 31 December 2012, the date on which the office ended. The amount in question has been accruing interest of 5% since 2014. The Chairman has allowed extension of the payment expiration date to 31 December 2019.

The item "Payables due to related companies" includes the payables to directors for accrued remuneration. The change in the item, as with that in payables due to employees, is connected with the different reporting date. Non-executive directors' fees are actually paid annually following approval of the financial statements, payables due to employees include the fees accrued and not yet paid, including thirteen months' pay.

The item "Other payables" includes Euro 1,266 thousand for payables due to former leasing customers relating to sums received by way of advance from customers and not offset with credit entries. It also includes, for Euro 321 thousand, the current portion of the payable connected with the guarantees issued, already commented on previously.

4.20. *Deferred tax assets and liabilities*

(in thousands of Euro)	*30 Jun 2019*	*31 Dec 2018*	*Change*
Deferred tax assets	4,592	4,958	(366)
Deferred tax liabilities	(3,528)	(3,529)	1
Deferred tax assets and liabilities	**1,064**	**1,429**	**(365)**

As at the reporting date of these condensed consolidated interim financial statements, the Group recorded deferred tax assets on tax losses carried forward amounting to Euro 0.4 million. Moreover, there are losses of Euro 40.4 million for which no deferred tax assets were recognised.

Deferred tax assets and liabilities can be broken down by asset and liability item as follows:

(in thousands of Euro)	Deferred tax assets		Deferred tax liabilities	
	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018
Property, plant and equipment	-	-	(1,434)	(1,458)
Investment property	1,026	1,026	-	-
Equity/Financial investments	-	-	(1,436)	(1,412)
Non-current financial assets	-	2	-	-
Trade receivables	2,499	2,775	(658)	(659)
Other current receivables and assets	406	406	-	-
Current financial assets	-	13	-	-
Cash and cash equivalents	29	119	-	-
Non-current financial liabilities	82	44	-	-
Provisions for risks and charges	67	67	-	-
Other current liabilities	59	82	-	-
Deferred taxes on tax losses carried forward	424	424	-	-
Total	**4,592**	**4,958**	**(3,528)**	**(3,529)**

4.21. Related party disclosures

The tables below show the relations involving payables, receivables, costs and revenue with related parties. The transactions which generated these items were carried out at arm’s length and market prices. For information regarding the nature of the transactions, reference should be made to the comments under the individual items.

Receivables and payables

(in thousands of Euro)	Non-current financial assets	Current financial assets	Trade receivables	Other current receivables and assets	Current financial payables and liabilities	Trade payables	Other current liabilities
Breda Energia Srl in liquidazione	-	-	-	-	(3,358)	-	-
Culti Milano SpA	-	-	2	-	-	-	-
HG Power Srl in liquidazione	-	15	-	-	-	-	-
Società Agricola Agrienergia Srl	398	362	16	-	-	-	(70)
Ergyca Bio Srl in liquidazione	-	148	-	-	-	-	-
Energetica Solare Srl in liquidazione	-	-	-	-	(152)	-	-
Mecchld Srl	200	-	-	-	-	-	-
EM Moulds SpA	-	-	18	-	-	-	-
Intek Investimenti Srl	-	539	10	-	-	-	-
KME SE	-	-	8,149	-	-	-	-
KME Italy SpA	-	-	41	-	-	(3)	-
KME Germany GmbH	-	-	31	-	-	(16)	-
KME Yorkshire Ltd	-	285	254	-	-	(7)	-
KME Srl	-	-	-	-	-	(34)	-
Nextep Srl benefit corporation	-	-	11	-	-	-	-
Quattroduedue SpA	-	-	40	-	-	-	-
Fossati Uno Srl	2,664	-	-	-	-	-	-
Receivables from guarantees	422	929	-	-	-	-	-
Receivables/Payables for tax	-	-	-	2,572	-	-	-
Directors and Statutory Auditors	-	-	-	-	-	(52)	(741)
	3,684	**2,278**	**8,572**	**2,572**	**(3,510)**	**(112)**	**(811)**
Total financial statements item	**3,824**	**12,700**	**13,647**	**6,628**	**(114,087)**	**(1,763)**	**(5,150)**
Percentage impact	**96.34%**	**17.94%**	**62.81%**	**38.81%**	**3.08%**	**6.35%**	**15.75%**

