INTEK GROUP

ANNUAL FINANCIAL REPORT
YEAR 2019

Board of Directors
of 29 April 2020

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

Contents

Solidarity

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

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

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

The objective for the future is to continue to offer Recreational Treatment to as many children and families as possible and, to achieve this, our efforts are concentrated on various levels: increasing the number of eligible pathologies, in particular serious neurological pathologies that require increasingly complex handling, and the extension of the network of collaboration with hospitals and associations; quality training to the staff and over 950 volunteers who donate their time, intelligence and hearts each year; annual increase in the support instruments provided to the individuals and the companies who are always at our side. The professionally structured and organised fund raising allows us to ensure continuity and excellence.

The fund raising is targeted to individuals, companies, foundations and public entities, while its sustainability horizon is of the medium to long term. The role of individuals and their capacity to bring others together is of strategic importance: in 2019, 178 Ambassadors and 32 local groups, consisting of persons who support Dynamo Camp and promote its cause, organised 280 fund raising initiatives throughout Italy, building a network of around 20,000 persons, and 450 persons from all over Italy participated in the fifth edition of Dynamo Team Challenge, collecting a total of more than Euro 380,000 for Dynamo Camp.

Since 2007, over 42,000 people, including ailing children and entire families have laughed, played and challenged their limits thanks to the Dynamo Camp Recreational Therapy.

Company Bodies

Board of Directors *

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

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

Board of Statutory Auditors *

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

Secretary of the Board of Directors	Roberto De Vitis
Manager in charge of Financial Reporting	Giuseppe Mazza
Independent Auditors	Deloitte & Touche S.p.A.
Common Representative of Savings Shareholders *	Simonetta Pastorino
Common Representative of the "Intek Group SpA 2020/2025 Bond" Holders	Rossano Bortolotti

**(office ending with the approval of the 2020 financial statements)*

2019 Directors' Report on operations

Dear Shareholders,

As is well known, since January 2020 the domestic and international scenario has been characterised by the progressive spread of Covid-19 and the resulting restrictive measures to contain it enacted by the public authorities of the countries concerned. These circumstances, which are extraordinary in terms of nature as well as extent, are having extremely significant direct and indirect repercussions on economic activity and have created a general context of uncertainty, the evolutions and relative effects of which cannot be predicted. As things currently stand, it is not possible to forecast the impacts that this situation may have on the investments of Intek Group SpA (below also referred to as "Intek" or the "Company").

The Company is a diversified holding company, which actively manages the investments in its portfolio in order to increase their value. The Company's primary objective is the dynamic management of equity investments and the other assets held, with a specific focus on their capacity to generate cash and increase in value over time.

A particular effort is also made in research and the development of new projects, including in areas of growing interest, such as sustainability (ESG).

In general, Intek makes investments with medium-term time horizons. The objective it pursues is to create a flexible asset portfolio with reduced investment cycles compared to what it has done in the past, and as a result with more rapid cash generation. From this standpoint, amongst the assets in the portfolio, particularly of KME, the focus continues to be placed on the highest performing and promising components, while occasions are seized for divestment from both industrial and financial segments with low outlooks for value creation or payback timing not consistent with the Group's management policies.

The management of Intek monitors and analyses the performance of the markets in which it has made its investments to ensure that opportunities to increase their value are taken or to carry out new transactions in synergy with existing investments.

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

On the basis of this arrangement, Intek's separate financial statements, which allow for a better overview of the investments made in the various sectors, constitute the instrument most representative of the equity and income structure as well as the effective economic development of the Company and its investments.

The separate financial statements have always been the Company's preferred informational tool for the communication of the company's results. The Company's accounting classification, starting from the year 2014, as an "investment entity" increased the informational content of the financial statements as the investments are valued not at cost but at fair value with a constant adjustment of the financial statement values. As a result of that accounting classification, as well as the corporate simplification process, the values of the consolidated financial statements, which exclude non-instrumental investments from the scope of consolidation, are aligned with those of the separate financial statements.

The operations of Intek are not considered collective management of savings and, therefore, to carry them out the Company is not required to be registered in the Register provided for by article 20 of the TUF.

The main events characterising the operations of Intek and its investees in 2019 and in the early months of 2020 are described below.

(i) 2020-2025 Bond Loan

In the second half of 2019, Intek issued a 5-year bond loan for Euro 75.9 million, with a fixed interest rate of 4.5%. The issue was finalised in February 2020 and overall received requests, between the public subscription offer and the exchange offer on previous Intek bonds, for Euro 92.6 million.

The financial resources deriving from the issue were used, along with those originating from a loan obtained from a credit institution for Euro 25.0 million and financial resources already in the possession of Intek, to repay the 2015-2020 Intek Group Bonds maturing on 20 February 2020 and not used in the exchange offer.

This transaction made it possible to optimise Intek's debt by extending its maturity and reducing its cost.

An additional tranche of Euro 25.2 million of the 2020-2025 Bond Loan is intended to be used as consideration for a public exchange offer on the Intek Savings Shares. In this transaction, the consideration of a bond with a nominal value of Euro 21.60 will be 43 savings shares. The transaction is subject to the approval of the exchange offer document by Consob and a dedicated shareholders' resolution.

(ii) Increasing the value of the copper sector

(a) Two important *extraordinary transactions* were carried out in this segment in the early months of 2019. These include the acquisition of the equity investment representing the entire share capital of MKM (Mansfelder Kupfer und Messing GmbH), leading operator in the European copper market, and the disposal to the Zhejiang Hailiang Co. group of the brass rods business in Germany, Italy and France and the tubes business in Germany and Spain.

The acquisition of MKM, agreed upon in July 2018 and finalised in February 2019, is particularly strategically relevant for KME, as it is meant to boost the group's overall competitiveness in the main reference markets and, in the future, could make it possible to further restructure the scope of the industrial activities in the portfolio.

The price paid by KME was around Euro 78 million, plus the assignment to European Acquisition Midco Limited, the selling company, of an equity investment of 1% in KME SE, which was first transferred by Intek to its subsidiary at the price of Euro 4.6 million.

The sale of the brass rods business in Germany, Italy and France and the tubes business in Germany and Spain was instead meant to streamline the portfolio and reduce the industrial complexity of the KME Group by reducing the number of products and plants. The agreement with Zhejiang Hailiang Co., finalised in the first quarter of 2019, resulted in net proceeds of roughly Euro 87 million, corresponding to the sale price, in addition to net working capital and the repayment of intercompany debts outstanding at the date on which the contract was signed, after deducting the compulsory repayments of working capital credit lines used in relation to the businesses sold.

Furthermore, in March 2019 KME SE reacquired full control over Tréfimetaux sas, a French company that manufactures copper tubes and rods, of which it already held 51% of the share capital.

(b) As regards business trends, the EBITDA of KME SE came to Euro 86.5 million in 2019, compared to Euro 80.4 million in 2018. The net financial position totalled Euro 237.1 million compared to Euro 219.4 million last year, due to the initial application of IFRS 16 and the consolidation of Tréfimetaux, which had negative effects of Euro 14.9 million and Euro 10.4 million, respectively.

(iii) Culti Milano SpA

The company, listed on the AIM market since July 2017, transitioned from being a fragrances company producing environmental perfumes (home, car, boat, etc.) to a personal wellness company (perfumes, personal hygiene, cosmetics).

From this standpoint, in July 2019 it acquired 50.01% of the share capital of Bakel Srl, a company which produces cosmetics exclusively from natural active ingredients, for an investment of Euro 2.0 million.

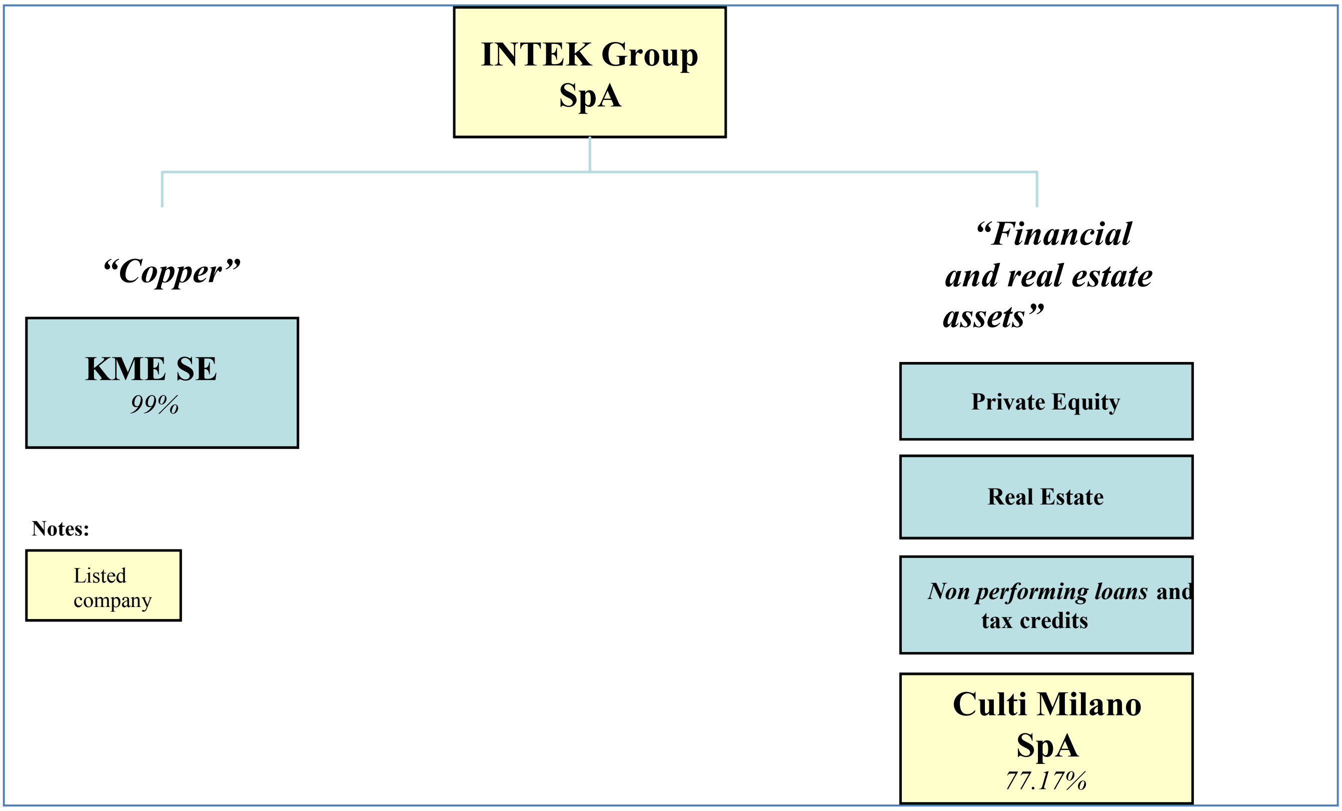
Culti Milano closed 2019 with sales of Euro 7.7 million (+18% compared to 2018), EBITDA of Euro 1.3 million compared to Euro 0.5 million in 2018 and a net profit of Euro 0.4 million compared to a loss of Euro 0.2 million last year. The net financial position was a positive Euro 2.4 million and, despite the financial commitment for the acquisition of Bakel, it declined by just Euro 0.5 million compared to 31 December 2018. The first consolidated financial statements posted sales revenues amounting to Euro 9.0 million.

(iv) Private Equity

In July 2019, the procedure was completed for the liquidation of the I2 Capital Partners Fund, in which Intek held a share of 19.15% as at 31 December 2018, which increased to 59.5% in 2019 before the liquidation of the Fund for a price of Euro 3.2 million.

Due to the closure of the liquidation, Intek received cash and cash equivalents of Euro 4.0 million and gained control over Isno 3 Srl in liquidazione, the vehicle to which all assets of the Fund not yet disposed of had been previously transferred.

Summary of the Group's corporate structure at 31 December 2019



Intek Group is currently operating in the following investment sectors:

- the copper sector, which includes the production and marketing of copper and copper-alloy semi-finished products, under the German subsidiary KME SE;
- the "financial and real estate assets" sector, which includes the private equity activity, the management of receivables (tax receivables, non-performing loans and receivables arising from insolvency proceedings) and real estate and the equity investment in Culti Milano SpA.

The Holding Company Intek Group SpA

In the past, Intek Group has invested with a medium-term horizon, combining its entrepreneurial spirit with a solid financial structure.

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

Intek Group's financial highlights as at 31 December 2019, compared to 31 December 2018, are summarised below[1]:[2]

Condensed separate statement of financial position				
(in thousands of Euro)	*31 Dec 2019*		*31 Dec 2018*	
Copper	**494,434**	**89.42%**	**489,265**	**89.59%**
Financial and real estate assets				
Private Equity	*1,580*		*2,881*	
Non-operating assets	*9,952*		*6,804*	
Real Estate/Others	*33,308*		*32,365*	
Culti/Other services	*13,427*		*12,767*	
Total financial and real estate assets	**58,267**	**10.54%**	**54,817**	**10.04%**
Other assets/liabilities	**222**	**0.04%**	**2,031**	**0.37%**
Net investments	**552,923**	**100.00%**	**546,113**	**100.00%**
Outstanding bonds (*)	*(106,000)*		*(105,766)*	
Net cash from third parties	*53,914*		*61,547*	
Net financial debt of the holding company to third parties	**(52,086)**	**9.42%**	**(44,219)**	**8.10%**
Total equity	**500,837**	**90.58%**	**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] *As of 1 January 2019, IFRS 16 entered into force, calling for the recognition of rights of use connected to the asset subject to finance or operating leases in the assets, offset by a financial payable. Intek has applied the new standard by opting for the modified retrospective method, and therefore without the redetermination of comparative information and with the determination of the value of the right of use equal to that of the lease liability. The application of the new standard entailed the initial recognition of rights of use and financial liabilities for roughly Euro 4.5 million. In the Condensed separate statement of financial position, both items are classified under "Other assets/liabilities".*

[2] *The report uses certain indicators identified as "Alternative Performance Indicators" ("APIs") pursuant to Consob communication of 3 December 2015, which follows the "ESMA" ("European Securities and Markets Authority") guidelines of 5 October 2015. APIs are financial indicators of financial performance, financial position or historical or future cash flows other than the financial indicators defined or specified in the applicable rules on financial reporting. APIs are calculated by adding or subtracting amounts from the data presented in the financial statements drafted in compliance with the rules applicable to financial reporting. The APIs have been consistent over time and were not redefined compared to prior years.*

Net investments

The Net investments held by the Company amounted to Euro 552.9 million as at 31 December 2019 (Euro 546.1 million at the end of 2018), of which around 90% were in the “copper” sector and the remainder were in financial and real estate assets.

The reduction of Euro 1.2 million in the “Private Equity” sector is linked to the completion of the liquidation of the I2 Capital Partners Fund.

“Non-operating assets” increased by Euro 3.1 million due to the concentration of activities in Intek Investimenti. As part of the continued process of corporate simplification, several residual equity investments held by Intek, in Società Agricola AgriEnergia Srl, Breda Energia Srl in liquidazione, Mecchld Srl and Il Post Srl, as well as some credit positions, have been concentrated within the wholly-owned subsidiary Intek Investimenti SpA.

Equity

The holding company's equity amounted to Euro 500.8 million, compared to Euro 501.9 million as at 31 December 2018; the change was attributable solely to the result for the period.

Equity per share was Euro 1.15, in line with the values at the end of December 2018.

The Share Capital, broken down into 389,131,478 ordinary shares and 50,109,818 savings shares, amounted to Euro 335,069,009.80 as at 31 December 2019, unchanged compared to 31 December 2018. None of the shares have a nominal value.

As at 31 December 2019, Intek Group held 5,713,572 ordinary treasury shares (1.47% of the shares in this category) and 11,801 own savings shares (0.024% of the shares in this category), unchanged compared to 31 December 2018. In March 2020, 841,688 ordinary treasury shares were purchased, with a financial outlay of Euro 0.2 million. At the date of this Report, the ordinary treasury shares held therefore amount to 6,555,260 (1.68% of the share capital in this category).

Financial management

Net financial debt of the holding company to third parties (excluding intra-group loans and lease liabilities) totalled Euro 52.1 million as at 31 December 2019. The balance as at 31 December 2018 was Euro 44.2 million.

At the end of December 2019, Intek Group had cash and cash equivalents of Euro 44.6 million.

The financial payables due to third parties are represented solely by Euro 106 million relating to bonds issued in 2015 which matured and were repaid in February 2020, according to the methods already described above.

Intek Group's reclassified net financial position as at 31 December 2019, compared to 31 December 2018, is described below:

Reclassified net financial position			
(in thousands of Euro)		*31 Dec 2019*	*31 Dec 2018*
Cash and cash equivalents		(44,639)	(51,902)
Other financial assets		(9,604)	(10,184)
Current financial receivables from subsidiaries		(10,774)	(8,134)
(A) Net financial assets	**(A)**	**(65,017)**	**(70,220)**
Intek Group Bonds 2015 - 2020		106,000	4,375
Short-term financial payables		-	476
Financial payables to subsidiaries		4,256	5,017
Short-term financial payables for leases		552	-
(B) Short-term financial payables	**(B)**	**110,808**	**9,868**
(C) Short-term net financial position	**(A) + (B)**	**45,791**	**(60,352)**
Long-term financial payables for leases		3,444	-
Intek Group Bonds 2015 - 2020		-	101,391
(D) Medium to long-term financial payables		**3,444**	**101,391**
(E) Net financial position	**(C) + (D)**	**49,235**	**41,039**
Non-current financial receivables from subsidiaries		-	(599)
Non-current financial receivables from third parties		-	(140)
(F) Non-current financial receivables		**-**	**(739)**
(G) Reclassified net financial position	**(E) + (F)**	**49,235**	**40,300**

Notes:

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

Cash flows

Cash flows for the years 2019 and 2018 can be summarised as follows:

(in thousands of Euro)		*2019*	*2018*
(A) Cash and cash equivalents at the beginning of the year		**51,902**	**28,066**
Profit/(loss) before taxes		(1,706)	16,811
Amortisation and depreciation		647	37
Impairment of non-current non-financial assets		-	286
Impairment/(reversal of impairment) of current and non-current financial assets		(6,413)	(24,674)
Changes in pension funds, post-employment benefits and stock options		(16)	15
Changes in provisions for risks and charges		(416)	(2,873)
(Increase)/decrease in equity investments		2,462	1,454
(Increase)/decrease in other financial investments		2,108	-
Increase/(decrease) in financial payables to related companies		(761)	(704)
(Increase)/decrease in financial receivables from related companies		(2,041)	33,197
Dividends received		260	261
(Increase)/decrease in current receivables		(1,943)	5,124
Increase/(decrease) in current payables		1,012	(3,640)
(B) Total cash flows from/(used in) operating activities		**(6,807)**	**25,294**
(Increase) in non-current intangible assets and property, plant and equipment		(252)	(114)
Decrease in non-current intangible assets and property, plant and equipment		319	2
Increase/decrease in other non-current assets/liabilities		(531)	-
(C) Cash flows from/(used in) investing activities		**(464)**	**(112)**
Payment of interest on bonds		(5,085)	(5,085)
Increase/(decrease) in current and non-current financial payables		4,373	4,456
(Increase)/decrease in current and non-current financial receivables		720	(192)
(D) Cash flows from/(used in) financing activities		**8**	**(821)**
(E) Change in cash and cash equivalents	**(B) + (C) + (D)**	**(7,263)**	**24,361**
(F) Effect of change in accounting standards		**-**	**(525)**
(G) Cash and cash equivalents at the end of the period	**(A) + (E) + (F)**	**44,639**	**51,902**

Reclassified income statement

The reclassified income statement shows, in a format including sub-totals, the formation of the net profit for the period by indicating the figures commonly used to provide a summary representation of business results.

Reclassified income statement		
(in thousands of Euro)	*2019*	*2018*
Fair value changes and other gains/losses from investment management	7,496	24,949
Investment management costs	(128)	(339)
Gross profit/(loss) from investments	**7,368**	**24,610**
Guarantee fees assets (a)	962	1,258
Net operating costs (b)	(3,882)	(4,691)
Overheads (a) - (b)	*(2,920)*	*(3,433)*
Reclassified operating profit/(loss)	**4,448**	**21,177**
Net finance expense	**(4,757)**	**(4,396)**
Profit/(loss) before taxes and non-recurring items	**(309)**	**16,781**
Non-recurring income/(expenses)	(1,398)	30
Profit/(loss) before taxes	**(1,707)**	**16,811**
Taxes for the year	664	(20)
Net profit (loss) for the period	**(1,043)**	**16,791**

"Net financial expense" is influenced by the application of IFRS 16. "*Non-recurring income/(expenses)*" includes the amortisation on rights of use relating to rentals by subsidiaries.

The *"Reclassified operating profit/(loss)"* is defined as the result from the management of investments net of overheads and excludes net financial expense, non-recurring income/(expense) and taxes for the year.

* * *

The business outlook cannot but be significantly impacted by the evolution of the Covid-19 pandemic, the depth of its impact on the global economy and the extent and speed of its recovery.

* * *

Intek Group 2020-2025 Bond Loan

In view of the maturity in February 2020 of the Intek Group 2015-2020 Bond Loan, on 3 December 2019 the Company announced to the market an extraordinary finance transaction calling for the promotion of:

- a voluntary partial public exchange offer on 2,354,253 Intek Group 2015 – 2020 Bonds outstanding ("2015 Bonds"), with consideration consisting of a maximum of 2,354,253 new Intek Group 2020 – 2025 Bonds ("2020 Bonds") for a total of Euro 50.9 million to be listed on the MOT bond market organised and managed by Borsa Italiana;
- a concurrent public offer for subscription of Intek Group 2020 – 2025 Bonds for a maximum total of around Euro 25.0 million;
- in the event of issue of 2020 Bonds for a total nominal value of at least Euro 60.0 million, a voluntary total public exchange offer on the Intek Group Savings Shares, with consideration consisting of Intek Group 2020 – 2025 Bonds and, taking account of the nominal value of the new bonds, recognition of a premium of around 52.7% of the price of the Savings Shares, determined based on the quoted prices for the last three months.

If acceptance of the Exchange Offer on the 2015-2020 Bonds is lower than the maximum quantity of Bonds subject to the Exchange Offer on 2015-2020 Bonds, the remaining Bonds subject to the Exchange Offer on 2015-2020 Bonds would be included in the Offer.

The 2020 Bonds, with the exception of the rate (4.5% instead of 5%), have similar characteristics to the previous bonds and therefore a duration of 5 years, annual deferred coupon, nominal value of Euro 21.60, redemption at par in one single payment at maturity and the right for the issuer to provide for early redemption starting from the second year. They are not backed by collateral or personal guarantees. No rating has been or is expected to be assigned to the 2020 Bonds.

The Exchange Offer on the Intek 2015-2020 Bonds and the Public Subscription Offer both began on 27 January 2020 and concluded on 11 February and 14 February 2020, respectively.

The requests amounted to Euro 92.6 million, against Euro 75.9 million offered. In particular, requests for participation in the Subscription Offer were equal to a total nominal value of Euro 54.6 million, while for the Exchange Offer, the bonds subject to exchange requests had a total nominal value of Euro 38.0 million.

On 18 February 2020, 3,511,741 2020-2025 Bonds were therefore issued, with a unit nominal value of Euro 21.60, for a total nominal value of Euro 75.9 million (ISIN: IT0005394884) listed on the MOT market.

On that date, the 2015 Bonds used to participate in the Exchange Offer on Bonds were cancelled, with the recognition in cash of the interest accrued up to the settlement date of the consideration for the 2015 Bonds used in the Exchange Offer.

The financial resources deriving from the issue, along with those originating from a 3-year loan obtained from a credit institution for Euro 25.0 million and financial resources already in the possession of Intek, made it possible to repay the Intek Group 2015 Bonds maturing on 20 February 2020 and not used in the exchange offer.

This transaction made it possible to improve the configuration of Intek's debt by extending its maturity and reducing its cost.

Having met the condition of the minimum threshold of Euro 60.0 million of 2020 Bonds issued, on 25 February 2020 the Company began the promotion, pursuant to article 102 of the Consolidated Law on Finance (TUF), of the Public Exchange Offer on the Intek Group Savings Shares.

This offer calls for each participant in the Exchange Offer on Intek Savings Shares to receive 1 2020 Bond, with a unit nominal value of Euro 21.60, in exchange for each 43 Savings Shares used to participate in the exchange and purchased for a total maximum nominal value of up to around Euro 25.2 million. The Company will also recognise to the participants the interest accrued on the 2020-2025 Bonds from the dividend entitlement date of the 2020 Bonds (18 February 2020) until the exchange date.

The Offer is subject to

i. the MAC condition;

ii. the approval of the ordinary and extraordinary shareholders' meeting of Intek.

As a result of the Covid-19 emergency, it was not possible to hold the necessary ordinary and extraordinary shareholders' meetings regarding this transaction, which were originally called for 24 and 25 February and subsequently for 27 and 30 March 2020.

On 13 March 2020, the relative Offer Document was submitted to Consob. As a result of the governmental measures linked to Covid-19, the terms of the Consob screening are currently suspended until 15 May.

* * *

Performance in the various investment sectors

Below is the performance of the investments existing as at 31 December 2019, which consist in particular of the equity investments in KME SE 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, deemed instrumental to the Company's activities, include I2 Capital Partners SGR S.p.A. and Immobiliare Pictea Srl. Pursuant to the application of the accounting standard on Investment Entities, these are the only companies included in the scope of the consolidated financial statements together with the parent company Intek Group.

* * *

<u>Copper sector</u>

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

(in thousands of Euro)	*31 Dec 2019*	*31 Dec 2018*
KME SE investment	483,000	483,000
KME Beteiligungsgesellsch. mbH investment	1,158	1,104
Other	10,276	5,161
Total "Copper"	**494,434**	**489,265**

* * *

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

KME SE sells its products through two distinct divisions: the "*Special*" division and the "*Copper*" division.

The products in the "*Special*" division are high-tech products that may be customised based on customer requirements, with high value added and higher margins than other copper semi-finished products. The "*Special*" division in turn includes two product categories, "*Engineering Products*" and "*Special Semis*":

- the "*Engineering*" products are characterised by high value added and high technology which makes it possible to offer innovative, high performance solutions for casting in the iron and steel industry and of non-ferrous metals. This category of products includes, *inter alia*, tube moulds, cooling plates, casting wheels and crucibles, aside from a complete portfolio of moulds for remelting, copper staves, casting rollers for steel and aluminium strips;
- the "*Special Semis*" products are special products in copper alloys used in various industrial applications, particularly in the automotive, maritime, chemical, petrochemical and civil engineering sectors. This category of products includes, *inter alia*, tubes for submarines and aircraft, tube bundles for pneumatic and hydraulic transmission over long distances, rods, profiles and tubes made for applications in welding.

The "*Copper*" division instead features a wide array of products for multiple uses in the mechanical, automotive, medical, construction and renewable energy sectors. This product division includes, *inter alia*, products in rolled copper, products for building applications made with 100% recycled copper, various sizes and types of copper rods and a wide range of copper tubes for plumbing and heating applications.

* * *

KME's primary markets are concentrated in the Eurozone and they are currently operating within a destabilised and volatile economic environment. Due to the multiple fields of application of copper and copper alloy semi-finished and special products, demand for these products is closely linked to the general economic development of the reference markets.

The global economic recovery, which had continued to strengthen since the end of 2016, suffered from a slowdown in economic growth in the third quarter of 2018 and continued to slow further in 2019.

In the Eurozone, where the KME Group has the most concentrated presence, previous growth has transformed into stagnation due to the slowdown in the automobile industry as well as exports. Uncertainty regarding global economic trends, which is partially affected by geopolitical tensions, is the greatest risk factor insofar as economic activity is concerned.

GDP growth is roughly 1.2 percent in 2019 and, according to forecasts, it would have fluctuated between 1.4 and 1.9 percent in 2020. However, these forecasts, published by the IMF before the spread of the Covid-19 virus, are now no longer valid and the severity of the recession, the extent of which is still unknown, should fluctuate between a GDP loss of 5% and 15% for the Eurozone. The German economy suffered from a slowdown in the first half of 2019 and recovered slightly in the second half of 2019, with weak growth of 0.6%. Furthermore, the Italian economy marked a contraction of 0.1 percent for the second period in a row due to the decline in inventories, pushing the country into a recession for the third time in a decade and achieving only weak growth of 0.3%. On the other hand, the French GDP growth rate was 1.3 percent and the Spanish economy continued to expand at a pace of 2.0%.

After the outbreak of the crisis linked to the effects deriving from the COVID-19 pandemic, in January 2020 in China and in February 2020 in Europe, the Eurozone's monetary policy is concentrated in all states on the goal of avoiding a complete collapse of the economy.

The Covid-19 pandemic is having a high and increasing human cost all over the world, and the necessary protection measures are severely impacting economic activity. Due to the pandemic, in 2020 it is expected that the global economy will see a sharp contraction of -5%, while, according to the IMF, the Eurozone will decline by up to 7.5%, much more than in the 2008-2009 financial crisis.

The adoption of effective policies is essential to prevent possible worse outcomes, and the necessary measures to reduce contagion and protect lives represent an important investment for long-term human and economic health. Targeted fiscal, monetary and financial market interventions will be necessary to support the households and businesses struck by the economic effects of the pandemic. A number of EU countries are implementing support programmes of varying extents, ranging from 1% of GDP to more than 20% of GDP. At EU level, the European Commission presented a temporary support proposal to mitigate the risk of unemployment in the case of an emergency, with the objective of contributing to protecting jobs and the workers struck by the Covid-19 pandemic.

However, for KME there have not yet been significant effects and procurement has not been interrupted. In the coming months, the economic conditions deriving from the spread of Covid-19 are expected to have an effect, with impacts that cannot currently be predicted, which may lead to a reduction in investments as well as consumption by the private sector. The decline in the price of copper in March 2020 as a result of the Covid-19 crisis could reduce revenue and working capital requirements.

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The difficult macroeconomic scenario of recent years has led the units operating in the “copper” sector to reinforce their operational efficiency and organisational flexibility and to rationalise the business portfolio, in order to concentrate resources on a series of high added value markets and companies with a greater growth potential. This has led to a clear strategic focus and the launch of a package of investments in Germany for the expansion of alloy strip products, which have a higher added value and are intended for applications involving electric mobility and digitalisation, in the presence of strong demand for elements for connectors. The project was finalised in the final quarter of 2019. Production began successfully in January 2020.

The current negative effects on the macroeconomic level, which will have a lasting impact on long-term growth outlooks in Europe and on the relative competitiveness, have driven KME to link the MKM integration process with a general extension of cost reduction actions, in order to restructure the group beyond the level of the synergies called for in the MKM (now KME Mansfeld) integration plan, which is proceeding successfully and will contribute towards offsetting the turbulence of 2020.

As part of a strategic plan aiming to reduce complexity and concentrate the product portfolio on sustainable long-term growth and profit margin development, in 2019 KME decided to implement the “Forerunner” integration plan in order to specialise the copper production sites on the basis of the strengths of the individual production plants and promote the best use of its production facilities.

The following strategic operations were concluded in 2019:

Acquisition of MKM (Mansfelder Kupfer und Messing)

Following the fulfilment of the conditions precedent, on 28 February 2019, KME SE executed the sale and purchase agreement (SPA) of the MKM group, one of the main European competitors of the KME Group, thereby becoming its owner. The purchase price was roughly Euro 78 million, plus a 1% equity investment 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 business of copper laminates, creating a global leader in these products. The objective of integrating MKM within the footprint of KME is to have a set of production plants with specialisations in the portfolio of laminate products, with a competitive edge, so as to be able to offer a complete range of all copper qualities and alloys, capable of serving all industrial market segments worldwide.

Sale of the brass rods business and tubes business

Following the fulfilment of the conditions precedent, on 31 March 2019 the agreement was executed with proceeds of roughly Euro 87 million, corresponding to the sale price, in addition to net working capital and the repayment of intercompany debts outstanding at the closing date and after deducting the compulsory repayments of working capital credit lines used in relation to the businesses sold.

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 sale of the Tubes and Brass Rods businesses further strengthens KME's product portfolio in the "core business" divisions relating to "Special Products" and "Copper Products", thus reducing the complexity of KME's industrial and sales organisation.

Repurchase of the 100% stake in Tréfimetaux SAS

On 9 July 2019 the closing took place in relation to the agreement between KME SE and ECT-European Copper Tubes Ltd for the acquisition of 49% of Tréfimétaux SAS (TMX) by KME SE, which thus once again became the owner of 100% of that company.

Tréfimétaux SAS is a French company that manufactures copper tubes and rods in its Givet and Niederbrueck plants, respectively, and controls Serravalle Copper Tubes Srl, an Italian company operating in the copper tubes business with its own plant located in Serravalle Scrivia. The consolidated annual revenue of this business was roughly Euro 220 million at 31 December 2018, and it employs around 560 resources.

The purchase price paid at the closing was Euro 2.0 million and the agreement also calls for an earn out based on the future performance of the business. The repurchase of 49% of the share capital of Tréfimetaux enables KME to accelerate its industrial and market strategy, and negotiations are already under way for the sale of the Italian tubes business.

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

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Current business performance

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

In 2019, 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. Moreover, signs of a sudden negative trend are emerging in all applications indirectly linked to the automotive segment, due to uncertainty surrounding the development of technological standards and the prolonged destocking activity throughout the value chain in the automotive sector, including the electronics sector, which is more stable in traditional segments and has interesting outlooks for long-term growth in the development of electric mobility and digitalisation. The year 2020 began with double-digit growth in the order portfolio relating to the industrial end market compared to the end of 2019, primarily due to the replenishment of stocks in the supply chain and defence applications.

In 2019, **the special products division** was largely characterised by a slowdown in order flows but also expansionary market activities across all product segments for engineering and semi-finished products. The first half of the year was characterised by a strong order portfolio deriving from sales activities in 2018. In the second half of the year, new orders, with the exception of applications linked to naval defence sector projects, suffered from a slowdown due to greater economic uncertainty. The year 2020 began with a significant double-digit increase in orders received compared to the end of 2019, driven primarily by Asian demand, an increase in maintenance activity in the iron and steel and metallurgical sector and the further increase in activities linked to naval defence.

Engineering products

For tubular ingot moulds volumes were positive, while for slab ingot moulds there was a mix at standard levels with average margins and the absence of AFM plates.

Revenue exceeded targets, with a slight improvement in margins despite the increase in costs relating to the German production units due to new collective bargaining agreements and more hours worked as required for the production of orders in the portfolio. In relation to the forecast of general market conditions in the second half of 2019 and possible negative influences on the end markets for engineering products, several orders from China were postponed to 2020.

Products for maritime use and tube bundles

In the segment relating to maritime use, a positive order flow was obtained primarily due to the improvement in market conditions in the oil and gas sector and the acquisition of production assets in Jacksonville (United States), which support the orientation towards the defence market. Orders from the US Navy were confirmed and production increased in the course of 2019, with a positive start in 2020.

At the end of 2019, the US plant in Jacksonville had a good long-term order portfolio until beyond 2022.

Extruded and drawn products

Sales and order flows were below 2019 targets. In Europe, the German market was influenced by trends in the automotive sector, while demand in Spain, Italy and even in France were impacted by the general weakness in the economy and industrial output levels seen already starting in the final quarter of 2018. The order flow from US customers was stable throughout the entire year.

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Transformation of KME AG into KME SE

Effective as of 22 February 2019, KME AG changed its name to “KME SE” (“Societas Europaea”). The transformation into a European company is intended to leverage and provide visibility to the identity and role of KME within the European market through its subsidiaries present in major European Union countries.

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Financial management

The **Net Financial Position** as at 31 December 2019 was negative to the tune of Euro 237.1 million, compared to Euro 219.4 million at the end of December 2018. The first-time adoption of IFRS 16 (Euro 14.9 million) and the elimination of the financial receivable from the Tréfimetaux group (Euro 10.4 million) outstanding at the end of June, as it became an intercompany position, negatively impacted the net financial position as at 31 December 2019. The KME group continues to adopt measures intended to optimise its working capital requirements.

On 9 February 2018, KME SE successfully issued a high yield (6.75%) five-year bond loan of Euro 300 million. The bond loan was rated, is listed, is dedicated to institutional investors 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 Real Estate GmbH & Co. KG).

On that same date, the loan was extended to February 2021, with an option to extend for further two years upon the agreement of the lending institutions, bringing the total amount to Euro 350 million.

In June 2018, KfW IPEX-Bank GmbH joined the banking pool with a resulting increase in credit lines of Euro 15 million for a total of Euro 365 million and, in December 2019, KfW IPEX-Bank GmbH further increased its participation by Euro 10 million, bringing to the total loan to Euro 375 million.

The credit lines were used through letters of credit (L/C) for Euro 374.9 million (Euro 364.9 million as at 31 December 2018) as a means of payment to metal suppliers.

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The main results of the copper sector for 2019, compared to the previous year, can be summarised as follows:

Key results of the copper sector		
(in millions of Euro)	*2019*	*2018*
Revenue	2,527.7	1,961.2
Revenue (net of raw materials)	531.9	528.9
EBITDA	86.5	80.4
Net debt *	237.4	239.7

Only the main indicators are provided, as the KME financial statements have not yet been approved.

The **Consolidated Revenue** at December 2019 amounted to Euro 2,527.6 million, up 28.9% from Euro 1,961.2 million in 2018. Revenue, net of the value of raw materials, increased from Euro 528.9 million to Euro 531.9 million, up 0.6%.

EBITDA was Euro 86.5 million in December 2019, up 7.5% on the 2018 EBITDA (Euro 80.4 million).

EBIT stood at Euro 45.2 million (Euro 50.3 million in 2018). This change is basically due to higher amortisation and depreciation resulting from the consolidation of KME Mansfeld and the initial adoption of IFRS 16 (Euro 4.8 million).

The net financial position totalled Euro 237.1 million compared to Euro 219.4 million last year, due to the initial application of IFRS 16 and the consolidation of Tréfimetaux, which had negative effects of Euro 14.9 million and Euro 10.4 million, respectively.

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The average commodity price of copper decreased by 4.7% in US$ in the fourth quarter of 2019 compared to the same period of the previous year (from US$ 6,173/tonne to US$ 5,882/tonne) and by 1.8% in Euro (from Euro 5,408/tonne to Euro 5,312/tonne). In terms of trend, average copper prices increased slightly by 1.36% in US$ compared to the third quarter of 2019 (from US$ 5,803/tonne to US$ 5,882/tonne), and by 1.8% in Euro (from Euro 5,218/tonne to Euro 5,312/tonne). Compared to 2018, average copper prices declined by 9.8% in US$ (from US$ 6,524/tonne to US$ 5,882/tonne) and by 3.8% in Euro (from Euro 5,520/tonne to Euro 5,312/tonne).

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Valuation of KME in the Intek financial statements

The total fair value as at 31 December 2019 of KME SE was estimated at Euro 489 million, compared to Euro 483 million as at 31 December 2018. Euro 483 million refers to the 99% currently held by Intek Group. Indeed, in the course of 2019, as part of the acquisition of MKM, a 1% shareholding was transferred, on which there is an earn-out mechanism.

For the valuation of KME SE, based on the Unlevered discounted cash flow (UDCF) methodology, the data from the 2020-2024 plan approved by the administrative bodies of KME SE, which they use to test their assets for impairment, were used. The KME SE plan was drafted on the basis of conditions as at 31 December 2019, and therefore without considering the potential impacts of Covid-19.

The KME SE plan calls for significant increases in EBITDA higher than that of its peers and benefits in terms of working capital, thanks to the potential effects of the integration with MKM. In addition, at the date on which these financial statements were drafted, those of KME SE have not yet been finalised and the value of other assets may potentially experience changes.

In light of these elements of uncertainty, it was deemed appropriate, as part of the cash flow discounting process, to use a discount rate representative of the average cost of capital (WACC) also inclusive of an additional premium of 3.5%. This additional premium, historically equal to 1.5% to reflect the risk intrinsic in the forecasts taking into account the historical deviations that have been recorded, was already increased to 3% in the half-yearly financial statements to consider the risks linked to the integration with MKM. The discount rate was therefore equal to 11.67%, while it was equal to 10.28% as at 31 December 2018.

To calculate the equity value of KME, the operating value thus estimated was subsequently adjusted using the same methodology as in previous years, to consider:

- the fair value of assets held for sale, represented by the 100% stake in Tréfimetaux;
- the fair value of the joint venture KMD;
- 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 Group's net financial position as at 31 December 2019.

The equity value thus determined is equal to Euro 489 million.

This value was compared with other values resulting from other methods in particular using the market multiples and the transaction multiples methods with the EV/EBITDA multiple, calculated by using historical EBITDA and for the former also with the prospective EBITDA.

For more details, please refer to the dedicated section of the notes.

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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 S.p.A., the relations involving payables to and receivables from said company, and the investment in Isno 3 Srl in liquidazione, received following the liquidation of the I2 Capital Partners Fund.

(in thousands of Euro)	*31 Dec 2019*	*31 Dec 2018*
I2 Capital Partners Fund	-	2,368
Isno 3 investment	1,500	-
I2 Capital Partners SGR investment	1,055	1,788
Financial payables to I2 Capital Partners SGR	(1,024)	(1,311)
Other	49	36
Total Private Equity	**1,580**	**2,881**

In July 2019, the procedure for the liquidation of the I2 Capital Partners Fund, in which Intek held a share of 19.15% as at 31 December 2018, was completed. Between April and July 2019, Intek acquired the rights transferred by several investors for Euro 3.2 million, increasing its investment in the Fund from 19.15% to 59.5%.

With the payments made on 30 July 2019, all residual liquidity amounting to Euro 6.9 million was distributed to the investors and the shares were assigned of the company Isno 3 Srl in liquidation, the vehicle in which all illiquid assets of the Fund and those not yet divested were previously concentrated.

Due to the closure of the Fund’s liquidation, Intek received cash of Euro 4.0 million and gained control over Isno 3 Srl in liquidazione, in which I2 Capital Partners SGR also holds a 3% stake on the basis of the remuneration agreements relating to the last part of its management company activities.

Below is a summary of the main assets previously held by the Fund and transferred to Isno 3 Srl, which in August 2019 benefitted from the receipt of tax credits of Euro 1.3 million, the last asset relating to the Safim Leasing procedure:

- *Isno 3 Srl in liquidazione – Festival Crociere Procedure*

  The challenge to the ruling on appeal which confirmed the decisions of the Court of Genoa, rejecting the main claims submitted by Isno 3 Srl in liquidazione, is still pending before the Court of Cassation.

- *Nuovi Investimenti SIM SpA*

  For this investment, there is still a residual receivable for a nominal amount of Euro 1.2 million due from several of the purchasers of Nuovi Investimenti SIM for which a dispute lodged by I2 Capital Partners SGR is under way.

- *Benten Srl*

  The assets of Benten Srl (30% held) still to be realised consist only of tax credits subject to disputes with the Italian Revenue Agency for a total of Euro 13.7 million.

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The financial statements of I2 Capital Partners SGR as at 31 December 2019 show a loss of Euro 0.7 million, linked to the fact that with the closure of the Fund the company lost nearly all sources of revenue.