Flows of costs and revenues

(in thousands of Euro)	*Guarantee fees*	*Other operating income*	*Other operating costs*	*Finance income*	*Finance expense*
Breda Energia Srl in Liquidazione	-	7	-	-	(43)
Culti Milano SpA	2	8	-	-	-
EM Moulds SpA	18	-	-	-	-
Ergyca Tracker 2 S.r.l.	-	2	-	-	-
Società Agricola Agrienergia S.r.l.	-	16	-	11	-
Intek Investimenti Srl	-	7	-	7	-
KME SE	396	439	-	30	-
KME Germany GmbH & Co. KG	31	-	-	-	-
KME Italy SpA	41	-	(2)	185	-
KME Srl	-	-	(13)	-	-
KME Yorkshire Ltd	-	-	-	5	-
Quattroduedue SpA	-	8	-	-	-
Directors/Statutory Auditors	-	-	(892)	-	(11)
	488	**487**	**(907)**	**238**	**(54)**
Total financial statements item	**488**	**1,622**	**(3,220)**	**688**	**(2,889)**
Percentage impact	**100.00%**	**30.02%**	**28.17%**	**34.59%**	**1.87%**

5. *Income Statement*

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

5.1. *Net income from investment management*

The breakdown of the item is as follows:

(in thousands of Euro)	*1st half 2019*	*1st half 2018*	*Change*	*% Change*
Measurement of investments at fair value	2,000	(407)	2,407	n/a%
Measurement of fund units and securities at fair value	611	(488)	1,099	n/a %
Value adjustments on equity investments and securities	-	(50)	50	-100.00%
Gains/losses from the sale of fund units and securities	(265)	32	(297)	n/a %
Dividends	337	307	30	9.77%
Net income from investment management	**2,683**	**(606)**	**3,289**	n/a %

The result of the “Measurement of investments at fair value”, a positive Euro 2,000 thousand, relates to the investment in Ducati Energia; the result of the “Measurement of fund units and securities at fair value”, also positive, amounting to Euro 611 thousand, is instead related to the units of the I2 Capital Partners fund.

“Profits/losses from disposals of units in funds and securities”, amounting to a negative Euro 265 thousand, derive exclusively from the sale of the 1% stake in KME SE.

Dividends totalling Euro 337 thousand relate to Culti Milano (Euro 183 thousand), Società Agricola Agrienergia (Euro 77 thousand) and Ducati Energia (Euro 77 thousand).

5.2. *Guarantee fees*

(in thousands of Euro)	*1st half 2019*	*1st half 2018*	*Change*	*% Change*
Guarantee fees	488	786	(298)	-37.91%
Guarantee fees	**488**	**786**	**(298)**	**-37.91%**

They refer to guarantees provided for subsidiaries and mainly refer to KME SE and its subsidiaries. Fees decreased due to the decrease in the amount of guarantees given at the start of 2018 as part of the renegotiation of KME credit lines.

5.3. *Other income*

(in thousands of Euro)	*1st half 2019*	*1st half 2018*	*Change*	*% Change*
Income from “special situations”	668	158	510	n/a %
Fund management fees	394	344	50	14.53%
Lease income	27	25	2	8.00%
Provision of services to related companies	487	46	441	n/a %
Other	46	59	(13)	-22.03%
Other income	**1,622**	**632**	**990**	**156.65%**

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

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

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

5.4. Labour costs

(in thousands of Euro)	*1st half 2019*	*1st half 2018*	*Change*	*% Change*
Wages and salaries	(554)	(558)	4	-0.72%
Social security charges	(176)	(183)	7	-3.83%
Other personnel costs	(250)	(227)	(23)	10.13%
Labour costs	**(980)**	**(968)**	**(12)**	**1.24%**

Other personnel expense includes remuneration to associates of Euro 170 thousand, including contribution expenses, costs for a welfare plan of Euro 40 thousand and an allocation to the employees’ post-employment benefits of Euro 41 thousand.