The shareholders' equity as at 31 December 2019 totalled Euro 1.1 million and consisted of the share capital of Euro 1.5 million and reserves of Euro 0.3 million in addition to the adjustment for the loss for the year of Euro 0.7 million. As at 31 December 2019, the company has current financial assets of Euro 1.2 million, of which Euro 1.0 million is represented by financial receivables due from Intek.

If the company is not used to launch new private equity projects for Intek, it could be sold to third parties or liquidated without incurring significant expenses.

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Culti/Other services

Details are provided below:

(in thousands of Euro)	*31 Dec 2019*	*31 Dec 2018*
Culti Milano and Progetto Ryan 3 (formerly Culti Srl) investment	13,614	11,057
Agrienergia investment	-	953
Agrienergia loans	-	784
Other assets of former ErgyCapital	(219)	(155)
Il Post investment	-	63
Other	32	65
Total Culti Milano/Other services	**13,427**	**12,767**

Culti Milano

As at 31 December 2019, Intek holds 77.17% of the share capital of Culti Milano SpA, a company whose shares were admitted to trading on the AIM Italia market managed by Borsa Italiana in July 2017. The shareholding was increased by 5.13% in the course of 2019 through acquisitions in the market, for a financial outlay of Euro 0.4 million.

The activity of Culti Milano, a good part of which is carried out abroad, has extended from the category of high-end environmental fragrance diffusers to the segment of perfumes and cosmetics, thus expanding the business to personal wellness: from environmental perfumes (home, car, boat, etc.) to personal care products (perfumes, personal hygiene, cosmetics).

The openings of Culti Houses (single-brand shops present in prime positions in major Italian cities), of which there are currently 6, played a dual role: 1) strengthening brand awareness in the domestic market by covering areas of greatest commercial interest, and 2) the possibility of introducing the new personal and cosmetics collections, thus creating a sense of "personal well-being".

Particular attention was dedicated to the international sales network which covers the main markets and is present in more than 60 countries.

From this standpoint, in July 2019 it acquired 50.01% of the share capital of Bakel Srl, a company which produces cosmetics exclusively from natural active ingredients. The investment amounted to Euro 2.5 million (of which 2 million paid at the closing, while the remaining up to Euro 500 thousand will be subject to an incentive mechanism, based on the company's profitability, to be recognised by the end of 2021).

Culti's main indicators for the year 2019 can be summarised as follows:

- total sales of Euro 7.7 million, compared to Euro 6.5 million in the previous year, with an increase of 18.1%;
- EBITDA of Euro 1.3 million, compared to Euro 0.5 million in 2018;
- Net profit of Euro 0.4 million, compared to a loss of Euro 0.2 million in the prior year;
- Positive net financial position of Euro 2.4 million which, despite the financial commitment for the acquisition of Bakel, declined by just Euro 0.5 million compared to 31 December 2018.

With respect to the consolidated financial statements, which include the contribution of Bakel for six months only, the indicators can be summarised as follows:

- total consolidated sales: Euro 9.0 million;
- sales in the domestic market: Euro 3.4 million;
- sales in international markets (equal to 62.25% of total turnover): over Euro 5.6 million;
- consolidated EBITDA: Euro 1.4 million;
- consolidated EBIT: Euro 0.9 million;
- earnings before tax (EBT): positive Euro 0.6 million;
- consolidated net profit: Euro 0.3 million;

- net financial position: positive Euro 1.75 million.

Revenue from sales of Culti Milano and Bakel for the year 2019 totalled Euro 10.4 million.

Former ErgyCapital assets

In the course of 2019, the liquidation of the equity investments in ErgycaBio Srl in liquidazione and HG Power Srl in liquidazione was closed, while that of Energetica Solare Srl in liquidazione was completed in the first part of 2020. The above-mentioned transactions entailed no new expenses beyond those already recognised in the provisions.

The subsidiary Società Agricola Agrienergia Srl was transferred to Intek Investimenti SpA.

Non-operating assets

They can be summarised as follows:

(in thousands of Euro)	*31 Dec 2019*	*31 Dec 2018*
Breda Energia investment	-	6,162
Intek Investimenti investment	8,450	417
Former Fime receivables (net of advances)	2,899	4,285
Other non-performing receivables (tax receivables and from compositions with creditors)	280	279
Provisions for risks	(301)	(490)
Financial receivables from Intek Investimenti	2,204	546
Financial payables to Breda Energia in liquidazione	(3,150)	(3,479)
Other	(430)	(916)
Total non-operating assets	**9,952**	**6,804**

As already noted, in the course of the year, the residual equity investments held by Intek, in Società Agricola AgriEnergia Srl, Breda Energia Srl in liquidazione, Mecchld Srl and Il Post Srl, as well as some credit positions, were concentrated within Intek Investimenti SpA (after its transformation from a limited liability company to a joint-stock company).

Specifically, the subsidiary Società Agricola Agrienergia, of which Intek Investimenti holds 51% of the share capital, manages a 999 kW power 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.

Società Agricola Agrienergia closed the year 2019 with turnover of Euro 2.1 million and a net profit of Euro 0.3 million.

Breda Energia Srl in liquidazione was a company over which Intek acquired control as part of the agreement with creditors of FEB – Finanziaria Breda. After the realisation of the last illiquid assets and the closure of the liabilities (except for the “untraceable creditors”), the liquidation procedure has now concluded.

Mecchld Srl, 20% held by Intek Investimenti with a carrying amount of Euro 0.2 million, is active in the fintech area, while Il Post, 22.41% held with a carrying amount of Euro 0.2 million, operates in the publishing industry, managing the online daily newspaper of the same name.

As regards the Former Fime receivables, in 2019 a total of Euro 1.7 million was collected, in addition to Euro 0.5 million linked to former Isno 2 positions.

Several positions were also positively concluded which had given rise to provisions for risks, which remain outstanding only for assessments, which have now been defined, relating to registration taxes and Invim (tax on increase in real estate value) linked to Fime.

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Real Estate/Other assets

Real Estate/Other assets can be summarised as follows:

(in thousands of Euro)	*31 Dec 2019*	*31 Dec 2018*
Immobiliare Pictea investment	24,133	24,133
Land and buildings	462	780
Financial receivables from Immobiliare Pictea	8,607	6,948
Progetto Ryan 2/Mecchld investment	-	217
Other	106	287
Total Real Estate/Others	**33,308**	**32,365**

With regard to the real estate segment, the Group is continuing to increase the value of its real estate assets, particularly through Immobiliare Pictea Srl, a wholly-owned subsidiary of Intek in which all of the real estate assets previously held by Rede Immobiliare Srl, I2 Real Estate Srl and Tecno Servizi Srl were concentrated starting at the end of 2017. These real estate assets came from the disposal of previous industrial investments or from finance lease agreements. The most significant areas, all unleased, are those in Varedo/Limbiate (MB), Ivrea (TO) and Sondrio, the latter owned by Fossati Uno Srl, in which the Intek Group holds a 35% stake. In addition to the assets held for investment, there is also the property housing Intek's registered office and that of the majority of its subsidiaries, in Milan at Foro Buonaparte 44.

In the course of the second half of 2019, four apartments owned in Padua were sold. These sales resulted in the collection of Euro 0.4 million, which made it possible to extinguish the underlying mortgage and obtain additional financial resources.

With respect to the former Fime Leasing properties, part of the Sezze property was sold for consideration of Euro 0.5 million and the Torchiarolo property was sold for consideration of Euro 0.1 million. After these transactions, there is still part of the property in Sezze, for which a preliminary sale agreement has been entered into, in addition to two real estate units for office use in Bari and Palermo.

Although these sales were not particularly remunerative, they made it possible to free up financial resources and avoid further depreciation of the real estate units as well as the associated costs (such as insurance, taxes and maintenance expenses).

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 is given up, these shares will be converted into ordinary shares with the same rights as those afforded to the transferring shareholders.

Ducati Energia and its subsidiaries have roughly 1,250 employees throughout 9 plants all over the world and operate in various business segments with very interesting applications such as: electric vehicles and recharging stations, energy analysers, systems for the remote control of electricity grids, railway signalling, motorway and public transport systems and equipment, condensers, industrial power factor correction and power electronics, wind power generators, alternators and ignition systems for endothermic engines.

The fair value of the equity investment in Ducati Energy as at 31 December 2019 was estimated at Euro 16,000 thousand in the consolidated financial statements.

The 2019 financial statements of Immobiliare Pictea, presented in abbreviated form, have a negative result of Euro 1.8 million (loss of Euro 3.7 million in 2018), while the closing equity was Euro 13.1 million.

In April 2019, the company was forced to terminate the lease agreement on part of the Varedo (former Tecno) property due to repeated violations of legal and contractual provisions by the tenant, with respect to which legal actions were lodged for compensation for damages, including maintenance expenses for a total of roughly Euro 700 thousand. The technical timing for the definition of the Preventive Technical Assessment requested to the judge before being able to restore the property hindered its placement back on the market, while the claims for compensation reciprocally lodged against the former tenant will continue to be litigated.

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Group results

It should be noted that, following the application of the accounting standard on investment entities that occurred at the end of 2014 and the corporate simplification process, the values of the consolidated financial statements, which exclude non-instrumental investments from the scope of consolidation, are aligned with those of the separate financial statements.

The consolidated financial statements include, in addition to the Parent company, the 100%-owned instrumental subsidiaries: I2 Capital Partners SGR and Immobiliare Pictea. In the year 2019, there were no changes in the scope of consolidation.

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

Consolidated equity		
(in thousands of Euro)	*31 Dec 2019*	*31 Dec 2018*
Share capital	335,069	335,069
Reserves	169,434	148,661
Profit/(loss) for the period	(1,868)	20,866
Equity attributable to owners of the Parent company	**502,635**	**504,596**
Non-controlling interests	-	-
Total equity	**502,635**	**504,596**

The change in equity was the result of the profit for the year.

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

Consolidated net invested capital		
(in thousands of Euro)	*31 Dec 2019*	*31 Dec 2018*
Net non-current assets	554,061	552,459
Net working capital	11,130	9,181
Net deferred tax	1,587	1,429
Provisions	(930)	(1,385)
Net invested capital	**565,848**	**561,684**
Total equity	502,635	504,596
Net financial position	63,213	57,088
Sources of finance	**565,848**	**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 considered in the definition of "Net financial debt".*
- *"Provisions" include the items "Employee benefits" and "Provisions for risks and charges".*

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

(in thousands of Euro)	*31 Dec 2019*
Parent company's equity including profit/(loss) for the period	**500,837**
Fair value measurement of investments held by subsidiaries (net of tax effect)	8,892
Excess cost allocation on property (net of tax effect)	3,645
Cancellation of effect of IFRS 16 on intra-group transactions	92
Cancellation of effect of IFRS 9 on intra-group transactions	194
Difference between the consolidated companies' equity and their carrying amount	(11,025)
Group's consolidated equity including profit/(loss) for the period	**502,635**

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

Reclassified consolidated net financial position			
(in thousands of Euro)		*31 Dec 2019*	*31 Dec 2018*
Short-term financial payables		111,971	10,760
Medium to long-term financial payables		4,996	5,378
Financial payables to Group companies		3,232	3,706
(A) Financial payables	**(A)**	**120,199**	**19,844**
Cash and cash equivalents		(44,904)	(52,556)
Other financial assets		(9,661)	(10,242)
Financial receivables from Group companies		(2,421)	(1,349)
(B) Cash and current financial assets	**(B)**	**(56,986)**	**(64,147)**
(C) Consolidated net financial position (net of outstanding securities)	**(A) + (B)**	**63,213**	**(44,303)**
(D) Outstanding debt securities (net of interest)		**-**	**101,391**
(E) Consolidated net financial position	**(C) + (D)**	**63,213**	**57,088**
(F) Non-current financial assets		***(2,664)***	***(3,403)***
(G) Total net financial debt	***(E) + (F)***	***60,549***	***53,685***

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

(G) Alternative Performance Indicator

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)		*2019*	*2018*
(A) Cash and cash equivalents at the beginning of the year		**52,556**	**28,886**
Profit/(loss) before taxes		(2,978)	19,848
Amortisation and depreciation		559	404
Impairment of current assets		-	1,210
Impairment/(reversal of impairment) of non-current assets other than financial assets		720	3,307
Impairment/(reversal of impairment) of investments and financial assets		(8,115)	(33,194)
Changes in pension funds, post-employment benefits and stock options		(4)	30
Changes in provisions for risks and charges		(466)	(2,823)
(Increase)/decrease in investments		2,019	1,454
(Increase)/decrease in financial investments and financial assets		2,368	-
Increase/(decrease) in current and non-current financial payables to related companies		(474)	(703)
(Increase)/decrease in current and non-current financial receivables from related companies		(473)	34,975
Dividends received		337	306
(Increase)/decrease in current receivables		(1,393)	5,047
Increase/(decrease) in current payables		958	(3,539)
(B) Total cash flows from/(used in) operating activities		**(6,942)**	**26,322**
(Increase) in non-current intangible assets and property, plant and equipment		(661)	(658)
Decrease in non-current intangible assets and property, plant and equipment		999	3
Increase/decrease in other non-current assets/liabilities		(537)	(8)
(C) Cash flows from/(used in) investing activities		**(199)**	**(663)**
Increase/(decrease) in current and non-current financial payables		(1,232)	(1,304)
(Increase)/decrease in current and non-current financial receivables		721	(160)
(D) Cash flows from/(used in) financing activities		**(511)**	**(1,464)**
(E) Change in cash and cash equivalents	**(B) + (C) + (D)**	**(7,652)**	**24,195**
(F) Effect of change in accounting standards		**-**	**(525)**
(G) Cash and cash equivalents at the end of the period	**(A) + (E) + (F)**	**44,904**	**52,556**

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

Consolidated income statement		
(in thousands of Euro)	*2019*	*2018*
Net income/(expenses) from investment management	8,388	33,233
Guarantee fees	962	1,258
Other income	3,732	1,066
Labour costs	(1,880)	(1,993)
Amortisation, depreciation, impairment and write-downs	(1,279)	(3,713)
Other operating costs	(7,936)	(5,204)
Operating profit/(loss)	**1,987**	**24,647**
Finance income	920	1,010
Finance expense	(5,885)	(5,809)
Net finance expense	*(4,965)*	*(4,799)*
Profit/(loss) before taxes	**(2,978)**	**19,848**
Current taxes	977	1,667
Deferred taxes	133	(649)
Total income taxes	**1,110**	**1,018**
Profit/(loss) for the period	**(1,868)**	**20,866**

* * *

Additional information

Related party transactions

Related party transactions, including intra-group transactions, were neither atypical nor unusual, in that they were part of the Group companies' day-to-day business and were all conducted on an arm's length basis or according to standard criteria or normal market conditions. In 2019, there were no transactions qualifiable as of greater importance pursuant to the "Procedure applicable to transactions with related parties".

As at 31 December 2019, Intek had trade receivables from KME SE and its subsidiaries totalling Euro 9.1 million. These were mainly from fees and commissions for guarantees and the provision of services.

At the reporting date, there was one existing loan payable with the non-consolidated subsidiary Breda Energia Srl in liquidazione (Euro 3.1 million) which also holds a financial loan of Euro 3.0 million to the parent company Quattroduedue SpA. In addition to this position there is a payable of Euro 0.1 million to Energetica Solare Srl in liquidazione.

As regards the companies within the scope of consolidation, there is furthermore a loan payable of Euro 1.0 million from I2 Capital Partners SGR.

With respect to loans receivable, there is a current account with a balance of Euro 8.4 million with respect to the consolidated subsidiary Immobiliare Pictea.

There are also financial receivables from the non-consolidated subsidiaries Intek Investimenti (Euro 2.1 million) and KME Yorkshire Ltd (Euro 0.3 million).

Lastly, due to the application of IFRS 16, financial liabilities with regard to Immobiliare Pictea are recognised in the financial statements for the lease of the Foro Buonaparte properties, for a total of Euro 3.8 million.

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

Disputes

The litigation with certain holders of savings shares which were pending from the first half of 2016 is still under way.

Four of these lawsuits were resolved with a ruling at the first degree, all in favour of the Company, of which three were challenged and heard before the applicable Court of Appeal (Bari and Rome) with jurisdiction, while one was considered final as it was not appealed.

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. Likewise, the Court of Appeal of Bari confirmed the ruling against the appealing savings shareholder, ordering such shareholder to pay back the costs of the proceedings. That ruling also became final and the relative expenses were collected.

The other two rulings handed down by the Court of Rome, 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, and sentenced the defendants to refund Intek Group for the legal costs of the proceedings. These rulings were challenged before the Court of Appeal of Rome and the cases will be discussed, one in October 2020, for the final hearing, and the other in May 2020, for the closing arguments.

The other five cases pending before the Court of Bari on the same matter have been postponed to the hearing of 21 October 2020 for the closing arguments, as the Judge rejected all preliminary motions of the counterparties.

Intek Group, firmly believing to have always acted in full respect of the rights and prerogatives of the Company and its own shareholders as well as of its Articles of Association, the law, and the regulations, opposed the initiatives thus started by these 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 also in criminal court, lodging a complaint against the parties who had on several occasions falsely accused the Company of illicit conduct.

* * *

Parent company and ownership structure

The Company is controlled by Quattroduedue Holding BV, which is based in Amsterdam - Duivendrecht (Holland), Entrada 306, 5th Floor, through Quattroduedue SpA, a wholly owned subsidiary of Quattroduedue Holding BV.

At 31 December 2019, Quattroduedue Holding BV held indirectly 182,778,198 Intek Group ordinary shares (46.97% of the Company's voting share capital) and 1,424,032 savings shares (1.468% of the shares in this category). There were no changes during the year 2019.

As of 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. This percentage rises to 62.40% net of the ordinary treasury shares held at the date on which this report was prepared.

Intek Group holds no shares or units of the parent company and during 2019 it made no purchases or sales of such shares or units.

In July 2018, the Company received a statement from Banca Intesa Sanpaolo S.p.A. with regard to the possession of participatory financial instruments (mandatory convertible loans) which, if the prerequisites are met for their conversion, would give the right to the attribution of an investment equal to 17.61% of the voting rights in the Company.

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

* * *

Treasury shares

As at 31 December 2019, the Company held 5,713,572 ordinary treasury shares (equal to 1.47% of shares in this category) and 11,801 savings treasury shares (equal to 0.024% of the capital for this category), unchanged compared to the previous year. During 2019, no transactions were carried out involving the purchase/sale of ordinary or savings shares.

In March 2020, 841,688 ordinary treasury shares were purchased, with a financial outlay of Euro 0.2 million. At the date of this Report, the ordinary treasury shares held therefore amount to 6,555,260 (1.68% of the share capital in this category).

* * *

Update in matters of governance

In line with what was performed in previous years, we would now like to update the corporate governance information provided with the financial statements as at 31 December 2018 and the half-year financial statements as at 30 June 2019 with additional and specific details in the Report on corporate governance and the ownership structure.

There were no changes to the size and composition of the share capital in 2019. Therefore, as at 31 December 2019, the share capital was equal to Euro 335,069,009.80, consisting of 439,241,296 shares, of which 389,131,478 are ordinary shares and 50,109,818 are savings shares.

It is hereby noted that, as from 18 March 2016, the Transparency Directive (Legislative Decree 25/2016) entered into effect. Among other things, it amended paragraph 5 of article 154-ter of the TUF, eliminating the obligation to publish the interim report thereby granting a longer time period for approval of the consolidated half-year report. Since 2016, and in consideration of its specific businesses, the Company opted not to publish interim financial statements on 31 March and 30 September.

The Company'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.

The Company has adopted the Organisational Model required by Legislative Decree 231/01 and the relative Code of Ethics, most recently updated in February 2019.

* * *

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

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

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

* * *

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

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

* * *

Research and development activities

No research and development activities were pursued during 2019, given the nature of the Company's specific activities.

* * *

Personnel

Following is the average number of employees in consolidated companies, including the parent company, as compared with 2018:

	31/12/2019	*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%		

As at 31 December 2019, Intek Group had 12 employees, of whom 2 executives and 10 clerical workers.

* * *

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

* * *

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

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

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

Furthermore, the disinvestment process could require more time than expected and/or be carried out on the basis of terms and conditions that are not fully satisfactory or remunerative, also due to contingent market situations. 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 companies and therefore assessing the completeness and accuracy of the information they provide. For non-controlling equity investments, whether in listed or unlisted companies, the possibility of influencing the management of the equity investments in order to promote their growth, including through a relationship with the management and the shareholders of the investee, could be limited.

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

The data and the forecasts on the activities and expected results of the Company and of the subsidiaries are based on the Company's estimates and assumptions regarding future and uncertain events, including the economic trend in the main European countries where the Group operates, the occurrence of which could lead, also with reference to the particular situation of economic activity caused by the spread of Covid-19 and the restrictive measures adopted to contain it, to potentially significant discrepancies with the forecasts made. It is not possible to guarantee that what has been forecast and is expected to happen will in fact happen. Intek Group is furthermore exposed to market fluctuations insofar as the shares held in its portfolio. The final results of the Intek Group could be different from those forecasts owing to known and unknown risks, uncertainty and other factors.

Types of risk:

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

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

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

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

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

* * *

Significant events after 31 December 2019

The issue of the new Intek Group 2020-2025 Bond Loan for Euro 75.9 million, jointly with a bank loan obtained of Euro 25 million and the use of part of the Company's cash and cash equivalents, made it possible to repay the previous bond loan.

The Public Exchange Offer on Intek Group Savings Shares is also under way. The administrative proceeding by Consob is currently suspended due to Covid-19.

Since January 2020 the domestic and international scenario has been characterised by the spread of Covid-19 and the resulting restrictive measures to contain it enacted by the public authorities of the countries concerned.

These circumstances, which are extraordinary in terms of nature as well as extent, are having direct and indirect repercussions on economic activity and have created a general context of uncertainty, the evolutions and relative effects of which cannot be predicted. As things currently stand, it is not possible to formulate forecasts concerning the impacts that this situation could have on the Company and in particular on its investments; these considerations were taken into account in the assessments performed with reference to the fulfilment of the going concern assumption.

In March 2020, 841,688 ordinary treasury shares were purchased, with a financial outlay of Euro 0.2 million. At the date of approval of these financial statements, the ordinary treasury shares held therefore amount to 6,555,260 (1.68% of the share capital in this category).

For further details, please refer to what has already been described in the report.

Proposal to approve the 2019 financial statements

"The Ordinary Shareholders' Meeting of INTEK Group SpA, in its ordinary meeting held in Milan, having acknowledged the Reports of the Board of Statutory Auditors and the Independent Auditor, and after having heard and approved the report of the Board of Directors

resolves

- to approve the Report on operations by the Board of Directors for the year ended at 31 December 2019 and the financial statements as a whole, and the individual entries and records with the provisions and uses proposed, which show a loss for the year of Euro 1,042,793;
- to cover the loss of Euro 1,042,793 through the use of the available reserve "*ErgyCapital merger reserve*".

Milan, 29 April 2020

The Board of Directors
The Chairman
(Vincenzo Manes)

INTEK GROUP

YEAR 2019

REPORT ON CORPORATE GOVERNANCE

AND

OWNERSHIP STRUCTURE

PURSUANT TO ARTICLE 123-BIS OF LEGISLATIVE DECREE NO. 58 DATED 24 FEBRUARY 1998

OF

INTEK GROUP SPA

WWW.ITKGROUP.IT

APPROVED BY THE BOARD OF DIRECTORS ON 29 APRIL 2020

1. Contents

Tables:

Glossary

Code/Corporate Governance Code:	the Corporate Governance Code for listed companies approved in July 2018 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, Assogestioni, Assonime and Confindustria (Italian Manufacturers' Federation).
Civil Code /c.c.:	the Italian Civil Code.
Issuer/Company/Intek Group/Intek:	Intek Group SpA
Financial year:	the financial year ended as at 31 December 2019, to which this Report refers.
Model:	the organisation and management model adopted by the Company pursuant to Italian Legislative Decree no. 231 of 2001.
Issuers' Regulation:	the Regulation issued by Consob with its resolution no. 11971 of 1999 (as subsequently amended) regarding issuers.
Market Regulation:	the Regulation issued by Consob with its resolution no. 16191 of 2007 (as subsequently amended) regarding markets.
Related Parties Regulation:	the Regulation issued by Consob with its resolution no. 17221 of 2010 (as subsequently amended) regarding transactions with related parties.
Report:	the Report on corporate governance and ownership structure that the companies are required to prepare pursuant to article 123-bis of the TUF.
Consolidated Law on finance/TUF:	Italian Legislative Decree no. 58 dated 24 February 1998.

Foreword

The Board of Directors of Intek Group S.p.A., in its meeting held on 29 April 2020, approved the Report on corporate governance and ownership structure for the 2019 reporting year, together with the draft financial statements for said financial year.

This Report has been drafted in compliance with the provisions of article 123-bis of Italian Legislative Decree no. 58 of 24 February 1998 (hereinafter the "**TUF**") as amended by Italian Legislative Decree no. 254 of 30 December 2016 and the other criteria set forth in article 89-bis of the Issuers' Regulation, as well as the instructions in the Market Regulation issued by Borsa Italiana S.p.A.

The Report takes into account the requirements of the Code currently in force (as most recently amended in July 2018) and accessible to the public on the website of Borsa Italiana at https://www.borsaitaliana.it/comitato-corporate-governance/codice/2018clean.pdf.

In particular, the structure of this Report complies with the Format (most recent edition of January 2019) prepared by Borsa Italiana to verify the nature and content of the information to be included in the Report on corporate governance and ownership structures and/or for the controls under the responsibility of the board of statutory auditors (article 149, paragraph 1, letter c-bis of the TUF).

Please note in any event that the use of the Format (the first edition of which dates back to 2008) is not in any manner compulsory for the purposes of the above-mentioned obligations, and it may be consulted on the website of Borsa Italiana at https://www.borsaitaliana.it/comitato-corporate-governance/documenti/format2019.en.pdf.

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

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

i. compliance with each Code provision;

ii. the reasons for any failure to comply with the Code's provisions;

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

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

This Report aims to illustrate the corporate governance model that Intek adopted in 2019, taking into account the specificities of the Company, which aims to obtain its essential alignment with the principles contained in the Code which, since its introduction, the Company has declared it will comply with, as well as the Control Authority's relative recommendations, in relation to the small dimension and corporate structure of Intek Group.

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

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

Lastly, this Report takes into account the content of the letter dated 19 December 2019 addressed by the Chairman of the Corporate Governance Committee (the "**Committee**") to the Chairmen of the Boards of Directors (and also carbon copied to the CEOs and Chairmen of the Boards of Statutory Auditors) of Italian listed companies in light of the results of the Annual report on the application of the Code (the

"**Report**") for 2019 and the analysis of the conduct of issuers on the matters highlighted in the above-mentioned accompanying letter, as well as the observations and analyses performed for the review of the Code.

Indeed, in this regard, please note that the Committee approved the new Corporate Governance Code in force as of the first financial year subsequent to 31 December 2020, which may be consulted on the website of Borsa Italiana at https://www.borsaitaliana.it/comitato-corporate-governance/codice/2020.pdf.

The Report contains the "**Recommendations of the Committee for 2020**", to be reviewed by the board, the competent committees and the control body, in order to identify possible governance evolutions or fill any gaps in the application of the Code or in the explanations provided.

To that end, the Committee recommended:

- integrating business activity sustainability within the definition of the company's strategies and the remuneration policy, also on the basis of an analysis of the relevance of factors that may impact long-term value generation;
- handling, including possibly in a regulation of board activities, the adequate management of information flows to the board of directors, ensuring that confidentiality requirements are protected without compromising the comprehensiveness, usability and timeliness of the disclosure;
- applying with greater rigour the independence criteria defined by the Code, placing particular attention on the review of the significance of the relationships subject to assessment, which should also be based on specific quantitative and/or qualitative criteria identified beforehand;
- verifying the adequacy of the remuneration recognised to non-executive directors and members of the control body in light of the skill, professionalism and commitment required of them, also making reference to widespread remuneration practices, even abroad, in the reference sectors and for companies of similar size.

1. Issuer Profile

As an investment entity, the Company's operations are those of a diversified investment holding company, whose main objective is to manage its portfolio of assets and investments with a dynamic entrepreneurial perspective, focusing on cash generation and growth in the value of investments over time, also through sales functional to the new development strategies.

The Intek Group makes investments with medium-long term time horizons combining its entrepreneurial perspective with a solid financial structure and seeks to redefine a flexible portfolio with smaller investment cycles and more rapid cash generation.

To maximise the value of the assets managed, the Company defines business strategies and controls their implementation by subsidiaries, looks for agreements and/or partnership opportunities, enhances the value of specific assets, and manages extraordinary operations involving the subsidiaries.

Governance Model adopted by the Issuer

The Company has maintained its corporate governance structure over time, based on the traditional model pursuant to articles 2380-bis et seq. of the Italian Civil Code, composed of the Shareholders' Meeting, Board of Directors and Board of Statutory Auditors.

Legally-required audit activities are performed by the independent auditors (external body).

The attributions and rules of functioning of the corporate bodies are governed by provisions of law and regulations in force over time as well as the Articles of Association and a series of principles and procedures, which are periodically updated as regulations, case law and legal theory and the orientations and guidelines of the Board evolve.

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

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

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

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

In order to guarantee an effective and transparent breakdown of the roles and responsibilities of its corporate bodies and, in particular, the proper balance between the management and control functions, the Issuer has adopted a corporate governance system which, aside from being constantly aligned with the continuous evolution of regulations and national and international best practices, is inspired by the principles and application criteria recommended by the Code.

Statement on the Issuer's classification as an SME

At the date of this Report, the Issuer is qualified as an SME pursuant to article 1, paragraph 1, letter w-quater.1) of the TUF and article 2-ter of the Consob Issuers' Regulation, considering the values of turnover[1] set forth in the consolidated financial statements, equal to Euro 13.1 million, and its average market capitalisation in the course of 2019, of Euro 137 million.

In particular, the above-mentioned TUF rule establishes that an issuer is an SME when at least one of the following requirements is met, to be calculated on the basis of the instructions provided by article 2-ter of the Issuers' Regulation: (i) turnover, even prior to the admission to listing of shares, lower than Euro 300 million; (ii) market capitalisation below Euro 500 million. Moreover, the Company would no longer

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

be categorised as an SME, for the purposes of the provisions referred to above, if both of the above-mentioned limits (regarding turnover and average market cap) are surpassed for three consecutive financial or calendar years.

Indeed, the Company is included on the list published by Consob (http://www.consob.it/web/area-pubblica/emittenti-quotati-pmi) amongst those businesses which are SMEs, on the basis of the capitalisation and turnover data in Consob's possession, pursuant to article 2-ter of Consob Regulation no. 11971/1999, as amended by Consob Resolution no. 20621 of 10.10.2018.

In light of the foregoing, the relevant threshold for the communication obligations pursuant to article 120 of the TUF is 5% of the share capital.

2. Information on Ownership Structure as at the date of 29 April 2020

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

At the date of approval of this Report, the share capital of Intek Group was Euro 335,069,009.80, and consisted of 439,241,296 shares, of which 389,131,478 were ordinary shares, equal to 88.59% of the share capital, and 50,109,818 were savings shares, equal to 11.41% of the share capital, all of which with no par value. There were no changes compared to 31 December 2019.

Again at the date of approval of this Report, the Issuer has 6,555,260 ordinary treasury shares in its portfolio.

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

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

Votes may also be cast by mail in accordance with the dedicated procedure set forth in article 11 of the Articles of Association.

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

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

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

The Common Representative of Savings Shareholders, who is entitled to participate with the right to intervene in the ordinary Shareholders' Meeting and whose rights are indicated under article 27 of the Articles of Association is Ms. Simonetta Pastorino. Ms. Pastorino was appointed for 2018/2020 by the Special Meeting of Holders of Savings Shares which was held on 8 May 2018 and her mandate will expire on the date of the shareholders' meeting called to approve the financial statements as at 31 December 2020.

The savings shares confer the following privileges:

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

* * * * * *

On 3 December 2019, the Company launched a transaction involving:

- a voluntary partial public exchange offer on 2,354,253 Intek Group 2015 – 2020 Bonds outstanding (the "**2015 Bonds**"), with consideration consisting of a maximum of 2,354,253 new Intek Group 2020 – 2025 Bonds (the "**2020 Bonds**"), for a total of Euro 50.9 million, listed on the MOT (the "**Exchange Offer on Bonds**");
- a concurrent public offer for subscription of Intek Group 2020 – 2025 Bonds for a maximum total of around Euro 25.0 million (the "**Offer for Subscription**" and, jointly with the Exchange Offer on Bonds, also the "**Offers on Bonds**");
- in the event of the issue of 2020 Bonds for a total nominal value of at least Euro 60.0 million, a voluntary total public exchange offer on the Intek Group Savings Shares, with consideration consisting of 2020 Bonds and, taking account of the nominal value of the new bonds, recognition of a premium of over 52.7% of the average quoted stock market prices for the last three months ("**Exchange Offer on Savings Shares**" and, jointly with the Offers on Bonds, also the "**Offers**").

The Issuer, in relation to the Offers on Bonds, thus proceeded with the issue of bonds listed on the MOT on 18 February 2020, represented by 3,511,741 bonds with a nominal unit value of Euro 21.60 for a total of Euro 75.9 million.

Indeed, considering the applications received as part of the Exchange Offer on Bonds and the high number of requests for participation received as part of the Offer for Subscription, Intek relied on the right to increase the maximum total nominal value of the Offer for Subscription up to Euro 37,877,760, corresponding to 1,753,600 2020-2025 Bonds ("claw back mechanism").

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

- minimum trading quantity/minimum lot on the MOT: 5 bonds with a nominal unit value of Euro 21.60 were issued against a total nominal value of Euro 108.00;
- nominal annual fixed rate of 4.5%;
- frequency of the coupon: annual;
- dividend payment date: 18 February 2020;
- maturity date: 18 February 2025;
- repayment type: bullet repayment on the expiry date at a price equal to 100% of the par value;
- voluntary early redemption: pursuant to article 6 of the bond loan regulation, Intek Group is entitled to redeem early, including partially, the bonds beginning from the second year from the dividend entitlement date of the loan.
- The redemption price (expressed as a percentage of the portion of the nominal value constituting the object of the redemption) is thus defined, increased by the interest accrued but not yet paid on the bonds to be redeemed:
- from the end of the second year and up to the end of the third year: 102%
- from the end of the third year and up to the end of the fourth year: 101%
- from the end of the fourth year and up to the maturity date: 100%

The 2015 Bonds not used to participate in the Exchange Offer on Bonds were redeemed in full at the maturity date (20 February 2020).

For additional information on the issuing of the outstanding "Intek Group SpA 2020 – 2025" bond loan (ISIN IT0005394884), please see the information provided on the website of the Company at https://www.itkgroup.it/it/prestobbligaz2020_2025.

With regard to the Exchange Offer on Savings Shares, regarding 50,098,017 Intek Group S.p.A. savings shares, or all of the savings shares, less the 11,801 treasury savings shares, as the condition to which it was subject (issue of the 2020 Bonds for a total nominal amount of at least Euro 60.0 million) was met, the Company began the process for its launch.

However, following the COVID-19 epidemiological emergency, please recall that it was not possible to hold the ordinary/extraordinary shareholders' meeting called first for 24/25 February 2020 and subsequently for 27/30 March 2020, respectively on first and second call, which was to pass the resolutions functional to the execution of that offer.

Pursuant to article 102, paragraph 3 of the TUF and article 37-ter of the Issuers' Regulation, the Company in any event filed the offer document with Consob for the relative preliminary screening process.

On 25 March 2020, Consob then announced, pursuant to article 103 of the above-mentioned Law Decree no. 18 of 17 March 2020, the suspension until 15 April 2020 of the terms of the administrative procedure relating to the Exchange Offer on Savings Shares. This suspension was then extended to 15 May 2020.

For all other information about the Exchange Offer on Savings Shares, please refer to the communication pursuant to article 102, paragraph 1 of the TUF, published on Intek's website, which includes a detailed description of its main elements.

* * * *

Tables 2.1a and 2.1b attached to this Report provide respectively details of the financial instruments issued by the Company and their performance on the Stock Exchange during the period, highlighting their market capitalisation.

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

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

The Articles of Association do not contain transfer restrictions pertaining to shares or the "Intek Group SpA 2020-2025" Bonds such as, for example, limitations on the ownership of securities or the need to obtain the approval of the Issuer or other holders of securities.

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

On 31 December 2019, the investment of Quattroduedue Holding B.V. in the Company amounted to 182,778,198 ordinary shares, corresponding to 46.971% of the share capital for this category.

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

With regard to the entire share capital, the ordinary shares thus held by Quattroduedue Holding B.V. are equal to 41.612%.

Quattroduedue Holding B.V. also holds, through Quattroduedue SpA, 1,424,032 savings shares corresponding to 2.842% of the share capital in that category and 0.324% of the entire share capital.

As per the memorandum issued on 2 July 2019, the content of which was published in the press on that same date and submitted to the Milan Company Register, the shareholders of Quattroduedue Holding B.V. - Vincenzo Manes, through Mapa S.r.l. (Milan), with an equity investment of 35.12%, Ruggero Magnoni, through Likipi Holding S.A. (Luxembourg), with an equity investment of 32.44% and Hanseatic Europe S.a.r.l. (Luxembourg), with an equity investment of 32.44% are signatories to a shareholders' agreement relative to their equity investments in the aforementioned Quattroduedue Holding B.V, which will expire on 30 June 2022.

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

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

At the date of this Report, the Shareholders that directly or indirectly hold equity investments of more than 5% of the Issuer's share capital, through pyramid structures or cross-investments, according to what is set forth in the communications made pursuant to article 120 of the TUF, are those specified in Table 2.3 attached to this Report.

The Company has about 18,900 Shareholders, according to the Shareholders Register.

At 31 December 2019, the Company directly held 5,713,572 ordinary treasury shares, or 1.468% of the ordinary share capital and 1.301% of total share capital, and 11,801 savings treasury shares equal to 0.024% of that class of shares and 0.003% of the total share capital.

The total treasury shares held by Intek Group at 31 December 2019 amount to 5,725,373 shares, representing 1.303% of the Company's share capital.

In March 2020, 841,688 ordinary treasury shares were purchased, with a financial outlay of Euro 0.2 million. At the date of this Report, the ordinary treasury shares held therefore amount to 6,555,260 (1.68% of the share capital in this category).

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

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

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

There is no employee share-option scheme.

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

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

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

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

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

The Company did not receive any communication regarding the existence of shareholders' agreements pursuant to article 122 of the TUF, except as indicated above regarding the agreement existing between the shareholders of Quattroduedue Holding B.V., which expires 30 June 2022 and is published on the Company's website www.itkgroup.it.

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

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

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

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

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

The Shareholders' Meeting held on 16 May 2019 authorised the Board of Directors pursuant to the combined provisions of articles 2357 and 2357-ter of the Italian Civil Code and article 132 of Italian Legislative Decree 58/98 to purchase, for a period of 18 months from the date of the resolution, and dispose of, without time limits, ordinary shares and savings shares pursuant to the law and the regulation, with a maximum financial commitment of Euro 5,000,000.

As at the date of this Report, the Company holds 6,555,260 ordinary shares equal to 1.685% of the voting capital and 1.495% of the total share capital.

None of the subsidiaries holds Intek Group shares.

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

Although a subsidiary of Quattroduedue Holding B.V., through Quattroduedue S.p.A., as indicated above, the Company is not subject to management and coordination pursuant to articles 2497 et seq. of the Italian Civil Code and article 37 of the Market Regulation, insofar as that:

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

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

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

d) the Control and Risk Committee consists exclusively of Independent Directors also pursuant to article 37, paragraph 1-bis of the Market Regulation.

* * * * *

With reference to the additional information pursuant to article 123-bis of the TUF, please refer to the following paragraphs of this Report, as specified below:

- the information required by article 123-bis, paragraph 1, letter i) of the TUF, relating to agreements between companies and directors, which envisage indemnities in the event of resignation or dismissal without just cause, or if their employment contract should terminate as the result of a takeover bid, is contained in the Report on Remuneration relating to the year 2019;
- the information required by article 123-bis, paragraph 1, letter l) of the TUF relating to the appointment and replacement of directors, as well as amendments to the Articles of Association, is illustrated in Section 4, paragraph 4.1., of this Report, dedicated to the Board of Directors;
- the information required by article 123-bis, paragraph 2, letter b) of the TUF relating to the main characteristics of the risk management and internal control systems, is illustrated in Section 11, paragraph 11.1 of this Report;

- the information required by article 123-bis, paragraph 2, letter c) of the TUF relating to information on the mechanisms for the functioning of the Shareholders' Meeting, its main powers, Shareholder rights and procedures for exercising them, is illustrated in Section 16 of this Report dedicated to the Shareholders' Meeting;
- the information required by article 123-bis, paragraph 2, letter d) of the TUF relating to the composition and functioning of the administration and control bodies and their committees, is illustrated in Sections 4, 6, 7, 8, 10 and 13 of this Report;
- the information required by article 123-bis, paragraph 2, letter d-bis) of the TUF is contained in Sections 4 and 14, relating to the description of policies on diversity applied in relation to the composition of the administration, management and control bodies relating to aspects such as the age, gender composition and training and professional background, along with a description of the objectives, implementation methods and results of such policies. During the self-assessment, the board deemed that the professional skills present on the Board, which are evaluated periodically, are adequate.

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

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

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

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

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

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

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

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

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

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

4. Board of Directors

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

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

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

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

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

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

- the submission of lists of candidates shall take place at least 25 days prior to the first call of the Shareholders’ Meeting and they shall be made available at least 21 days beforehand at the registered office, on the Company’s website and through Borsa Italiana S.p.A.;
- the shareholding for presentation of the list is equal to the higher of the percentage identified by Consob pursuant to article 144-quater of the Issuers' Regulation and the one defined by Consob itself pursuant to determination no. 28 of 30 January 2020. To this end, based on the abovementioned Consob Regulations, the percentage that is applicable is 4.5% of the ordinary share capital;
- when counting votes for Directors' election, the lists which have not obtained a percentage of votes equal at least to one half of the percentage required to submit a list, shall be ignored;
- one Director shall be appointed from the non-controlling Shareholder list that received the highest number of votes;
- the list shall indicate the candidates to the office as “Independent Directors” and article 17 of the Articles of Association provides that they are at least equal to the “minimum number and meet the conditions required by law”;
- the prerequisite for Directors to be considered independent shall be assessed pursuant to article 147-ter, paragraph 4 of the TUF as well as article 148 paragraph 3 of the TUF, on the basis of the provisions on this prerequisite and also with reference to integrity and professionalism pursuant to the other applicable provisions and the Corporate Governance Code;
- the selection of the Directors to be elected be based on criteria that ensure balance between genders. The least represented gender must constitute at least one third of the candidates, in any case rounded upwards.