Average number of employees:

	30/06/2019	*31/12/2018*	*Change*	*% Change*
Executives	3	3	-	0.00%
	21.43%	20.00%		
Clerical workers	11	12	(1)	-8.33%
	78.57%	80.00%		
Total employees (average)	**14**	**15**	**(1)**	**-6.67%**
	100.00%	100.00%		

5.5. Amortisation, depreciation, impairment and write-downs

(in thousands of Euro)	*1st half 2019*	*1st half 2018*	*Change*	*% Change*
Depreciation	(198)	(202)	4	-1.98%
Depreciation of other leased assets	(77)	-	(77)	n/a
Amortisation	(1)	(1)	-	0.00%
Reversal of impairment losses on investment property	(403)	(222)	(181)	81.53%
Amortisation, depreciation, impairment and write-downs	**(679)**	**(425)**	**(254)**	**59.76%**

Please see the comments under the individual asset items.

5.6. Other operating costs

(in thousands of Euro)	*1st half 2019*	*1st half 2018*	*Change*	*% Change*
Directors' and Statutory Auditors' fees	(758)	(698)	(60)	8.60%
Professional services	(714)	(553)	(161)	29.11%
Travel costs	(170)	(111)	(59)	53.15%
Other personnel costs	(38)	(46)	8	-17.39%
Legal and company disclosure	(63)	(54)	(9)	16.67%
Electricity, heating, postal and telephone costs	(107)	(142)	35	-24.65%
Insurance premiums	(80)	(57)	(23)	40.35%
Training and seminars	(13)	-	(13)	n/a
Real estate leases	(15)	(84)	69	-82.14%
Maintenance	(572)	(59)	(513)	n/a
Leases and rentals	(31)	(49)	18	-36.73%
Other tax charges	(408)	(385)	(23)	5.97%
Membership fees	(88)	(91)	3	-3.30%
Other net costs	(76)	(77)	1	-1.30%
Donations	(79)	(11)	(68)	n/a
Bank fees	(8)	(12)	4	-33.33%
	(3,220)	*(2,429)*	*(791)*	32.56%
Release of provisions	-	1,572	(1,572)	-100.00%
Other operating costs	**(3,220)**	**(857)**	**(2,363)**	**n/a%**

The item is influenced by non-recurring maintenance costs incurred on the Varedo property.

The reduction in "Real estate leases" is due to the adoption of IFRS 16.

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

5.7. Net finance expense

(in thousands of Euro)	*1st half 2019*	*1st half 2018*	*Change*	*% Change*
Interest income from related companies	238	205	33	16.10%
Other finance income and interest	450	699	(249)	-35.62%
Total finance income	**688**	**904**	**(216)**	**-23.89%**
Interest paid to related companies	(54)	(45)	(9)	20.00%
Loan interest expense	(130)	(148)	18	-12.16%
Interest expense on securities issued	(2,622)	(2,616)	(6)	0.23%
Interest expense on leases	(13)	-	(13)	n/a
Other interest expense	(27)	(13)	(14)	107.69%
Other finance expense	(43)	(110)	67	-60.91%
Total financial charges	**(2,889)**	**(2,932)**	**43**	**-1.47%**
Total net financial expense	**(2,201)**	**(2,028)**	**(173)**	**8.53%**

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.

5.8. Current and deferred taxes

(in thousands of Euro)	*1st half 2019*	*1st half 2018*	*Change*	*% Change*
Current taxes	703	799	(96)	-12.02%
Deferred taxes	(404)	(839)	435	-51.85%
Current and deferred taxes	**299**	**(40)**	**339**	**n/a%**

Since 2007, Intek Group and most of its Italian subsidiaries elected to apply the "Italian domestic tax consolidation regime" for the condensed consolidated interim financial statements, 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 for the condensed consolidated interim financial statements, according to which taxable losses of the Parent and/or subsidiaries can be offset against the tax savings realised by the Parent and/or subsidiaries with taxable income.