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

a) the Board of Directors will replace the departing Director from the same list the latter Director belonged to, without restrictions in regard to the listing position and the subsequent Shareholders' Meeting will make a resolution, with the majority set by the law, in compliance with this criterion as well;
b) if no other candidate is listed in the above list, or no other candidates with the required requisites are available, or in any case when, for any reason whatsoever, it is not possible to comply with the provisions set out in item a), the Board of Directors shall replace the vacancy, and the Shareholders' Meeting shall decide with the majority of votes set forth by law, without a list vote.

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

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

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

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

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

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

The current Board of Directors was appointed by the Shareholders' Meeting on 8 May 2018 which decided on nine (9) members of the administrative body (as indicated previously, the Articles of Association provide for a variable number of Directors, the minimum being 7 and the maximum 11).

The term of office is three financial years and therefore up to the date of the Shareholders' Meeting called for the approval of the financial statements at 31 December 2020.

The list of candidates for the office of Director was presented on time by the controlling shareholder, Quattroduedue SpA (holding 45.75% of ordinary capital) in compliance with the procedure required by article 17 of the Articles of Association. The majority of Shareholders approved Quattroduedue's nominees with 185,495,807 votes, equal to 99.91% of the shares in attendance and 46.995% of voting shares.

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

As at the date of this Report, there are nine Directors in office.

With reference to the requirements of professionalism of the members of the Board of Directors: (i) on acceptance of their candidacy, each of the directors declared that they meet the requirements of integrity and professionalism set forth by regulations for the office; and (ii) during the annual self-assessment carried out, the directors also deemed adequate in light of the core business of the Company both the skills, experience and professional characteristics of the individual members of the Board, and the size, composition and functioning of the Board itself and its committees, also with reference to the application of diversity criteria.

In 2019, the Company's Board of Directors also verified that all Directors met regulatory requirements and confirmed that Directors Giuseppe Lignana, Francesca Marchetti and Luca Ricciardi continued to meet the independence requirements.

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

During 2019 compliance with this requirement was assessed also pursuant to the Bank of Italy regulation (Italian Legislative Decree no. 469 of 11 November 1998).

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

The personal and professional characteristics of each Director are presented in their *CVs* filed at the Company's registered office and available on the Issuer's institutional website in the *Governance*/Corporate Bodies section (https://www.itkgroup.it/it/organisociali).

For further details, please see Table 4.2 attached to this Report, which includes the names of each member of the Board in office, with a specification of the office held, the year of birth, the length of time in office, the list from which they were taken, whether they are Executive, Non-Executive or Independent Directors, their attendance at Board and Committee meetings during the year, as well as the number of administration and control offices currently held in other companies listed in regulated markets, in financial companies, banking or insurance companies or companies of significant size.

As of the closing date, there have been no changes in the composition of the Board.

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

Diversity criteria and policies

At the date of this Report, the Company has not applied any specific diversity or gender criteria, nor has it adopted a diversity policy for the Board of Directors, as it deems respect for the requirements laid out by legislation and regulations in force over time as well as the Articles of Association to be sufficient to ensure the adequate composition of the administrative body. Specifically, with reference to the provisions on the "pink quotas", as recently amended by Law no. 160 of 27 December 2019, and applicable as of the first re-election of the Issuer's administrative and control bodies subsequent to 1 January 2020, the date of entry into force of the above-mentioned law, please note that:

- pursuant to article 147-ter, paragraph 1-ter of the TUF, directors must be allocated on the basis of a criterion ensuring gender balance; at least two-fifths of the directors elected must belong to the least represented gender;
- pursuant to article 11 of the Articles of Association, in the composition of the Board of Directors balance between the male and female gender must be ensured in compliance with applicable provisions of law and regulations in force over time.

The Board of Directors currently in office applies article 147-ter, paragraph 1-ter of the TUF, introduced by Law 120/2011, previously in force, according to which at least one-third of the elected directors must belong to the least represented gender.

In this regard, please recall that, at the date of this Report and in compliance with the above-mentioned provisions, three of the directors on the Company's Board of Directors out of nine are women, in line with the regulation in force.

This representation is furthermore ensured on the Board of Statutory Auditors by a Standing Auditor and an Alternate Auditor appointed at the time that the offices were renewed in 2018.

The Issuer did not adopt specific measures during the year to promote equal treatment and opportunities between the genders within the Company. This being said, the Issuer believes that the current Company's organisation, which is constantly monitored by the Issuer itself, makes it possible to achieve the above-mentioned objectives.

Maximum offices covered in other companies

The Board of Directors considers that it shall not discretionally limit the number of offices that each Director may occupy, without prejudice to the duty of each Director to evaluate the compatibility of the offices of Director and Statutory Auditor held in other companies listed in regulated markets and subject to the rights afforded by the law and regulations, with respect to:

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

In the course of the year, at its meeting held on 10 April 2019, the Board, on the basis of the information received, after the verification of the offices currently held by its Directors in other companies, decided that the number and type of offices held does not interfere and therefore is compatible with an effective performance of the role of Director in the Issuer.

On the basis of the information received from the Directors and in line with the provisions of the Code, please refer to Table 4.2b attached to this Report for the list of administration and control offices held by the Directors in office in joint-stock companies (including those listed in regulated markets, also abroad), partnerships limited by shares and limited liability companies.

Induction Programme

The Company, considering

a) the high level of professionalism of the Directors,

b) the long-term experience gained by nearly all Directors in the sector of activity in which the Issuer operates, as well as

c) the extensive disclosure provided by the Chairman and the Deputy Chairmen during the Board meetings in relation to any regulatory updates of interest to the Company and based on

d) updates, data and documents periodically provided to the directors themselves in the various Board meetings, where information regarding the performance of the Group's businesses is provided or resolutions of a strategic nature are made,

did not believe it was necessary to promote further *ad hoc* initiatives in the course of the year to increase the knowledge of the Directors of the Company's business segment, company trends and their evolution as well as the reference regulatory framework ("induction programme").

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

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

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

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

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

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

The Board of Directors financial reporting responsibilities are to present:

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

During 2019, the Board of Directors met 6 times.

The average duration of the meetings of the Board of Directors was approximately 2 hours.

During the year under way, the Board of Directors met 2 times and 2 additional meetings are planned.

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

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

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

Pursuant to the Articles of Association (article 20), the Chairman is the legal representative of the Company, including insofar as representation in the courts, and also has corporate signing powers.

The other Directors shall represent the Company to the extent permitted by the powers conferred on them.

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

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

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

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

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

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

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

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

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

On the occasion of its meeting of 29 April 2020, the Board of Directors examined the positive opinion expressed by the aforementioned Committee.

The Board also completed its own self-evaluation, by asking all Directors to complete a questionnaire, which brought to light no findings.

With regard to **Application Criterion 1.C.1.g)** of the Code we specify that in the meeting of 29 April 2020, the Board evaluated positively the size, composition and operation of the Board itself and of its committees.

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

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

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

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

4.3. Delegation of powers

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

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

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

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

Chairman of the Board of Directors

It should be noted that Vincenzo Manes was appointed as Chairman of the Board of Directors by the Shareholders' Meeting of 8 May 2018 and that the Board of Directors subsequently confirmed the following powers and capacities:

- coordination and guidance of the activities of other Executive Directors in regard of the assigned powers;
- guidance, coordination and control of external communications including communications with Shareholders;
- in particular, including, but not limited to, and consistently with instructions and guidelines decided by the Board of Directors, the Chairman has powers relating to the management of the Company’s administrative, financial, control, legal, tax, insurance, human resources and information technology affairs in addition to industrial and commercial matters and services. He has the powers to guide and coordinate all such activities for all Group companies through the relevant operational designees and always within the limits of the strategic policies decided by the Board of Directors.

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

Deputy Chairmen of the Board of Directors

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

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

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

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

4.4. Other Executive Directors – Managers with delegations

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

It is however noted that based on a special power of attorney dated 19 December 2012, which was subsequently supplemented on 29 July 2014, the Chairman attributed to the Administrative Director, Giuseppe Mazza, powers of ordinary administration to be exercised by sole signature for transactions between Euro 100 thousand and Euro 500 thousand.

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

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

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

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

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

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

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

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

4.5. Independent Directors

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

Pursuant to the "Application Criteria" set forth in articles 3.C.1. and 3.C.2. of the Code and in compliance with articles 147-ter, paragraph 4, and 148, paragraph 3 of the TUF and Consob communication DEM/9017893 of 26 February 2009, the Directors Giuseppe Lignana, Francesca Marchetti and Luca Ricciardi confirmed that they continue to qualify as Independent Directors pursuant to the aforementioned provisions and both the Board of Directors and Statutory Auditors agreed also for 2019.

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

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

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

It is hereby noted that the Independent Directors meet at least once per year to discuss transactions of particular significance whenever necessary, as part of the activities of the Control and Risk Committee, of which all independent directors of Intek Group are members.

4.6. Lead Independent Director

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

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

Furthermore, the following elements were appropriately assessed:

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

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

5. Processing of company information

5.1. Procedure for handling Privileged Information

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

With this measure, subject to subsequent interventions, the Board decided to develop a procedure for handling privileged information in order to monitor access to and the circulation of privileged information before it is disseminated to the public, ensure respect for the confidentiality requirements set forth by provisions of law and regulations, as well as in order to govern the internal management and external communication of such information.

The subsequent innovations introduced into the section on corporate disclosures of the TUF, as well as by Consob at the regulatory level and therefore by Borsa Italiana S.p.A., required a review to be carried out in March and November of 2006 and again in November 2007.

In particular, we reiterate the new formulation of article 114 of the TUF and, pursuant to the subsequent article 115-bis, the consequent identification of the "relevant parties," who have access to “privileged information” and the establishment of the relative Register beginning from 1 April 2006, in electronic form.

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

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

The procedure in question is constantly updated based on regulatory and/or legislative amendments introduced over time, in order to make it even more suited to the group's various businesses.

Privileged information is disclosed externally through press releases - or other suitable means pursuant to the law - the content of which is approved by the Chairman.

As a rule, when possible, the text of the releases, approved in draft form, is shared with the Directors and Statutory Auditors during the relative Board meetings.

Once the text of the releases is approved by the competent corporate bodies, it is disclosed without delay by the managers of the administrative functions, in compliance with provisions in force over time, including through timely publication on the Issuer's website, where it remains available for the minimum period of time established by the above-mentioned provisions.

For the foregoing purposes, the Company may rely on third parties according to the procedures set forth in provisions in force.

The Directors, Statutory Auditors, associates and all employees of the Issuer and the subsidiaries are required to maintain any privileged information obtained in performing their duties confidential.

Such parties are also required to immediately report all information with respect to which they have reasonable doubts with respect to its nature as privileged information, and to observe the confidentiality requirements set forth above, until the information is no longer privileged or its nature as such has been ruled out.

The Chairman evaluates the relevance of the information received and, if he considers it Privileged Information, or he has doubts in that regard, he shall immediately prepare one or more press releases along with the manager of the administrative function.

The Issuer may delay the communication to the public of Privileged Information, including that regarding subsidiaries, when all of the following conditions are met:

- immediate communication would likely jeopardise the legitimate interests of the Issuer;
- delayed communication would likely not have the effect of misleading the public;
- the Issuer is capable of guaranteeing the confidentiality of such information.

The assessment of the existence of the above-mentioned circumstances is under the responsibility of the Chairman.

The procedure for the processing of privileged information is brought to the awareness of all Directors, Statutory Auditors, associates and employees of the Issuer and the subsidiaries with suitable means.

5.2. Register of people with access to privileged information

Particularly with regard to the obligation for listed issuers to establish and manage a register of people with access to Privileged Information pursuant to the provisions of article 18 of Regulation (EU) no. 596/2014 and the implementing regulations, the procedure for the processing of privileged information adopted by the Issuer calls for the establishment of a register of informed parties (the "**Register**") managed by the Company's Legal and Corporate Affairs Manager or in any event the party covering that function.

For each party with access, on a regular or occasional basis, to privileged information due to their working or professional activities or the functions performed on behalf of the Issuer, the Register contains identifying data and the additional information required by regulations in force over time referring to the Informed Parties listed in the Register.

The Register must be updated if the reason for registration of an informed party changes, or when a new informed party should be registered, or when it is necessary to specify that an informed party no longer has access to privileged information.

The information contained in the Register must be stored for at least 5 (five) years subsequent to the elimination of the circumstances resulting in registration or updating.

The party responsible for managing the Register shall promptly notify the Informed Parties of their inclusion in the Register and all updates of information regarding them, as well as the obligations deriving from having access to privileged information and sanctions relating to (i) the offences of the abuse of privileged information and market manipulation and, more generally, (ii) the unauthorised dissemination of privileged information.

5.3. Internal Dealing

As of 1 April 2006 and following the entry into force of the provisions on internal dealing introduced into the legal system by Law no. 62 of 18 April 2005 and the ensuing amendments set forth in the Issuers' Regulation, the Issuer has a specific "Code of Conduct on Internal Dealing" (hereinafter, the "**Internal Dealing *Code***"), governing information obligations concerning transactions on financial instruments issued by the Issuer or other financial instruments linked to them carried out by "relevant parties" and/or people with close ties to them, in order to ensure the necessary transparency and uniform disclosure to the market.

The Internal Dealing Code, which has been constantly updated over the years based on subsequent regulations on the matter, also in implementation of the regulations set forth in article 114, paragraph 7 of the TUF, as well as article 19 of Regulation (EU) no. 596/2014 and the relative implementing regulations, was most recently amended on 24 November 2016.

The above-mentioned Internal Dealing Code is available on the Issuer's website at https://www.itkgroup.it/assets/files/tb/file/internaldealing/proc_internal_dealing_241116_ita.pdf.

Aside from identifying "relevant parties", defining their conduct and information obligations and the "party responsible" for the receipt, management and distribution of the information, the Internal Dealing Code has established the prohibition against carrying out the above-mentioned transactions in the following periods: in the 30 (thirty) days prior to the date scheduled for the approval of the draft financial statements; in the 30 (thirty) days prior to the date scheduled for the approval of the half-yearly financial report.

It should be noted that, with the entry into effect of European Regulation 596/2014 (the so-called MAR) "relevant parties" can no longer transact using the Company's financial instruments during specific periods of time (the so-called "black out periods").

Communications relating to the relevant transactions pursuant to the rules on Internal Dealing carried out in the course of the year were provided to the market in compliance with the Internal Dealing Code and are available on the Issuer's institutional website at https://www.itkgroup.it/it/internaldealing.

In accordance with the new provisions on remuneration, the equity investments held in the Company and its subsidiaries by the Directors, Statutory Auditors and also Group and Company Key management personnel are disclosed in the Report on Remuneration, to which reference should be made.

* * * * * *

The Board of Directors, at its meeting of 14 September 2012, decided, among other things, to apply the exception envisaged by articles 70, paragraph VIII, and 71-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.

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

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

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

Following the entry into effect of the aforementioned Transparency Directive and the MAR, after careful consideration, the Company decided to update its procedures on internal dealing and privileged information.

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

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

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

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

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

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

Further information regarding the Committee's activities is contained in the section 10.

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

7. Appointments Committee

The Appointments Committee (as provided by Principle 5.P.1 of the Code) has not been established since, referring to the provisions of Criterion 4.C.2., the Board of Directors has considered that the Independent Directors, equal to one third of the members of the Board of Directors, have a significant level of autonomy and independence in decisions and have adequate knowledge of the structures of the Company and the Group.

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

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

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

8. Remuneration Committee

The Board of Directors appointed by the Shareholders' Meeting on 8 May 2018, like that in office previously, decided not to re-establish the Remuneration Committee.

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

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

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

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

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

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

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

9. Remuneration of the Directors

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

10. Control and Risk Committee

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

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

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

- supports the Board of Directors in the performance of its duties with respect to internal control and risk management;
- assesses, together with the Manager in charge of Financial Reporting and the Independent Auditors, the correct application of accounting policies and their consistency also for the purposes of preparing the consolidated financial statements;

- expresses its opinion on specific aspects concerning the identification of the main risks to which the Company is exposed in addition to planning, implementing and managing the internal control system;
- examines the work schedule and the periodic reports prepared by the internal audit function;
- monitors the autonomy, adequacy, efficiency and efficacy of the internal audit function;
- may request the internal audit function to carry out periodic verifications on specific operating areas, concurrently informing the Chairman of the Board of Statutory Auditors;
- reports to the Board, at least every six months, when the annual and half-year financial reports are prepared, on the activities carried out and the adequacy of the internal control and risk management system;
- through appropriate investigation activities, it supports the assessment and decisions of the Board of Directors regarding the risk management in the event of adverse events which the Board of Directors became aware of.

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

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

The Committee met five times in 2019, compared to three in the previous year, and the participation of its members amounted to 100%.

At least one member of the Board of Statutory Auditors always participated in the meetings, at which minutes are taken.

It met once in 2020; its upcoming meetings are not scheduled.

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

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

11. Control and Risk Management System

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

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

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

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

The Company's guidelines for the development, implementation, monitoring and updating of the system over time are based on recognised international best practice and in particular the *COSO - Internal*

Control - Integrated Framework[2], which defines internal control as a process implemented by the Management of the Company and other associates in order to provide reasonable certainty regarding the achievement of objectives included in three categories (*operation, reporting and compliance objectives*).

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

- efficacy and efficiency of operations (operations objective);
- the preparation and publication of financial and other reports, for internal and external distribution, containing information which is reliable, timely and transparent as well as compliant with the requirements of the various regulatory entities and organisations that define recognised standards or policies (reporting objectives);
- compliance with the laws and the regulations (compliance objectives).

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

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

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

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

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

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

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

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

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

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

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

- definition of the scope of activity in terms of entities and items which are significant for the purposes of the compliance programme under review (scoping phase);
- analysis and risk assessment of the financial information concerning the items considered to be significant for the purposes of the certification of the 2019 financial statements (risk assessment phase);
- identification and definition of the set of internal controls between the entities which are included in the compliance programme for the financial year, through integration of the internal control system of each entity to form a single "internal control system" Model which is uniform and applicable to the parent company and the subsidiaries involved in the project, characterised by monitoring practices, principles and methodologies for maintenance and assessment of the internal control system which are unique and valid for the entities included in the scoping phase (mapping phase);
- preparation and execution of the compliance test procedures on internal administrative-accounting controls and documentation of the results obtained, as the basis for the opinion regarding their efficacy and actual application by the entities during the reference period and throughout the processes included in the scope of the project (compliance testing phase);
- sharing with the management of any opportunities for improvement as these arise from the tests carried out in order to promote improvements in the internal control system.

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

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

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

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

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

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

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

The accounting-administrative risk assessment activity led to identification of the significant accounting item associated with the relative accounting process/flow, for each entity included in the analysis. Each item was subjected to a qualitative evaluation of inherent risk through association and subsequent assessment of financial statement assertions[7] referring to the significant accounting items.

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

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

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

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

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

Based on the results of this compliance program, the Chairman and the Manager in charge of Financial Reporting certified the adequacy and efficacy of the internal control system for the financial year by the deadlines and in the form required by the Consob Issuers' Regulation.

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

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

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

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

The risk assessment carried out focused on the objectives (and risks) belonging to the operations and compliance areas, excluding from the latter area the particular portions which are already covered by specific assessment processes and the risk management area in general (e.g. Law 231/2001; 81/08, etc.). Similarly, as indicated above, the administrative-accounting area was excluded from the internal audit process as it is already covered in terms of risk assessment and internal controls through the specific program supporting the statement of the Manager in charge of Financial Reporting pursuant to article 154-bis of the TUF.

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

Roles and company units

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

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

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

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

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

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

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

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

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

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

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

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

11.2. Head of Internal Control

The Head of Internal Control is responsible for internal audit.

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

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

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

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

Due to the changed size and structure of Intek Group and the emphasis on the holding of the equity investments, the internal control function underwent reorganisation which was concluded with the outsourcing of that task, entrusted to a party with adequate professionalism and experience.

On 8 May 2018, the Board of Directors, with the favourable opinion of the Control and Risk Committee and after consulting with the Board of Statutory Auditors, assigned the internal audit engagement for the years 2018-2020 to Operari Srl, which already supports the Company in audits of the procedures set forth under Italian Law 262/2005.

The manager of this function is Vittorio Gennaro, Partner and Managing Director of Operari Srl, already appointed as the third member of the Supervisory Board pursuant to Italian Legislative Decree 231/2001 as well.

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

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

The Model was most recently updated by the Board of Directors on 11 February 2019, so as to take into account the new regulations introduced since its previous revision.

The Model consists of the following parts:

- "General Part", which illustrates the content of Italian Legislative Decree 231/2001, the function of the organisation, management and control model, the duties of the Supervisory Board, the disciplinary system and, in general, the principles, logics and structure of the Model itself;
- "Special Parts", which refer to the specific types of crime analysed and the sensitive activities identified, in order to prevent the crimes set forth in Italian Legislative Decree 231/2001; these special parts specifically regard: crimes in relations with the Public Administrations; crimes on occupational health and safety; corporate crimes; crimes of corruption between private parties; the crimes of market abuse and manipulation; the crimes of receiving, laundering and using money from unlawful activity; cyber crimes;
- Code of Ethics;
- the annexes referred to in the individual parts.

The rules set forth in the Model apply to everyone who carries out, even de facto, management, administration, direction or control functions in Intek Group, their subordinates, both employees and associates, as well as all consultants, agents, attorneys-in-fact and, more generally, third parties who act even de facto on behalf of the Company, within the limits of the powers assigned to them and relating to the scope of activities identified as "at risk".

The Board of Directors also appointed a Supervisory Board with autonomous powers of initiative and control with the function of supervising the effectiveness and updating of the model and/or its constituent elements.

The Supervisory Board should in particular:

- verify the effectiveness, consistency and adequacy of the Model adopted, proposing to the responsible company functions any necessary amendments and additions;
- report to the Board of Directors on an annual basis concerning the status of the Model's implementation and functioning;
- promote, in concert with the responsible company functions, training/information and internal communications programmes with reference to the Model, standards of conduct and the procedures adopted pursuant to Italian Legislative Decree 231/2001;
- establish internal reporting mechanisms which systematically make information from the various company functions available to perform the model validity monitoring function;
- adequately respond to demonstrations of bad conduct, proposing to the responsible company functions the application of internal disciplinary systems.

At the date of this Report, the Supervisory Board, appointed by the Board of Directors at its meeting on 8 May 2018, is in office for the years 2018, 2019 and 2020 and consists of two external professionals, Attorney Fabio Ambrosiani (Chairman) and Attorney Elena Pagliarani and the Head of Internal Control, Mr Vittorio Gennaro.

The Issuer did not take advantage of the right to assign the functions of the Supervisory Board to the Board of Statutory Auditors.

Specifically, also considering the current control system implemented by Intek Group and best practices on the matter, it is deemed that the duties assigned by law to the Supervisory Board may be more effectively pursued through an ad hoc supervisory body with multiple members with a range of different skills and professional backgrounds, thus making the activities of the Supervisory Board more effective and incisive.

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

11.4. Independent Auditors

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

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

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

The total fees paid by the Company in 2019 amount to Euro 136 thousand.

Also in 2019, the total fees paid at the level of the subsidiaries were Euro 1,158 thousand.

During the year the Independent Auditors and companies belonging to the same network were assigned further mandates by Intek and its subsidiaries, amounting to Euro 279 thousand.

Please refer to the notes to the separate financial statements relating to the year in question for further information.

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

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

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

In its meeting of 8 May 2018, the Board of Directors renewed the term of office of Giuseppe Mazza.

The term of office is the same as that for the Board of Directors, in other words until the date of the Shareholders' Meeting convened to approve the financial statements as at and for the year ending 31 December 2020.

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

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

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

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

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

12.Interests of Directors and Transactions with Related Parties

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

The Procedure applicable to transactions with related parties (hereinafter the "**Procedure**"), adopted in March 2003, was updated several times over the years, the last time being on 11 February 2019.

This procedure takes Consob recommendations into account, substantiates the statutory regulation and is compliant with the relevant Regulation adopted by Consob with its resolution no. 17221 of 12 March 2010 (hereinafter the "**Related Parties Regulation**") which requires, in particular, that transactions with related parties, whether carried out directly or through subsidiaries, must take place in compliance with the principles of:

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

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

Here below are the most important provisions of the Procedure whose unabridged version is available in the specific section of the Company's website https://www.itkgroup.it/assets/files/tb/file/particorrelate/proc_parti_corr_110219.pdf.

The related parties are those which are defined and indicated by Consob.

In its meeting of the 5 August 2015, the Board of Directors resolved to no longer consider as related parties the Executive Directors of the sub-holding company KME SE as it is considered as an investment.

In addition, I2 Capital Partners SGR is no longer considered to be strategic, since, following conclusion of the investment period, this subsidiary is no longer able to influence the Company's strategic policy.

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

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

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

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

This includes:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Internal Regulations are not applicable to the following:

1. resolutions regarding the compensation of those Directors vested with special duties, which fall within the total amount approved, in advance, by the Shareholders' Meeting pursuant to article 2389, paragraph 3, of the Italian Civil Code;
2. other transactions lower than Euro 100,000 with natural persons and no higher than Euro 500,000.00 (in both cases the amounts are understood to be on an annual basis and therefore can be cumulative) with other entities;
3. the so called "Remuneration plans", based on financial instruments approved by the Shareholders' Meeting pursuant to article 114-bis of the TUF and the related executive transactions;
4. resolutions regarding the remuneration of Directors vested with special duties, other from those in point 1 above, but only in the case where the conditions laid down by the measures regarding this issue as set out in article 13, paragraph 3, letters a) and b) of the Related Parties Regulation are observed;
5. ordinary transactions finalised at conditions equivalent to normal market conditions, or standard practice;
6. transactions with, or between, subsidiaries, as well as transactions with associates as long as, within such subsidiaries or associates there are no interests, qualified as significant pursuant to the Internal Regulations, of other related parties of the Company.

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

1. communicate to Consob, within the timeframes laid down by the applicable measures, the name of the party involved, the subject and the amount of the transactions;
2. show in the Interim and Annual Reports on Operations which transactions, subject to disclosure obligations, have been finalised while taking advantage of the exclusion condition.

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

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

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

The Company supplies information, in its Interim and Annual Reports on Operations, as required by article 154-ter of the TUF, regarding the following issues:

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

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

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

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

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

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

As already noted, the Procedure was updated on 11 February 2019.

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

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

13.Appointment of Statutory Auditors

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

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

- the submission of a list for the appointment and the *curriculum vitae* of each candidate at least 25 days before the Shareholders’ Meeting on first call and so made available at least 21 days before at the Company offices, on the Company website and through Borsa Italiana SpA. The list must be accompanied by information on the identity of the shareholders that present it, the overall relevant proportion held and a declaration by shareholders other than those who hold, including jointly, controlling interest or plurality interest, confirming the absence of connected relations. It must furthermore contain exhaustive information on their personal and professional characteristics, together with a declaration that they accept the candidacy.
- if only one list or lists that are linked in accordance with current regulations have been submitted within this deadline, other lists may be filed up to the third day after the deadline for submission at the registered office. In this case, the threshold is reduced by one half;
- the presence in the list of one Alternate Auditor designated by minority Shareholders as a substitute, if required, for the Auditor also selected from a non-controlling shareholder list, should the latter no longer be in office;
- in the event that two or more lists obtain the same number of votes, the auditors in the list submitted by the Shareholder with the largest shareholding or, subordinately, the highest number of Shareholders, shall be deemed elected;

- shareholders who, alone or together with others, hold an equity investment, in ordinary shares, equal to the highest percentage identified in article 147-ter, paragraph 1 of the TUF, in respect of the provisions issued by Consob, can submit lists. Based on article 144-quater, paragraph 2 of the TUF, the applicable percentage is 4.5% of the ordinary capital pursuant to the provisions set forth by Consob with its determination no. 28 of 30 January 2020;
- lists with a total number of candidates equal to or higher than three must be composed of candidates which belong to both genders, so that the least represented gender on the list totals at least one third (rounded up). This applies to Standing as well as Alternate auditors;
- in the event of the replacement of an Auditor, the replacing Alternate Auditor must belong to the same list as the departing Auditor, pursuant to the gender balance laws applicable from time to time.

In particular, it is noted that in accordance with articles 148-bis of the TUF and 144-terdecies of the Regulation, Statutory Auditors may not hold more than five positions as Statutory Auditor in issuers.

The provisions of the Articles of Association relative to the appointment of the Board of Statutory Auditors are available in the specific section of the website https://www.itkgroup.it/assets/files/tb/file/statuto/statuto_271217.pdf and we reiterate that the procedure has been updated and made compliant with the new applicable provisions, the latest based on the resolution of the extraordinary Shareholders' Meeting held on 11 June 2014.

14. Composition and operation of the Board of Statutory Auditors (pursuant to article 123-bis, paragraph 2, letter d) and d-bis), TUF)

The current Board of Statutory Auditors was appointed at the designation of Quattroduedue SpA, the Company's majority shareholder, at the time holding 45.75% of the voting capital, by the Shareholders' Meeting held on 8 May 2018 for 2018, 2019 and 2020, and therefore its term of office will end with the Shareholders' Meeting called to approve the financial statements as at 31 December 2020.

The majority of shareholders at the Meeting approved the proposal, with 185,564,795 favourable votes, equal to 99.94% of the shares in attendance and 47.013% of voting shares.

None of the Statutory Auditors, therefore, was appointed from a list submitted by a non-controlling Shareholder, which, pursuant to article 22 of the Articles of Association, would be the highest in accordance with articles 147-ter, paragraph 1 of the TUF and 144-quater of the Issuers' Regulation.

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

The names of all the members of the Board of Statutory Auditors in office during 2019 are listed in the attached Table 14a, with a brief curriculum vitae of each of them, which is also available in the dedicated section of the website https://www.itkgroup.it/it/organisociali.

* * * * * *

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

On appointment to the Board of Statutory Auditors, each member stated that he/she is in possession of the professionalism and integrity requirements required by regulations and the Articles of Association and that he/she is not subject to any of the impediments listed in article 148 of the TUF and undertakes to notify the Company within thirty days of any changes.

The Company has complied with the disclosure obligations pursuant to article 123-bis, paragraph 2, letter d-bis), on verification of the independence of the members of the Board of Statutory Auditors, despite the fact that it is included among the entities that are exempted from the regulation due to the non-applicability to it of two of the three parameters instrumental to this end (revenues of less than Euro 40 million and fewer than 250 employees).

The Board of Directors and the Board of Statutory Auditors verify every year that each of their members still qualifies as independent in accordance with the law and article 8.C.1 of the Code.

These verifications in 2019 involved the position as Standing Auditors of Marco Lombardi, Alberto Villani and Elena Beretta as they sit, as Standing Auditors, on other Boards of Statutory Auditors belonging to other Group companies and investees as detailed below.

To this end, it is considered that these situations do not limit their independence due to their personal characteristics and as such do not represent “significant” professional relations in the overall context of their activities.

The Board of Statutory Auditors announced the findings of the verification that was also conducted for the purposes of article 149, paragraph 1, letter c-bis of the TUF requiring supervision of the actual implementation of the Code.

Other positions as Board Directors and Statutory Auditors held by the Company’s Statutory Auditors at other companies and in the Group are shown in Table 14b, attached to this Report, and were provided to the Shareholders' Meeting when the Statutory Auditors were appointed.

Their current number and importance for each Auditor are below the thresholds envisaged by Consob and by the aforementioned ethical conventions.

The Board of Statutory Auditors carries out functions and responsibilities according to the Italian Civil Code. Pursuant to article 2402, paragraph 1, of the Italian Civil Code, the Board of Statutory Auditors oversees compliance with the law and the Articles of Association with respect to good governance and, particularly, the adequacy of the organisational, administrative and accounting structure of the Company and as it actually functions.

Following the entry into effect of Italian Legislative Decree no. 39 dated 27 January 2010, on the legally-required audit of the financial statements, the Board of Statutory Auditors also took over the task of “Internal Control and Audit Committee.”

The establishment of this Committee aims to minimise the financial and operating risks, risks of failure to comply with the provisions of the law and/or the regulation and to improve the quality of the financial reporting. The Committee, which the Italian law requires be set within the Board of Statutory Auditors, has the following tasks:

- monitoring financial reporting;
- controlling effectiveness of internal control, internal audit and risk management systems;
- monitoring the legally-required audit of the financial statements and verifying the independence of the Auditor or the audit company.

The Board of Statutory Auditors regularly carries out its activities and constantly takes part in the meetings of the Board of Directors and the other Committees, coordinating its activities with the internal audit function in particular, and with the Control and Risk Committee. Furthermore, the Board of Statutory Auditors has over time acquired, developed and maintained on the occasion of the changes in its membership, the possibility of constantly being in contact with the offices of the Company which it contacts directly and in full independence.

Its relationship with the Independent Auditors is collaborative and entails the exchange of data and information.

Furthermore, in this context, the Board of Statutory Auditors monitors the independence of the Independent Auditors.

In accordance with the provisions on remuneration, payments made to the Statutory Auditors are shown in the table drawn up in accordance with Consob provisions (or "Model 1" of Annex 3C of the Issuers' Regulation) contained in the Report on Remuneration; they have been deemed to be commensurate with the commitment required, the relevance of the role held, the size of the Company and the sector in which it operates.

During 2019, the Board of Statutory Auditors met 5 times (6 times in 2018); participation in the meetings by the members was 93% (100% in the previous year). The average duration of the meetings of the Statutory Auditors was approximately 1 hour and thirty minutes.

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

In 2019, at least two members of the Board of Statutory Auditors participated in all the meetings of the Control and Risk Committee.

Participation in these meetings also provides the opportunity for coordinating information flows to the extent of the respective functions and activities of the Board itself, the Head of Internal Control, the Director in charge, the Independent Auditors and the Executive Managers of the Company.

As mentioned elsewhere in this Report, the Company has not adopted policies to ensure diversity of the composition of its control bodies, as each individual chosen to fulfil these roles is assessed at nomination in relation to his or her education and experience.

15.Investor Relations

The relative documentation is provided to all those attending all the Shareholders' Meetings. The quality and timeliness of public announcements, which are fundamental for the provision of information to Shareholders and the market, have been assured also through the development and use of the website https://www.itkgroup.it/it.

Up to 30 November 2012, the company's website www.kme.com contained legal and financial information about the company (KME Group S.p.A.) as well as information on the business and products of the Group's industrial companies.

On 1 December 2012, following the change of the name to Intek Group, the Company adopted a new website https://www.itkgroup.it/it, to which visitors to the website www.kme.com, which now contains only information about the industrial operations of the investee company KME SE, and the website www.itk.it, are directed.

Access to the site is unrestricted and all information can be easily found, with the most recent pieces of news being highlighted. In particular, the reference to the web page containing the information is properly specified.

The site is updated as and when information is released through the electronic system which, up to 28 May 2012, consisted of the NIS (*Network Information System*) managed by Borsa Italiana S.p.A., and then by the "SDIR/NIS".

From that date, following the implementation of Directive 2004/109/EC (the "Transparency Directive"), Consob, with resolution no. 18159 of 4 April 2012, amended the previous situation, authorising the system for the disclosure of regulated information named "eMarketSDIR", managed by Spafid Connect S.p.A. The use of this service is signalled on the homepage of the Company's website.

The system allows disclosure of the press releases issued by the Company to the public by sending them to the press agencies connected to it, as well as to Borsa Italiana S.p.A., which in turn publishes a notice containing them, and Consob.

The site reports historical, documentary, accounting and financial information (annual, half-year and quarterly financial statements, and other statements and documents produced over time) as well as information on corporate events (e.g., annual calendar of corporate events, corporate governance and remuneration reports, terms and conditions for the exercise of rights, details regarding the calling of meetings and how to participate in them, the procedures for the appointment of the Board of Directors and the Board of Statutory Auditors).

There is a section dedicated to stock market information, displaying the real-time market prices of all the financial instruments issued by the Company, together with the relevant charts.

A large section of the website is dedicated to corporate governance (corporate bodies, Articles of Association, characteristics of securities issued, Regulations for bonds, Internal Codes and Procedures, minutes of the Shareholders' Meetings), with specific areas dedicated to any extraordinary transactions underway.

A considerable amount of information is also available in English, particularly press releases, financial statements and interim reports.

During 2019, the website www.itkgroup.it which is available in Italian as well as in English, had over 173 thousand hits by over 148 thousand visitors with over 741 thousand pages viewed. The peak of visits to the website was concentrated in the period between September and October 2019.

It is possible to send requests to the Company by e-mail at investor.relations@itk.it.

The information role of investor relations is performed by the individual company units for their respective areas of expertise.

This decision takes account of the current internal resources and structures of the Company and ensures that information is provided as and when required.

For each Shareholders' Meeting, the website includes a specific section where it is possible to easily find all the documentation on the items on the Agenda as well as on how ordinary Shareholders can participate in the relevant Meetings, as required also by article 125-quater of the TUF.

A similar initiative was taken for the holders of saving shares, as well as holders of bonds.

The Board of Directors believes that a website accessible without restrictions and updated in a timely way improves and enhances the quality and quantity of information about the Company and the Group, thereby providing the Shareholders, as well as the holders of other financial instruments issued by the Company and the market, with a crucial instrument for assessing the company and its initiatives.

The speed and procedures with which the information regarding the transactions that took place during 2019 were made available confirmed the soundness of this choice and the intention to increasingly focus in the future on communication, as well as organising and updating the Company's website, an element that is becoming more and more strategic, in order to allow everyone, without any restrictions, to find information about the Company as broadly and fast as possible.

By virtue of the measures thus adopted which makes it possible to provide easily accessible information and the contained size of the Company, a special structure in charge of managing shareholder relations has not been established, as the information provided by the administrative offices of the Company which are from time to time put in charge of requests from the shareholders has been effective to this end.

16.Meetings (pursuant to article 123-bis, paragraph 2, letter c), TUF)

The Shareholders' Meeting's powers and responsibilities are those set out in the Italian Civil Code and the TUF.

The implementation of EU Directive no. 36/2007, commonly known as the "Shareholders' rights directive", has profoundly changed the provisions regarding the involvement of Shareholders in the activities of listed companies. Additional changes were introduced by Italian Legislative Decree no. 91 of 18 June 2012, as subsequently amended.

The Shareholders' Meeting now consists of those who have voting rights and whose communication, sent by authorised intermediaries, has reached the Company, pursuant to the provisions in force, on the basis of the accounting records relating to the end of the accounting day on the seventh day of trading prior to the date set for the Shareholders' Meeting on first call, and which has reached the Company within the legal deadlines.

The resulting changes have already been introduced in the Articles of Association and internal procedures, and are aimed at confirming and ensuring equality of treatment to all the Shareholders in the same position as regards their participation and the exercise of the right to vote at Shareholders' Meetings.

The Articles of Association (articles 2 and 14) empower the Board of Directors to determine the registered and any secondary offices, to approve mergers and demergers of subsidiaries, to reduce share capital in the event of a withdrawal by a Shareholder and to comply with new regulatory provisions and to retain authority over particular cases regarding transactions with related parties, naturally in compliance with the exceptions allowed by the laws in force.

It should be noted that according to article 10 of the Articles of Association, the Shareholders' Meeting shall be convened through specific notice published on the Company's website, and in the Official Gazette when required, but that it has also been decided to still publish the related notice in a newspaper (currently: "Il Sole 24 Ore" – "MF/Milano Finanza" – "Italia Oggi"), also in an abridged form.

During 2012, as part of the aforementioned provisions, the provisions of article 125-bis of the TUF regarding the preparation of Shareholders' Meetings notices were further amended.

In any case, it should be noted that the website www.itkgroup.it contains a specific area dedicated to corporate governance, which is constantly renewed and updated. For the Shareholders' Meetings, part of the website has been dedicated to the related documentation, including not only the documentation on the items on the Agenda but also that for the exercise of Shareholders' rights as envisaged by article 125-quater of the TUF, such as, for example, the form for proxy voting, the documentation for the appointment of the Appointed Representative, and that for voting by correspondence. The procedures to ask questions during a Shareholders' Meeting and how to ask for additions to be made to the Agenda are shown in the same area.

With respect to provisions relating to the submission of shares for participation in the Shareholders' Meeting, article 11 (Attendance and representation at Shareholders' Meeting) of the Articles of Association implements the "record date" for all; in practice participation in the Shareholders' Meetings is now connected to the accounting entries as at the seventh day of trading prior to the date set for the Shareholders' Meeting on first call.

Pursuant to the new rules regarding the Shareholders' Meetings, the provisions were extended also to the Special Meetings of holders of other financial instruments issued by the Company which are traded on a regulated market, and therefore to holders of savings shares and bonds.

The provisions regarding the issue of proxies and their electronic notification which are also contained in article 11 of the Articles of Association are also worth noting. The above-mentioned article in the Articles of Association also includes the provisions on how to exercise the vote by correspondence.

The other methods of participating in Shareholders' Meetings are contained in article 10 (Calling of Shareholders' Meetings) of the Articles of Association, particularly with reference to the protection of minority shareholders with respect to the appointment of Directors and Statutory Auditors.

As a departure from the Code, the Company has decided to do without specific "Shareholders' Meeting Rules" due to the existence of the provisions of Chapter III of the Articles of Association, available on the Company's website https://www.itkgroup.it/it in the Profile – Articles of Association section.

Greater details on participation at the specific meeting and the right to ask questions can be found in the Governance/Shareholders' Meetings section with reference to upcoming Shareholders' Meetings.

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

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

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

The extraordinary Shareholders' Meeting of 19 June 2015 introduced articles 11-bis, 11-ter and 11-quater, establishing the increased voting right for Shareholders that are eligible pursuant to the requirements set by the law that so request by registering the in the special register that the Company has established. Two shareholders are currently registered.

In the course of 2019, only one ordinary Shareholders' Meeting was held, on 16 May 2019.

In 2020, at the date of this Report, no Shareholders' Meeting had been held, as the Ordinary and Extraordinary Shareholders' Meetings initially called for 24/25 February 2020, respectively on first and second call, and the subsequent Ordinary and Extraordinary Shareholders' Meeting called to replace the previous one for 27/30 March 2020, respectively on first and second call, both regarding the Exchange Offer on Savings Shares, described in another section of this Report, were postponed due to the regulatory measures issued as a result of the COVID-19 epidemiological emergency.

The above-mentioned Shareholders' Meeting will be called again, in compliance with the legal terms and procedures applicable over time.

Unless otherwise provided by the applicable legislative provisions, the Articles of Association shall not be amended unless approved by the Shareholders' Meeting in the manner, quorums and with the majority prescribed by applicable law.

The Articles of Association contain provisions for the protection of the non-controlling Shareholders in regard to the convening of the Shareholders' Meeting and additions to its Agenda (article 10), appointment of the Board of Directors (article 17) and the Board of Statutory Auditors (article 22), in relation to the possibility of collecting voting proxies and the right to vote by correspondence (article 11) and the disclosure obligations of the Executive Directors to the other directors and the Board of Statutory Auditors (articles 14 and 18) and the Common Representative of Savings Shareholders (article 26).

In particular, articles 17 (Appointment and composition of the Board of Directors, and duration of the office of its members) and 22 (Board of Statutory Auditors) were amended in 2007, with the introduction of the voting list method for minorities and in 2014, by adaptation thereof to the regulations on gender balance insofar as the composition of the administration and control bodies, as introduced by Italian Law no. 120/2011.

Furthermore, articles 13 and 5 of the Articles of Association which specifically entitle Shareholders to submit questions prior to the Shareholders' Meetings (article 125-bis, paragraph 4, letter b), no. 1) of the TUF) and the right to request identification for the Shareholders (article 83-duodecies of the TUF).

It should be noted that the provisions which became effective in 2012 require that the notice indicate the deadline by which questions can be put forward prior to the meeting, and that this deadline cannot be earlier than three days prior to the Shareholders' Meeting on the first or single call or five days if the notice provides for that the Company will give a response prior to the meeting. In this case, the answers must be provided at least two days prior to the meeting, including through publication in the special section of the Company's website.

Legitimacy of asking questions is the responsibility of the individuals with the voting rights and not the shareholders.

Additions to the Agenda and presentation of new resolution proposals

Article 10 of the Articles of Association highlights, in compliance with article 126-bis of the TUF, that Shareholders who represent at least one fortieth of the share capital may ask, within 10 days of publication of the Shareholders' Meeting notice, for an addition to the list of items to be addressed. The request must be presented in writing and must contain an indication of the items to be addressed.

Agenda items may not be added with respect to issues on which Shareholders resolve as per the law, upon proposal by Directors or based on a project or report put forward by Directors, other than those specified in article 125-ter, paragraph 1 of the TUF.

Following the 2012 amendments, this provision was extended in order to allow Shareholders with a similar stake, again within 10 days of publication of the notice and according to a procedure similar to that provided for the addition to the Agenda items, to put forward resolution proposals on issues already on the Agenda.

In any case, any persons with voting rights can individually put forward resolution proposals to the Shareholders' Meeting.

Pursuant to the law, the requests for additions and/or submission of a new resolution proposal shall be made using that same procedures as provided for the convening of the Shareholders' Meeting at least 15 days prior to the date set for the meeting, making the Report available to the shareholders, accompanied by any assessments by the Board of Directors.

Request to call Shareholders' Meeting

Article 10 of the Articles of Association, in accordance with the provisions of article 2367 of the Italian Civil Code, provides that Shareholders who represent at least one twentieth of the share capital in terms of ordinary shares can ask the Chairman of the Board of Directors to call a Shareholders' Meeting.

The request shall be made by registered letter and shall contain the list of the items to be included in the Agenda and the detailed list of those requesting the meeting, together with a copy of the suitable communication issued by the authorised intermediaries who certify ownership of the shares and their number.

Please recall that, following the regulations issued during the emergency caused by the Covid-19 pandemic, and in particular with reference to the provisions of article 106 of Law Decree no. 18 of 17 March 2020, regarding shareholders' meetings called by 31 July 2020 or by the date, if subsequent, until which the state of emergency will be in place throughout the country relating to the health risk linked to the insurgence of the COVID-19 epidemic:

i. in derogation of the provisions of articles 2364, paragraph 2, and 2478-bis of the Italian Civil Code or the different provisions of the articles of association, the ordinary shareholders' meeting is to be called within one hundred and eighty days of year-end close.

ii. with the notice of call of the ordinary and extraordinary shareholders' meetings, it is also possible to allow for, even in derogation of provisions of the articles of association to the contrary, voting electronically or by correspondence and participation in the shareholders' meeting through telecommunications tools; it is also possible for the shareholders' meeting to be held, even exclusively, through telecommunications tools that guarantee the identification of the participants, their participation and the exercise of voting rights, pursuant to and in accordance with articles 2370, paragraph 4, of the Italian Civil Code, without in any event the need for the chairman, secretary or notary to be located in the same place, if applicable.

iii. companies with listed shares may designate for ordinary or extraordinary shareholders' meetings the representative set forth in article 135-undecies of Italian Legislative Decree no. 58 of 24 February 1998, even if the articles of association establish otherwise, and may also establish in the notice of call that participation in the shareholders' meeting will take place exclusively through the representative designated pursuant to article 135-undecies of Italian Legislative Decree no. 58 of 24 February 1998; the above-mentioned designated representative may also be granted the delegations or sub-delegations pursuant to article

135-novies of Italian Legislative Decree no. 58 of 24 February 1998, in derogation of article 135-undecies, paragraph 4, of the same decree.

17. Other Corporate Governance Issues

The Issuer, aside from the Organisational Model pursuant to Italian Legislative Decree 231/2001 and the accounting control procedures illustrated in Section 11 of the Report, does not adopt corporate governance practices other than those set forth in legislative and regulatory standards.

18. Changes after the year end

As of the end of the year, there were no changes in the corporate governance structure other than those indicated in the specific sections.

19. Considerations on the letter from the Chairman of the Corporate Governance Committee of 19 December 2019

During the meeting on 29 April 2020, the letter sent by the Corporate Governance Committee Chairman to the Chairman of the Board of Directors and to the Chairman of the Board of Statutory Auditors of the Company was brought to the attention of the Board of Directors.

In particular, also taking into account the results of the self-assessment process, the Board:

i. confirmed the adequacy of the remuneration policies in pursuing the objective of medium/long-term business sustainability, highlighting how, from this standpoint, the remuneration policy adopted by the Company includes individual objectives for the variable remuneration component consistent with the Company’s strategic objectives;

ii. deemed the quality of pre-board meeting disclosures to be adequate in terms of their comprehensiveness, usability and timeliness, also deeming compliance with confidentiality requirements to be met;

iii. acknowledged the fact that the criteria laid out by the Code for the verification of the fulfilment of independence requirements by the members of the Board of Directors and the control body were always respected by the Company, deeming it appropriate to reserve to the Board itself the duty of evaluating the significance of any relationships between the directors and the Company; and

iv. highlighted how the board review process showed that the pay recognised to the non-executive directors and the Board of Statutory Auditors is adequate in light of the skills, professional background and commitment required of the relative office.

Table 2.1a: INFORMATION ON THE CAPITAL STRUCTURE AND FINANCIAL INSTRUMENTS

SHARE CAPITAL STRUCTURE			
Shares issued	ISIN Code	No. of utstanding Shares	% of total share capital
Ordinary shares	IT0004552359	389,131,478	88.59%
Unregistered savings shares	IT0004552367	50,109,818	11.41%
Registered savings shares	IT0004552375		
Total shares		439,241,296	100.00%

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

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Table 2.1b: SHARE PERFORMANCE IN 2019

PERFORMANCE OF SECURITIES				
	Maximum value		***Minimum value***	
	Month	***Price***	***Month***	***Price***
Ordinary shares	March	0.3499	November	0.2780
Savings shares	December	0.4561	November	0.2968
Intek Group S.p.A. 2015-2020 Bonds	January	102.06	December	100.23

Investor relations:
phone: 02 8062921
FAX: 02 8062940
Email: info@itk.it
Website: www.itkgroup.it

Table 2.3 SIGNIFICANT EQUITY INVESTMENTS

SIGNIFICANT EQUITY INVESTMENTS			
Declarant	**Direct shareholder**	**% Share of ordinary capital**	**% Share of voting capital**
Quattroduedue Holding B.V.	Quattroduedue SpA	46.97%	61.66%

Table 4.2

Structure of the Board of Directors and its Constituent Committees

BOARD OF DIRECTORS													CONTROL AND RISK COMMITTEE		REMUNERATION COMMITTEE (***)	
Office	**Members**	**Year of birth**	**Date of first appointment ***	**Serving from**	**Serving until**	**List ****	**Executive**	**Non-Executive**	**Independent as per Code**	**Independent as per TUF**	**Attendance (*)**	**Number of other positions *****	**(**)**	**Attendance (*)**	**(**)**	**% (*)**
Chairman	Vincenzo Manes	1960	14.2.2005	08.05.2018	31.12.2020	M	X				6/6	8				
Deputy Chairwoman	Diva Moriani	1968	27.4.2005	08.05.2018	31.12.2020	M	X				6/6	8				
Deputy Chairman	Marcello Gallo	1958	14.2.2005	08.05.2018	31.12.2020	M	X				6/6	4				
Director	Giuseppe Lignana	1937	12.1.2005	08.05.2018	31.12.2020	M		X	X	X	6/6	-	C	5/5		
Director	James Macdonald	1951	30.4.2013	08.05.2018	31.12.2020	M		X			5/6	3				
Director	Ruggero Magnoni	1951	31.05.2016	08.05.2018	31.12.2020	M		X			6/6	9				
Director	Alessandra Pizzuti	1962	19.06.2015	08.05.2018	31.12.2020	M		X			6/6	3				
Director	Luca Ricciardi	1973	30.4.2013	08.05.2018	31.12.2020	M		X	X	X	6/6	-	M	5/5		
Director	Francesca Marchetti	1963	08.5.2018	08.05.2018	31.12.2020	M		X	X	X	6/6	2	M	5/5		
------DIRECTORS WHO CEASED TO HOLD OFFICE DURING THE YEAR-----																

Number of meetings held during the year	***BOARD OF DIRECTORS: 6***	***CONTROL AND RISK COMMITTEE: 5***	***REMUNERATION COMMITTEE: n/a***

Indicate the *quorum* required for presentation of lists by the minority shareholders for election of one or more members (pursuant to article 147-ter of the TUF): 2.5%

<u>Notes</u>

Attendance at meetings for which minutes were taken is reported in the table. It should be remembered that all the member of the Committees and those invited at the meetings, regardless of whether or not they actually attend, receive documentation and information regarding items on the Agenda with due notice, and take part in their discussion in preparation for the passing of resolutions.

*** Date of first appointment for each Director means the date on which the Director was appointed for the first time (in an absolute sense) by the Issuer's BoD.**

**** This column indicates the list from which each Director was selected ("M" majority list; "m" minority list; "BoD" list presented by the BoD).**

***** This column indicates the number of positions as Director or Statutory Auditor held by the person concerned in other companies listed on regulated markets, in Italy or abroad, as well as in financial, banking, insurance or other companies of considerable size. Table 4.2b includes the list of these companies with reference to each Director, specifying whether or not the company in which the position is held is part of the Group of which the Issuer is the parent or part.**

(*) This column indicates the attendance of directors at the meetings of the Board and the committees, respectively (no. of attendances/no. of meetings held during the effective term of office of the person concerned).

(**) This column indicates the position of the Director within the Committee: "C" if Chairman; "M" if a member.

(***) The committee is no longer established pursuant to the resolution of the BoD on 19 June 2015 and 8 May 2018.

Table 4.2b

A table showing positions as Director or Statutory Auditor held by each Director at 31 December 2019 in other joint-stock companies, partnerships limited by shares and private limited companies, as well as foundations and associations, is set out below.

Name	**Company**	**Office**
Vincenzo Manes		
	Intek Group S.p.A. (2)	Chairman of the Board of Directors
	I2 Capital Partners SGR S.p.A. (1)	Chairman of the Board of Directors
	Nextep Srl Benefit Corporation	Chairman of the Board of Directors
	Quattroduedue Holding B.V.	Member of the Supervisory Board
	KME SE (1)	Chairman of the Supervisory Board
	KME Mansfeld GmbH	Member of the Supervisory Board
	Tod's Group (2)	Member of the Board of Directors and the Remuneration and CO/Risk Committees
	Compagnia Immobiliare Azionaria (CIA) SpA (2)	Member of the Board of Directors
	Class Editori SpA (2)	Member of the Board of Directors
	Fondazione Dynamo	Chairman of the Board of Directors
	Fondazione Adriano Olivetti	Member of the Board of Directors
	Fondazione La Triennale di Milano	Member of the Board of Directors
	Fondazione Italia Sociale	Chairman
	Robert Kennedy Human Rights	Member of the Board of Directors

Diva Moriani		
	Intek Group S.p.A. (2)	Deputy Chairman of the Board of Directors
	Nextep Srl Benefit Corporation	Managing Director
	Dynamo Academy S.r.l. Impresa Sociale	Member of the Board of Directors
	KME SE (1)	Deputy Chairman of the Supervisory Board and Chairman of the Audit and Strategy Committee within the Supervisory Board
	KME Germany GmbH (1)	Member of the Supervisory Board
	KME Mansfeld GmbH	Member of the Supervisory Board
	KME Srl	Member of the Board of Directors
	Moncler S.p.A. (2)	Member of the Board of Directors - Chairman of the Remuneration and Appointments Committee and member of the Related Party Committee
	ENI S.p.A. (2)	Member of the Board of Directors - Chairman of the Appointments Committee and member of the Internal Control and Remuneration Committees
	Assicurazioni Generali (2)	Member of the Board of Directors - Chairman of the Appointments and Remuneration Committee

		and member of the Related Party Committee
	Fondazione Dynamo	Member of the Board of Directors
	Fondazione Dynamo Camp Onlus	Member of the Board of Directors

Marcello Gallo		
	Intek Group S.p.A. (2)	Deputy Chairman of the Board of Directors
	I2 Capital Partners SGR S.p.A. (1)	Managing Director
	ISNO 3 S.r.l. in liquidazione	Liquidator
	KME SE (1)	Member of the Supervisory Board
	KME Germany Bet. GmbH (1)	Member of the Supervisory Board
	Dynamo Academy S.r.l. Impresa Sociale	Member of the Board of Directors
	Fondazione Dynamo	Member of the Board of Directors
	Fondazione Vita	Chairman of the Board of Directors
	Fondazione Dynamo Camp Onlus	Member of the Board of Directors

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

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

Ruggero Magnoni		
	Raffaele CARUSO S.p.A.	Member of the Board of Directors
	Compagnie Financiere Richemont SA	Member of the Board of Directors and of the Audit Committee
	Compagnie Financiere Rupert SCA	Unlimited Partner
	Intek Group S.p.A. (2)	Member of the Board of Directors
	FMSI Social Investment Srl Impresa Sociale	Member of the Board of Directors
	IMMSI S.p.A. (2)	Member of the Board of Directors
	Omniainvest S.p.A.	Member of the Board of Directors
	M&M Capital Ltd.	Chairman
	Quattroduedue Holding B.V.	Supervisor Director
	IFM Investors	Senior Advisor to IFM Global Infrastructure Fund
	Fondazione Dynamo	Member of the Board of Directors

	Fondazione Giuliano e Maria Carmen Magnoni Onlus	Founding Member and Chairman
	Fondazione Laureus Sport for Good Italia Onlus	Founding Member and Chairman
	Fondazione Cologni dei Mestieri d'Arte	Member of the Board of Directors
	Lehman Brothers Foundation Europe	Trustee

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

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

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

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

(2) company listed in a regulated market.

* * * * * *

TABLE 14a

Structure of the Board of Statutory Auditors

BOARD OF STATUTORY AUDITORS

Office	Members	Year of birth	Date of first appointment *	Serving from	Serving until	List **	Independence as per Code	Attendance ***	Number of other positions ****
Chairman	Marco Lombardi	1959	1.9.2008	08.05.2018	31.12.2020	M	x	5/5	6
Standing Auditor	Giovanna Villa	1966	08.05.2018	08.05.2018	31.12.2020	M	x	5/5	9
Standing Auditor	Alberto Villani	1962	30.4.2013	08.05.2018	31.12.2020	M	x	4/5	31
Alternate Auditor	Elena Beretta	1969	19.6.2015	08.05.2018	31.12.2020	M	x	==	9
Alternate Auditor	Andrea Zonca	1966	30.4.2013	08.05.2018	31.12.2020	M	x	==	19

---------- STATUTORY AUDITORS WHOSE APPOINTMENT CEASED DURING THE YEAR ----------									

Number of meetings held during the year: 5
Indicate the *quorum* required for presentation of lists by the minority shareholders for election of one or more members (pursuant to article 148 of the TUF): 2.5%

Notes

* Date of first appointment for each Statutory Auditor means the date on which the Statutory Auditor was appointed for the first time (in an absolute sense) by the Issuer’s Board of Statutory Auditors.

** This column indicates the list from which each Statutory Auditor was selected (“M” majority list; “m” minority list).

*** This column indicates the participation of the statutory auditors in the meetings of the Board of Statutory Auditors (no. of attendances during the period during which the individual was in office)

**** This column indicates the number of positions as director or statutory auditor held by the person concerned which are relevant under article 148-bis of the TUF and the relative implementing provisions contained in the Consob Issuers' Regulations. The complete list of offices is published by Consob on its own website pursuant to article 144-quinquiesdecies of the Consob Issuers’ Regulation.

Table 14b

Below is a table showing the Director or Statutory Auditor positions held by each Statutory Auditor at 31 December 2019 in other joint-stock companies, partnerships limited by shares and limited liability companies.

Name	Company	Office
Marco Lombardi		
	Brandini S.p.A.	Chairman of the Board of Statutory Auditors
	Intek Group S.p.A. (2)	Chairman of the Board of Statutory Auditors
	KME Italy S.p.A. (1)	Standing Auditor
	JSW Steel Italy Piombino SpA	Standing Auditor
	GSI Lucchini SpA	Standing Auditor
	Piombino Logistics SpA	Standing Auditor
	Palomar SpA	Standing Auditor
	Fondazione Angeli del bello	Member of the Board of Auditors
Giovanna Villa		
	Intek Group S.p.A. (2)	Standing Auditor
	Lenovo Italy Srl	Sole Auditor and Member of the SB
	Lenovo Global Technology Italy Srl	Sole Auditor and Member of the SB
	OMP Racing SpA	Standing Auditor
	Malvestiti SpA	Standing Auditor
	Eolo SpA	Standing Auditor
	Skylink Srl	Standing Auditor
	Cometa Srl	Standing Auditor
	Fratelli Carlotto Srl	Sole Auditor
	Lubra SpA	Standing Auditor
	Italian Gasket SpA	Member of the SB
	Kardia Srl	Chairman of the SB
Alberto Villani		
	Intek Group S.p.A. (2)	Standing Auditor
	AGB Nielsen M.R. Holding S.p.A.	Chairman of the Board of Statutory Auditors
	BBC Italia Srl	Member of the Board of Directors
	Bennet S.p.A.	Standing Auditor
	Bennet Holding S.p.A.	Standing Auditor
	BTSR International S.p.A.	Chairman of the Board of Statutory Auditors
	Compagnia Padana per Investimenti S.p.A.	Alternate Auditor
	Carcano Antonio S.p.A.	Standing Auditor
	De Longhi Capital Services Srl	Chairman of the Board of Statutory Auditors

	De Longhi Appliances Srl	Chairman of the Board of Statutory Auditors
	De Longhi SpA	Standing Auditor
	Effe 2005 Gruppo Feltrinelli S.p.A.	Standing Auditor
	Finmeg Srl	Standing Auditor
	Fratelli Consolandi Srl	Chairman of the Board of Statutory Auditors
	Gallerie Commerciali Bennet S.p.A.	Standing Auditor
	HDP S.p.A.	Chairman of the Board of Statutory Auditors
	Impresa Costruzioni Grassi & Crespi Srl	Alternate Auditor
	Impresa Luigi Notari S.p.A.	Alternate Auditor
	Lambda Stepstone Srl	Standing Auditor
	Meg Property S.p.A.	Standing Auditor
	Over Light S.p.A.	Standing Auditor
	Pirelli & C. SpA (2)	Standing Auditor
	Quattroduedue SpA	Chairman of the Board of Statutory Auditors
	Royal Immobiliare Srl	Sole Director
	San Remo Games Srl	Sole Auditor
	Selecta S.p.A.	Chairman of the Board of Statutory Auditors
	Selecta Taas S.p.A.	Chairman of the Board of Statutory Auditors
	SO.SE.A. Srl	Member of the Board of Directors
	Tenuta Montemagno Soc. Agricola SpA	Chairman of the Board of Statutory Auditors
	TP Industrial Holding SpA	Standing Auditor
	Vetus Mediolanum S.p.A.	Chairman of the Board of Statutory Auditors
	Vianord Engineering SpAs	Member of the Board of Directors

Elena Beretta		
	Carcano Antonio S.p.A.	Alternate Auditor
	Fratelli Consolandi Srl	Standing Auditor
	I2 Capital Partners SGR S.p.A. (1)	Standing Auditor
	Impresa Costruzioni Grassi e Crespi Srl	Alternate Auditor
	Intek Group S.p.A. (2)	Alternate Auditor
	Intek Investimenti SpA (1)	Standing Auditor
	Lariohotels S.p.A.	Alternate Auditor
	Quattroduedue SpA	Standing Auditor
	Romeo Maestri & Figli S.p.A.	Alternate Auditor
	Tenuta Montemagno Soc. Agricola SpA	Alternate Auditor

Andrea Zonca		
	Arsonsisi S.p.A. (JColors Group)	Standing Auditor
	Axxam S.p.A.	Standing Auditor
	Clovis Oncology Italy S.p.A.	Standing Auditor

Clovis Oncology IT SpA	Standing Auditor
Dalmar S.p.A.	Chairman of the Board of Statutory Auditors
Dalmar Impianti S.p.A.	Standing Auditor
Environnement Italia S.p.A.	Standing Auditor
Erich Weitzmann S.p.A.	Member of the Board of Directors
Fidiger S.p.A.	Chairman of the Board of Statutory Auditors and Member of the Supervisory Board
Immobiliare A. Cerreto SpA	Chairman of the Board of Statutory Auditors
Impresa Luigi Notari S.p.A.	Standing Auditor
Intek Group S.p.A. (2)	Alternate Auditor
Over Light S.p.A.	Standing Auditor
Rodigas Srl	Standing Auditor
Romeo Maestri & Figli S.p.A.	Standing Auditor
Sevecom SpA	Standing Auditor
Sireg Geotech Srl	Independent Auditor
So.Se.Co. Srl	Member of the Board of Directors
Tankoa Yachts S.p.A.	Standing Auditor
Trustfid S.p.A.	Chairman of the Board of Statutory Auditors

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

(2) company listed in a regulated market.

INTEK GROUP

REMUNERATION POLICY 2020
AND REPORT ON REMUNERATION 2019

Prepared pursuant to article 123-ter of the TUF and article 84-quater of Consob Resolution no. 11971 of 14 May 1999 as amended

Board of Directors
of 29 April 2020

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

Dear Shareholders,

The first Section of this document describes the Remuneration Policy (the "**Policy**") applicable to the members of the Board of Directors and the Board of Statutory Auditors of the company Intek Group SpA ("**Intek Group**" or "**Intek**" or the "**Company**"). The second Section instead illustrates the implementation of the pay policies in force and the compensation paid in the year 2019 (the "**Report on Remuneration**" or only the "**Report**"). In particular:

The Policy

The Policy described in the first section refers to a year-long time period and was prepared in line with the recommendations on remuneration of the Corporate Governance Code approved by the Borsa Italiana Corporate Governance Committee (the "**Code**"). Specifically, the Policy is valid from the date of its approval until the date of approval of the Annual Financial Report relating to the year ending 31 December 2020, which will coincide with the date of expiry of the terms of office of the Directors and Statutory Auditors. The Policy is defined to such an extent so as to attract, motivate and retain resources with the professional skills (both management and technical) required to successfully manage the Company and its strategies, as defined by the Board of Directors, as well as to support the pursuit of the Company's long-term interests and sustainability. The Policy is drafted in light of the recommendations set forth in article 6 of the Corporate Governance Code of Borsa Italiana S.p.A. as amended in July 2018, and takes into account the provisions laid out in article 123-ter of Italian Legislative Decree no. 58 of 24 February 1998, as subsequently amended (the "**TUF**"), article 84-quater of the Consob Regulation approved with resolution no. 11971 of 14 May 1999, as subsequently amended (the "**Issuers' Regulation**") and Annex 3A to the Issuers' Regulation, Scheme 7-bis; as well as the provisions set forth in the procedure for transactions with related parties, approved by the Company's Board of Directors on 11 November 2010, in the version updated on 19 February 2019, pursuant to the regulation adopted by Consob with resolution no. 17221 of 12 March 2010, as subsequently amended and supplemented.

The Report

The "Report on Remuneration" shall be approved by the Board of Directors, prepared in accordance with Annex 3A, Scheme no. 7 bis of the Issuers' Regulation, filed with the Company's registered offices and published on its website at least 21 days prior to the Shareholders' Meeting called to approve the annual financial statements. The Report refers to the year 2019 and in particular is focused, including through the use of specific tables, on the analytical presentation of the remuneration paid to Directors, Statutory Auditors, General Managers and Key management personnel in the course of that year.

Following past practice and the guidelines provided in the layout document issued by Borsa Italiana S.p.A. (VIII edition, January 2019) concerning the "Report on corporate governance and ownership structure"("**Report on Governance**"), disclosure required by the Corporate Governance Code was included in this Report in order to avoid providing duplicate information. Mention has been given in the aforementioned Report on Governance as well.

Again, in accordance with the aforementioned indications, the Report on Governance and this Report are available also from the registered office of the Company and the governance section of the *website* www.itkgroup.it. Due to their respective contents and the numerous reciprocal overlapping, it is recommended that they be read and examined jointly.

This "Report on Remuneration" was approved by the Board of Directors in the meeting held on 29 April 2020.

1 Section I - The Remuneration Policy

1.1 Introduction

Intek Group is a holding company with diversified equity investments which pursues a medium-term investment strategy in diversified sectors, with a major focus on their capacity to generate cash flows and/or increase value over time.

The Company makes and manages investments with a medium to long term time horizon, with the objective of creating and maintaining a flexible portfolio of assets. Shorter investment cycles are preferred compared to the past, which result in faster cash generation.

In line with this strategic definition, the management believes that, in evaluating the Company's overall performance, it is necessary to consider not only the economic results for the period, but also and above all the appreciation of the individual assets over time and their potential for creating shareholder value.

The management of Intek monitors and analyses the performance of the markets in which it has made its investments to ensure that opportunities to increase their value are taken or to carry out new transactions in synergy with existing investments.

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

On the basis of this arrangement, Intek's separate financial statements, which allow for a better overview of the investments made in the various sectors, constitute the instrument most representative of the equity and income structure as well as the effective economic development of the Company and its investments.

The separate financial statements have always been the Company's preferred informational tool for the communication of the company's results. The Company's accounting classification, starting from the year 2014, as an "investment entity" increased the informational content of the financial statements as the investments are valued not at cost but at fair value with a constant adjustment of the financial statement values.

Maximisation of the value of the assets managed is therefore pursued through business strategies, including agreements and/or partnership opportunities, which aim to enhance the individual assets and the performance of extraordinary transactions involving the equity investments held in the portfolio.

2 *Intek Group Governance*

2.1 Corporate bodies

Following the decisions made by the Shareholders' Meeting held on 8 May 2018, the Company's Board of Directors and the Board of Statutory Auditors are composed as follows as at the date of this Report:

Board of Directors

Members	Position held in the Board of Directors	Positions held in Committees	
		Remuneration Committee (1)	**Control and Risk Committee**
Vincenzo Manes	**Executive Chairman**		
Diva Moriani	**Executive Deputy Chairwoman**		
Marcello Gallo	**Executive Deputy Chairman**		
Giuseppe Lignana	**Independent Director**		**√ (Chairman)**
James Macdonald	**Director**		
Ruggero Magnoni	**Director**		
Francesca Marchetti	**Independent Director**		√
Alessandra Pizzuti	**Director**		
Luca Ricciardi	**Independent Director**		√

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

Board of Statutory Auditors

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

Key management personnel

In 2019, just as in the previous three years, only the executive directors Vincenzo Manes, Diva Moriani and Marcello Gallo were considered Intek Group Key management personnel; the strategic executives in office at the investee companies are not considered “key executives” for the purposes of these documents (Policy and Report), as these companies are considered to be investments and are therefore not instrumental to the operations of the Company.

2.1.1 __The corporate bodies involved in the preparation of the remuneration policy and relevant procedures__

The mandate of the Remuneration Committee expired at the Shareholders' Meeting held on 19 June 2015, which approved the financial statements for the year ended 31 December 2014. The Company’s Board of Directors, appointed by that Shareholders' Meeting, decided not to re-establish the Remuneration Committee pursuant to article 6 of the Borsa Italiana Corporate Governance Code, which considered that specifically for Intek Group, the duties incumbent upon the Remuneration Committee as required by the Code (see Criterion 6.C.5) could be satisfactorily carried out directly by the Board of Directors. The administrative body appointed by the Shareholders' Meeting on 8 May 2018, which met on the same date, also decided not to re-establish that Committee, in line with the previous three-year period.

Also for the year 2019, as in previous years, the Board of Directors deemed that it, in its entirety, is an entity that can adequately and efficiently define and set the incentive criteria (which are connected to the valuation of the assets, as indicated above), based on which to determine the variable component of the remuneration of Executive Directors and Key executives and for monitoring that the fixed objectives were indeed reached.

The Board continues to believe that the current definition of its strategic mission, its approach to the market and its governance structure have rendered the remuneration policy simpler than in past as it refers solely to the Executive Directors of the Company and any Key executives.

The remuneration policy applicable to the Executive Directors and the remuneration criteria of the Key executives was approved by the Board of Directors, after being examined by the Board of Statutory Auditors.

The Board of Directors also has the option of working with at least two Independent Directors in order to address specific queries or to analyse issues that refer to the remuneration of Executive Directors which are from time to time significant. The opinions of such Directors may be discussed within the Board of Directors. The positive opinion of at least two Independent Directors is necessary to check for the existence of exceptional circumstances that allow for temporary derogations to the Remuneration Policy.

The Policy thus approved by the Board of Directors is submitted to the Shareholders' Meeting for approval with a binding vote, according to article 123 ter, paragraph 3-bis of the TUF, when the resolution is passed on the Annual Financial Report.

Pursuant to article 123 ter, paragraph 3 ter, if the Shareholders' Meeting does not approve the Policy, or its amendments, subject to the vote of the Shareholders' Meeting itself, the remuneration set forth in the most recent Policy approved by the Shareholders' Meeting or, lacking this, practices in force, would continue to apply.

The Board of Directors initiates the activities and duties related to remuneration, as these are set forth in the Code, under Criterion 6.C.5.

The Board of Directors is responsible for overseeing the correct implementation of the Policy adopted.

As regards the Directors and the Managers of the subsidiaries/investee companies, which are considered as investments (as defined since 2014, with the application in the separate and consolidated financial statements of the accounting standards IFRS 10 and 12 and IAS 27 concerning investment entities), remunerations are handled exclusively by the administrative bodies of the individual subsidiaries/investee companies.

2.1.2 Amendments and derogations to the Policy

This Policy is valid and binding for the period specified above, without prejudice to any amendments approved by the Shareholders' Meeting, according to the procedure specified in paragraph 1.2.2.

The derogations may be approved only in exceptional circumstances, meaning situations in which the derogations are necessary in order to pursue the long-term interests and sustainability of the Company as a whole or, also, to ensure its staying capacity in the market.

Any derogations must obtain the positive opinion of at least two Independent Directors and be approved by the Board of Directors. The approval of the derogations must be preceded by the verification of i) the existence of exceptional conditions, meaning situations, not expected when the Policy was approved, the occurrence of which does not enable to the Company to stay in the market with respect to the benchmarks that the market offers at that time, and ii) the consistency of derogations with the conditions set forth in this Policy. The Independent Directors and the Board of Directors may rely on the internal consulting of the company functions involved as well as any other company function deemed useful for the assessment.

The only elements of the Policy that may be subject to derogations are the following:

i. fixed remuneration, when the modification is necessary to retain a key resource;

ii. variable remuneration;

iii. indemnities linked to the office.

Once approved by the Board of Directors, with the favourable opinion of at least two Independent Directors, having consulted with the Board of Statutory Auditors, the derogation proposals are discussed and possibly approved by resolution of the Company's Board of Directors, which discloses the information to the public as privileged information. The derogations and relative justifications are also disclosed at the first shareholders' meeting subsequent to their approval.

Disclosures to the public relating to derogations of this Policy concern, for each derogation:

i. the specific elements derogated and the specific disclosure that they were included amongst the elements specified above;

ii. information about the nature of the exceptional circumstances and justifications based on which the derogation is necessary in order to pursue the long-term interests and sustainability of the Company as a whole or to ensure its staying capacity in the market;

iii. information on the procedure followed and the confirmation of the compliance of that procedure with the procedural conditions laid out in this Policy;

iv. information relating to the remuneration paid in exceptional circumstances.

2.1.3 The Remuneration Committee: role, composition and activities

As indicated under point 1.2.2. above, in its meeting of 19 June 2015, the Board of Directors decided not to re-establish the Remuneration Committee, the mandate of which expired on that day. During that same meeting, the Board of Directors resolved that the duties set by the Corporate Governance Code for the Remuneration Committee could be performed by the Board of Directors directly.

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

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

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

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

In fact, the Company believes that in its entirety, the Board of Directors is an entity that can adequately and efficiently define and set the incentive criteria (which are connected to the valuation of the assets, as indicated above), based on which to determine the variable component of the remuneration of Executive Directors and Key management personnel and for monitoring that the fixed objectives were indeed reached.

The duties that the Corporate Governance Code specifies must be carried out by the Remuneration Committee (see Criterion 6.C.5) can therefore be carried out by the Board of Directors, in the specific case of Intek Group.

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

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

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

2.2 General Remuneration Policy Principles

2.2.1 The objectives of the remuneration policy and its changes

In its meeting of 28 March 2018, the Board of Directors expressed its opinion on the remuneration policy for the three-year period 2018-2020, modifying the criteria thereof with respect to the Policies of past years, later confirmed by the Board of Directors at its meeting held on 10 April 2019.

The Board of Directors on 29 April 2020 also confirmed the content of the Policy already approved for the year 2020.

The remuneration policy is an important tool to create sustainable corporate value.

It contributes to attracting and maintaining high-level professional skills and to aligning individual targets and conduct to the Group's medium to long-term strategies and plans.

The overall remuneration structure is based on the following principles:

- a balanced formulation;
- adequate balance between fixed and variable components of remuneration. The variable component shall not be predominant and shall envisage maximum limits. Particular attention shall be paid to the fixed component of remuneration, in order to retain professional skills, in line with the role covered, the responsibilities assumed and in order to maintain positive results in the future; it is sufficient for remuneration of the service even if the variable component has not been provided;
- appropriate variable remuneration, based on medium to long-term goals and not simply on short-term initiatives. The connection between remuneration and performance shall be based on pre-set, measurable parameters linked to both quantitative and qualitative assessments, taking under consideration the risk management policy adopted by the Company;
- focusing on the creation of value for Shareholders over the medium to long-term period.

Generally, the remuneration of the Directors and Key management personnel is set at a level to attract, maintain and motivate the persons with the professional skills required to successfully manage the Company.

With regard to Principle 6.P.2 of the Code, it is hereby specified that, due to the Company's consolidated operating (business) and organisational strategies, the incentive schemes for Executive Directors and Key executives are linked exclusively to the realization of extraordinary transactions by the Company and its subsidiaries and are therefore based on the creation of "value" as opposed to the past when emphasis was placed on performance and/or profitability objectives of the individual subsidiaries.

It is hereby noted that only the assets that constitute an investment are measured and therefore equity investments, whether controlling or otherwise, in companies that are instrumental to Intek Group operations, are not included.

To this end, it is hereby noted that the equity investment in KME SE, the holding company of the group of the same name, which is active in the "copper" sector and is the main investment of the Company, is defined as "held for investment".

The Board of Directors will specifically implement the principles included in this document in regard to the calculation of the remuneration of Executive Directors and Key management personnel.

2.2.2 The remuneration policies for Directors and Key management personnel

2.2.2.1 Members of the Board of Directors

The Intek Group remuneration policy defines the guidelines which the Board of Directors complies with in order to determine both the fixed and variable remuneration of the Board members, specifically Directors with specific mandates and Key executives.

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

In the event that payment pursuant to article 8 of the Articles of Association is granted, the amounts received as fixed fees are considered as an advance of the aforementioned payment.

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

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

The Company also signed a "Directors & Officers' Liability" insurance policy (hereinafter the "D&O") which provides liability insurance coverage for Directors and Managers of the Company and the Group; the policy also covers legal expenses in case of preventive and urgent orders.

2.2.2.2 Executive Directors

Fixed component

Executive Directors receive a fixed amount based on the responsibilities and skills required for their office. The amount is set by the Board of Directors, after it has heard the opinion of the Board of Statutory Auditors.

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

Variable Component

For the years 2018, 2019 and 2020, the variable component for the Executive Directors and Key Executives is determined as follows:

(i) in the event of disposals of equity investments and/or assets held in the portfolios of the Company or its investees: based on the consideration agreed between the parties, net of the selling expenses, the Board of Directors will assess the transactions and exactly determine the variable portion to be paid to the Executive Directors, in each specific case. This total remuneration will normally fall between 1.5% and 3% of the consideration, net of the selling expenses. The Board of Directors will establish, on a case by case basis, the specific percentage and the distribution between the entitled individuals, based on their contribution to completing the transaction. Moreover, the variable remuneration which will be paid on a deferred basis will not exceed 20% thereof, as will be determined by the Board of Directors from time to time, and may be paid at the end of the period during which any guarantees issued by the Company to the buyers continue to be in effect or upon conclusion of any disputes relative to the sale. The percentage above may be reduced based on the weighting of the guarantees given. It is understood that the payment of the balance will be decreased proportionally to the guarantees paid to the purchasers, or the outcome of disputes with purchasers regarding such sales, resulting in decreased consideration collected. The Board of Directors shall nevertheless retain the power to determine extraordinary variable remuneration, in the event of particularly significant transactions, including remuneration that exceeds the parameters indicated above;

(ii) in the event of acquisitions of equity investments and/or assets by the Company or its investees: from time to time, the Board of Directors will determine the characteristics of a transaction (based on the terms and conditions thereof, its strategic significance, the consideration paid and any further parameters that the Board of Directors considers to be appropriate) and depending on whether the transaction itself is such that extraordinary compensation to the Executive Directors that constructed, negotiated and concluded it, is warranted. In this case, the Board of Directors will also set the payment terms, any portion of the remuneration that is to be deferred and the cases pursuant to which the Company will not pay all or part of the deferred amounts.

In addition to the above, no other annual variable form of remuneration is envisaged, except if the Board of Directors decides otherwise based on extraordinary circumstances.

The Board of Directors may also determine cases in which the Executive Director loses the right to receive the variable component, which is recognised by the Company, but not yet disbursed, in the event that that Director is no longer in office or is no longer connected with the Company.

The Board of Directors may also examine whether it is opportune, also in light of a possible request by the beneficiary, to pay up to 50% of the variable portion of the remuneration in the form of Company shares or with shares of one of the latter's investees. In this case as well, the assignment of the shares may be deferred and the actual delivery thereof may be subject to the Director or Key Executive being in office at that time, unless he or she left the office under "good leaver" status.

The Board of Directors will also be able to begin to study a stock option plan or another form of incentive compensation, which is complementary to the variable remuneration, payable to the Directors and to certain employees or associates of the Company, with the purpose of providing an incentive to management actions in support of the value of the Company.

This instrument, to be coordinated with the variable component already provided could make it possible to align the interests of the management with those of the medium to long-term shareholders and balance the objectives achieved with the variable remuneration, which aim to increase the creation of value for shareholders connected to the realization of extraordinary transactions.

Non-monetary benefits

The Chairman was provided by the Company, as a benefit, with a residence for an amount of up to Euro 100,000 per annum, as well as an accident policy with maximum coverage of Euro 5,000,000.

Directors' Termination benefits and indemnities in case of resignation, dismissal or termination of employment after a takeover bid

In the three-year period 2018-2020, no End of Mandate compensation (TFM) was paid to the Directors, nor is any planned for the year 2020. Moreover, no compensation/indemnity is paid pursuant to "non-competition agreements" nor are any non-monetary benefits assigned or maintained or consultancy contracts concluded following the termination of the relationship.

2.3 The components of top management's remuneration

As already indicated, key management personnel other than the Executive Directors have not been identified.

2.4 Additional information

In the preparation of the remuneration policy, the Company:

i. was not assisted by any consulting company or sector specialist;

ii. did not use as a reference the remuneration policies of other companies, whether Italian or foreign.

2.5 Board of Statutory Auditors

The remuneration of the Board of Statutory Auditors is approved by the shareholders' meeting on appointment on the basis of professional rates (if applicable) and/or normal market practice. In this regard, please note that Shareholders' Meeting of 8 May 2018 determined the above-mentioned annual remuneration to the extent of Euro 46,000 for the Chairman and Euro 31,000 for each other Standing Auditor. There is no variable remuneration for members of the Board of Statutory Auditors.

Resolution proposal

Pursuant to the above, in compliance with the provisions herewith attached, we propose the following:

"The ordinary Shareholders' Meeting of Intek Group S.p.A. held in Milan, Via Metastasio n. 5, at Studio Zabban Notari Rampolla & Associati,

- *having acknowledged the "Remuneration Policy" for the year 2020 prepared by the Board of Directors, pursuant to article 123-ter of Legislative Decree no. 58 of 24 February 1999,*

resolves

to approve the " Remuneration Policy" for the year 2020 prepared pursuant to the aforementioned legal provisions."

Milan, 29 April 2020

The Board of Directors

3 Section II - Report on Remuneration 2019

3.1 Part one: Information on the remuneration items

3.1.1 The Board of Directors

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

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

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

3.1.1.2 Remuneration of Directors with specific powers.

As already mentioned, the remuneration of Executive Directors is decided by the Board of Directors, after hearing the Board of Statutory Auditors; Executive Directors are the Chairman Vincenzo Manes, the Deputy Chairwoman Diva Moriani and the Deputy Chairman Marcello Gallo.

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

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

With reference to the year 2019, the Executive Directors Vincenzo Manes and Diva Moriani accrued variable remuneration of Euro 900,000 each with regard to the two extraordinary transactions concluded by the subsidiary KME SE (disposal of the brass rods and tubes business and acquisition of MKM). The remuneration, which has not yet been paid, was determined on a unitary and lump-sum basis for the two transactions based on their close interconnection in terms of the relevance of the strategic objectives that were achieved with both and the particularly positive returns that it is believed can be generated for KME SE and for the Company.

The remuneration assigned was of interest to the Company as it is close to the minimum levels set forth expressly by the remuneration policies for sale transactions and in addition it essentially did not entail a direct economic sacrifice by the Company, due to the fees that it accrued in relation to the activities performed for the above-mentioned transactions.

3.1.1.3 Remuneration of Non-Executive Directors within Committees.

The remuneration of Non-Executive Directors is supplemented due to their involvement in the Committees (increased by 50%).

The compensation attributed to them and other Directors pursuant to the Articles of Association, is subject to the year positive results and allows them to participate, albeit not significantly, in the Company's financial results.

3.1.2 Remuneration of Key executives and other Managers.

Currently, the Company has not identified other Key management personnel.

Pursuant to article 7 of the Code, we hereby specify that:

- the Managers in charge of internal control do not receive any specific fixed compensation for carrying out their duties;
- the Manager in charge of financial reporting does not receive any additional remuneration for this office.

3.1.3 Stock option plan

Currently, there are no incentive plans and therefore no long-term variable remuneration is in effect.

3.1.4 The Board of Statutory Auditors

The remuneration of the Chairman of the Board of Statutory Auditors and the two Standing Auditors was determined on an annual basis and for the entire term of office (2018-2019-2020) by the Shareholders' Meeting upon appointment.