Reconciliation of theoretical tax charge and the effective charge:

(in thousands of Euro)	*1st half 2019*
Profit/(loss) before taxes	(2,287)
Theoretical tax charge (tax rate used 24%)	**549**
Reconciliation:	
Effect due to different tax rates:	-
Other effects:	-
- Non-deductible (expenses) and non-taxable income	(155)
- Tax losses – Deferred taxes not set aside	(40)
- Use of tax losses	-
- Impairment losses/(reversal of impairment losses) on investments and securities	(55)
- Current taxes for previous years	-
- Taxes on profit of equity-accounted investees	-
- Other	-
Taxes recognised in profit or loss	**299**

6. Additional information

6.1. Financial instruments by category

	30 Jun 2019	31 Dec 2018	Change
Financial assets at fair value through profit or loss	522,960	523,328	(368)
Financial assets at fair value through other comprehensive income	-	-	-
Amortised cost	79,878	82,385	(2,507)
Financial assets	**602,838**	**605,713**	**(2,875)**
Financial liabilities at fair value through profit or loss	(1,692)	(2,427)	735
Financial payables and liabilities at amortised cost	(127,265)	(128,014)	749
Financial liabilities	**(128,957)**	**(130,441)**	**1,484**

6.2. Financial instruments by financial statement item

Financial instruments and reconciliation with financial statement items at 30 June 2019:

(in thousands of Euro)	*Total*	*At amortised cost*	*At fair value*	*Outside the scope of IFRS 7*
Investments in equity interests and fund units	521,551	-	521,551	-
Non-current financial assets	3,824	3,402	422	-
Other non-current assets	7	7	-	-
Trade receivables	13,647	13,647	-	-
Other current receivables and assets	6,628	5,468	-	1,160
Current financial assets	12,700	11,713	987	-
Cash and cash equivalents	45,641	45,641	-	-
Total financial assets	**603,998**	**79,878**	**522,960**	**1,160**
Non-current financial payables and liabilities	(5,907)	(5,145)	(762)	-
Other non-current liabilities	(2,218)	(2,218)	-	-
Current financial payables and liabilities	(114,087)	(113,157)	(930)	-
Trade payables	(1,763)	(1,763)	-	-
Other current liabilities	(5,150)	(4,982)	-	(168)
Total financial liabilities	**(129,125)**	**(127,265)**	**(1,692)**	**(168)**

The carrying amount of the financial assets and liabilities recognised in these financial statements does not diverge from their fair value.

There are three levels of fair value:

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

The analysis of financial assets and liabilities by fair value level is as follows:

(in thousands of Euro)	*Total Fair value*	*Level 1*	*Level 2*	*Level 3*
Investments in equity interests and fund units	521,551	735	-	520,816
Non-current financial assets	422	-	-	422
Current financial assets	987	-	-	987
Total financial assets	**522,960**	**735**	**-**	**522,225**
Non-current financial payables and liabilities	(762)	-	(340)	(422)
Current financial payables and liabilities	(930)	-	-	(930)
Total financial liabilities	**(1,692)**	**-**	**(340)**	**(1,352)**

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

6.3. Notional value of financial instruments and derivatives

No derivative financial instruments are recognised as at 30 June 2019, except for the interest rate hedge on the Immobiliare Pictea mortgage loan, the notional value of which is Euro 5,172 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 condensed interim financial statements was as follows:

(in thousands of Euro)	*Gross carrying amount*	*Impairment losses as at 30 Jun 2019*	*Net carrying amount*
Not yet due	5	-	5
Up to 60 days past due	5	-	5
61 to 120 days past due	15	-	15
121 days to 1 year past due	-	-	-
Over 1 year past due	525	(264)	261
Trade receivables	**550**	**(264)**	**286**

There were no changes during the year.

6.5. Currency risk exposure

At 30 June 2019, there were no assets or liabilities in a foreign currency.

6.6. Interest rate risk exposure

As at 30 June 2019 the Group's interest-bearing financial assets and liabilities had the following interest rate risk exposure:

(in thousands of Euro)	*30 Jun 2019*	*31 Dec 2018*
Financial assets	-	-
Financial liabilities	(108,636)	(107,191)
Fixed rate instruments	**(108,636)**	**(107,191)**
Financial assets	60,747	67,486
Financial liabilities	(9,520)	(9,486)
Floating rate instruments	**51,227**	**58,000**

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 250 thousand.