For the sake of completeness, it should be noted that regarding fulfilment of the independence requirement for the members of the Board of Statutory Auditors, the "essential situations" of the individual relations between the Statutory Auditors and the Group (the overall existing economic relations) are taken into consideration; to this end, reference should be made to the paragraph on the Board of Statutory Auditors in the Report on Corporate Governance.

3.2 Part two: Tables

3.2.1 Fees paid to Directors

The breakdown of fees paid to Directors in 2019, including subsidiaries' Directors, is shown in the table below which has been prepared pursuant to CONSOB provisions ("Scheme no. 7 *bis*" – Table 1 – included in Annex 3A of the Issuers' Regulation).

Fees paid to the members of the Boards and the Key management personnel

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	**Office**	**Period of office**	**Expiry of term of office**	**Fixed remuneration**	**Remuneration for participation in committees (*)**	**Non-equity variable remuneration**		**Non-monetary benefits**	**Other remuneration**	**Total**	***Fair Value of equity remuneration***	**Indemnity for end of office or termination of employment relationship**
						Bonus and other incentives	**Profit-sharing**					
Vincenzo Manes (1)	*Chairman*	*01/01/2019 - 31/12/2019*	*Approval of 2020 financial statements*									
(I) Remuneration in the company drafting the financial statements				716.500	-	-	-	20.399	-	736.899	-	-
(II) Remuneration from subsidiaries and associates				405.000	-	-	-	-	-	405.000	-	-
(III) Total				1.121.500	-	-	-	20.399	-	1.141.899	-	-
Diva Moriani (2)	*Deputy Chairwoman*	*01/01/2019 - 31/12/2019*	*Approval of 2020 financial statements*									
(I) Remuneration in the company drafting the financial statements				116.500	-	-	-	-	-	116.500	-	-
(II) Remuneration from subsidiaries and associates				428.580	-	-	-	6.862	-	435.442	-	-
(III) Total				545.080	-	-	-	6.862	-	551.942	-	-
Marcello Gallo (3)	*Deputy Chairman*	*01/01/2019 - 31/12/2019*	*Approval of 2020 financial statements*									
(I) Remuneration in the company drafting the financial statements				116.500	-	-	-	-	-	116.500	-	-
(II) Remuneration from subsidiaries and associates				369.486	-	-	-	5.214	-	374.700	-	-
(III) Total				485.986	-	-	-	5.214	-	491.200	-	-
Giuseppe Lignana (*) (4)	*Director*	*01/01/2019 - 31/12/2019*	*Approval of 2020 financial statements*									
(I) Remuneration in the company drafting the financial statements				18.300	8.250	-	-	-	-	26.550	-	-
(II) Remuneration from subsidiaries and associates				-	-	-	-	-	-	-	-	-
(III) Total				18.300	8.250	-	-	-	-	26.550	-	-
James McDonald (5)	*Director*	*01/01/2019 - 31/12/2019*	*Approval of 2020 financial statements*									
(I) Remuneration in the company drafting the financial statements				16.500	-	-	-	-	-	16.500	-	-
(II) Remuneration from subsidiaries and associates				-	-	-	-	-	-	-	-	-
(III) Total				16.500	-	-	-	-	-	16.500	-	-
Ruggero Magnoni (5)	*Director*	*01/01/2019 - 31/12/2019*	*Approval of 2020 financial statements*									
(I) Remuneration in the company drafting the financial statements				16.500	-	-	-	-	-	16.500	-	-
(II) Remuneration from subsidiaries and associates				-	-	-	-	-	-	-	-	-
(III) Total				16.500	-	-	-	-	-	16.500	-	-
Francesca Marchetti (*) (6)	*Director*	*01/01/2019 - 31/12/2019*	*Approval of 2020 financial statements*									
(I) Remuneration in the company drafting the financial statements				16.500	8.250	-	-	-	-	24.750	-	-
(II) Remuneration from subsidiaries and associates				-	-	-	-	-	-	-	-	-
(III) Total				16.500	8.250	-	-	-	-	24.750	-	-
Alessandra Pizzuti (7)	*Director*	*01/01/2019 - 31/12/2019*	*Approval of 2020 financial statements*									
(I) Remuneration in the company drafting the financial statements				18.900	-	-	-	-	-	18.900	-	-
(II) Remuneration from subsidiaries and associates				145.285	-	-	-	4.734	-	150.019	-	-
(III) Total				164.185	-	-	-	4.734	-	168.919	-	-
Luca Ricciardi (5)	*Director*	*01/01/2019 - 31/12/2019*	*Approval of 2020 financial statements*									
(I) Remuneration in the company drafting the financial statements				16.500	-	-	-	-	-	16.500	-	-
(II) Remuneration from subsidiaries and associates				-	-	-	-	-	-	-	-	-
(III) Total				16.500	-	-	-	-	-	16.500	-	-
Other key executives												
(I) Remuneration in the company drafting the financial statements				-	-	-	-	-	-	-	-	-
(II) Remuneration from subsidiaries and associates				-	-	-	-	-	-	-	-	-
(III) Total				-	-	-	-	-	-	-	-	-

Notes

(1) Euro 16,500 for the fixed remuneration decided upon by the Shareholders' Meeting, Euro 700,000 for the office of Chairman of Intek Group S.p.A.
Euro 150,000 for the office of Chairman of I2 Capital Partners SGR S.p.A., Euro 5,000 for the office of Director of I2 Capital Partners SGR S.p.A.
Euro 250,000 for sitting in the Supervisory Board of KME SE.
The non-monetary benefits (Euro 20,399) are paid for the function of Intek Group S.p.A. Chairman.

(2) Euro 16,500 for the fixed remuneration decided upon by the Shareholders' Meeting, Euro 100,000 for the office of Deputy Chairman of Intek Group S.p.A.
Euro 150,000 for sitting in the Supervisory Board of KME SE and Euro 25,000 as a member of the Vorstand of KME Germany Bet Gmbh.
Euro 253,580 for the function of KME S.r.l. Manager (including Euro 3,580 for lump-sum reimbursements).
The non-monetary benefits (Euro 6,862) are paid for the function of KME Srl Manager.

(3) Euro 16,500 for the fixed remuneration decided upon by the Shareholders' Meeting, Euro 100,000 for the office of Deputy Chairman of Intek Group S.p.A.
I2 Capital Partners SGR SpA: Euro 241,678 for the office of manager, Euro 50,000 for the office of CEO and Euro 5,000 for the office of director.
Euro 8,699 for the office of manager of Isno 3 Srl and Euro 9,110 for the office of liquidator thereof.
Euro 30,000 for the membership on the KME SE Supervisory Board, and Euro 25,000 for the membership on the KME Germany Bet GmbH Supervisory Board.
The non-monetary benefits (Euro 5,032) are paid for the function of I2 Capital Partners SGR S.p.A. Manager.

(4) Euro 16,500 as fixed remuneration decided upon by the Shareholders' Meeting, in addition to attendance fees of Euro 1,800.

(5) Euro 16,500 as fixed remuneration decided upon by the Shareholders' Meeting.

(6) Euro 16,500 as fixed remuneration decided upon by the Shareholders' Meeting.

(7) Euro 16,500 as fixed remuneration decided upon by the Shareholders' Meeting, in addition to attendance fees of Euro 2,400.
Euro 100,285 as Manager in KME Srl (including Euro 1,285 for lump-sum reimbursements). Euro 20,000 for the membership on the KME SE Supervisory Board, Euro 25,000 for the membership on the KME Germany Bet GmbH Supervisory Board.
The non-monetary benefits (Euro 4,603) are paid for the function of KME Srl Manager.

(*) Euro 8,250 for the Control and Risk Committee.

3.2.2 ***Stock Options***

As already indicated above, there are no longer any instruments of this type.

Stock options granted to members of the administrative body, general managers and other key management personnel

			Options held at the start of the year			Options assigned during the year						Options exercised during the year			Options expired during the year	Options held at the end of the year	Options attributable to the year
(A)	(B)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15) = (2) + (5) - (11) -(14)	(16)
Name and surname	Office	Plan	Number of options	Strike price	Period of possible exercise (from - to)	Number of options	Strike price	Period of possible exercise (from - to)	Fair value at the assignment date	Assignment date	Market price of the underlying shares at the assignment of options	Number of options	Strike price	Market price of the underlying shares at the exercise date	Number of options	Number of options	Fair value

3.2.3 <u>Monetary incentives plan</u>

The table below contains the monetary incentive plan in the form required by Table 3B in scheme 7-bis in Annex 3A of the Issuers' Regulation.

Monetary incentive plans in favour of members of the administrative body, general managers and other key management personnel

(A)	(B)	(1)	(2)			(3)			(4)
Name and surname	**Office**	**Plan**	**Bonus for the year**			**Bonus of previous years**			**Other bonuses**
			(A)	**(B)**	**(C)**	**(A)**	**(B)**	**(C)**	
			Disbursable/Disbursed	**Deferred**	**Reference period**	**No longer disbursable**	**Disbursable/Disbursed**	**Still deferred**	
Vincenzo Manes	*Chairman*								
(I) Remuneration in the company drafting the financial statements			-	-	-	-	-	-	-
(II) Remuneration from subsidiaries and associates			-	-	-	-	-	-	-
(III) Total			-	-		-	-	-	-
Diva Moriani	*Deputy Chairwoman*								
(I) Remuneration in the company drafting the financial statements			-	-	-	-	-	-	-
(II) Remuneration from subsidiaries and associates			-	-	-	-	-	-	-
(III) Total			-	-		-	-	-	-

*3.2.4 **<u>Investments held by members of the administrative and control bodies and key management personnel</u>***

The investments held by members of the administrative and control bodies and Key management personnel are presented in this Report pursuant to CONSOB provisions ("Scheme 7-ter - Table 1 - Annex 3A of the Issuers' Regulation”).

Investments held by Directors and Key management personnel

Name and surname	Office	Investee	Number of shares held at the end of 2018	Number of shares purchased during 2019	Number of shares sold during 2019	Number of shares held at the end of 2019
Marcello Gallo	Director	Intek Group SpA - Ordinary shares	835,931	-	-	835,931
		Intek Group SpA - Savings shares	7,530	-	-	7,530
Luca Ricciardi	Director	Intek Group SpA - Savings shares	121,081	-	-	121,081

3.2.5 Remuneration of the Board of Statutory Auditors

The breakdown of fees paid to the Board of Statutory Auditors in 2019, including subsidiaries' Auditors, is shown in the table below which has been prepared pursuant to CONSOB provisions ("Scheme no. 7 *bis*" – Table 1 – included in Annex 3A of the Issuers' Regulation).

Remuneration paid to the members of the control body (Board of Statutory Auditors)

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	**Office**	**Period of office**	**Expiry of term of office**	**Fixed remuneration**	**Remuneration for participation in committees**	**Non-equity variable remuneration**		**Non-monetary benefits**	**Other remuneration**	**Total**	***Fair Value of equity remuneration***	**Indemnity for end of office or termination of employment relationship**
						Bonus and other incentives	**Profit-sharing**					
Marco Lombardi	*Chairman*	*01/01/2019 - 31/12/2019*	*Approval of 2020 financial statements*									
(I) Remuneration in the company drafting the financial statements				47.800	-	-	-	-	-	47.800	-	-
(II) Remuneration from subsidiaries and associates				23.000	-	-	-	-	-	23.000	-	-
(III) Total				70.800	-	-	-	-	-	70.800	-	-
Giovanna Villa	*Standing Auditor*	*01/01/2019 - 31/12/2019*	*Approvazione bilancio 2020*									
(I) Remuneration in the company drafting the financial statements				32.200	-	-	-	-	-	32.200	-	-
(II) Remuneration from subsidiaries and associates				-	-	-	-	-	-	-	-	-
(III) Total				32.200	-	-	-	-	-	32.200	-	-
Alberto Villani	*Standing Auditor*	*01/01/2019 31/12/2019*	*Approvazione bilancio 2020*									
(I) Remuneration in the company drafting the financial statements				31.000	-	-	-	-	-	31.000	-	-
(II) Remuneration from subsidiaries and associates				5.000	-	-	-	-	-	5.000	-	
(III) Total				36.000	-	-	-	-	-	36.000	-	-

Marco Lombardi: (I) Annual fixed remuneration of Euro 46,000; attendance fee of Euro 1,800
(II) Remuneration as Chairman of the Board of Statutory Auditors of KME Italy SpA
Giovanna Villa: (I) Annual fixed remuneration of Euro 31,000; attendance fee of Euro 1,200
Alberto Villani: (I) Annual fixed remuneration of Euro 31,000
(II) Remuneration of Euro 5,000 as Chairman of the Board of Statutory Auditors of I2 Capital Partners SGR SpA (in office until 1 July 2019)

Resolution proposal

Pursuant to the above, in compliance with the provisions herewith attached, we propose the following:

"The ordinary Shareholders' Meeting of Intek Group S.p.A. held in Milan, Via Metastasio n. 5, at Studio Zabban Notari Rampolla & Associati,

- *having acknowledged the "Report on Remuneration" relating to the year 2019 prepared by the Board of Directors, pursuant to article 123-ter of Legislative Decree no. 58 of 24 February 1999,*

resolves

to approve the " Report on Remuneration" relating to the year 2019 prepared pursuant to the aforementioned legal provisions."

Milan, 29 April 2020

The Board of Directors

INTEK GROUP

Separate financial statements as at 31 December 2019

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

Intek Group – Separate financial statements as at 31 December 2019

Statement of financial position – Assets

(in Euro)	*Ref. Note*	*31-Dec-19*	*of which related parties*	*31-Dec-18*	*of which related parties*
Investments in equity interests and fund units	*4.1*	507,828,539	*507,607,555*	505,512,669	*502,397,153*
Instrumental equity investments	*4.2*	25,189,005	*25,189,005*	25,921,005	*25,921,005*
Non-current financial assets	*4.3*	425,646	*425,646*	2,057,550	*1,917,550*
Property, plant and equipment	*4.4*	4,389,404	-	321,984	-
Investment property	*4.5*	462,039	-	780,539	-
Intangible assets	*4.6*	7,835	-	5,553	-
Other non-current assets	*4.7*	2,961	-	2,961	-
Deferred tax assets	*4.21*	3,625,917	-	3,383,718	-
Total non-current assets		**541,931,346**		**537,985,979**	
Current financial assets	*4.8*	21,366,053	*11,704,679*	19,301,088	*9,059,042*
Trade receivables	*4.9*	13,483,467	*9,318,713*	10,673,011	*4,982,056*
Other current receivables and assets	*4.10*	4,200,221	*1,368,474*	4,646,443	*1,709,890*
Cash and cash equivalents	*4.11*	44,639,026	-	51,902,012	-
Total current assets		**83,688,767**		**86,522,554**	
Total assets		**625,620,113**		**624,508,533**	

The notes are an integral part of these financial statements.

Details of related party transactions are disclosed in note 7.12

Intek Group – Separate financial statements as at 31 December 2019

Statement of financial position – Liabilities

(in Euro)	*Ref. Note*	*31-Dec-19*	*of which related parties*	*31-Dec-18*	*of which related parties*
Share capital		335,069,010	-	335,069,010	-
Other reserves		95,436,752	-	78,659,710	-
Treasury shares		(1,819,672)	-	(1,819,672)	-
Retained earnings/(accumulated losses)		71,141,883	-	71,141,883	-
Stock option reserve		2,051,902	-	2,051,902	-
Mandatory convertible loan		-	-	-	-
Profit/(loss) for the year		(1,042,793)	-	16,791,385	-
Total equity	*4.12*	**500,837,082**		**501,894,218**	
Employee benefits	*4.13*	230,495	-	233,421	-
Deferred tax liabilities	*4.21*	1,974,953	-	1,973,979	-
Non-current financial payables and liabilities	*4.14*	3,870,037	*3,345,957*	1,319,444	-
Bonds	*4.15*	-	-	101,391,485	-
Other non-current liabilities	*4.16*	1,014,443	-	1,545,126	-
Provisions for risks and charges	*4.17*	526,278	-	942,323	-
Total non-current liabilities		**7,616,206**		**107,405,778**	
Current financial payables and liabilities	*4.18*	111,739,022	*4,673,843*	10,792,800	*5,017,238*
Trade payables	*4.19*	1,199,013	*218,706*	1,061,128	*130,512*
Other current liabilities	*4.20*	4,228,790	*1,930,174*	3,354,609	*904,237*
Total current liabilities		**117,166,825**		**15,208,537**	
Total liabilities and equity		**625,620,113**		**624,508,533**	

The notes are an integral part of these financial statements.

Details of related party transactions are disclosed in note 7.12

Intek Group – Separate financial statements as at 31 December 2019

Statement of profit or loss and other comprehensive income

(in Euro)	*Ref. Note*	*2019*		*2018*	
			of which related parties		*of which related parties*
Net income from investment management	*6.1*	6,605,635	*6,386,309*	24,864,991	*26,630,954*
Guarantee fees	*6.2*	962,250	*962,250*	1,258,183	*1,258,183*
Other income	*6.3*	3,352,287	*2,423,679*	330,065	*189,993*
Labour costs	*6.4*	(1,458,797)	-	(1,608,388)	-
Amortisation, depreciation, impairment and write-downs	*6.5*	(647,557)	-	(323,179)	-
Other operating costs	*6.6*	(5,762,929)	*(3,747,546)*	(3,313,799)	*(1,903,376)*
Operating profit/(loss)		**3,050,889**		**21,207,873**	
Finance income	*6.7*	1,116,716	*641,770*	1,147,723	*391,969*
Finance expense	*6.7*	(5,874,935)	*(317,283)*	(5,543,721)	*(136,665)*
Net finance expense		*(4,758,219)*		*(4,395,998)*	
Profit/(loss) before taxes		**(1,707,330)**		**16,811,875**	
Current taxes	*6.8*	423,313	-	1,305,237	-
Deferred taxes	*6.8*	241,224	-	(1,325,727)	-
Total income taxes		**664,537**		**(20,490)**	
Profit/(loss) from continuing operations		**(1,042,793)**		**16,791,385**	
Profit/(loss) from discontinued operations		-		-	
Net profit/(loss) for the year		**(1,042,793)**		**16,791,385**	
Other comprehensive income:					
Measurement of employee defined benefits		(14,343)		*6,069*	
Taxes on other comprehensive income		-		-	
Items that will not be reclassified to profit or loss		(14,343)		6,069	
Items that may be reclassified to profit or loss		-		-	
Other comprehensive income:		(14,343)		6,069	
Total comprehensive income for the year		**(1,057,136)**		**16,797,454**	

The notes are an integral part of these financial statements.

Details of related party transactions are disclosed in note 7.12

Intek Group – Separate financial statements as at 31 December 2019

Statement of changes in equity as at 31 December 2018

(in thousands of Euro)	*Share capital*	*Other reserves*	*Treasury shares*	*Retained earnings/(accumulated losses)*	*Stock option reserve*	*Mandatory convertible loan*	*Profit/(loss) for the year*	*Total equity*
Equity as at 31 December 2017 - published	**335,069**	**41,907**	**(1,820)**	**72,188**	**2,052**	**-**	**36,747**	**486,143**
Effect of changes in accounting standards	-	-	-	(1,046)	-	-	-	(1,046)
Equity as at 31 December 2017								
Allocation of profit for the prior year	-	36,747	-	-	-	-	(36,747)	-
Actuarial gains/losses on pension funds	-	6	-	-	-	-	-	6
Comprehensive income items	-	6	-	-	-	-	-	6
Profit/(loss) for the period	-	-	-	-	-	-	16,791	16,791
Total comprehensive income	-	6	-	-	-	-	16,791	16,797
Equity as at 31 December 2018	**335,069**	**78,660**	**(1,820)**	**71,142**	**2,052**	**-**	**16,791**	**501,894**
Reclassification of treasury shares	(1,820)	-	1,820	-	-	-	-	-
Equity as at 31 December 2018	**333,249**	**78,660**	**-**	**71,142**	**2,052**	**-**	**16,791**	**501,894**

At 31 December 2018, Intek Group directly held 5,713,572 ordinary shares and 11,801 savings shares, all without par value. All the shares were then fully reclassified as a deduction from share capital.

The notes are an integral part of these financial statements.

Intek Group – Separate financial statements as at 31 December 2019

Statement of changes in equity as at 31 December 2019

(in thousands of Euro)	*Share capital*	*Other reserves*	*Treasury shares*	*Retained earnings/(accumulated losses)*	*Stock option reserve*	*Mandatory convertible loan*	*Profit/(loss) for the year*	*Total equity*
Equity as at 31 December 2018	**335,069**	**78,660**	**(1,820)**	**71,142**	**2,052**	**-**	**16,791**	**501,894**
Allocation of profit for the prior year	-	16,791	-	-	-	-	(16,791)	-
Actuarial gains/losses on pension funds	-	(14)	-	-	-	-	-	(14)
Comprehensive income items	-	(14)	-	-	-	-	-	(14)
Profit/(loss) for the period	-	-	-	-	-	-	(1,043)	(1,043)
Total comprehensive income	-	(14)	-	-	-	-	(1,043)	(1,057)
Equity as at 31 December 2019	**335,069**	**95,437**	**(1,820)**	**71,142**	**2,052**	**-**	**(1,043)**	**500,837**
Reclassification of treasury shares	(1,820)	-	1,820	-	-	-	-	-
Equity as at 31 December 2019	**333,249**	**95,437**	**-**	**71,142**	**2,052**	**-**	**(1,043)**	**500,837**

At 31 December 2019, Intek Group directly held 5,713,572 ordinary shares and 11,801 savings shares, all without par value. All the shares were then fully reclassified as a deduction from share capital.

The notes are an integral part of these financial statements.

Intek Group – Separate financial statements as at 31 December 2019

Statement of cash flows – indirect method

(in thousands of Euro)		*2019*	*2018*
(A) Cash and cash equivalents at the beginning of the year		**51,902**	**28,066**
Profit/(loss) before taxes		(1,706)	16,811
Amortisation and depreciation		647	37
Impairment of non-current non-financial assets		-	286
Impairment/(reversal of impairment) of current and non-current financial assets		(6,413)	(24,674)
Changes in pension funds, post-employment benefits and stock options		(16)	15
Changes in provisions for risks and charges		(416)	(2,873)
(Increase)/decrease in equity investments		2,462	1,454
(Increase)/decrease in other financial investments		2,108	-
Increase/(decrease) in financial payables to related companies		(761)	(704)
(Increase)/decrease in financial receivables from related companies		(2,041)	33,197
Dividends received		260	261
(Increase)/decrease in current receivables		(1,943)	5,124
Increase/(decrease) in current payables		1,012	(3,640)
(B) Total cash flows from/(used in) operating activities		**(6,807)**	**25,294**
(Increase) in non-current intangible assets and property, plant and equipment		(252)	(114)
Decrease in non-current intangible assets and property, plant and equipment		319	2
Increase/decrease in other non-current assets/liabilities		(531)	-
(C) Cash flows from/(used in) investing activities		**(464)**	**(112)**
Payment of interest on bonds		(5,085)	(5,085)
Increase/(decrease) in current and non-current financial payables		4,373	4,456
(Increase)/decrease in current and non-current financial receivables		720	(192)
(D) Cash flows from/(used in) financing activities		**8**	**(821)**
(E) Change in cash and cash equivalents	**(B) + (C) + (D)**	**(7,263)**	**24,361**
(F) Effect of change in accounting standards		**-**	**(525)**
(G) Cash and cash equivalents at the end of the period	**(A) + (E) + (F)**	**44,639**	**51,902**

The notes are an integral part of these financial statements.

Intek Group – Separate financial statements as at 31 December 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.

The separate financial statements at 31 December 2019 (the "Financial Statements") were approved by the Board of Directors on 29 April.

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

- it has autonomous powers of negotiation with respect to contractual arrangements with customers and suppliers;
- it does not participate in any centralised treasury arrangements operated by the parent or any other company under the parent's control;
- the number of Independent Directors (3 out of 9) is such as to ensure that their opinions have a material influence on board decisions.

2. Accounting policies

2.1. Assessment of Investment Entity status

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

Paragraph 27 of IFRS 10 requires that the company:

a) obtain funds from one or more investors for the purpose of providing those investor(s) with investment management services;
b) commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
c) measure and evaluate the performance of substantially all of its investments on a fair value basis.

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

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

The Separate financial statements as at 31 December 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 related to the Company's investment activity.

It is hereby specified that the activity carried out by the Company does not fall under the area of application of the regulations regarding collective asset management. To this end, we hereby specify that the accounting standards referring to investment entities that have been adopted do not constitute a significant element that would qualify Intek Group as an asset management company and therefore, for the purposes of the application of these regulations, registration of the Company in the register established by article 20 of Legislative Decree 58/98 is not required.

2.2. Basis of presentation

The separate financial statements as at and for the year ended 31 December 2019 conform to the International Financial Reporting Standard (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission in accordance with the procedure as set out in article 6 of Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002 as well as with the provisions issued in implementation of article 9 of Legislative Decree 38/2005 where applicable.

The Separate Financial Statements are composed of the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of cash flows, the statement of changes in equity, as well as the Notes thereto. The financial statements and the notes thereto include, besides the amounts relating to the reference period, the corresponding comparative data as at 31 December 2018. There were no changes to the structure of the statements compared to previous presentations.

The statement of financial position has been prepared by separately classifying current and non-current assets and current and non-current liabilities.

The Company has opted for presentation of a single statement of profit or loss and other comprehensive income, in which the items of revenue and cost recognised during the reporting period are presented by nature, including finance expense and tax charges. Section "*Other comprehensive income*" provides details on the items which, following the specific provisions of individual IFRSs, are recognised separately from the profit (loss) for the current period. These items are divided into two categories as follows:

- items that will not be subsequently reclassified to profit or loss;
- items that will be subsequently reclassified to profit or loss, when specific conditions are met.

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

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

In preparing the financial statements, the Directors have applied the concepts of accruals, clarity, significance, materiality, reliability, neutrality, prudence and comparability and applied accounting policies consistent with those used for the financial statements as at 31 December 2018, except for the standards effective as from 1 January 2019. These financial statements were prepared on a going concern basis, as required by IAS 1, as there exist no doubts or uncertainties regarding the Company's ability to pursue its activities and continue to operate as a going concern in the foreseeable future.

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

- *IFRS 16 – Leases,* published on 13 January 2016, 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 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 Company has applied the new standard by opting for the modified retrospective method, and therefore without the redetermination of comparative information and with the determination of the value of the right of use equal to that of the lease liability, adjusted for the amount of any accruals/deferrals.

It was also decided to:

a) not apply IFRS 16 for contracts containing a lease that have an intangible underlying asset;
b) make use of the exemptions relating to short-term leases and lease agreements for which the underlying asset is a low-value asset;
c) exclude the initial direct costs from the measurement of the right of use as at 1 January 2019;
d) use the experience acquired to determine the duration of the lease, particularly with reference to the exercise of early termination and renewal options (in particular, with reference to the contracts outstanding at the transition date, for properties for non-residential use, the lease duration will include the reasonable exercise of an additional contract renewal).

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

i. for real estate leases, decided to consider a contract renewal to be reasonably certain, unless contractual clauses prohibit it or there are events or circumstances that lead to the assumption of additional renewals or result in the end of the lease agreement;
ii. for leases of motor vehicles or office equipment, also when there are renewal options, decided not to consider the exercise reasonably certain.

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

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, aside from the discounting effect, the higher liabilities deriving from payments relating to the additional renewal period which it is reasonably certain will be exercised.

The application of this standard led to the recognition of right of use assets of Euro 4,464 thousand and financial liabilities in an equal amount as at 1 January 2019.

The marginal rate of financing used to measure the lease liability at the date of first-time adoption is 5%, identified as the rate at which Intek remunerates debt exposure to third parties recognised in its financial statements.

With respect to the need to provide a disclosure on the reconciliation of future commitments for leases pursuant to IAS 17 with the lease liabilities accounted for in the financial statements at 1 January 2019, please note that the former amounted to Euro 1,841 thousand and the latter to Euro 4,464 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:
  - . 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 Company has not yet applied the accounting standards listed below in paragraph 2.20, which, although already issued by the IASB, will become effective after the date of these financial statements or which have not yet completed the endorsement process by the European Union. Events and transactions affecting the Company are recognised and presented with respect to their economic substance rather than legal form.

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

These financial statements are presented in Euro, the functional currency of the Company. The Statement of Financial Position and the Income Statement of the year and the Other Components of Comprehensive Income are provided in units of Euro, while the Statement of Changes in Equity and the Statement of Cash Flows are presented in thousands of Euro. The tables and data in the notes are in thousands of Euro, unless otherwise indicated.

2.3. Investments in equity interests and fund units

This item includes investments, including controlling investments, in equities, made in order to obtain returns from capital appreciation, investment income, or both. This item also includes investment fund units.

These assets are measured at fair value through profit or loss.

Fair value measurement

The initial fair value is determined on the basis of the transaction price, and is therefore equal to the consideration paid.

Subsequently, and at each reporting date, the fair value of financial instruments listed on an active market is determined on the basis of market prices. The market prices used for derivatives are the bid prices, whereas ask prices are used for financial liabilities.

The fair value of instruments that are not listed on an active market is determined using valuation techniques based on a series of methods and assumptions relating to market conditions at the reporting date. The valuation techniques used are the discounted cash flow method, the market multiples or transaction multiples method, the cost method, and the equity method.

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

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

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

2.4. Instrumental equity investments

All instrumental equity investments in subsidiaries, associates and joint ventures are measured at cost less any impairment losses.

Determination of impairment losses

All financial assets and liabilities, with the exception of "*Financial assets and liabilities at fair value through profit or loss*", are tested for impairment.

A financial asset is impaired when there is objective evidence that one or more events have had an adverse effect on estimated future cash flows generated by that asset.

An impairment loss on a financial asset measured at amortised cost is the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. An impairment loss on an available-for-sale financial asset is determined with reference to the fair value of that asset.

All impairment losses are recognised in profit or loss. Any accumulated impairment losses relating to an available-for-sale financial asset previously recognised through equity, if considered material and permanent, are transferred to profit or loss even if the financial asset has not been derecognised.

Impairment losses are reversed if the subsequent increase in the amount can be objectively related to an event occurring after recognition of the impairment loss.

2.5. Other financial assets

Non-derivative financial assets and liabilities, except for equity instruments, with fixed or determinable payments, not listed on an active market and not included in any of the above categories, are classified as "*Loans and receivables*" and are carried at amortised cost using the effective interest method. The amortised cost of current *loans and receivables*, and all short-term trade payables and receivables for which the time value of money is immaterial, is deemed to correspond to their carrying amount.

2.6. Property, plant and equipment

Investments in operating assets

Property, plant and equipment are recorded at purchase or production cost, including directly attributable costs, and are shown net of accumulated depreciation and any impairment losses determined in accordance with the methods set out below. Any item of property, plant and equipment consisting of different components with varying useful lives is accounted for separately.

Property, plant and equipment are measured at cost, net of accumulated depreciation and impairment.

Depreciation is accounted for starting from the month in which the asset becomes available for use, or when it is potentially able to provide the economic benefits associated with it. Depreciation is recognised monthly on a straight-line basis until the end of the useful life of the relevant asset or, in the event of disposal, until the last month of use.

The useful life is constantly checked taking into account any changes in the frequency of use of the assets and any changes in depreciation plans are applied prospectively.

Depreciation is calculated based on the following useful lives:

Plant and equipment	from 10 to 40 years
Other assets	from 4 to 10 years

Leased assets

A contract, or part of it, is classified as a lease if, in exchange for consideration, it gives the right to control the use of a specific asset for a period of time, therefore, if throughout the entire period of use of the asset both of the following rights will be enjoyed:

- the right to substantially obtain all economic benefits deriving from the use of the asset; and
- the right to decide on the use of the asset.

If there is a modification of the terms and conditions of the contract, a new assessment will be performed to determine whether the contract is or contains a lease.

The Company does not apply these rules to:

- leases of intangible assets;
- short-term leases (duration of equal to or less than 12 months);
- leases in which the underlying asset is of modest value (asset with a unit value of equal to or lower than Euro 5,000);

Once it is verified whether a contract is a lease, at the start date of the contract, the asset consisting of the right of use and the lease liability are recognised.

The asset consisting of the right of use is initially valued at cost, which includes:

- the amount of the initial valuation of the lease liability;
- the payments due for the lease made at or before the start date net of lease incentives received;
- the initial direct costs incurred by the lessee; and
- the estimate of costs that will need to be incurred for the dismantling and removal of the underlying asset and for the restoration of the site where it is located or for the restoration of the underlying asset to the conditions set forth in the terms and conditions of the lease.

The initial valuation of the lease liability is based on the present value of payments due for the lease not paid at that date. The payments due for the lease are discounted using the rate of financing deemed most representative of the cost of money.

Every lease component is recognised as a lease, separated from the non-lease components.

The duration of the lease is determined as the non-cancellable period of the lease, in addition to both of the following periods:

- periods covered by a lease extension option, if there is reasonable certainty that the option will be exercised; and
- periods covered by the lease termination option, if there is reasonable certainty that the option will not be exercised.

If there is a change in the non-cancellable period of the lease, the duration of the lease will be redetermined.

After the date of initial recognition, the asset is valued by applying the cost model. Right of use assets are depreciated from the start date of the contract until the end of the lease duration.

After the start date, the lease liability is valued:

- by increasing the carrying amount to take into account interest on the lease liability;
- by decreasing the carrying amount to take into account the payments made for the lease;
- by redetermining the carrying amount to take into account any new valuations or modifications of the lease or the revision of payments due for the lease.

The interest on the lease liability and the variable payments due for the lease, not included in the valuation of the lease liability, are recognised in the income statement for the year in which the event or circumstance that triggered the payments takes place.

In the financial statements, right of use assets are shown separately from other assets, lease liabilities separately from other financial liabilities, and interest expense on the lease liability is recognised as finance expense and separately from depreciation on the right of use asset.

Impairment losses

Property, plant and equipment are tested for impairment whenever there is specific objective evidence thereof. The test involves estimating the recoverable amount of the asset, defined as the higher of net selling price and value in use, compared to its carrying amount. The recoverable amount is the higher of fair value less costs of disposal and value in use. Value in use is determined by discounting projected cash flows at a pre-tax discount rate that reflects current market estimates of the time value of money and the risks associated with the relevant asset. To the extent that the recoverable amount is less than the carrying amount, the carrying amount is reduced to the recoverable amount with the difference either being recognised in profit or loss or in a revaluation reserve previously created on the revaluation of the relevant asset. Subsequent revaluations are treated in the opposite way. Information regarding impairment tests are contained in the paragraph "Financial assets and liabilities".

2.7. Investment property

The item refers to land and buildings held to collect rents, generate returns on the invested capital, or for both of these purposes. These assets are measured at fair value and therefore are not depreciated on a straight-line basis.

2.8. Intangible assets

(a) Goodwill

Goodwill is the difference between the acquisition cost of investments and the current value of the subsidiaries' assets, liabilities and contingent liabilities on the acquisition date. Goodwill and other intangible assets with indefinite useful lives are not amortised. Recoverability of their carrying amounts is, however, tested annually and whenever there is objective indication of impairment. Any impairment losses recognised are not subsequently reversed.

(b) Other intangible assets with finite useful lives

An intangible asset with a finite useful life is an identifiable asset without physical substance that is controlled by the entity and from which future economic benefits are expected.

The intangible assets are systematically amortised based on their residual useful life, which is the period over which the assets will be used by the Company, generally between 3 and 5 years. Intangible assets are not considered to have any residual value at the end of their useful life.

In addition, they are carried net of any impairment losses, in line with the accounting treatment for "*Property, plant and equipment*".

2.9. Cash and cash equivalents

Cash and cash equivalents include cash, demand deposits and highly liquid short-term financial investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value (IAS 7 paragraph 7).

2.10. Equity

The Company's share capital consists of ordinary and savings shares, all without par value, fully subscribed and paid up at the reporting date, reduced by any share capital to be received. The value of bought back shares is reported in accordance with IAS 32 as a reduction of subscribed share capital. Such adjustments are reported in the notes only, whilst the historical cost of owned treasury shares is recognised separately on the face of the statement of financial position against equity.

The costs for equity transactions have been used directly as a reduction of reserves.

2.11. Receivables and payables

Receivables and payables are recognised at amortised cost. When the difference between present and par value is insignificant, such as for short-term trade receivables and payables, they are recognised at their par value.

2.12. Current and deferred taxes

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

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

Deferred tax assets are recognised to the extent that it is likely that there will be sufficient future taxable income to absorb them. Deferred tax assets are tested for impairment at the end of each reporting period and are reduced to the extent that they are not likely to be recovered.

2.13. Employee benefits

Post-employment benefits are payable under plans which, depending on their economic substance, are classified either as a "defined contribution" plan or a "defined benefit" plan. The Company's liability under defined contribution plans is limited to the payment of contributions to a separate legal entity (including the Government or a fund), and consists of contributions due at the end of the reporting period. Liabilities under defined benefit plans, such as post-employment benefits (TFR) pursuant to article 2120 of the Italian Civil Code, less any plan assets, are determined on the basis of actuarial assumptions and the attribution of benefits to periods of service. Actuarial gains and losses relating to defined benefit plans arising from changes in actuarial assumptions or plan terms and conditions are recognised in other comprehensive income.

The measurement of defined benefit plans was carried out by independent actuaries.

2.14. Provisions for risks and charges

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

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

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

2.15. Revenue recognition

Revenue is recognised based on the following phases:

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

Specifically, revenue can be recognised:

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

2.16. Dividends

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

2.17. Non-current assets held for sale (IFRS 5)

Non-current assets are classified in this category when it is expected that their carrying amount will be recovered mainly through sale rather than through continuing use. The sale must be highly probable, within 12 months of classification as held for sale. The losses due to impairment from the initial classification or subsequent measurements are recognised in the income statement of the year in which they occur.

2.18. Earnings/(loss) per share

Pursuant to IAS 33 paragraph 4, this kind of information is presented only for consolidated figures.

2.19. Use of estimates

The preparation of the separate financial statements and notes thereto in accordance with IFRSs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. The estimates were mainly used to determine: the fair value of investments in equities and funds, investment property, the useful lives of non-current assets and the related recoverable amount, allowance for impairment, any impairment losses, the cost of employee benefits, the estimated current and deferred tax charges, the estimated indefinite useful lives of intangible assets and other provisions.

The estimates made reflect the conditions existing at the reporting date but not at a future date, and therefore they exclude the effects deriving from the spread of Covid-19, to be deemed a non-adjusting event pursuant to IAS 10.

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

2.20. Accounting standards not yet applied

As at 31 December 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, providing a single principle-based framework that would take all types of insurance contracts into account, including the reinsurance contracts held by an insurer. The new standard also includes presentation and disclosure requirements to improve comparability between the entities that belong to this sector. This standard is not expected to have a significant impact, given the Company's activities.
- On 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 effects on the financial statements.
- On 31 October 2018 the IASB issued the document "Definition of Material (Amendments to IAS 1 and IAS 8)". This document introduced an amendment to the definition of "material" contained in IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in

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

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

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

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

- On 30 January 2014 the IASB issued IFRS 14 – Regulatory Deferral Accounts which allows only first-time adopters to continue to recognise the amounts relative to assets subject to regulated fees ("Rate Regulation Activities") according to the previous accounting principles that had been adopted. As the Company is not a first-time adopter, the standard does not apply.

3. ***Financial risk management***

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

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

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

Types of risk:

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

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

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

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

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

4. Notes to the statement of financial position

4.1. Investments in equity interests and fund units

(in thousands of Euro)	*31 Dec 2019*	*31 Dec 2018*	*Change*
Investments in subsidiaries	507,438	502,398	5,040
Other investments	12	12	-
Mutual investment funds	-	2,368	(2,368)
Other investments	379	735	(356)
Investments in equity interests and fund units	**507,829**	**505,513**	**2,316**

The breakdown of the item is as follows:

Name	*Registered office*	*Percentage of interest*	*Fair value 31/12/2019*	*Fair value 31/12/2018*	*Difference*
Subsidiaries and associates					
KME SE	Osnabrück (D)	99.00%	483,000	483,000	-
KME Beteiligungsgesellsch. mbH	Osnabrück (D)	100.00%	1,158	1,104	54
Società Agricola Agrienergia Srl	Pecognaga (Mn)	-	-	953	(953)
Ergyca Tracker 2 Srl	Florence	51.00%	82	82	-
Energetica Solare Srl in liquidazione	Milan	100.00%	6	6	-
Culti Milano Spa	Milan	77.17%	13,236	10,323	2,913
Progetto Ryan 3 Srl in liquidazione	Milan	-	-	65	(65)
Breda Energia Srl in liquidazione	Milan	-	-	6,162	(6,162)
Il Post Srl	Milan	-	-	63	(63)
Intek Investimenti SpA	Milan	100.00%	8,450	417	8,033
Isno 3 Srl in liquidazione	Milan	57.72%	1,500	-	1,500
Mecchld Srl	Milan	-	-	217	(217)
Nextep Srl Benefit Corporation	Milan	60.00%	6	6	-
Total subsidiaries and associates			**507,438**	**502,398**	**5,040**
Other			12	12	-
Total other investments			**12**	**12**	**-**
Total investments			**507,450**	**502,410**	**5,040**
I2 Capital Partners Fund			-	2,368	(2,368)
Total fund units			**-**	**2,368**	**(2,368)**
Culti Milano Warrant			379	735	(356)
Total other investments			**379**	**735**	**(356)**
Investments in equity interests and fund units			**507,829**	**505,513**	**2,316**

Details of changes during the year are provided below:

Name	*Fair value 31/12/2018*	*Increases*	*Decreases*	*Other movements*	*Measurement of assets*	*Measurement of liabilities*	*Fair value 31/12/2019*
Subsidiaries and associates							
KME SE	483,000	-	(4,830)	-	4,830	-	483,000
KME Beteiligungsgesellsch. mbH	1,104	-	-	-	54	-	1,158
Società Agricola Agrienergia Srl	953	-		(953)			-
Ergyca Tracker 2 Srl	82	-		-			82
Energetica Solare Srl in liquidazione	6	-		-			6
Culti Milano Spa	10,323	435	-	-	2,478	-	13,236
Progetto Ryan 3 Srl in liquidazione	65	-	(65)	-	-	-	-
Breda Energia Srl in liquidazione	6,162	-	-	(6,162)	-	-	-
Il Post Srl	63	150	-	(213)	-	-	-
Intek Investimenti SpA	417	44	-	7,545	444	-	8,450
Isno 3 Srl in liquidazione	-	1,804	-	-	-	(304)	1,500
Mecchld Srl	217	-	-	(217)	-	-	-
Nextep Srl Benefit Corporation	6	-	-	-	-	-	6
Total subsidiaries and associates	**502,398**	**2,433**	**(4,895)**	**-**	**7,806**	**(304)**	**507,438**
Other	12	-	-	-	-	-	12
Total other investments	**12**	**-**	**-**	**-**	**-**	**-**	**12**
Total investments	**502,410**	**2,433**	**(4,895)**	**-**	**7,806**	**(304)**	**507,450**
I2 Capital Partners Fund	2,368	3,158	(5,526)	-	-	-	-
Total fund units	**2,368**	**3,158**	**(5,526)**	**-**	**-**	**-**	**-**
Culti Milano Warrant	735	-	-	-	-	(356)	379
Total other investments	**735**	**-**	**-**	**-**	**-**	**(356)**	**379**
Investments in equity interests and fund units	**505,513**	**5,591**	**(10,421)**	**-**	**7,806**	**(660)**	**507,829**

In the course of the year, the equity investments in Società Agricola AgriEnergia Srl, Breda Energia Srl in Liquidazione, Il Post Srl and Mecchld Srl were transferred to Intek Investimenti SpA as part of a corporate portfolio streamlining project.

The I2 Capital Partners Fund closed its liquidation in the course of 2019, also assigning the shares of Isno 3 Srl aside from liquidity on hand. Prior to the closure of the fund, Intek acquired additional rights on the final distribution from other investors.

Through market purchases, the stake in Culti Milano SpA was increased by 5.13%, reaching 77.17%.

The liquidation of Progetto Ryan 3 Srl was also completed.

The fair value of the equity investment in KME SE has been estimated, with the assistance of an external consultant, based on the unlevered discounted cash flow method (UDCF), by discounting the operating cash flows generated by the assets themselves (net of the tax effect).

The UDCF method was developed on economic forecasts and changes in some statement of financial position items included in the 2020-2024 Plan ("the Plan"), drafted and approved by the administrative bodies of KME SE and used by them for the impairment test in the financial statements of KME SE and its subsidiaries.

The projection of the cash flows is based on estimates made by the management of the company which however exclude any incoming or outgoing flows that could be due to future restructuring, improvements or optimisation of the operations officially not approved.

In preparing the Plan, the conditions existing at the date of 31 December 2019 were used, and therefore the effects of the events subsequent to that date, particularly those linked to the Coronavirus pandemic, were not considered.

Compared to last year, the Plan is characterised by a decrease in the estimate of the future cash flows also in light of the deviations recorded in the past and worse conditions in the reference market. In any event, significant increases in EBITDA higher than that of its peers and benefits in terms of working capital are expected, also thanks to the potential effects of the integration with MKM. In addition, at the date on which these financial statements were drafted, those of KME SE have not yet been finalised and the value of other assets may potentially experience changes.

In light of these elements of uncertainty, it was deemed appropriate, as part of the cash flow discounting valuation process, to use a discount rate representative of the average cost of capital (WACC) also inclusive of an additional premium of 3.5%. This additional premium, historically equal to 1.5% to reflect the risk intrinsic in the forecasts taking into account the historical deviations that have been recorded, was already increased to 3% in the half-yearly financial statements to consider the risks linked to the integration with MKM. The discount rate was therefore 11.67% and brought the present value of the KME cash flows to roughly 527 million.

The main assumptions of the Plan are:

- decline in sales volumes of approximately 1.1% annually (against an increase in demand for copper estimated at global level (2020-2024 CAGR) of 2.1%);
- increase in the added value (2020-2024 CAGR of approximately 3.7%) connected to the assumed rise in the price of copper. The increase in the price of copper is supported by the forecasts within the studies published by the main financial operators (2020-2024 CAGR amounting to 2.1%);
- significant recovery of EBITDA with a CAGR of 7.7% linked especially to the effects of the integration with MKM. Recovery in the EBITDA margin as well (from 3% to 5%), which in any event remains below that of competitors.
- investments are essentially stable at an average of 5.0% of net invested capital.

The terminal value was calculated assuming a long-term EBITDA equal to the average EBITDA of the Plan over the last 5 years (explicit period), amortisation equal to investments and using a long-term growth rate "g" equal to zero.

The WACC discount rate representative of the average cost of capital (WACC, also post tax) 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 in December 2019 plus a 2.00% spread, for a total gross rate of 4.16%;
- Unlevered Beta between 1.19 and 1.21: average of unlevered beta factors of a sample of comparable listed companies;
- Additional Alpha premium on the cost of own capital equal to 4%.

In light of the elements specified above, an additional premium of 3.5% was then prudentially included. This additional premium, historically equal to 1.5% to reflect the risk intrinsic in the forecasts taking into account the historical deviations that have been recorded, was already increased to 3% in the half-yearly financial statements to consider the risks linked to the integration with MKM. The discount rate was therefore 11.67%, which brought the present value of the KME cash flows to roughly Euro 527 million.

It should be noted that in 2018 the cash flows were discounted using a WACC discount rate of 10.28%, net of taxes. This rate took into account an average risk-free rate of about 1.97%, a market risk premium of 5.5%, an average interest rate calculated using the same procedures as in this year and an additional premium of 1.5%.

To calculate the equity value of KME, the operating value thus estimated was subsequently adjusted using the same methodology as in previous years, to consider:

- the fair value of assets held for sale, represented by the 100% stake in Tréfimetaux;
- the fair value of the joint venture KMD;
- 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 Group's net financial position as at 31 December 2019.

The equity value thus determined is equal to Euro 489 million.

This value was compared with other values resulting from other methods, in particular using the market multiples and the transaction multiples methods with the EV/EBITDA multiple, calculated by using historical EBITDA. The control methods confirmed the values resulting from the primary method.

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

For the equity investment in Culti Milano, listed on the AIM market, also for this year the reference market was distinguished, including with reference to the comparables, by transactions taking place with insufficient frequency and volumes to provide useful information to determine the price on a continuous basis. As a result, the prices recorded at the end of December 2019 were not deemed representative of the fair value of the company, thus resulting in the opportunity to use the market multiples method for the valuation of the investee.

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.

4.2. Instrumental equity investments

Schedule of investments in subsidiaries carried as non-current financial assets is as follows:

Name	*Registered office*	*Share capital*	*Equity as at 31 December 2019*	*Profit/(loss) as at 31 December 2019*	*Percentage of interest*	*Carrying amount 31/12/2019*	*Carrying amount 31/12/2018*	*Difference*
I2 Capital Partners SGR SpA	Milan	1,500	1,055	(732)	100.00%	1,055	1,787	(732)
Immobiliare Pictea Srl	Milan	80	13,062	(1,848)	100.00%	24,134	24,134	-
Total Instrumental equity investments						**25,189**	**25,921**	**(732)**

The movements of the *"Instrumental equity investments"* item during 2019 were the following:

(in thousands of Euro)	*Investments in subsidiaries*	*Other investments*	*Total*
Historical cost	45,878	-	45,878
Impairment losses	(19,957)	-	(19,957)
Balance at 31 December 2018	**25,921**	**-**	**25,921**
Impairment losses	(732)	-	(732)
Change for year	**(732)**	**-**	**(732)**
Historical cost	45,878	-	45,878
Impairment losses	(20,689)	-	(20,689)
Balance at 31 December 2019	**25,189**	**-**	**25,189**

During the year, there were no movements other than the Euro 732 thousand value adjustment to I2 Capital Partners SGR, from the reduction of the shareholders' equity, pursuant to the latter's losses.

For the purpose of measuring the equity investments, the value of their shareholders' equity was considered, adjusted, in the case of Immobiliare Pictea, by the current value of the properties owned, particularly the property located at Foro Buonaparte 44 in Milan, and the equity investment in Ducati Energia SpA.

4.3. Non-current financial assets

This item consists of the following:

(in thousands of Euro)	*31 Dec 2019*	*31 Dec 2018*	*Change*
Guarantee fees receivables	426	1,319	(893)
Receivables due from associates	-	599	(599)
Other non-current financial assets	-	140	(140)
Non-current financial assets	**426**	**2,058**	**(1,632)**

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

"*Receivables due from associates*" and "*Other non-current financial assets*" were transferred to Intek Investimenti.

4.4. Property, plant and equipment

The breakdown of the item, which increased due to the application of IFRS 16, is as follows:

(in thousands of Euro)	*31 Dec 2019*	*31 Dec 2018*	*Change*
Buildings	3,825	-	3,825
Other assets	564	322	242
Property, plant and equipment	**4,389**	**322**	**4,067**

With reference to the basis of ownership, the assets may be broken down as follows.

(in thousands of Euro)	*Owned*	*Leased*	*Total*
Buildings	-	3,825	3,825
Other assets	481	83	564
Property, plant and equipment	**481**	**3,908**	**4,389**

The changes during the reporting period under review and those of the previous reporting period for owned assets can be summarised as follows:

(in thousands of Euro)	*Buildings*	*Plant and equipment*	*Other assets*	*Total*
Cost				
Balance at 31 December 2017	-	170	2,063	2,233
Increases	-	-	19	19
Disposals	-	-	(63)	(63)
Balance at 31 December 2018	-	170	2,019	2,189
Increases	-	-	193	193
Disposals	-	-	(26)	(26)
Balance at 31 December 2019	-	170	2,186	2,356
Accumulated depreciation				
Balance at 31 December 2017	-	170	1,723	1,893
Increases	-	-	35	35
Disposals	-	-	(61)	(61)
Balance at 31 December 2018	-	170	1,697	1,867
Increases	-	-	34	34
Disposals	-	-	(26)	(26)
Balance at 31 December 2019	-	170	1,705	1,875
Net carrying amount				
31-Dec-2017	-	-	340	340
31-Dec-2018	-	-	322	322
31-Dec-2019	**-**	**-**	**481**	**481**

Changes were as follows in leased assets:

(in thousands of Euro)	*Buildings*	*Plant and equipment*	*Other assets*	*Total*
Cost				
Balance at 1 January 2019	4,389	-	75	4,464
Increases	14	-	41	55
Balance at 31 December 2019	4,403	-	116	4,519
Accumulated depreciation				
Balance at 1 January 2019	-	-	-	-
Increases	578	-	33	611
Balance at 31 December 2019	578	-	33	611
Net carrying amount				
1-Jan-2019	4,389	-	75	4,464
31-Dec-2019	**3,825**	**-**	**83**	**3,908**

The values at 1 January 2019 refer to the effects of the initial application of IFRS 16.

4.5. Investment property

This relates to properties from the former Fime leasing business.

(in thousands of Euro)	*31 Dec 2019*	*31 Dec 2018*	*Change*
Investment property	**462**	**781**	**(319)**

Details of changes are provided below:

(in thousands of Euro)	
Total at 31 December 2018	**781**
Decreases	(319)
Total at 31 December 2019	**462**

4.6. Intangible assets

(in thousands of Euro)	*31 Dec 2019*	*31 Dec 2018*	*Change*
Other	8	6	2
Intangible assets	**8**	**6**	**2**

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

The movements relative to the year under review and the previous year are shown below:

(in thousands of Euro)		*Total*
Cost		
Balance at 31 December 2017		14
Increases		2
Balance at 31 December 2018		16
Increases		4
Balance at 31 December 2019		20
Accumulated amortisation		
Balance at 31 December 2017		8
Increases		2
Balance at 31 December 2018		10
Increases		2
Balance at 31 December 2019		12
Net carrying amount		
	31-Dec-2017	6
	31-Dec-2018	6
	31-Dec-2019	**8**

4.7. Other non-current assets

The breakdown of the item is as follows:

(in thousands of Euro)	*31 Dec 2019*	*31 Dec 2018*	*Change*
Other receivables	3	3	-
Other non-current assets	**3**	**3**	**-**

The item refers exclusively to guarantee deposits.

4.8. Current financial assets

(in thousands of Euro)	*31 Dec 2019*	*31 Dec 2018*	*Change*
Financial receivables from related companies	10,774	8,134	2,640
Guarantee fees receivable	931	925	6
Financial assets held for trading	57	57	-
Other current financial assets	9,604	10,185	(581)
Current financial assets	**21,366**	**19,301**	**2,065**

"*Financial receivables from related companies*" mainly include:

- Euro 8,353 thousand representing the balance of the ongoing credit line with Immobiliare Pictea;
- Euro 2,139 thousand representing the balance of the ongoing credit line with Intek Investimenti;
- Euro 282 thousand representing the balance of the ongoing credit line with KME Yorkshire Ltd.

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

The item "*Other current financial assets*" included Euro 9,604 thousand in time deposits expected to be collected in the first half of 2020.

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

4.9. Trade receivables

(in thousands of Euro)	*31 Dec 2019*	*31 Dec 2018*	*Change*
Due from customers - gross amount	-	*170*	(170)
Allowance for impairment	-	-	-
Due from customers - net amount	-	170	(170)
Receivables for leasing and factoring activities	4,164	5,521	(1,357)
Receivables due from associates	9,319	4,982	4,337
Trade receivables	**13,483**	**10,673**	**2,810**

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

"*Receivables due from associates*" refer to guarantee fees for loans already invoiced or administrative services provided.

4.10. Other current receivables and assets

(in thousands of Euro)	*31 Dec 2019*	*31 Dec 2018*	*Change*
Tax assets	1,342	1,321	21
Accruals and prepayments	232	63	169
Receivables due from related companies	1,368	1,710	(342)
Other	1,258	1,552	(294)
Other current receivables and assets	**4,200**	**4,646**	**(446)**

The *"Tax assets"* include receivables for direct taxes of Euro 576 thousand and VAT credits of Euro 765 thousand.

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

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

The item "*Other*" primarily includes pending costs relating to ongoing projects.

All the receivables are due within twelve months.

4.11. Cash and cash equivalents

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

(in thousands of Euro)	*31 Dec 2019*	*31 Dec 2018*	*Change*
Bank and post office accounts	44,613	51,896	(7,283)
Cash on hand	26	6	20
Cash and cash equivalents	**44,639**	**51,902**	**(7,263)**

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

4.12. Equity

The "*Share Capital*" as at 31 December 2019 amounts to Euro 335,069,009.80, divided into 389,131,478 ordinary shares (equal to 88.59%) and 50,109,818 savings shares (equal to 11.41%). None of the shares have a nominal value.

There were no changes in the number of shares in 2019.

At 31 December 2019, the Company held 5,713,572 ordinary treasury shares, or 1.47% of the voting capital (1.30% of total capital), and 11,801 savings shares, or 0.024% of the share capital represented by this category of shares. There were no changes during the year.

The "*Reserve for treasury shares held*" and the "*Retained earnings*" (the latter being available) of Euro 1,820 thousand and Euro 71,142 thousand respectively are unchanged from last year.

The breakdown of the item "*Other reserves*" is shown below:

(in Euro)	*31 Dec 2019*	*31 Dec 2018*	*Change*
Legal reserve	8,760,250	7,920,680	839,570
Share premium reserve	4,020,857	4,020,857	-
Available reserve (extraordinary)	9,582,175	9,582,175	-
ErgyCapital merger surplus reserve	3,214,951	3,214,951	-
Reserve for treasury shares held	1,819,672	1,819,672	-
Non-distributable reserve	65,733,638	49,781,823	15,951,815
Reserves taxable on distribution	3,484,481	3,484,481	-
Costs associated with a share capital increase	(399,111)	(399,111)	-
Reserve for costs for public exchange offer 2012	(801,606)	(801,606)	-
Reserve for IFRS differences on post-employment benefits	(7,013)	7,330	(14,343)
Gain/loss reserve for treasury shares	28,458	28,458	-
Other reserves	**95,436,752**	**78,659,710**	**16,777,042**

The "*Legal Reserve*" and the "*Non-distributable Reserve*", established pursuant to Legislative Decree 38/2005, rose as a result of the allocation of profit of the previous year. Both reserves can be used to cover losses. It is also noted that the unrealised capital gains from the fair value contributed to the distributable profit and therefore the privilege that is extended to the savings shareholders.

The "*Share premium reserve*" may, pursuant to article 2431 of the Italian Civil Code, be distributed to Shareholders subject to a minimum balance on the Legal Reserve of one fifth of share capital. The "*ErgyCapital merger surplus reserve*" was created during the year 2017 by the difference between the value of the shareholder's equity contributed by non-controlling shareholders of the incorporated entity and the value of the shares issued.

The "*Reserves taxable on distribution*" and the "*Reserve for costs for public exchange offer*" originated as part of the extraordinary transactions of 2012, the former is from the incorporated entity Intek, while the latter is due to costs incurred for capital transactions. The "*Costs associated with a share capital increase*" is of a similar nature.

4.13. Employee benefits

This amount is determined based on the vested benefits at the end of the year, in compliance with law, employment contracts and IAS 19.

(in thousands of Euro)	*31 Dec 2018*	*Increases*	*Contributions to the Funds*	*Decreases*	*31 Dec 2019*
Clerical workers	203	34	(11)	(39)	187
Executives	1	20	(19)	-	2
IFRS Adjustments	29	12	-	-	41
Employee benefits	**233**	**66**	**(30)**	**(39)**	**230**

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

General criteria	*31 Dec 2019*	*31 Dec 2018*
Discount rate	0.77%	1.57%
Rate of increase in future remuneration	1%	1%
Average remaining working life	13.1 years	12.3 years
General criteria		

A discount rate based on the "Iboxx Eurozone Corporate AA" index was used also at 31 December 2019 for the actuarial valuation of post-employment benefits.

4.14. Non-current financial payables and liabilities

(in thousands of Euro)	*31 Dec 2019*	*31 Dec 2018*	*Change*
Payables for financial guarantees issued	426	1,319	(893)
Lease liabilities - related parties	3,346	-	3,346
Lease liabilities	98	-	98
Non-current financial payables and liabilities	**3,870**	**1,319**	**2,551**

The item "*Payables for financial guarantees issued*" represents the contra-entry of the item recorded under non-current financial assets having the same origin and it represents the fair value of the liabilities incurred against the guarantees issued, having assessed any risk situations and consequently the contingent liabilities, pursuant to the instructions set forth in IAS 37. Since the item refers in its entirety to guarantees issued for loans obtained by subsidiaries, it is considered that the current value of the commissions to be collected, recognised as part of current and non-current financial assets, represents the best estimate of fair value of the contingent liabilities in relation to the guarantees issued.

"*Lease payables*" represent the financial liabilities maturing beyond twelve months recognised following the adoption of IFRS 16. Liabilities with respect to related parties refer to Immobiliare Pictea for rent on the Milan, Foro Buonaparte properties.

4.15. Bonds

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

The "*Intek Group 2015-2020 Bonds*", classified in the financial statements at 31 December 2019 in current liabilities, were repaid in February 2020, in part through an exchange with newly issued bonds and in part in cash.

4.16. Other non-current liabilities

(in thousands of Euro)	*31 Dec 2019*	*31 Dec 2018*	*Change*
Payables for guarantees issued	592	853	(261)
Liabilities for "special situations"	422	692	(270)
Other non-current liabilities	**1,014**	**1,545**	**(531)**

"*Payables for guarantees issued*" refer to the non-current portion of the payable for tax liabilities, broken down into instalments over 48 months, assumed by the Company 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 326 thousand) and for the remainder to advances linked to former Fime Leasing positions. The change during the year, equal to Euro 270 thousand, resulted from the write-off of payables linked to the former FEB procedure as the statute of limitations was reached.

4.17. Provisions for risks and charges

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

(in thousands of Euro)	*31.12.2018*			*Increases*	*Releases/ uses*	*31.12.2019*		
	Non-current	*Current*	*Total*			*Non-current*	*Current*	*Total*
Provisions for equity investment risks	352	-	352	-	(127)	225	-	225
Provisions for risks for tax disputes	291	-	291	-	-	291	-	291
Provision for special situations' risks	135	-	135	-	(125)	10	-	10
Other provisions for risks and charges	164	-	164	-	(164)	-	-	-
Total	**942**	**-**	**942**	**-**	**(416)**	**526**	**-**	**526**

The "*Provisions for equity investment risks*" are allocated for equity investments, from the merger with ErgyCapital, with negative shareholders' equity. The amount recognised was used in part (Euro 117 thousand) during the year to close the liquidation of Ergyca Bio Srl in liquidazione and released in part (Euro 10 thousand) due to the lower deficit expected from the liquidation of Energetica Solare.

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 which have already reached the final ruling, recognised to the maximum extent of the estimated liability.

The "*Provision for special situations' risks*" and the "*Other provisions for risks and charges*" declined due to the closure of the relative positions.

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

4.18. Current financial payables and liabilities

(in thousands of Euro)	*31 Dec 2019*	*31 Dec 2018*	*Change*
Payables for bonds	106,000	4,375	101,625
Due to associates	4,256	5,017	(761)
Payables for financial guarantees issued	931	925	6
Lease liabilities - related parties	418	-	418
Lease liabilities	134	-	134
Shares of expiring loans	-	476	(476)
Current financial payables and liabilities	**111,739**	**10,793**	**100,946**

The item "*Payables for bonds*" of Euro 106,000 thousand refer to the principal debt and the debt for the coupon accruing on the Intek 2015-2020 Bond maturing on 20 February 2020.

The item "*Due to associates*" contains the balance of the current accounts, held at market rates with remuneration set at Euribor plus a spread, in existence with the following subsidiaries:

- Euro 3,150 thousand with Breda Energia;
- Euro 1,024 thousand with I2 Capital Partners SGR;
- Euro 82 thousand with Energetica Solare.

The item "*Payables for financial guarantees issued*" represents the contra-entry of the item with the same origin, entered in the current financial assets. For further details, please refer to comment to paragraph 4.8.

The “*Lease liabilities*” relate to the short-term share of the financial liability recognised as a result of the adoption of IFRS 16.

During the year, no new loans were taken out with third parties nor were there any drawdowns of previous loans. Any increases refer to the accrued interest only.

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 “Report on operations by the Board of Directors”.

4.19. Trade payables

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

(in thousands of Euro)	*31 Dec 2019*	*31 Dec 2018*	*Change*
Due to suppliers	980	930	50
Due to related companies	219	131	88
Trade payables	**1,199**	**1,061**	**138**

4.20. Other current liabilities

(in thousands of Euro)	*31 Dec 2019*	*31 Dec 2018*	*Change*
Payables to directors for end of office indemnity (TFM)	722	699	23
Payables due to former lease customers	1,296	1,266	30
Payables due to employees	155	181	(26)
Tax liabilities	109	111	(2)
Payables due to related companies	1,208	206	1,002
Payables due to social security institutions	72	82	(10)
Other liabilities	667	810	(143)
Other current liabilities	**4,229**	**3,355**	**874**

“*Payables due to former leasing customers*” relate to sums received by way of advance from customers and not offset with credit entries.

The item “*Payables due to related companies*” includes the payables to directors for accrued remuneration.

“*Payables to directors for end of office indemnity (TFM)*” refer to the residual amount due to the Chairman of the Board of Directors for the end of office indemnity (TFM) 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 2020.

The item “*Due to employees*” mainly refers to amounts which have accrued but have not yet been settled.

Both as at 31 December 2019 and 31 December 2018, the item “*Tax liabilities*” mainly refers to payables to the Tax Authorities, for withholding amounts to be paid.

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

4.21. Deferred tax assets and liabilities

(in thousands of Euro)	*31 Dec 2019*	*31 Dec 2018*	*Change*
Deferred tax assets	3,626	3,384	242
Deferred tax liabilities	(1,975)	(1,974)	(1)
Deferred tax assets and liabilities	**1,651**	**1,410**	**241**

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

(in thousands of Euro)	*Deferred tax assets*		*Deferred tax liabilities*	
	31 Dec 2019	*31 Dec 2018*	*31 Dec 2019*	*31 Dec 2018*
Investment property	9	9	-	-
Investments in equity interests	-	-	1,387	1,316
Non-current financial assets	-	2	-	-
Trade receivables	2,228	2,715	588	658
Current financial assets	83	52	-	-
Cash and cash equivalents	14	119	-	-
Provisions for risks and charges	57	67	-	-
Other current liabilities	531	82	-	-
Deferred taxes on tax losses carried forward	704	338	-	-
Total	**3,626**	**3,384**	**1,975**	**1,974**

Deferred taxes are computed on temporary differences between the amounts of assets and liabilities recognised in the financial statements and the corresponding amounts recognised for tax purposes.

"Deferred taxes on tax losses carried forward" are recognised only when their recovery is highly probable, including in consideration of the tax consolidation, with Intek Group as the parent company.

5. Commitments and guarantees

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

There are furthermore additional guarantees for non-revolving credit lines connected to the copper sector of Euro 26 million, as well as guarantees for tax credits of approximately Euro 1.4 million expiring in 2020.

I2 Real Estate S.r.l. (subsequently merged into Immobiliare Pictea) was guaranteed a loan for an original value on subscription of Euro 3.5 million (today the loan has been partially repaid and the residual debt is Euro 0.1 million), while for Tecno Servizi S.r.l. (also merged into Immobiliare Pictea) a guarantee was provided for a loan supplied by Mediocredito for an original amount of Euro 7.8 million (residual amount Euro 4.8 million).

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

6. Notes to the statement of comprehensive income

6.1. Net income from investment management

This item consists of the following amounts:

(in thousands of Euro)	*2019*	*2018*	*Change*	*% Change*
Value adjustments on equity investments and securities	(732)	(389)	(343)	88.17%
Gains/(losses) from the sale of equity investments and securities	(297)	(315)	18	-5.71%
Value adjustments on financial receivables from related companies	-	(196)	196	-100.00%
Measurement of investments at fair value	7,155	26,827	(19,672)	-73.33%
Measurement of fund units at fair value	220	(1,323)	1,543	-116.63%
Dividends	260	261	(1)	-0.38%
Net income from investment management	**6,606**	**24,865**	**(18,259)**	**-73.43%**

- The Value adjustments on equity investments of Euro 732 thousand refer only to I2 Capital Partners SGR;
- losses from the sale of equity investments and securities include Euro 266 thousand from the disposal of 1% of KME SE and Euro 31 thousand from the closure of the liquidation of HG Power and Ergyca Bio;
- the measurement of equity investments at fair value includes, inter alia, the positive effects for KME SE (Euro 4,830 thousand), Culti Milano (for a total of Euro 2,478 thousand) and Intek Investimenti (Euro 444 thousand) and the negative effects of Isno 3 for Euro 304 thousand;
- the fair value measurement of fund units of Euro 220 thousand refers to the I2 Capital fund before its liquidation;
- dividends were from Culti Milano (Euro 183 thousand) and Società Agricola Agrienergia (Euro 77 thousand).

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

6.2. Guarantee fees

(in thousands of Euro)	*2019*	*2018*	*Change*	*% Change*
Guarantee fees	962	1,258	(296)	-23.53%
Guarantee fees	**962**	**1,258**	**(296)**	**-23.53%**

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

6.3. Other income

(in thousands of Euro)	*2019*	*2018*	*Change*	*% Change*
Income from “special situations”	828	88	740	840.91%
Provision of services to related companies	2,424	190	2,234	1175.79%
Other income and revenues	100	52	48	92.31%
Other income	**3,352**	**330**	**3,022**	**915.76%**

“*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 related companies which increased during the year due to the accrual of commissions relating to extraordinary transactions carried out by KME SE.

6.4. Labour costs

(in thousands of Euro)	*2019*	*2018*	*Change*	*% Change*
Wages and salaries	(754)	(809)	55	-6.80%
Social security charges	(233)	(248)	15	-6.05%
Other personnel expense	(472)	(551)	79	-14.34%
Labour costs	**(1,459)**	**(1,608)**	**149**	**-9.27%**

Other personnel expense includes remuneration to associates of Euro 269 thousand, in addition to contribution expenses of Euro 85 thousand, costs for a welfare plan of Euro 63 thousand and an allocation to the employees' post-employment benefits (TFR) of Euro 56 thousand.

The average number of employees is given here below:

	31 Dec 2019	*31 Dec 2018*	*Change*
Executives	2	2	-
Clerical workers	10	11	(1)
Average number of employees	**12**	**13**	**(1)**

6.5. Amortisation, depreciation, impairment and write-downs

(in thousands of Euro)	*2019*	*2018*	*Change*	*% Change*
Depreciation of property, plant and equipment	(34)	(35)	1	-2.86%
Depreciation on leased assets	(612)	-	(612)	n/a
Amortisation of intangible assets	(2)	(2)	-	0.00%
Reversal of impairment losses on investment	-	(286)	286	-100.00%
Amortisation, depreciation, impairment and	**(648)**	**(323)**	**(325)**	**100.62%**

This item was impacted by the effects of the adoption of IFRS 16. Please refer to the individual asset items for the relative comments.

6.6. Other operating costs

(in thousands of Euro)	*2019*	*2018*	*Change*	*% Change*
Directors' and Statutory Auditors' fees	(3,042)	(1,223)	(1,819)	148.73%
Professional services	(1,382)	(1,100)	(282)	25.64%
Travel costs	(345)	(271)	(74)	27.31%
Other personnel expense	(85)	(84)	(1)	1.19%
Legal and company disclosure	(119)	(146)	27	-18.49%
Electricity, heating, postal and telephone costs	(52)	(90)	38	-42.22%
Insurance premiums	(82)	(91)	9	-9.89%
Training and seminars	(28)	(1)	(27)	2700.00%
Real estate leases	(255)	(859)	604	-70.31%
Maintenance	(25)	(25)	-	0.00%
Leases and rentals	(52)	(83)	31	-37.35%
Other tax charges	(41)	(91)	50	-54.95%
Membership fees	(215)	(173)	(42)	24.28%
Other net costs	(163)	(190)	27	-14.21%
Donations	(94)	(23)	(71)	308.70%
Bank fees	(13)	(21)	8	-38.10%
	(5,993)	*(4,471)*	*(1,522)*	*34.04%*
Release of provisions	230	1,596	(1,366)	-85.59%
Provision for risks	-	(265)	265	-100.00%

Losses on receivables	-	(174)	174	-100.00%
Other operating costs	**(5,763)**	**(3,314)**	**(2,449)**	**73.90%**

"*Directors' and Statutory Auditors' fees*" increased as a result of the accrual of variable compensation linked to the extraordinary transactions of KME.

"*Professional services*" increased due to the expenses incurred for potential extraordinary transactions.

The decrease in "*Real estate leases*", which now contain only real estate management expenses, is linked to the effects of the adoption of IFRS 16.

The "*Release of provisions*" for the previous year related to the positive effects of the transaction with the Mareco receivers, which made it possible to end a dispute linked to the previous activities of Fime Leasing.

6.7. Finance income and expense

(in thousands of Euro)	*2019*	*2018*	*Change*	*% Change*
Interest income from related parties	*616*	*392*	224	57.14%
Other finance income and interest	*501*	*756*	(255)	-33.73%
Total finance income	1,117	1,148	(31)	-2.70%
Interest expense to related parties	*(128)*	*(112)*	(16)	14.29%
Loan interest expense	*(18)*	*(42)*	24	-57.14%
Interest expense on securities issued	*(5,319)*	*(5,261)*	(58)	1.10%
Interest expense for leases	*(201)*	-	(201)	n/a
Other finance expense	*(209)*	*(129)*	(80)	62.02%
Total finance expense	(5,875)	(5,544)	(331)	5.97%
Total net financial expense	**(4,758)**	**(4,396)**	**(362)**	**8.23%**

The breakdown of the interest income and interest expense from related parties is provided under paragraph 7.12.

"Other finance expense" includes write-downs pursuant to IFRS 9 for Euro 153 thousand.

6.8. Current and deferred taxes

(in thousands of Euro)	*2019*	*2018*	*Change*	*% Change*
Current taxes	423	1,305	(882)	-67.59%
Deferred taxes	241	(1,326)	1,567	-118.17%
Current and deferred taxes	**664**	**(21)**	**685**	**n/a**

Since 2007, Intek Group SpA and most of its Italian subsidiaries elected to apply the "Italian domestic tax consolidation regime", which allows the determination of a single IRES (Italian corporate income tax) taxable base equal to the algebraic sum of the taxable income and losses of each of the participating entities. Financial relationships, responsibilities and mutual obligations are set out in the agreement and regulation regarding the domestic tax consolidation arrangement, according to which taxable losses of the Parent and/or subsidiaries can be offset against the tax savings realised by the Parent and/or subsidiaries with taxable income.

Reconciliation of theoretical tax charge and the effective charge:

(in thousands of Euro)	*2019*	*2018*
Profit/(loss) before taxes	(2,761)	16,811
Tax charge at theoretical rate	663	(4,035)
- Impairment losses on securities and investments that are non-deductible/non-taxable	(82)	(6,242)
- Fair value measurements	1,286	6,345
- Other	(1,193)	4,317
- Previous year taxes	(9)	(405)
Total effective tax charge	**665**	**(20)**

7. *Additional information*

7.1. Financial instruments by category

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

(in thousands of Euro)	*31 Dec 2019*	*31 Dec 2018*	*Change*
Financial assets at fair value through profit or loss	509,243	507,814	1,429
Financial assets at fair value through other comprehensive income	-	-	-
Amortised cost	81,361	84,961	(3,600)
Available-for-sale financial assets	-	-	-
Financial assets	**590,604**	**592,775**	**(2,171)**
Financial liabilities at fair value through profit or loss	(1,357)	(2,244)	887
Financial payables and liabilities at amortised cost	(120,585)	(117,109)	(3,476)
Financial liabilities	**(121,942)**	**(119,353)**	**(2,589)**

7.2. Financial instruments by financial statement item

Financial instruments and reconciliation with financial statement items at 31 December 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	507,829	-	507,829	
Instrumental equity investments	25,189	-	-	25,189
Other non-current assets	3	3	-	-
Non-current financial assets	426	-	426	-
Trade receivables	13,483	13,483	-	-
Other current receivables and assets	4,200	2,858	-	1,342
Current financial assets	21,366	20,378	988	-
Cash and cash equivalents	44,639	44,639	-	-
Total financial assets	**617,135**	**81,361**	**509,243**	**26,531**
Non-current financial payables and liabilities	(3,870)	(3,444)	(426)	-
Other non-current liabilities	(1,014)	(1,014)	-	-
Current financial payables and liabilities	(111,739)	(110,808)	(931)	-
Trade payables	(1,199)	(1,199)	-	-
Other current liabilities	(4,229)	(4,120)	-	(109)
Total financial liabilities	**(122,051)**	**(120,585)**	**(1,357)**	**(109)**

7.3. Credit risk exposure and impairment losses

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

The risk of impairment is mainly connected to investments in instrumental equity interests of Euro 25.2 million.

The ageing of trade receivables from current transactions at the date of these financial statements was as follows:

(in thousands of Euro)	*Gross carrying amount*	*Write-down as at 31 December 2019*	*Net carrying amount*
Not yet due	-	-	-
Up to 60 days past due	9,319	-	9,319
61 to 120 days past due	-	-	-
121 days to 1 year past due	-	-	-
Over 1 year past due	-	-	-
Trade receivables	**9,319**	**-**	**9,319**

7.4. Currency risk exposure

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

7.5. Interest rate risk exposure

As at 31 December 2019 the Group's interest-bearing financial assets and liabilities had the following interest rate risk exposure:

(in thousands of Euro)	*31 Dec 2019*	*31 Dec 2018*
Financial assets	-	-
Financial liabilities	(105,621)	(101,867)
Fixed rate instruments	**(105,621)**	**(101,867)**
Financial assets	55,387	60,629
Financial liabilities	(4,256)	(5,017)
Floating rate instruments	**51,131**	**55,612**

The fixed rate financial liabilities mainly refer to outstanding bonds and to financial liabilities for leases.

7.6. Exposure to the risk of fluctuations in share value

This risk is connected to the investments held in the portfolio of Euro 501 million.

7.7. Sensitivity analysis of the cash flows of floating rate financial instruments

A 50-basis-point increase (decrease) in interest rate receivable or payable at the year end would have led to an impact on equity and the loss for the year of around Euro 300 thousand.

7.8. Fair value and carrying amount

Pursuant to IFRS 13 paragraph 91, we declare that the carrying amount of the financial assets and liabilities recognised in these financial statements do not diverge from their fair value.

7.9. Fair value hierarchy

IFRS 7, paragraph 27A and IFRS 13 require financial instruments recognised at fair value in the statement of financial position to be classified based on a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value hierarchy shall have the following levels:

Level 1 – quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 – inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3 – unobservable market inputs for the asset or liability.

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

(in thousands of Euro)	*Total fair value*	*Level 1*	*Level 2*	*Level 3*
Investments in equity interests and fund units	507,829	379	-	507,450
Non-current financial assets	426	-	-	426
Current financial assets	988	-	-	988
Total financial assets	**509,243**	**379**	**-**	**508,864**
Non-current financial payables and liabilities	(426)	-	-	(426)
Current financial payables and liabilities	(931)	-	-	(931)
Total financial liabilities	**(1,357)**	**-**	**-**	**(1,357)**

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 guarantees issued, for the valuation of which level 3 inputs are used. For the determination of the fair value of participating investments, please refer to the dedicated note. The fair value of the guarantees issued is determined by applying a rate which is considered to be representative of the risk undertaken.

7.10. Disclosure of payments for services rendered by the Independent Auditors

In accordance with article 149-*duodecies* of the “Issuers' Regulation”, the following table shows the payments made during the year for services provided to the Company and its subsidiaries by the Independent Auditors, Deloitte & Touche SpA and other companies belonging to its network:

(in thousands of Euro)	*Total*	*Intek Group*	*Subsidiaries*
a) audit fees	1,294	136	1,158
b) fees other than audit	279	80	199
- audit services for the issue of certification	17	5	12
for financial covenants, compliance opinions	-	-	-
- other fees	262	75	187
c) fees charged by companies belonging to the Independent auditors’ network	-	-	-
Independent Auditors’ fees	**1,573**	**216**	**1,357**

7.11. *Detail of transactions with related parties*

The tables below show the relations involving payables, receivables, costs and revenue with related parties. For information regarding the nature of the transactions, reference should be made to the comments under the individual items.

(in thousands of Euro)	*Non-current financial assets*	*Current financial assets*	*Trade receivables*	*Other current receivables and assets*	*Non-current financial payables and liabilities*	*Current financial payables and liabilities*	*Trade payables*	*Other current liabilities*
Breda Energia Srl in liquidazione	-	-	-	-	-	(3,150)	-	-
Culti Milano SpA	-	-	31	-	-	-	-	-
EM Moulds SpA	-	-	35	-	-	-	-	-
Energetica Solare Srl in liquidazione	-	-	-	-	-	(82)	-	-
I2 Capital Partners SGR SpA	-	-	42	-	-	(1,024)	-	-
Immobiliare Agricola Limestre Srl	-	-	-	-	-	-	-	-
Immobiliare Pictea Srl	-	8,353	-	-	(3,346)	(418)	-	-
Intek Investimenti Srl	-	2,139	-	-	-	-	-	-
KME Germany GmbH	-	-	62	-	-	-	(39)	-
KME Italy SpA	-	-	90	-	-	-	(5)	-
KME SE	-	-	8,689	-	-	-	-	-
KME Srl	-	-	-	-	-	-	(55)	-
KME Yorkshire Ltd	-	282	259	-	-	-	(8)	-
Mecchld Srl	-	-	-	-	-	-	-	-
Nextep Srl Benefit Corporation	-	-	15	-	-	-	-	-
Oasi Dynamo FoodCo Srl	-	-	1	-	-	-	(6)	-
Quattroduedue SpA	-	-	49	-	-	-	-	-
Società Agricola Agrienergia Srl	-	-	36	-	-	-	-	-
Serravalle Copper Tube Srl	-	-	10	-	-	-	-	-
Directors and Statutory Auditors	-	-	-	-	-	-	(106)	(1,930)
Receivables from guarantees	426	931	-	-	-	-	-	-
Receivables/Payables for tax consolidation	-	-	-	1,368	-	-	-	-
	426	**11,705**	**9,319**	**1,368**	**(3,346)**	**(4,674)**	**(219)**	**(1,930)**
Total	**426**	**21,366**	**13,483**	**4,200**	**(3,870)**	**(111,739)**	**(1,199)**	**(4,229)**
Effect	**100.00%**	**54.78%**	**69.12%**	**32.57%**	**86.46%**	**4.18%**	**18.27%**	**45.64%**

(in thousands of Euro)	*Net income from investment management*	*Guarantee fees*	*Other operating income*	*Other operating costs*	*Finance income*	*Finance expense*
Breda Energia Srl in liquidazione	-	-	15	-	-	(84)
Culti Milano SpA	2,305	4	15	(1)	-	-
EM Moulds Srl	-	35	-	-	-	-
Energetica Solare Srl in liquidazione	10	-	-	-	-	-
Ergyca Bio Srl in liquidazione	(20)	-	-	-	-	-
Ergyca Tracker 2 Srl	-	-	2	-	-	-
GreenRecycle Srl	-	1	-	-	-	-
HG Power Srl in liquidazione	(12)	-	-	-	-	-
I2 Capital Partners SGR SpA	(732)	-	65	-	-	(20)
Immobiliare Pictea Srl	-	-	25	(650)	197	(189)
Isno 3 Srl	(305)	-	-	-	-	-
Intek Investimenti SpA	444	-	15	-	25	-
KME Germany GmbH & CO KG	-	62	-	(19)	-	-
KME Bet	54	-	-	-	-	-
KME Italy SpA	-	90	-	(4)	185	-
KME SE	4,564	770	2,240	-	186	-
KME Srl	-	-	-	(25)	-	-
KME Yorkshire Ltd	-	-	-	-	10	-
Oasi Dynamo FoodCo Srl	-	-	-	(7)	-	-
Progetto Ryan 3 Srl in liquidazione	1	-	-	-	-	-
Quattroduedue SpA	-	-	15	-	-	-
Società Agricola Agrienergia Srl	77	-	32	-	16	-
Directors/Statutory Auditors	-	-	-	(3,042)	23	(24)
	6,386	**962**	**2,424**	**(3,748)**	**642**	**(317)**
Total	**6,606**	**962**	**3,352**	**(5,763)**	**1,117**	**(5,875)**
Effect	**96.67%**	**100.00%**	**72.32%**	**65.04%**	**57.48%**	**5.40%**

7.12. Proposal to approve the 2019 financial statements

Refer to the Directors' Report.