6.7. Liquidity risk exposure

Liquidity risk can arise from difficulties in raising finance for operating activities as and when required. All inflows and outflows and cash balances of the consolidated companies are coordinated by the holding company.

* * *

7. Commitments and guarantees

Intek Group is the guarantor for KME SE and its main subsidiaries operating in the copper and copper-alloy semi-finished products sector for Euro 100 million as part of the loan obtained from a pool of banks.

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

In December 2015, Intek Group indicated its willingness to issue a guarantee of up to Euro 5.0 million for Associazione Dynamo for the granting of a mortgage loan for the restructuring of certain buildings located in Limestre. This mortgage is also secured by other real guarantees.

Annexes to the notes

Reconciliation of the profit/(loss) of the Parent company Intek Group SpA and the consolidated condensed interim profit/(loss) for the period ended 30 June 2019:

(in thousands of Euro)	*30 Jun 2019*
Result of the separate financial statements of Intek Group S.p.A.	**(3,042)**
Profit/(loss) of consolidated companies (1)	(1,157)
Reversal of impairment losses on investments	230
Amortisation of excess cost allocation on property (net of tax effect)	(64)
Fair value measurement of investments held by subsidiaries (net of tax effect)	1,976
Cancellation of effect of IFRS 16	48
Cancellation of effect of IFRS 9	21
Group's consolidated net profit/(loss)	**(1,988)**

Reconciliation of the equity of Intek Group SpA and the consolidated equity for the period ended 30 June 2019:

(in thousands of Euro)	*30 Jun 2019*
Parent company's equity including profit/(loss) for the period	**498,831**
Fair value measurement of investments held by subsidiaries (net of tax effect)	9,880
Excess cost allocation on property (net of tax effect)	3,708
Cancellation of effect of IFRS 16	48
Cancellation of effect of IFRS 9	146
Difference between the consolidated companies' equity and their carrying amount	(10,150)
Group's consolidated equity including profit/(loss) for the period	**502,463**

CERTIFICATION OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154 BIS, PARAGRAPH 5 OF ITALIAN LEGISLATIVE DECREE 58/98, AND PURSUANT TO ART. 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999 AS SUBSEQUENTLY AMENDED AND SUPPLEMENTED

1. According 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 the administrative and accounting procedures for the preparation of the interim condensed consolidated financial report during the period from 01.01.2019 to 30.06.2019, including the policies the Company applied in order to comply with IFRS 10's requirements related to Investment Entities.

2. No material findings emerged in this regard.

3. Moreover, they certify that:

   3.1 The Interim Condensed Consolidated Financial Statements:

   a) was prepared in accordance with the applicable set of international accounting standards as endorsed by the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002. The Investment Entities' Accounting principle (Amendments to IFRS 10, IFRS 12 and IAS 27), as introduced by Regulation (EU) no. 1174/2013, was applied in these financial statements;

   b) reflects the balances recorded in the accounting books and records;

   c) represents a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer as well as of the undertakings included in the consolidation taken as a whole;

   3.2 the interim condensed consolidated financial statements includes a reliable analysis of the important events that occurred in the first six months of the year and of their impact on it, together with a description of the main risks and uncertainties for the subsequent six-month period. The interim financial report also includes a reliable analysis of the information on significant related party transactions.

Milan, 27 September 2019

The Chairman

signed Vincenzo Manes

The Manager in charge of Financial Reporting

signed Giuseppe Mazza

Deloitte.

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REPORT ON REVIEW OF THE HALF-YEARLY CONSOLIDATED FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying half-yearly consolidated financial statements of Intek Group S.p.A. and subsidiaries (the "Intek Group"), which comprise the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and explanatory notes thereto, as at and for the six month ended 30 June 2019. The Directors are responsible for the preparation of the half-yearly consolidated financial statements in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on the half-yearly consolidated financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-yearly consolidated financial statements of Intek Group as at 30 June 2019 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Maurizio Ferrero
Partner

Milan, Italy
30 September 2019

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