List of direct equity investments as at 31 December 2019

List of equity investments as at 31 December 2019 and changes compared to 31 December 2018

Equity investments (in Euro)	Notes	Nominal value	Balance as at 31 December 2018		Changes during the period (+ / -)		Write-backs/ (Adjustments)	Balance as at 31 December 2019				Market value at 31 December 2019	
		Euro	Quantity	Value	Quantity	Value		Quantity	%	Average carrying amount	Book value	Unit value	Equivalent value
Subsidiaries and other equity investments (**) (recognised under financial assets)													
KME SE	*(*)*	no nominal value	27.918.276	483.000.000	(279.183)	(4.830.000)	3.830.000	27.639.093	100,00%		482.000.000		
KME Germany Beteiligungs Gmbh	*(*)*		-	1.104.000	-		-	-	100,00%		1.104.000		
Energetica Solare Srl in liquidazione	*(*)*	116.945	1	5.730	-	-	-	1	100,00%		5.730		
Ergyca Tracker 2 Srl	*(*)*	10.000	1	81.900	-	-	-	1	51,00%		81.900		
HG Power Srl in liquidazione (1)	*(*)*	100.000	1	-	(1)	-	-	-	0,00%		-		
Ergyca Bio Srl in liquidazione (1)	*(*)*	100.000	1	-	(1)	-	-	-	0,00%		-		
Società Agricola Agrienergia Srl	*(*)*	20.000	1	953.411	(1)	(953.411)	-	-	0,00%		-		
Culti Milano SpA	*(*)*	no nominal value	2.230.000	10.322.055	158.750	435.516	2.478.000	2.388.750	77,17%		13.235.571	4,20	9.366.000,00
Progetto Ryan 3 Srl in liquidazione (1)	*(*)*	100.000	1	65.000	(1)	(65.000)	-	-	0,00%		-		
Breda Energia Srl in liquidazione (2)	*(*)*	5.164.569	10.000.000	6.161.905	(10.000.000)	(6.161.905)	-	-	0,00%		-		
Il Post Srl (2)	*(*)*	396.516	56.593	62.817	(56.593)	(62.817)	-	-	0,00%		-		
Intek Investimenti SpA	*(*)*	7.605.723	-	416.743	7.605.723	7.589.432	444.000	7.605.723	100,00%		8.450.175		
Isno 3 srl in liquidazione	*(*)*	1.012.932	-	-	1	1.804.683	(304.506)	1	57,72%		1.500.177		
Mecchld Srl (2)	*(*)*	8.000	1	217.590	(1)	(217.590)	-	-	0,00%		-		
Nextep Srl Benefit Corporation	*(*)*	10.000	-	6.000	-	-	-	-	60,00%		6.000		
Intomalte SpA	*(*)*	516	200	1	-	-	-	200	20,00%		1		
Newcocot Srl in liquidazione	*(*)*	2.780	1	1	-	-	-	1	27,80%		1		
I2 Capital Partners SGR SpA		1	1.500.000	1.787.723	-	-	(732.000)	1.500.000	100,00%		1.055.723		
Immobiliare Pictea Srl		80.000	1	24.133.282	-	-	-	1	100,00%		24.133.282		
Warrant Culti Milano SpA			2.230.000	735.400	-	-	(356.300)	2.230.000	n/a		379.100	0,17	379.100,00
Total				**528.318.158**		**(2.461.092)**	**5.715.494**				**531.572.560**		
Treasury shares (recognised as a reduction from Equity)													
Intek Group S.p.A. savings shares		no nominal value	11.801	6.867	-	-		11.801	-	0,5819	6.867	0,4500	5.310
Intek Group S.p.A. ordinary shares		no nominal value	5.713.572	1.812.805	-	-		5.713.572	-	0,3173	1.812.805	0,3080	1.759.780
Total				**1.819.672**		**0**	**-**				**1.819.672**		
Total				**530.137.830**			**5.715.494**				**533.392.232**		

(*): recognised in the item "Investments in equity interests and fund units"
(1): company whose liquidation process was completed in 2019
(2): companies transferred to the direct subsidiary Intek Investimenti SpA in 2019

List of indirect equity investments as at 31 December 2019

Company Name	Registered office	Activity	Currency	Share capital	% Stake	Investor Company	Total Equity Investment
AMT - Advanced Mould Technology India Private Ltd.	India	Services	INR	40.000.000	72,00%	KME Germany Gmbh & Co. K.G.	72,00%
Bakel Srl	Italy	Commercial	Euro	100.000	50,01%	Culti Milano SpA	50,01%
Bertram's GmbH	Germany	Services	Euro	300.000	100,00%	KME Germany Gmbh & Co. K.G.	100,00%
Breda Energia Srl in liquidazione	Italy	not operating	Euro	5.164.569	100,00%	Intek Investimenti SpA	100,00%
bvba KME Benelux sprl	Belgium	Commercial	Euro	62.000	84,70%	KME Germany Gmbh & Co. K.G.	100,00%
					15,30%	KME Italy SpA	
Cuprum S.A.U.	Spain	Services	Euro	60.910	100,00%	KME Germany Gmbh & Co. K.G.	100,00%
Dalian Dashan Chrystallizer Co. Ltd.	China	Industrial	RMB	40.000.000	70,00%	KME SE	70,00%
Dalian Dashan Heavy Machinery Co. Ltd.	China	Industrial	RMB	20.000.000	70,00%	KME SE	70,00%
Dalian ETDZ Surface Machinery Co. Ltd.	China	Industrial	RMB	10.000.000	70,00%	KME SE	70,00%
EM Moulds SpA	Italy	Industrial	Euro	3.090.000	100,00%	KME Germany Gmbh & Co. K.G.	100,00%
Evidal Schmoele Verwaltungsgesellschaft mbH	Germany	not operating	Euro	30.000	50,00%	KME SE	50,00%
Fossati Uno Srl	Italy	Real Estate	Euro	100.000	35,00%	Immobiliare Pictea Srl	35,00%
Fricke GmbH	Germany	Industrial	Euro	50.000	100,00%	KME Germany Gmbh & Co. K.G.	100,00%
GreenRecycle Srl	Italy	Trading in metals	Euro	500.000	100,00%	KME Recycle Srl	100,00%
Il Post Srl	Italy	Publishing	Euro	396.516	32,51%	Intek Investimenti SpA	32,51%
Immobiliare Agricola Limestre Srl	Italy	Real Estate	Euro	110.000	100,00%	KME Italy SpA	100,00%
Irish Metal Industries Ltd.	Ireland	Commercial	Euro	127	100,00%	KME Yorkshire Ltd.	100,00%
ISNO 3 Srl in liquidazione	Italy	not operating	Euro	1.754.906	3,00%	I2 Capital Partners SGR SpA	60,72%
KMD (HK) Holding Limited	China	Holding company	USD	198.000.000	50,00%	KME SE	50,00%
KMD Connectors Stolberg GmbH	Germany	Industrial	Euro	1.000.000	50,00%	KMD (HK) Holdings Ltd.	50,00%
KMD Precise Copper Strip Co. Ltd.	China	Industrial	USD	239.214.000	50,00%	KMD (HK) Holdings Ltd.	50,00%
KME – MAGMA Service Ukraine LLC	Ukraine	Commercial	UAH	14.174.000	70,00%	KME Germany Gmbh & Co. K.G.	70,00%
KME Srl	Italy	Services	Euro	115.000	100,00%	KME SE	100,00%
KME (Suisse) S.A.	Switzerland	Commercial	CHF	100.000	100,00%	KME Germany Gmbh & Co. K.G.	100,00%
KME America Inc.	United States	Commercial	USD	5.000	100,00%	KME Germany Gmbh & Co. K.G.	100,00%
KME America Marine Holding Inc.	United States	Holding company	USD	4.800.000	100,00%	KME Germany Gmbh & Co. K.G.	100,00%
KME America Marine Tube and Fitting, LLC	United States	Design	USD	2.132.000	100,00%	KME America Marine Holding Inc.	100,00%
KME Asia Pte. Ltd. in liquidation	Singapore	not operating	$SG	200.000	100,00%	KME Germany Gmbh & Co. K.G.	100,00%
KME Chile Lda.	Chile	Trading in metals	PSC	9.000.000	100,00%	KME Germany Gmbh & Co. K.G.	100,00%
KME Germany Gmbh & Co. KG	Germany	Industrial	Euro	180.500.000	100,00%	KME SE	100,00%
KME Grundstuecksgesellschaft AG & Co. KG	Germany	Real Estate	Euro	50.000	99,00%	KME SE	100,00%
					1,00%	KME Germany Gmbh & Co. K.G.	
KME Ibertubos S.A.U.	Spain	Industrial	Euro	100.000	100,00%	KME Germany Gmbh & Co. K.G.	100,00%
KME India Private Ltd.	India	Commercial	INR	6.500.000	99,80%	KME Germany Gmbh & Co. K.G.	100,00%
					0,20%	KME SE	
KME Italy S.p.A	Italy	Industrial	Euro	85.724.000	100,00%	KME SE	100,00%
KME Kalip Servis A.S.	Turkey	Commercial	TRY	950.000	85,00%	KME Germany Gmbh & Co. K.G.	85,00%
KME Metals (Shanghai) Trading Ltd.	China	Commercial	USD	100.000	100,00%	KME SE	100,00%
KME Moulds Mexico S.A. de C.V.	Mexico	Services	MXN	7.642.237	99,99%	KME Germany Gmbh & Co. K.G.	100,00%
					0,01%	KME SE	
KME Polska Sp.z.o.o.	Poland	Commercial	PLN	250.000	100,00%	KME Germany Gmbh & Co. K.G.	100,00%
KME Real Estate GmbH & Co. KG	Germany	Commercial			100,00%	KME SE	100,00%
KME Recycle Srl	Italy	Holding company	Euro	2.000.000	100,00%	KME SE	100,00%
KME Rolled France SAS	France	not operating	Euro	40.000	100,00%	KME Italy SpA	100,00%
KME Service Russland Ltd.	Russia	Services	RUB	10.286.000	70,00%	KME Germany Gmbh & Co. K.G.	70,00%
KME Spain S.A.U.	Spain	Commercial	Euro	92.446	100,00%	KME SE	100,00%
Kmetal Srl	Italy	Trading in metals	Euro	100.000	100,00%	KME SE	100,00%
KME Yorkshire Ltd.	Great Britain	Industrial	LST	10.014.603	100,00%	KME SE	100,00%
Mecchld	Italy	Holding company	Euro	8.000	20,00%	Intek Investimenti SpA	20,00%
MKM Mansfelder Copper UK Ltd	Great Britain		LST		100,00%	KME Mansfeld GmbH	100,00%
MKM France Eurl	France		Euro		100,00%	KME Mansfeld GmbH	100,00%
MKM Italia Srl	Italy		Euro		100,00%	KME Mansfeld GmbH	100,00%
MTM Metals Trading and Management AG in liquidation	Switzerland		CHF		100,00%	KME Mansfeld GmbH	100,00%
Oasi Dynamo Società Agricola Srl	Italy	Agricultural activity	Euro	20.000	100,00%	Immobiliare Agricola Limestre Srl	100,00%
Oasi Dynamo FoodCo Srl	Italy	Sale of food products	Euro	10.000	100,00%	Immobiliare Agricola Limestre Srl	100,00%
P.H.M. Pehamet Sp.Zo.o.	Poland	Commercial	PLN	7.865.000	100,00%	KME Germany Gmbh & Co. K.G.	100,00%
Serravalle Copper Tubes Italy Srl	Italy	Industrial	Euro	3.000.000	100,00%	Trefimetaux S.A.S	100,00%
Società Agricola Agrienergia Srl	Italy	Industrial	Euro	20.000	51,00%	Intek Investimenti SpA	51,00%
Special Steels & Alloys S.E. Asia Pte Ltd.	Singapore	Commercial	$SG	352.088	28,41%	KME Germany Gmbh & Co. K.G.	28,41%
Tekvalia AG	Switzerland	not operating	CHF	2.100.000	49,00%	Kmetal SpA	49,00%
Tekvalia Recycling Srl	Italy		Euro		49,00%	Tekvalia AG	49,00%
Trefimetaux SAS	France	Industrial	Euro	10.000.000	100,00%	KME SE	100,00%
Valika SAS	France	Trading in metals	Euro	200.000	51,00%	KME Recycle Srl	51,00%

CERTIFICATION OF THE SEPARATE FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154 BIS,
PARAGRAPH 5 OF ITALIAN LEGISLATIVE DECREE 58/98, AS SUBSEQUENTLY AMENDED AND SUPPLEMENTED

1. Having regard to the requirements of article 154 *bis*, paragraphs 3 and 4 of Italian Legislative Decree no. 58 of 24 February 1998, the undersigned Vincenzo Manes, Chairman, and Giuseppe Mazza, Manager in charge of Financial Reporting of INTEK Group S.p.A., hereby certify:
   - the adequacy with respect to the characteristics of the Company and
   - the effective application

   of administrative and accounting procedures for the preparation of the separate financial statements during 2019, including the policies which the Company applied in order to comply with the requirements of IFRS 10 in relation to Investment Entities.

2. No material findings emerged in this regard.

3. Moreover, they certify that:
   3.1. the separate financial statements:
      a) were prepared in accordance with the applicable set of international accounting standards as endorsed by the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002. The Investment Entities Accounting principle (Amendments to IFRS 10, IFRS 12 and IAS 27), as introduced by Regulation (EU) no. 1174/2013, was applied in these financial statements;
      b) reflect the balances recorded in the accounting books and records;
      c) give a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer;

   3.2. the annual Report includes a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risks and uncertainties that it faces.

Milan, 29 April 2020

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

Report of the Board of Statutory Auditors of INTEK Group S.p.A. on the separate financial statements as at 31 December 2019, prepared pursuant to article 153 TUF and article 2429, paragraph 3 of the Italian Civil Code and submitted to the Shareholders' Meeting

Dear Shareholders,

The Board of Statutory Auditors reports on the supervisory activities as required by the law (and in particular, article 149 of Italian Legislative Decree 58/98, the "TUF"), the rules of conduct for boards of statutory auditors of listed companies issued by the Council of Chartered Accountants and Accounting Experts (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili), the recommendations of Consob regarding corporate audits and the activities of the Board of Statutory Auditors (in particular the communication of 20 February 1997, no. DAC/RM 97001574 and communication no. DEM 1025564 of 6 April 2001, which was subsequently supplemented with communication no. DEM/3021582 of 4 April 2003 and communication no. DEM/6031329 of 7 April 2006) and the guidelines provided in the Corporate Governance Code.

This report is divided, as it is every year, into individual chapters which correspond to the disclosure obligations set by CONSOB and suggested by the Italian National Council of Chartered Accountants and Accounting Experts (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili), for better comprehension and comparability.

Significant events occurred in 2019 at Group level

The most significant transactions that took place in 2019 and in the course of this year until this report was drafted relate to KME SE, which operates in the copper sector and is the main investment of Intek Group S.p.A.

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

Acquisition of equity investment in MKM and disposal of the rods business

As already noted in the report for the previous year, in the initial months of 2019 two closely connected transactions were finalised, the acquisition of the 100% stake in MKM (Mansfelder Kupfer und Messing GmbH), leading operator in the European copper market for consideration of Euro 80 million, as well as the assignment to European Acquisition Midco Limited, the selling company, of an equity investment of 1% in KME SE, and the disposal to the Zhejiang Hailiang Co. group of the brass rods business in Germany, Italy and France and the tubes business in Germany and Spain for a total price of Euro 119 million.

This overall transaction was justified by the management as a tool to boost competitiveness in the copper market.

In July 2019 KME SE reacquired full control over Tréfimetaux sas, a French company that manufactures copper tubes and rods, of which it already held 51% of the share capital.

At consolidated level, EBITDA in the copper sector came to Euro 86.5 million.

Culti Milano SpA

In July 2019, with an investment of Euro 2.0 million, the company acquired 50.01% of the share capital of Bakel Srl, a company which produces cosmetics exclusively from natural active ingredients.

Private Equity

In July 2019, the procedure for the liquidation of the I2 Capital Partners Fund was completed.

Contribution of investments

In the course of 2019, several residual equity investments held by Intek, in Società Agricola AgriEnergia Srl, Breda Energia Srl in Liquidazione, Mecchld Srl and Il Post Srl, as well as some credit positions, were transferred to Intek Investimenti SpA.

Financial aspects - 2020/2025 bond loan

Aside from the foregoing at industrial level, financially the most significant transaction of 2019 was the issue of the 2020-2025 Intek Group Bond Loan (BL) for Euro 75.9 million at a rate of 4.5%, an issue that began in 2019 and was finalised in February 2020.

The proceeds from that BL made it possible to repay the previous 2015-2020 BL, along with a credit line of roughly Euro 25 million and the use of part of the Company's liquidity.

Furthermore, a public exchange offer is under way on Intek Savings Shares through the issue of an additional 2020-2025 BL tranche for roughly Euro 25 million, which is subject to approval by Consob and by the ordinary shareholders' meeting.

Accounting standards applied to the Investment Entity

The separate financial statements as well as the consolidated financial statements were compiled using the accounting standards for investment entities pursuant to IFRS 10 and therefore equity investments held as investments, which constitute the most significant and relevant equity investments, were measured at fair value and recognised in the income statement.

In relation to the actual application of this criterion, which has significant impacts on the separate financial statements of the Company, the Board of Statutory Auditors verified, including following meetings with management and the audit firm, that determination of the fair value had been reasonable and carried out by an independent and reliable expert which was identified in E&Y S.p.A.

Upon completion of these verifications, there were no elements that were found to be inconsistent and/or illogical in the conclusions reached.

The following table summarises the result of these assessments in the 2019 financial statements regarding the equity investments, compared with the book values in the previous year:

Name:	*Registered office*	*Percentage of interest*	*Fair value 31/12/2019*	*Fair value 31/12/2018*	*Difference*
Subsidiaries and associates					
KME SE	Osnabrück (D)	100.00%	483,000	483,000	-
KME Beteiligungsgesellsch. mbH	Osnabrück (D)	100.00%	1,158	1,104	54
Società Agricola Agrienergia Srl	Pecognaga (Mn)	-	-	953	(953)
Ergyca Tracker 2 Srl	Florence	51.00%	82	82	-
Energetica Solare Srl in liquidazione	Milan	100.00%	6	6	-
Culti Milano Spa	Milan	77.17%	13,236	10,323	2,913
Progetto Ryan 3 Srl in liquidazione	Milan	-	-	65	(65)

Breda Energia Srl in liquidazione	Milan	-	-	6,162	(6,162)
Il Post Srl	Milan	-	-	63	(63)
Intek Investimenti SpA	Milan	100.00%	8,450	417	8,033
Isno 3 Srl in liquidazione	Milan	57.72%	1,500	-	1,500
Mecchld Srl	Milan	-	-	217	(217)
Nextep Società Benefit Srl	Milan	60.00%	6	6	-
Total subsidiaries and associates			**507,438**	**502,398**	**5,040**
Other			12	12	-
Total other investments			**12**	**12**	**-**
Total investments			**507,450**	**502,410**	**5,040**
I2 Capital Partners Fund			-	2,368	(2,368)
Total fund units			**-**	**2,368**	**(2,368)**
Culti Milano Warrant			379	735	(356)
Total other investments			**379**	**735**	**(356)**
Investments in equity interests and fund units			**507,829**	**505,513**	**2,316**

As is clear, the main fair value recognised relates to the subsidiary KME SE and with reference to this investment, a specific assessment was obtained from the above-mentioned independent advisor E&Y.

Atypical or unusual transactions, including intra-group or related party transactions during 2019.

The Board of Statutory Auditors has not detected any atypical or unusual transactions during the year.

Comments on ordinary transactions with related parties are provided in the Notes to the financial statements, the Directors' Report on operations and the Control and Risk Committee report.

These transactions essentially related to the provision of services, including financial and administrative services, and receivables/payables deriving from loan transactions.

In 2019 the Board participated in the meetings of the Control and Risk Committee and received the appropriate updates from the Internal Control function as well as the Supervisory Body pursuant to Legislative Decree 231/2001, with dedicated meetings with the individual members. No critical issues emerged from those meetings.

Observations or reference to disclosed information by the Independent Auditors / reports by Shareholders pursuant to article 2408 of the Italian Civil Code / representations

In the course of 2019 and until the date on which this report was drafted, the Board of Statutory Auditors did not receive any reports pursuant to article 2408 of the Italian Civil Code.

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

A summary of the engagements and fees of the independent auditors is provided below:

(in thousands of Euro)	*Total*	*Intek Group*	*Subsidiaries*
a) audit fees	1,294	136	1,158
b) fees other than audit	279	80	199
- audit services for the issue of certification	17	5	12
financial covenants, compliance opinions	-	-	-
- other fees	262	75	187
c) fees charged by companies in the Independent auditors' network	-	-	-
Independent auditors' fees	**1,573**	**216**	**1,357**

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

Opinions issued by the Independent Auditors in compliance with legal requirements

In 2019, the Independent Auditors did not issue opinions other than those relating to audit activities.

Supervisory activities concerning observance of the law and the Articles of Association

The Board of Statutory Auditors has regularly attended the meetings of the Board of Directors and the Control and Risk Committee and had regular contacts with the Internal Control and the Supervisory Body pursuant to Legislative Decree 231/2001, as well as with the independent auditors Deloitte & Touche SpA; it also participated in the meetings of the Control and Risk Committee, in addition obviously to continuous interaction with the Company; in 2019, the Board of Statutory Auditors met 5 times (6 times in 2018); participation in meetings by its members was 93% (100% in the previous year).

Exhaustive information on the various corporate bodies of the company is contained in the Report on Corporate Governance accompanying the financial statements.

In the performance of its supervisory activities, at meetings and in frequent discussions, the Board of Statutory Auditors:

a) confirmed compliance with legal requirements and the Articles of Association during the year;

b) confirmed compliance with the principles of proper management, the existence of a satisfactory management structure and an adequate internal control system;

c) confirmed that no information of particular relevance emerged at meetings with the Independent Auditors and the Directors, including pursuant to article 150 of Legislative Decree 58/1998;

d) confirmed that subsidiaries provided all the information required by law and the Parent provided all the appropriate provisions required also by article 114, paragraph 2 of Legislative Decree 58/1998.

Where deemed necessary, the Board of Statutory Auditors also had contacts with some members of the Board of Statutory Auditors of certain subsidiaries, or with the persons in charge at the relative audit firms.

The Board of Statutory Auditors verified that the main fair value estimation activities took place with the support of an appropriate independent advisor, in this case identified in E&Y S.p.A.

The Company published a Report on Corporate Governance in accordance with regulatory requirements, which the Board of Statutory Auditors found adequate for its purposes. No instances of non-compliance came to the attention of the Board of Statutory Auditors in the performance of its supervisory activities.

The company's organisational structure appears to be adequate in light of its activities.

The Board of Statutory Auditors also verified:

- that the Company complied with the Corporate Governance Code prepared by Borsa Italiana S.p.A.;
- that the Company has regularly established the "Control and Risk Committee" that operated regularly throughout 2019;
- that the Board is comprised of 3 Independent Directors, a number which is considered adequate for the operations of the Board;
- that the Executive Directors reported to the Board the operations carried out in terms of the delegations conferred upon them.

During 2019, the Board of Statutory Auditors met with members of the Supervisory Body who are external to the Company.

The Board of Statutory Auditors carried out the periodic verification of the existence, for each of its own members, of the requirement for "independence" and "professionalism", and also verified the independence requirements of the members of the Board of Directors and in general, that there were no reasons preventing the offices assigned, and also compliance with the plurality of offices and the interlocking rules.

In conclusion, based on the information acquired and the internal and external information flows, the Board of Statutory Auditors has ascertained compliance of the organisational structure, internal procedures, corporate documents and resolutions of the corporate bodies with the law, the provisions of the Articles of Association and the applicable regulations, as well as the conduct codes, which the Company has declared it will comply with.

The Board of Statutory Auditors notes that each of the Company’s bodies and functions has fulfilled the disclosure obligations as required by the applicable laws.

The Board of Statutory Auditors notes that there are no interests that one or more statutory auditors had, on their own behalf or on that of third parties, in a specific transaction during the year.

These activities led to the following conclusions:

Monitoring of compliance with the principles of good administration

Based on the information acquired, the Board of Statutory Auditors notes that the choices of the management were reasoned and guided by the principle of correct information and the directors are aware of the risks and the effects of the transactions they carried out.

Monitoring of the adequacy of the organisational structure

Based on the information acquired and the information provided above, the Board of Statutory Auditors has found the organisational structure to be adequate in terms of its structure, procedures, competences and responsibilities, considering also the size and purpose of the Company.

In particular, the Board of Statutory Auditors verified, also pursuant to article 2086 of the Italian Civil Code, that the Company has an organisational structure that makes it possible to identify any situations of business crisis and the Board of Statutory Auditors positively concretely verified the results of that organisational structure.

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

During the year, no critical areas emerged in relation to the independence of each member of the Board of Statutory Auditors or with regard to the operation of the latter.

Similarly, no critical areas were found in the operation of the Board of Directors and the Control and Risk Committee.

In particular, there were no critical areas in relation to the performance of the functions of the Independent Directors who, within the Board of Directors, carried out their functions also with reference to the remuneration paid to the Directors, given the absence of a Remuneration Committee.

Regarding the operation of the corporate bodies, and in order to avoid providing overlapping information, please see the report on Corporate Governance prepared by the Directors.

Monitoring of the adequacy of the internal control system

Based on the information acquired, the Board of Statutory Auditors reports that the overall internal control, internal audit and risk management system, particularly with regard to the Control and Risk Committee activities, was found to be adequate.

In particular, there are no observations on the report concerning the activities carried out by said Committee.

Monitoring of the adequacy of the administrative-accounting system and the legally-required audit of the financial statements.

The Board of Statutory Auditors was in regular contact with the Independent Auditors Deloitte & Touche S.p.A., which today issued its own report to the financial statements without any comments.

There are no critical areas insofar particularly as the auditor independence requirement, also on the basis of the declaration provided today by the auditor.

Today, the Independent Auditors also issued the Additional Report to the Internal control and auditing committee (article 11, Regulation (EU) 537/2014).

Actual implementation of the rules on corporate governance

In relation to the corporate governance and its adjustment, based on the information acquired, the Board of Statutory Auditors notes that the Company has complied with the Corporate Governance Code prepared by Borsa Italiana S.p.A. and no critical areas were found during the period under review.

Monitoring of the relations with subsidiaries and parent companies

The Board of Statutory Auditors has received constant information regarding the relations with other Group companies, including through participation in the Control and Risk Committee.

The Board also collected autonomous information from the control bodies of the investees, where necessary.

Monitoring of transactions with related parties

With regard to the transactions with related parties, the Board, mainly through its participation in the Control and Risk Committee, was informed of transactions with related parties and there are no comments in this regard.

Analysis of the 2019 separate financial statements

The financial statements as at 31 December 2019 show a negative result of Euro 1,042 thousand.

On 7 May 2020, the Independent Auditors issued an unreserved positive opinion in its report on the financial statements.

The Chairman of the Company, Vincenzo Manes, and the Manager in charge of Financial Reporting of Intek Group S.p.A., Giuseppe Mazza, on 29 April 2020, provided the Directors and Statutory Auditors with a written statement, also for the purposes of article 154 bis of Legislative Decree 58/1998, certifying the adequacy, for a company of this type, of the management and accounting policies for the preparation of separate and consolidated financial statements for 2019, and their compliance with international financial reporting standards.

Proposal to Shareholders

The Board of Statutory Auditors agrees with the proposed approval of the financial statements as at and for the year ended 31 December 2019, and the relative coverage of losses as highlighted in the Annual Financial Report for the year 2019 prepared by the Board of Directors.

Milan/Florence, 7 May 2020

THE BOARD OF STATUTORY AUDITORS

The Chairman of the Board of Statutory Auditors

(signed Marco Lombardi)

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INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Intek Group S.p.A. (the Company), which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Fair Value Measurement for investment in KME SE

Description of the Key Audit Matter	Paragraph 4.1 of the explanatory notes to the financial statements at 31 December 2019 shows Euro 508 million of investments in equity interests and fund units measured at *fair value*, of which Euro 483 million referred to the stake held in KME SE, parent company of the KME Group that operates in the "copper" industry. The fair value of the investment in KME SE was estimated with the support of an external appraiser in compliance with the policy on "*Fair Value Assessment Methods Policy*" that Intek Group S.p.A. has adopted applying different methodologies (Unlevered discounted cash flow, market multiples and transaction multiples). The method adopted to estimate the *fair value* is based on a significant level of complexity and subjectivity, with reference to the Unlevered discounted cash flow methodology, related to the assumptions concerning the expected cash flows of the investment, the appropriate discount rate (WACC) and the long-term growth rate (g-rate); these assumptions are influenced by future expectations and market conditions, with specific reference to the copper industry in Europe. The application of multiple-based methods, moreover, is characterized by elements of subjectivity, in the process of selection and definition of the sample of comparables. The explanatory notes provide detailed information's on the valuation process adopted. Given the materiality of the amount of the investment, the relevance of the discretionary component of the estimates relating to the determination of the cash flows and the other above mentioned assumptions and key variables of the *fair value* we considered that the *fair value* valuation process related to this investment was a key audit matter of the Company's financial statements.
Audit procedures to address the Key Audit Matter identified	The main procedures carried out as part of our audit work, also with the support of evaluation experts belonging to Deloitte network, have included the following: • recognition and understanding of the process related to the *fair value* assessment; for this purpose we have acquired and analyzed the "Fair Value Assessment Methods Policy" and its compliance with the international accounting standards; • critical analysis of methodology used, verifying, also obtaining information and interviewing the Company's management and its external advisor, the adequacy with market practices;

- analysis of the reasonableness and sustainability of the principal assumptions adopted to estimate the expected cash flows of the investment, the appropriate discount rate (WACC) and the long-term growth rate (g-rate), as well as the criteria used for selecting and defining the sample of comparables in order to determine the market multiples and transaction multiples;

- verification of the calculation accuracy;

Finally, we examined the completeness and compliance of the disclosure provided in the financial statements with respect to the provisions of the applicable accounting standards.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or for the termination of the operations or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Intek Group S.p.A. has appointed us on 31 May 2016 as auditors of the Company for the years from 31 December 2016 to 31 December 2024.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Intek Group S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and ownership structure of Intek Group S.p.A. as at 31 December 2019, including their consistency with the related financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98 with the financial statements of Intek Group S.p.A. as at 31 December 2019 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and information contained in the report on corporate governance and ownership structure are consistent with the financial statements of Intek Group S.p.A. as at 31 December 2019 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Maurizio Ferrero
Partner

Milan, Italy
May 7th, 2020

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

INTEK GROUP

Consolidated financial statements as at 31 December 2019

Intek Group – Consolidated financial statements as at 31 December 2019

Consolidated Statement of financial position – Assets

(in thousands of Euro)	*Ref. Note*	*31-Dec-19*		*31-Dec-18*	
			of which related parties		*of which related parties*
Investments in equity interests and fund units	*4.1*	524,418	*508,027*	521,027	*502,912*
Non-current financial assets	*4,2*	3,090	*3,090*	4,722	*4,582*
Property, plant and equipment	*4,3*	12,148	-	11,481	-
Investment property	*4,4*	14,817	-	16,536	-
Intangible assets	*4,5*	8	-	6	-
Other non-current assets	*4,6*	6	-	6	-
Deferred tax assets	*4.20*	5,081	-	4,958	-
Total non-current assets		**559,568**		**558,736**	
Current financial assets	*4,7*	13,013	*3,352*	12,516	*2,274*
Trade receivables	*4,8*	13,482	*9,276*	10,844	*4,951*
Other current receivables and assets	*4,9*	5,216	*1,922*	5,484	*1,867*
Cash and cash equivalents	*4.10*	44,904	-	52,556	-
Total current assets		**76,615**		**81,400**	
Non-current assets held for sale		-		-	
Total assets		**636,183**		**640,136**	

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

Details of related party transactions are disclosed in note 4.21

Intek Group – Consolidated financial statements as at 31 December 2019

Consolidated Statement of financial position – Liabilities

(in thousands of Euro)	*Ref. Note*	*31-Dec-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		(225)		(132)	
Profit/(loss) for the period		(1,868)		20,866	
Equity attributable to owners of the Parent	***4.11***	**502,635**		**504,596**	
Non-controlling interests		-		-	
Total equity	***4.11***	**502,635**		**504,596**	
Employee benefits	*4.12*	354	-	343	-
Deferred tax liabilities	*4.20*	3,494	-	3,529	-
Non-current financial payables and liabilities	*4,13*	5,422	-	6,697	-
Bonds	*4.14*	-	-	101,391	-
Other non-current liabilities	*4.15*	1,801	-	2,338	-
Provisions for risks and charges	*4.16*	576	-	1,042	-
Total non-current liabilities		**11,647**		**115,340**	
Current financial payables and liabilities	*4.17*	116,134	*3,232*	15,391	*3,706*
Trade payables	*4.18*	1,399	*219*	1,308	*179*
Other current liabilities	*4.19*	4,368	*1,930*	3,501	*904*
Total current liabilities		**121,901**		**20,200**	
Total liabilities and equity		**636,183**		**640,136**	

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

Details of related party transactions are disclosed in note 4.21

Intek Group – Consolidated financial statements as at 31 December 2019

Consolidated Statement of profit or loss and other comprehensive income

(in thousands of Euro)	*Ref. Note*	*2019*	*of which related parties*	*2018*	*of which related parties*
Net income from investment management	*5,1*	8,388	-	33,233	-
Guarantee fees	*5,2*	962	*962*	1,258	*1,259*
Other income	*5,3*	3,732	*2,334*	1,066	*92*
Labour costs	*5,4*	(1,880)	-	(1,993)	-
Amortisation, depreciation, impairment and write-downs	*5,5*	(1,279)	-	(3,713)	-
Other operating costs	*5,6*	(7,936)	*(3,314)*	(5,204)	*(921)*
Operating profit/(loss)		**1,987**		**24,647**	
Finance income		920	*445*	1,010	*254*
Finance expense		(5,885)	*(108)*	(5,809)	*(114)*
Net finance expense	*5,7*	*(4,965)*		*(4,799)*	
Profit/(loss) before taxes		**(2,978)**		**19,848**	
Current taxes	*5,8*	977		1,667	
Deferred taxes	*5,8*	133		(649)	
Total income taxes		**1,110**		**1,018**	
Net profit/(loss) for the year		**(1,868)**		**20,866**	
Other comprehensive income:					
Measurement of employee defined benefits		(15)		*9*	
Items that will not be reclassified to profit or loss		(15)		9	
Net change in cash flow hedge reserve		(103)		(17)	
Taxes on other comprehensive income		25		4	
Items that may be reclassified to profit or loss		(78)		(13)	
Other comprehensive income, net of tax effect:		(93)		(4)	
Total comprehensive income for the year		**(1,961)**		**20,862**	
Profit/(loss) for the period attributable to:					
- non-controlling interests		-		-	
- owners of the Parent		(1,868)		20,866	
Profit/(loss) for the period		(1,868)		20,866	
Total comprehensive income attributable to:					
- non-controlling interests		-		-	
- owners of the Parent		(1,961)		20,862	
Total comprehensive income for the period		(1,961)		20,862	

Earnings per share (in Euro)					
Basic earnings/(loss) per share		(0.0043)		0.0398	
Diluted earnings/(loss) per share		(0.0043)		0.0398	

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

Details of related party transactions are disclosed in note 4.21

Consolidated Statement of changes in equity as at 31 December 2018

(in thousands of Euro)	*Share capital*	*Other reserves*	*Treasury shares*	*Retained earnings/(accumulated losses)*	*Mandatory convertible loan*	*Consolidation reserves*	*Other comprehensive income reserve*	*Profit/(loss) for the period*	*Total equity attributable to owners of the Parent*	*Non-controlling interests*	*Total consolidated equity*
Equity as at 31 December 2017 - published	**335,069**	**43,962**	**(1,820)**	**72,196**	**-**	**-**	**(128)**	**35,402**	**484,681**	**-**	**484,681**
Effect of changes in accounting standards	-	-	-	(948)	-	-	-	-	(948)	-	(948)
Equity as at 31 December 2017	**335,069**	**43,962**	**(1,820)**	**71,248**	**-**	**-**	**(128)**	**35,402**	**483,733**	**-**	**483,733**
Allocation of Parent company's profit/(loss)	-	36,747	-	-	-	-	-	(36,747)	-	-	-
Allocation of subsidiaries' profit/(loss)	-	(1,242)	-	(103)	-	-	-	1,345	-	-	-
Other	-	-	-	1	-	-	-	-	1	-	1
Comprehensive income items	-	-	-	-	-	-	(4)	-	(4)	-	(4)
Profit/(loss) for the period	-	-	-	-	-	-	-	20,866	20,866	-	20,866
Total comprehensive income	-	-	-	-	-	-	(4)	20,866	20,862	-	20,862
Equity as at 31 December 2018	**335,069**	**79,467**	**(1,820)**	**71,146**	**-**	**-**	**(132)**	**20,866**	**504,596**	**-**	**504,596**
Reclassification of treasury shares	(1,820)	-	1,820	-	-	-	-	-	-	-	-
Equity as at 31 December 2018	**333,249**	**79,467**	**-**	**71,146**	**-**	**-**	**(132)**	**20,866**	**504,596**	**-**	**504,596**

At 31 December 2018, the Parent Company directly held 5,713,572 ordinary shares and 11,801 savings shares, all without par value. All the shares were then fully reclassified as a deduction from share capital.

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

Intek Group – Consolidated financial statements as at 31 December 2019

Consolidated Statement of changes in equity as at 31 December 2019

Consolidated statement of changes in equity as at 31 December 2019											
(in thousands of Euro)	*Share capital*	*Other reserves*	*Treasury shares*	*Retained earnings/(accumulated losses)*	*Mandatory convertible loan*	*Consolidation reserves*	*Other comprehensive income reserve*	*Profit/(loss) for the period*	*Total equity attributable to owners of the Parent*	*Non-controlling interests*	*Total consolidated equity*
Equity as at 31 December 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	-	-	-	-	-	-	(93)	-	(93)	-	(93)
Profit/(loss) for the period	-	-	-	-	-	-	-	(1,868)	(1,868)	-	(1,868)
Total comprehensive income	-	-	-	-	-	-	(93)	(1,868)	(1,961)	-	(1,961)
Equity as at 31 December 2019	**335,069**	**100,336**	**(1,820)**	**71,143**	**-**	**-**	**(225)**	**(1,868)**	**502,635**	**-**	**502,635**
Reclassification of treasury shares	(1,820)	-	1,820	-	-	-	-	-	-	-	-
Equity as at 31 December 2019	**333,249**	**100,336**	**-**	**71,143**	**-**	**-**	**(225)**	**(1,868)**	**502,635**	**-**	**502,635**

At 31 December 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 consolidated financial statements.

Intek Group – Consolidated financial statements as at 31 December 2019

Consolidated statement of cash flows – indirect method

(in thousands of Euro)		*2019*	*2018*
(A) Cash and cash equivalents at the beginning of the year		**52,556**	**28,886**
Profit/(loss) before taxes		(2,978)	19,848
Amortisation and depreciation		559	404
Impairment of current assets		-	1,210
Impairment/(reversal of impairment) of non-current assets other than financial assets		720	3,307
Impairment/(reversal of impairment) of investments and financial assets		(8,115)	(33,194)
Changes in pension funds, post-employment benefits (TFR) and stock options		(4)	30
Changes in provisions for risks and charges		(466)	(2,823)
(Increase)/decrease in investments		2,019	1,454
(Increase)/decrease in financial investments and financial assets		2,368	-
Increase/(decrease) in current and non-current financial payables to related companies		(474)	(703)
(Increase)/decrease in current and non-current financial receivables from related companies		(473)	34,975
Dividends received		337	306
(Increase)/decrease in current receivables		(1,393)	5,047
Increase/(decrease) in current payables		958	(3,539)
(B) Total cash flows from/(used in) operating activities		**(6,942)**	**26,322**
(Increase) in non-current intangible assets and property, plant and equipment		(661)	(658)
Decrease in non-current intangible assets and property, plant and equipment		999	3
Increase/decrease in other non-current assets/liabilities		(537)	(8)
(C) Cash flows from/(used in) investing activities		**(199)**	**(663)**
Increase/(decrease) in current and non-current financial payables		(1,232)	(1,304)
(Increase)/decrease in current and non-current financial receivables		721	(160)
(D) Cash flows from/(used in) financing activities		**(511)**	**(1,464)**
(E) Change in cash and cash equivalents	**(B) + (C) + (D)**	**(7,652)**	**24,195**
(F) Effect of change in accounting standards		**-**	**(525)**
(G) Cash and cash equivalents at the end of the period	**(A) + (E) + (F)**	**44,904**	**52,556**

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

Intek Group – Consolidated financial statements as at 31 December 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 Consolidated financial statements at 31 December 2019 were approved by the Board of Directors on 29 April 2020.

2. ***Accounting policies***

2.1. Assessment of Investment Entity status

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

Paragraph 27 of IFRS 10 requires that the company:

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

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

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

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

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

The Consolidated financial statements as at 31 December 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 Consolidated financial statements as at 31 December 2019 were drafted pursuant to article 154 *ter* of Legislative Decree 58/1998 and conform to the International Financial Reporting Standard (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission in accordance with the procedure as set out in article 6 of Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002 as well as with the provisions issued in implementation of article 9 of Legislative Decree 38/2005.

The Consolidated Financial Statements as at 31 December 2019 are composed of the consolidated statement of financial position, the consolidated statement of profit or loss for the year and other comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity, as well as the notes thereto.

The consolidated 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.

The consolidated statement of financial position has been prepared by separately classifying current and non-current assets and current and non-current liabilities.

The Group has opted for presentation of a single consolidated statement of profit or loss and other comprehensive income, in which the items of revenue and cost recognised during the year are presented by nature, including finance expense, profit (loss) of associated companies and joint ventures accounted for using the equity method, tax charges, and a single amount relative to total discontinued operations. Section "*Other comprehensive income*" provides details on the items which, following the specific provisions of individual IFRSs, are recognised separately from the profit (loss) for the current period. These items are divided into two categories as follows:

- items that will not be subsequently reclassified to profit or loss;
- items that will be subsequently reclassified to profit or loss, when specific conditions are met.

The amount attributable to the owners of the parent as well as the amount attributable to non-controlling interests are given.

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

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

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

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

In preparing the consolidated financial statements, the Directors have applied the concepts of accruals, clarity, significance, materiality, reliability, neutrality, prudence and comparability and applied accounting policies consistent with those used for the financial statements as at 31 December 2018, except for the standards effective as from 1 January 2019.

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:

- *IFRS 16 – Leases,* published on 13 January 2016, 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 has applied the new standard by opting for the modified retrospective method, and therefore without the redetermination of comparative information and with the determination of the value of the right of use equal to that of the lease liability, adjusted for the amount of any accruals/deferrals.

It was also decided to:

a) not apply IFRS 16 for contracts containing a lease that have an intangible underlying asset;
b) make use of the exemptions relating to short-term leases and lease agreements for which the underlying asset is a low-value asset;
c) exclude the initial direct costs from the measurement of the right of use as at 1 January 2019;
d) use the experience acquired to determine the duration of the lease, particularly with reference to the exercise of early termination and renewal options (in particular, with reference to the contracts outstanding at the transition date, for properties for non-residential use, the lease duration will include the reasonable exercise of an additional contract renewal).

Furthermore, with reference to the lease term under normal circumstances for new contracts, the 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 concerned rented properties, motor vehicles and certain rented office equipment.

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, aside from the discounting effect, the higher liabilities deriving from payments relating to the additional renewal period which it is reasonably certain will be exercised.

The application of this standard led to the recognition of right of use assets of Euro 567 thousand and financial liabilities in an equal amount as at 1 January 2019.

The marginal rate of financing used to measure the lease liability at the date of first-time adoption is 5%, identified as the rate at which Intek remunerates debt exposure to third parties recognised in its financial statements.

With respect to the need to provide a disclosure on the reconciliation of future commitments for leases pursuant to IAS 17 with the lease liabilities accounted for in the financial statements at 1 January 2019, please note that the former amounted to Euro 654 thousand and the latter to 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:
  - . 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 2.21, which, although already issued by the IASB, will become effective after the date of these consolidated financial statements or which have not yet completed the endorsement process by the European Union.

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

Specific notes contained in the Directors’ Report on Operations 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 consolidated financial statements are presented in Euro, the functional currency of the Parent Company and all the consolidated subsidiaries. The tables and data in the notes are in thousands of Euro, unless otherwise indicated.

2.3. Basis of consolidation

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

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

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

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

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

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

There were no changes in the scope of consolidation during the year 2019.

2.4. *Investments in equity interests and fund units*

This item includes investments, including controlling investments, in equities, made in order to obtain returns from capital appreciation, investment income, or both. This item also includes investment fund units.

These assets are measured at fair value through profit or loss.

Fair value measurement

The initial fair value is determined on the basis of the transaction price, and is therefore equal to the consideration paid.

Subsequently, and at each reporting date, the fair value of financial instruments listed on an active market is determined on the basis of market prices.

The fair value of instruments that are not listed on an active market is determined using valuation techniques based on a series of methods and assumptions relating to market conditions at the reporting date. The valuation techniques used are the discounted cash flow method, the market multiples or transaction multiples method, the cost method, and the equity method.

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

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

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

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

2.5. *Investment property*

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

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

2.6. *Financial assets and liabilities*

Financial assets and liabilities are classified in three different categories:

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

- Financial instruments at amortised cost.

Financial instruments at fair value through profit or loss

The financial assets and liabilities acquired or held mainly for sale are classified as "Financial assets or liabilities at fair value through profit or loss".

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

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

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

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

In particular, this portfolio includes:

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

Financial assets at fair value through other comprehensive income;

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

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

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

Financial instruments at amortised cost

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

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

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

Fair value measurement

The fair value of financial assets and liabilities at fair value is determined on initial recognition on the basis of the transaction price, and is therefore equal to the consideration paid or received.

Subsequently, and at each reporting date, the fair value of financial instruments listed on an active market is determined on the basis of market prices. The market prices used for derivatives are the bid prices, whereas ask prices are used for financial liabilities. The fair value of instruments that are not listed on an active market is determined using valuation techniques based on a series of methods and assumptions relating to market conditions at the reporting date.

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

Determination of impairment losses

All financial assets and liabilities, with the exception of "Financial assets and liabilities at fair value through profit or loss", are tested for impairment in accordance with IFRS 9 and therefore also considering the effects of expected losses.

A financial asset is impaired when there is objective evidence that one or more events have had an adverse effect on estimated future cash flows generated by that asset.

An impairment loss on a financial asset measured at amortised cost is the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. An impairment loss on a financial asset at fair value through other comprehensive income is calculated with reference to the fair value of that asset.

All impairment losses are recognised in profit or loss. Any accumulated impairment losses relating to a financial asset at fair value through other comprehensive income, if considered material and permanent, are transferred to profit or loss even if the financial asset has not been derecognised.

Losses are reversed if the subsequent increase in recoverable amount can be objectively related to an event occurring after recognition of the impairment loss. Reversals of impairment losses on assets carried at amortised cost and assets at fair value through other comprehensive income which are debt instruments are recognised in profit or loss.

2.7. Property, plant and equipment

Investments in operating assets

Property, plant and equipment are recorded at purchase or production cost, including directly attributable costs, and are shown net of accumulated depreciation and any impairment losses determined in accordance with the methods set out below. Any item of property, plant and equipment consisting of different components with varying useful lives is accounted for separately.

Property, plant and equipment are measured at cost, net of accumulated depreciation and impairment, with the exception of land which is not depreciated and is carried at cost net of accumulated impairment.

Ordinary maintenance costs are charged to the year they are incurred, while the costs to replace parts of fixed assets and extraordinary maintenance costs are capitalised when it is probable that future measurable economic benefits will arise from them. Finance expense relating to the purchase of property, plant and equipment have been capitalised in compliance with IAS 23.

Depreciation is accounted for starting from the month in which the asset becomes available for use, or when it is potentially able to provide the economic benefits associated with it. Depreciation is recognised monthly on a straight-line basis until the end of the useful life of the relevant asset or, in the event of disposal, until the last month of use.

The useful life is constantly checked taking into account any changes in the frequency of use of the assets and any changes in depreciation plans are applied prospectively.

Depreciation is calculated based on the following useful lives:

Buildings	from 25 to 50 years
Plant and equipment	from 10 to 40 years
Other equipment	from 5 to 15 years

Leased assets

A contract, or part of it, is classified as a lease if, in exchange for consideration, it gives the right to control the use of a specific asset for a period of time, therefore, if throughout the entire period of use of the asset both of the following rights will be enjoyed:

- the right to substantially obtain all economic benefits deriving from the use of the asset; and
- the right to decide on the use of the asset.

If there is a modification of the terms and conditions of the contract, a new assessment will be performed to determine whether the contract is or contains a lease.

The Company does not apply these rules to:

- leases of intangible assets;
- short-term leases (duration of equal to or less than 12 months);
- leases in which the underlying asset is of modest value (asset with a unit value of equal to or lower than Euro 5,000);

Once it is verified whether a contract is a lease, at the start date of the contract, the asset consisting of the right of use and the lease liability are recognised.

The asset consisting of the right of use is initially valued at cost, which includes:

- the amount of the initial valuation of the lease liability;
- the payments due for the lease made at or before the start date net of lease incentives received;
- the initial direct costs incurred by the lessee; and
- the estimate of costs that will need to be incurred for the dismantling and removal of the underlying asset and for the restoration of the site where it is located or for the restoration of the underlying asset to the conditions set forth in the terms and conditions of the lease.

The initial valuation of the lease liability is based on the present value of payments due for the lease not paid at that date. The payments due for the lease are discounted using the rate of financing deemed most representative of the cost of money.

Every lease component is recognised as a lease, separated from the non-lease components.

The duration of the lease is determined as the non-cancellable period of the lease, in addition to both of the following periods:

- periods covered by a lease extension option, if there is reasonable certainty that the option will be exercised; and
- periods covered by the lease termination option, if there is reasonable certainty that the option will not be exercised.

If there is a change in the non-cancellable period of the lease, the duration of the lease will be redetermined.

After the date of initial recognition, the asset is valued by applying the cost model. Right of use assets are depreciated from the start date of the contract until the end of the lease duration.

After the start date, the lease liability is valued:

- by increasing the carrying amount to take into account interest on the lease liability;
- by decreasing the carrying amount to take into account the payments made for the lease;
- by redetermining the carrying amount to take into account any new valuations or modifications of the lease or the revision of payments due for the lease.

The interest on the lease liability and the variable payments due for the lease, not included in the valuation of the lease liability, are recognised in the income statement for the year in which the event or circumstance that triggered the payments takes place.

In the financial statements, right of use assets are shown separately from other assets, lease liabilities separately from other financial liabilities, and interest expense on the lease liability is recognised as finance expense and separately from depreciation on the right of use asset.

Impairment losses

Property, plant and equipment are tested for impairment whenever there is specific objective evidence thereof. The test involves estimating the recoverable amount of the asset, defined as the higher of net selling price and value in use, compared to its carrying amount. The recoverable amount is the higher of fair value less costs of disposal and value in use. Value in use is determined by discounting projected cash flows at a pre-tax discount rate that reflects current market estimates of the time value of money and the risks associated with the relevant asset. To the extent that the recoverable amount is less than the carrying amount, the carrying amount is reduced to the recoverable amount with the difference either being recognised in profit or loss or in a revaluation reserve previously created on the revaluation of the relevant asset. Subsequent revaluations are treated in the opposite way.

2.8. Intangible assets

(a) Goodwill

Goodwill is the difference between the acquisition cost of investments and the current value of the subsidiaries' assets, liabilities and contingent liabilities on the acquisition date. Goodwill and other intangible assets with indefinite useful lives are not amortised. Recoverability of their carrying amounts is, however, tested annually and whenever there is objective indication of impairment. Any impairment losses recognised are not subsequently reversed.

(b) Other intangible assets with finite useful lives

An intangible asset with a finite useful life is an identifiable asset without physical substance that is controlled by the entity and from which future economic benefits are expected.

Intangible assets are initially measured at cost and fair value including directly attributable expenses. They are then amortised on a systematic basis over their useful life, to be understood as the period of time over which the asset is expected to be used by the Company, generally between 3 and 5 years. Intangible assets are not considered to have any residual value at the end of their useful life.

In addition, they are carried net of any impairment losses, in line with the accounting treatment for "*Property, plant and equipment*".

2.9. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with short-term, highly liquid investments that are readily convertible to a known amount of cash and that are subject to an insignificant risk of changes in value (IAS 7 paragraph 7).

2.10. Equity

The Company's share capital consists of ordinary and savings shares, all without par value, fully subscribed and paid up at the reporting date, reduced by any share capital to be received. The value of treasury shares is deducted from equity, in accordance with IAS 32. Such adjustments are reported in the notes only, whilst the historical cost of owned treasury shares is recognised separately on the face of the statement of financial position against equity.

The costs for equity transactions are used directly as a reduction of reserves.

2.11. Receivables and payables

Receivables and payables are recognised at fair value, which normally coincides with their nominal value when the effect of discounting is immaterial.

2.12. Current and deferred taxes

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

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

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

2.13. Employee benefits

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

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

2.14. Provisions for risks and charges

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

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

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

2.15. Dividends

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

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

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

2.17. Revenue recognition

Revenue is recognised based on the following phases:

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

Specifically, revenue can be recognised:

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

2.18. Finance income and expense

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

2.19. Earnings/(loss) per share

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

a) the numerator is equal to profit or loss attributable to the Parent company, adjusted by the profit or loss that is to be set aside, for the current year, for outstanding savings shares less any savings treasury shares held directly or through subsidiaries;

b) the denominator of "basic earnings per share" is the weighted average number of ordinary shares outstanding during the year less ordinary treasury shares;

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

   i) conversion of all outstanding warrants;

   ii) exercise of all stock options granted, if any.

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

The calculation at 31 December 2019 of the basic earnings per share was done by taking the Group net profit (loss) net of the amount due to savings shares, attributable to holders of outstanding ordinary shares, and the weighted average number of outstanding shares which was 433,515,923, taking account of any share splits and/or reverse share splits and any increases/reductions in share capital pursuant to IAS 33 paragraph 64.

2.20. Use of estimates

The preparation of the consolidated financial statements and notes thereto in accordance with IFRSs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. The estimates were mainly used to determine: the fair value of investments in equities and funds, investment property, the useful lives of non-current assets and the related recoverable amount, allowance for impairment, any impairment losses, the cost of employee benefits, the estimated current and deferred tax charges and other provisions.

The estimates made reflect the conditions existing at the reporting date but not at a future date, and therefore they exclude the effects deriving from the spread of Covid-19, to be deemed a non-adjusting event pursuant to IAS 10.

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

2.21. Accounting standards not yet applied

As at 31 December 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, providing a single principle-based framework that would take all types of insurance contracts into account, including the reinsurance contracts held by an insurer. The new standard also includes presentation and disclosure requirements to improve comparability between the entities that belong to this sector. 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 effects on the financial statements.
- On 31 October 2018 the IASB issued the document "Definition of Material (Amendments to IAS 1 and IAS 8)". This document introduced an amendment to the definition of "material" contained in IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. This amendment aims to make the definition of "material" more specific and introduced the concept of "obscured information" alongside the concepts of omitted or misstated information already present in the two amended standards. The amendment clarifies that information is "obscured" if it has been described in such a way so as to generate a similar effect for the primary readers of the financial statements to that which would be generated if the information had been omitted or misstated.

  The adoption of this amendment is not expected to have a significant effect on the financial statements.
- On 11 September 2014 the IASB issued an amendment to IFRS 10 and IAS 28 – Sales or Contribution of Assets between an Investor and its Associate or Joint Venture. The document was published to resolve the current conflict between the requirements of IAS 28 and IFRS 10.

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

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

3. ***Financial risk management***

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

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

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

Types of risk:

a) credit risk: 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 bond loans;

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

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

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

4. Notes to the Consolidated financial statements as at 31 December 2019

4.1. Investments in equity interests and fund units

(in thousands of Euro)	*31 Dec 2019*	*31 Dec 2018*	*Change*
Investments in subsidiaries and associates	508,027	502,912	5,115
Investments in other companies	16,012	15,012	1,000
Mutual fund units	-	2,368	(2,368)
Other investments	379	735	(356)
Investments in equity interests and fund units	**524,418**	**521,027**	**3,391**

The breakdown of the item is as follows:

Name	*Percentage of interest as at 31/12/2019*	*31/12/2018*	*Increases*	*Decreases*	*Other movements*	*Positive change in fair value*	*Negative change in fair value*	*31/12/2019*
KME SE	99.00%	483,000	-	(4,830)	-	4,830	-	483,000
Culti Milano SpA	77.17%	10,323	435	-	-	2,478	-	13,236
Breda Energia Srl in liquidazione	100.00%	6,162	-	-	(6,162)	-	-	-
KME Beteiligungsgesellsch. mbH	100.00%	1,104	-	-	-	54	-	1,158
Società Agricola Agrienergia Srl	-	953	-	-	(953)	-	-	-
Fossati Uno Srl	35.00%	514	13	-	-	-	(16)	511
Intek Investimenti SpA	100.00%	417	44	-	7,545	444	-	8,450
Mecchld srl	-	217	-	-	(217)	-	-	-
Isno 3 Srl in liquidazione	57.72%	-	1,897	-	-	-	(319)	1,578
Il Post Srl	-	63	150	-	(213)	-	-	-
Ergyca Tracker 2 Srl	51.00%	82	-	-	-	-	-	82
Energetica Solare Srl in liquidazione	100.00%	6	-	-	-	-	-	6
Nextep Srl Benefit Corporation	60.00%	6	-	-	-	-	-	6
Progetto Ryan 3 Srl in liquidazione	100.00%	65	-	(65)	-	-	-	-
Total subsidiaries and associates		**502,912**	**2,539**	**(4,895)**	**-**	**7,806**	**(335)**	**508,027**
Ducati Energia		15,000	-	-	-	1,000	-	16,000
Other minor investments		12	-	-	-	-	-	12
Other investments		**15,012**	**-**	**-**	**-**	**1,000**	**-**	**16,012**
Total investments		**517,924**	**2,539**	**(4,895)**	**-**	**8,806**	**(335)**	**524,039**
I2 Capital Partners Fund		2,368	3,158	(5,526)	-	-	-	-
Total fund units		**2,368**	**3,158**	**(5,526)**	**-**	**-**	**-**	**-**
Culti Milano Warrant		735	-	-	-	-	(356)	379
Total other investments		**735**	**-**	**-**	**-**	**-**	**(356)**	**379**
Investments in equity interests and fund units		**521,027**	**5,697**	**(10,421)**	**-**	**8,806**	**(691)**	**524,418**

In the course of the year, the equity investments in Società Agricola AgriEnergia Srl, Breda Energia Srl in Liquidazione, Il Post Srl and Mecchld Srl were transferred to Intek Investimenti SpA as part of a corporate portfolio streamlining project.

The I2 Capital Partners Fund closed its liquidation in the course of 2019, also assigning the shares of Isno 3 Srl aside from liquidity on hand. Prior to the closure of the fund, Intek acquired additional rights on the final distribution from other investors.

Through market purchases, the stake in Culti Milano SpA was increased by 5.13%, reaching 77.17%.

The liquidation of Progetto Ryan 3 Srl was also completed.

The fair value of the equity investment in KME SE has been estimated, with the assistance of an external consultant, based on the unlevered discounted cash flow method (UDCF), by discounting the operating cash flows generated by the assets themselves (net of the tax effect).

The UDCF method was developed on economic forecasts and changes in some statement of financial position items included in the 2020-2024 Plan ("the Plan"), drafted and approved by the administrative bodies of KME SE and used by them for the impairment test in the financial statements of KME SE and its subsidiaries.

The projection of the cash flows is based on estimates made by the management of the company which however exclude any incoming or outgoing flows that could be due to future restructuring, improvements or optimisation of the operations officially not approved.

In preparing the Plan, the conditions existing at the date of 31 December 2019 were used, and therefore the effects of the events subsequent to that date, particularly those linked to the Coronavirus pandemic, were not considered.

Compared to last year, the Plan is characterised by a decrease in the estimate of the future cash flows also in light of the deviations recorded in the past and worse conditions in the reference market. In any event, significant increases in EBITDA higher than that of its peers and benefits in terms of working capital are expected, also thanks to the potential effects of the integration with MKM. In addition, at the date on which these financial statements were drafted, those of KME SE have not yet been finalised and the value of other assets may potentially experience changes.

In light of these elements of uncertainty, it was deemed appropriate, as part of the cash flow discounting valuation process, to use a discount rate representative of the average cost of capital (WACC) also inclusive of an additional premium of 3.5%. This additional premium, historically equal to 1.5% to reflect the risk intrinsic in the forecasts taking into account the historical deviations that have been recorded, was already increased to 3% in the half-yearly financial statements to consider the risks linked to the integration with MKM. The discount rate was therefore 11.67% and brought the present value of the KME cash flows to roughly 527 million.

The main assumptions of the Plan are:

- decline in sales volumes of approximately 1.1% annually (against an increase in demand for copper estimated at global level (2020-2024 CAGR) of 2.1%);
- increase in the added value (2020-2024 CAGR of approximately 3.7%) connected to the assumed rise in the price of copper. The increase in the price of copper is supported by the forecasts within the studies published by the main financial operators (2020-2024 CAGR amounting to 2.1%);
- significant recovery of EBITDA with a CAGR of 7.7% linked especially to the effects of the integration with MKM. Recovery in the EBITDA margin as well (from 3% to 5%), which in any event remains below that of competitors.
- investments are essentially stable at an average of 5.0% of net invested capital.

The terminal value was calculated assuming a long-term EBITDA equal to the average EBITDA of the Plan over the last 5 years (explicit period), amortisation equal to investments and using a long-term growth rate "g" equal to zero.

The WACC discount rate representative of the average cost of capital (WACC, also post tax) 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 in December 2019 plus a 2.00% spread, for a total gross rate of 4.16%;

- Unlevered Beta between 1.19 and 1.21: average of unlevered beta factors of a sample of comparable listed companies;
- Additional Alpha premium on the cost of own capital equal to 4%.

In light of the elements specified above, an additional premium of 3.5% was then prudentially included. This additional premium, historically equal to 1.5% to reflect the risk intrinsic in the forecasts taking into account the historical deviations that have been recorded, was already increased to 3% in the half-yearly financial statements to consider the risks linked to the integration with MKM. The discount rate was therefore 11.67%, which brought the present value of the KME cash flows to roughly Euro 527 million.

It should be noted that in 2018 the cash flows were discounted using a WACC discount rate of 10.28%, net of taxes. This rate took into account an average risk-free rate of about 1.97%, a market risk premium of 5.5%, an average interest rate calculated using the same procedures as in this year and an additional premium of 1.5%.

To calculate the equity value of KME, the operating value thus estimated was subsequently adjusted using the same methodology as in previous years, to consider:

- the fair value of assets held for sale, represented by the 100% stake in Tréfimetaux;
- the fair value of the joint venture KMD;
- 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 Group's net financial position as at 31 December 2019.

The equity value thus determined is equal to Euro 489 million.

This value was compared with other values resulting from other methods in particular using the market multiples and the transaction multiples methods with the EV/EBITDA multiple, calculated by using historical EBITDA and for the former also with the prospective EBITDA. The control methods confirmed the values resulting from the primary method.

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

For the equity investment in Culti Milano, listed on the AIM market, also for this year the reference market was distinguished, including with reference to the comparables, by transactions taking place with insufficient frequency and volumes to provide useful information to determine the price on a continuous basis. As a result, the prices recorded at the end of December 2019 were not deemed representative of the fair value of the company, thus resulting in the opportunity to use the market multiples method for the valuation of the investee.

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.

4.2. Non-current financial assets

This item can be broken down as follows:

(in thousands of Euro)	*31 Dec 2019*	*31 Dec 2018*	*Change*
Receivables due from related companies	2,664	3,263	(599)
Guarantee fees receivable	426	1,319	(893)
Other non-current financial assets	-	140	(140)
Non-current financial assets	**3,090**	**4,722**	**(1,632)**

"*Receivables due from related companies*" relate to Fossati Uno Srl.

"*Guarantee fees receivable*" are the present value of guarantee fees that are receivable in future years, 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)	*31 Dec 2019*	*31 Dec 2018*	*Change*
Buildings	10,393	10,369	24
Plant and equipment	117	-	117
Other assets	578	341	237
Advances and assets under development	1,060	771	289
Property, plant and equipment	**12,148**	**11,481**	**667**

Below is the breakdown between owned and leased assets.

(in thousands of Euro)	*Owned*	*Leased*	*Total*
Buildings	10,018	375	10,393
Plant and equipment	117	-	117
Other assets	495	83	578
Advances and assets under development	1,060	-	1,060
Property, plant and equipment	**11,690**	**458**	**12,148**

Changes in owned assets for the year 2019 are analysed below:

(in thousands of Euro)	*Buildings*	*Plant and equipment*	*Moveable property*	*Advances*	*Total*
Gross amount	13,506	-	2,363	771	16,640
Accumulated depreciation	(3,137)	-	(2,022)	-	(5,159)
Total at 31 December 2018	**10,369**	**-**	**341**	**771**	**11,481**
Gross amount at 31 December 2018	**13,506**	**-**	**2,363**	**771**	**16,640**
Purchases in the period	-	61	198	355	614
Reclassifications	-	66	-	(66)	-
Disposals (cost)	-	-	(26)	-	(26)
Gross amount at 31 December 2019	**13,506**	**127**	**2,535**	**1,060**	**17,228**
Accumulated depreciation at 31 December 2018	**(3,137)**	**-**	**(2,022)**	**-**	**(5,159)**
Amortisation, depreciation, impairment and write-downs	(351)	(10)	(44)	-	(405)
Disposals (accumulated depreciation)	-	-	26	-	26
Accumulated depreciation at 31 December 2019	**(3,488)**	**(10)**	**(2,040)**	**-**	**(5,538)**
Gross amount	13,506	127	2,535	1,060	17,228
Accumulated depreciation	(3,488)	(10)	(2,040)	-	(5,538)
Total at 31 December 2019	**10,018**	**117**	**495**	**1,060**	**11,690**

Leased assets changed as follows:

(in thousands of Euro)	*Buildings*	*Plant and equipment*	*Moveable property*	*Advances*	*Total*
Gross amount	491	-	75	-	566
Accumulated depreciation	-	-	-	-	-
Total at 1 January 2019	**491**	**-**	**75**	**-**	**566**
Gross amount at 1 January 2019	**491**	**-**	**75**	**-**	**566**
Purchases in the period	3	-	41	-	44
Gross amount at 31 December 2019	**494**	**-**	**116**	**-**	**610**
Accumulated depreciation at 1 January 2019	**-**	**-**	**-**	**-**	**-**
Amortisation, depreciation, impairment and write-downs	(119)	-	(33)	-	(152)
Accumulated depreciation at 31 December 2019	**(119)**	**-**	**(33)**	**-**	**(152)**
Gross amount	494	-	116	-	610
Accumulated depreciation	(119)	-	(33)	-	(152)
Total at 31 December 2019	**375**	**-**	**83**	**-**	**458**

The values at 1 January 2019 refer to the effects of the initial application of IFRS 16.

For the year 2018, changes in owned assets were as follows:

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

4.4. Investment property

(in thousands of Euro)	*31 Dec 2019*	*31 Dec 2018*	*Change*
Investment property	**14,817**	**16,536**	**(1,719)**

The changes in the item were as follows:

(in thousands of Euro)	
Total at 31 December 2018	**16,536**
Decreases	(999)
Fair value adjustments	(720)
Total at 31 December 2019	**14,817**

The breakdown by each property is as follows:

(in thousands of Euro)	*31 Dec 2019*	*31 Dec 2018*	*Change*
Limbiate - Varedo	11,629	11,970	(341)
Ivrea	2,291	2,670	(379)
Padua	100	780	(680)
Sezze	431	600	(169)
San Marcello Pistoiese	334	334	-
Torchiarolo	-	150	(150)
Castronno	32	32	-
Total at 31 December 2019	**14,817**	**16,536**	**(1,719)**

In the course of 2019, four apartments were sold in Padua, where there are still two owned garages, and the Torchiarolo property and half of the Sezze property were also sold. For the remainder of the latter property, a preliminary sale agreement was signed, and the sale should take place in 2020.

4.5. Intangible assets

(in thousands of Euro)	*31 Dec 2019*	*31 Dec 2018*	*Change*
Other	8	6	2
Intangible assets	**8**	**6**	**2**

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)	*Other*	*Total*
Gross amount	16	16
Accumulated amortisation	(10)	(10)
Total at 31 December 2018	**6**	**6**
Gross amount at 31 December 2018	**16**	**16**
Purchases in the period	4	4
Gross amount at 31 December 2019	**20**	**20**
Accumulated amortisation at 31 December 2018	**(10)**	**(10)**
Amortisation, depreciation, impairment and write-downs	(2)	(2)
Accumulated amortisation at 31 December 2019	**(12)**	**(12)**
Gross amount	20	20
Accumulated amortisation	(12)	(12)
Total at 31 December 2019	**8**	**8**

For the year 2018, the changes were as follows:

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

4.6. *Other non-current assets*

The breakdown of the item is as follows:

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

4.7. *Current financial assets*

(in thousands of Euro)	*31 Dec 2019*	*31 Dec 2018*	*Change*
Financial receivables from related companies	2,421	1,349	1,072
Guarantee fees receivable	931	925	6
Financial assets held for trading	57	57	-
Other current financial assets	9,604	10,185	(581)
Current financial assets	**13,013**	**12,516**	**497**

"*Financial receivables from related companies*" include:

- Euro 2,139 thousand representing the balance of the current account with Intek Investimenti SpA;
- Euro 282 thousand representing the balance of the current account with KME Yorkshire Ltd.

The values specified above are net of IFRS 9 adjustments.

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

The item *"Other current financial assets"* included Euro 9,604 thousand in time deposits expected to be collected in the first half of 2020.

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

4.8. *Trade receivables*

(in thousands of Euro)	*31 Dec 2019*	*31 Dec 2018*	*Change*
Due from customers - gross amount	*272*	*636*	(364)
Allowance for impairment	*(231)*	*(264)*	33
Due from customers - net amount	41	372	(331)
Due to related companies	9,276	4,951	4,325
Receivables from factoring/leases	4,165	5,521	(1,356)
Trade receivables	**13,482**	**10,844**	**2,638**

In 2018, *"Trade receivables"*, linked for the most part to real estate proceeds, included a preferential receivable for the net amount of Euro 120 thousand from an arrangement with creditors procedure, which was collected in 2019.

The receivables *"Due from related companies"* at 31 December 2019 mainly referred to guarantees issued and other provisions of services.

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

4.9. Other current receivables and assets

(in thousands of Euro)	*31 Dec 2019*	*31 Dec 2018*	*Change*
Tax assets	1,452	1,442	10
Receivables from special situation activities	300	300	-
Accruals and prepayments	237	68	169
Receivables due from related companies	1,922	1,867	55
Other receivables	1,305	1,807	(502)
Other current receivables and assets	**5,216**	**5,484**	**(268)**

The *"Tax assets"* include primarily positions of the Parent Company, i.e., credits for direct taxes of Euro 576 thousand and VAT credits of Euro 765 thousand.

The *"Receivables for special situation activities"*, totalling Euro 300 thousand, relate to loans secured by mortgages.

"Receivables due from related companies" include positions arising from the tax consolidation which will be recovered with the submission of the 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)	*31 Dec 2019*	*31 Dec 2018*	*Change*
Bank and post office accounts	44,877	52,546	(7,669)
Cash on hand	27	10	17
Cash and cash equivalents	**44,904**	**52,556**	**(7,652)**

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 (TFR)*" and is broken down as follows:

(in thousands of Euro)	*31 Dec 2019*	*31 Dec 2018*	*Change*
Executives	80	72	8
Clerical workers	228	240	(12)
IAS adjustment	46	31	15
Employee benefits	**354**	**343**	**11**

The changes in the item were as follows:

(in thousands of Euro)	*31 Dec 2018*	*Increases*	*Decreases*	*Contributions to the fund*	*31 Dec 2019*
Executives	72	38	-	(30)	80
Clerical workers	240	39	(11)	(40)	228
IFRS differences	31	15	-	-	46
Employee benefits	**343**	**92**	**(11)**	**(70)**	**354**

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

General criteria	*31 Dec 2019*	*31 Dec 2018*
Discount rate	0.37-0.77%	1.13-1.57%
Rate of increase in future remuneration	0.5-1.0%	0.5-1.0%
Average remaining working life	6.3-13.1 years	7.7-12.3 years
General criteria		

A discount rate based on the "Iboxx Eurozone Corporate AA" index was used also at 31 December 2019 for the actuarial valuation of post-employment benefits (TFR).

4.13. Non-current financial payables and liabilities

The breakdown of the item is as follows:

(in thousands of Euro)	*31 Dec 2019*	*31 Dec 2018*	*Change*
Due to banks	4,398	5,195	(797)
Payables for financial guarantees issued	426	1,319	(893)
Lease liabilities	312	-	312
Due to others	286	183	103
Non-current financial payables and liabilities	**5,422**	**6,697**	**(1,275)**

The payables "*Due to banks*", 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	149	-	149
Banco BPM	467	4,398	4,865
Mediocredito centrale	5,201	-	5,201
Mortgage loans	**5,817**	**4,398**	**10,215**
Total Payables due to banks	**5,817**	**4,398**	**10,215**

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 item "*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 360 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.

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

"*Lease liabilities*" represent the financial liabilities maturing beyond twelve months recognised following the adoption of IFRS 16.

4.14. Bonds

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

The "*Intek Group S.p.A. 2015-2020 Bonds*" were reclassified to current liabilities due to their maturity in fewer than twelve months (February 2020). 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)	*31 Dec 2019*	*31 Dec 2018*	*Change*
Payables for guarantees issued	592	853	(261)
Liabilities for "special situations"	422	692	(270)
Other payables	787	793	(6)
Other non-current liabilities	**1,801**	**2,338**	**(537)**

"*Payables for guarantees issued*", equal to Euro 592 thousand, refer to the non-current portion of the payable for tax liabilities, broken down into instalments over 48 months, assumed by the Company 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 326 thousand) and for the remainder to advances linked to former Fime Leasing positions. The change during the year, equal to Euro 270 thousand, resulted from the write-off of payables linked to the former FEB procedure as the statute of limitations was reached.

"*Other payables*", amounting to Euro 787 thousand, refer to an investment agreement concerning the Fossati Uno initiative, which provides for payment to the counterparty of part of the net proceeds arising from the initiative.

4.16. *Provisions for risks and charges*

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

(in thousands of Euro)	*31.12.2018*	*Increases*	*Releases/ uses*	*31.12.2019*
Provisions for equity investment risks	352	-	(127)	225
Provisions for risks for tax disputes	291	-	-	291
Provision for special situations' risks	135	-	(125)	10
Other provisions for risks and charges	264	-	(214)	50
Total	**1,042**	**-**	**(466)**	**576**

The "*Provisions for equity investment risks*" are allocated for equity investments, from the merger with ErgyCapital, with negative shareholders' equity. During the year, it was used in part (Euro 117 thousand) to close the liquidation of Ergyca Bio Srl in liquidazione and released in part (Euro 10 thousand) due to the lower deficit expected from the liquidation of Energetica Solare.

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.

The "*Provision for special situations' risks*" and the "*Other provisions for risks and charges*" declined due to the closure of the relative positions.

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

4.17. *Current financial payables and liabilities*

(in thousands of Euro)	*31 Dec 2019*	*31 Dec 2018*	*Change*
Payables for bonds	106,000	4,375	101,625
Shares of expiring loans	5,817	6,385	(568)
Due to related companies	3,232	3,706	(474)
Payables for financial guarantees issued	931	925	6
Lease liabilities	154	-	154
Current financial payables and liabilities	**116,134**	**15,391**	**100,743**

The item "*Payables for bonds*" of Euro 106,000 thousand refer to the principal debt and the debt for the coupon accruing on the Intek 2015-2020 Bonds.

The item "*Due to related companies*" contains the balance of the current accounts, held at market rates with remuneration set at Euribor plus a spread, in existence with the following subsidiaries:

- Euro 3,150 thousand with Breda Energia;
- Euro 82 thousand with Energetica Solare.

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

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

The "*Lease liabilities*" relate to the short-term share of the financial liability recognised as a result of the adoption of IFRS 16.

During the period, no new loans were taken out nor were there any drawdowns 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".

4.18. Trade payables

(in thousands of Euro)	*31 Dec 2019*	*31 Dec 2018*	*Change*
Due to suppliers	1,180	1,129	51
Due to related companies	219	179	40
Trade payables	**1,399**	**1,308**	**91**

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

4.19. Other current liabilities

(in thousands of Euro)	*31 Dec 2019*	*31 Dec 2018*	*Change*
Due to employees	176	198	(22)
Due to social security institutions	104	116	(12)
Tax liabilities	190	185	5
Accrued expenses and deferred income	-	-	-
Payables to directors for end of office indemnity (TFM)	722	699	23
Payables due to related companies	1,208	205	1,003
Other payables	1,968	2,098	(130)
Other current liabilities	**4,368**	**3,501**	**867**

The item "*Payables due to related companies*" includes the payables to directors for accrued remuneration.

"*Payables to directors for end of office indemnity (TFM)*" refer to the residual amount due to the Chairman for the end of office indemnity (TFM) 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 2020.

Both as at 31 December 2019 and 31 December 2018, the item "*Tax liabilities*" mainly refers to payables to the Tax Authorities, for withholding amounts to be paid.

The item "*Due to employees*" mainly refers to amounts which have accrued but have not yet been settled.

The item *"Other payables"* includes for Euro 1.296 thousand sums received by way of advance from former leasing customers and not offset with credit entries and for Euro 321 thousand the current share of the payable linked to guarantees given, noted above in item "Other non-current liabilities".

4.20. *Deferred tax assets and liabilities*

As at the reporting date of these consolidated 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.

(in thousands of Euro)	*31 Dec 2019*	*31 Dec 2018*	*Change*
Deferred tax assets	5,081	4,958	123
Deferred tax liabilities	(3,494)	(3,529)	35
Deferred tax assets and liabilities	**1,587**	**1,429**	**158**

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

(in thousands of Euro)	*Deferred tax assets*		*Deferred tax liabilities*	
	31 Dec 2019	*31 Dec 2018*	*31 Dec 2019*	*31 Dec 2018*
Property, plant and equipment	-	-	(1,410)	(1,458)
Investment property	914	1,026	-	-
Equity/Financial investments	-	-	(1,496)	(1,412)
Non-current financial assets	-	2	-	-
Trade receivables	2,280	2,775	(588)	(659)
Other current receivables and assets	405	406	-	-
Current financial assets	22	13	-	-
Cash and cash equivalents	14	119	-	-
Non-current financial liabilities	68	44	-	-
Provisions for risks and charges	57	67	-	-
Other current liabilities	531	82	-	-
Deferred taxes on tax losses carried forward	790	424	-	-
Total	**5,081**	**4,958**	**(3,494)**	**(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	-	-	-	-	(3,150)	-	-
Culti Milano SpA	-	-	31	-	-	-	-
Società Agricola Agrienergia Srl	-	-	36	-	-	-	-
Energetica Solare Srl in liquidazione	-	-	-	-	(82)	-	-
EM Moulds SpA	-	-	35	-	-	-	-
Intek Investimenti SpA	-	2,139	-	-	-	-	-
KME SE	-	-	8,689	-	-	-	-
KME Italy SpA	-	-	90	-	-	(5)	-
KME Germany GmbH	-	-	62	-	-	(39)	-
KME Yorkshire Ltd	-	282	259	-	-	(8)	-
KME Srl	-	-	-	-	-	(55)	-
Oasi Dynamo Foodco	-	-	1	-	-	(6)	-
Serravalle Copper Tube Srl	-	-	9	-	-	-	-
Nextep Srl Benefit Corporation	-	-	15	-	-	-	-
Quattroduedue SpA	-	-	49	-	-	-	-
Fossati Uno Srl	2,664	-	-	-	-	-	-
Receivables from guarantees	426	931	-	-	-	-	-
Receivables/Payables for tax consolidation	-	-	-	1,922	-	-	-
Directors and Statutory Auditors	-	-	-	-	-	(106)	(1,930)
	3,090	**3,352**	**9,276**	**1,922**	**(3,232)**	**(219)**	**(1,930)**
Total	**3,090**	**13,013**	**13,482**	**5,216**	**(116,134)**	**(1,399)**	**(4,368)**
Percentage	**100.00%**	**25.76%**	**68.80%**	**36.85%**	**2.78%**	**15.65%**	**44.18%**

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	-	15	-	-	(84)
Culti Milano SpA	4	15	(1)	-	-
EM Moulds Srl	35	-	-	-	-
Ergyca Tracker 2 S.r.l.	-	2	-	-	-
Società Agricola Agrienergia S.r.l.	-	32	-	16	-
Intek Investimenti SpA	-	15	-	25	-
KME SE	770	2,240	-	186	-
KME Germany GmbH & Co. KG	62	-	(19)	-	-
KME Italy SpA	90	-	(4)	185	-
KME Srl	-	-	(25)	-	-
KME Yorkshire Ltd	-	-	-	10	-
Green Recycle	1	-	-	-	-
Oasi Dynamo FoodCo Srl	-	-	(7)	-	-
Quattroduedue SpA	-	15	-	-	-
Directors/Statutory Auditors	-	-	(3,258)	23	(24)
	962	**2,334**	**(3,314)**	**445**	**(108)**
Total	**962**	**3,732**	**(7,936)**	**920**	**(5,885)**
Percentage	**100.00%**	**62.54%**	**41.76%**	**48.37%**	**1.84%**

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)	*2019*	*2018*	*Change*	*% Change*
Value adjustments on equity investments and securities	(12)	(66)	54	-81.82%
Gains/losses from the sale of fund units and securities	(297)	(315)	18	-5.71%
Value adjustments on financial receivables from related companies	-	(196)	196	-100.00%
Measurement of investments at fair value	8,140	34,827	(26,687)	-76.63%
Measurement of fund units and securities at fair value	220	(1,323)	1,543	-116.63%
Dividends	337	306	31	10.13%
Net income from investment management	**8,388**	**33,233**	**(24,845)**	**-74.76%**

This item consists of the following amounts:

- losses from the sale of equity investments and securities include Euro 266 thousand from the disposal of 1% of KME SE and Euro 31 thousand from the closure of the liquidation of HG Power and Ergyca Bio;
- the measurement of equity investments at fair value was impacted, inter alia, by the positive effects of the valuation of KME SE for Euro 4,830 thousand, Ducati Energia for Euro 1,000 thousand, Culti Milano for a total of Euro 2,122 thousand and Intek Investimenti for Euro 444 thousand and the negative effects of the valuation of Isno 3 for Euro 304 thousand;
- the fair value measurement of fund units of Euro 220 thousand refers to the I2 Capital fund;
- dividends were from Culti Milano (Euro 183 thousand) and Società Agricola Agrienergia (Euro 77 thousand).

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

5.2. *Guarantee fees*

(in thousands of Euro)	*2019*	*2018*	*Change*	*% Change*
Guarantee fees	962	1,258	(296)	-23.53%
Guarantee fees	**962**	**1,258**	**(296)**	**-23.53%**

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

5.3. *Other income*

(in thousands of Euro)	*2019*	*2018*	*Change*	*% Change*
Income from "special situations"	828	88	740	n/a
Fund management fees	393	771	(378)	-49.03%
Lease income	109	60	49	81.67%
Provision of services to related companies	2,334	92	2,242	n/a
Other	68	55	13	23.64%

Other income	**3,732**	**1,066**	**2,666**	**n/a**

"*Fund management fees*" refer to the fees and commissions collected by I2 Capital Partners SGR for managing the I2 Capital Partners Fund, until the date of its liquidation concluded on 30 July 2019, for the closure of the fund.

"*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)	*2019*	*2018*	*Change*	*% Change*
Wages and salaries	(1,044)	(1,065)	21	-1.97%
Social security charges	(322)	(333)	11	-3.30%
Other personnel expense	(514)	(595)	81	-13.61%
Labour costs	**(1,880)**	**(1,993)**	**113**	**-5.67%**

Other personnel expense includes remuneration to associates of Euro 269 thousand, in addition to contribution expense of Euro 85 thousand, costs for a welfare plan of Euro 103 thousand and an allocation to the employees' post-employment benefits (TFR) of Euro 56 thousand.

The average number of employees is given here below:

	31/12/2019	*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)	*2019*	*2018*	*Change*	*% Change*
Depreciation of property, plant and equipment	(403)	(404)	1	-0.25%
Depreciation on leased assets	(154)	(2)	(152)	n/a
Amortisation of intangible assets	(2)	-	(2)	n/a
Reversal of impairment losses on investment property	(720)	(3,307)	2,587	-78.23%
Amortisation, depreciation, impairment and write-downs	**(1,279)**	**(3,713)**	**2,434**	**-65.55%**

Please see the comments under the individual asset items.

5.6. *Other operating costs*

(in thousands of Euro)	*2019*	*2018*	*Change*	*% Change*
Directors' and Statutory Auditors' fees	(3,334)	(1,514)	(1,820)	120.21%
Professional services	(1,643)	(1,356)	(287)	21.17%
Travel costs	(351)	(283)	(68)	24.03%
Other personnel expense	(88)	(4)	(84)	n/a
Legal and company disclosure	(119)	(146)	27	-18.49%
Electricity, heating, postal and telephone costs	(230)	(273)	43	-15.75%
Insurance premiums	(108)	(121)	13	-10.74%
Training and seminars	(28)	(1)	(27)	n/a
Real estate leases	(97)	(169)	72	-42.60%
Maintenance	(816)	(225)	(591)	n/a
Leases and rentals	(68)	(99)	31	-31.31%
Other tax charges	(293)	(349)	56	-16.05%
Membership fees	(227)	(186)	(41)	22.04%
Other net costs	(156)	(328)	172	-52.44%
Donations	(122)	(23)	(99)	n/a
Bank fees	(15)	(24)	9	-37.50%
Capital losses on real estate disposals	(428)	-	(428)	n/a
	(8,123)	*(5,101)*	*(3,022)*	59.24%
Release of provisions	230	1,596	(1,366)	-85.59%
Provision for risks	-	(265)	265	-100.00%
Losses on receivables	(43)	(1,434)	1,391	-97.00%
Other operating costs	**(7,936)**	**(5,204)**	**(2,732)**	**52.50%**

"*Directors' and Statutory Auditors' fees*" increased as a result of the accrual of variable compensation linked to the extraordinary transactions of KME.

"*Professional services*" increased due to the expenses incurred for potential extraordinary transactions.

The decrease in "*Real estate leases*", which now contain only real estate management expenses, is linked to the effects of the adoption of IFRS 16.

The item "*Maintenance*" was impacted by non-recurring expenses incurred on the Varedo property.

The "*Release of provisions*" for the previous year related to the positive effects of the transaction with the Mareco receivers, which made it possible to end a dispute linked to the previous activities of Fime Leasing.

5.7. Net finance expense

(in thousands of Euro)	*2019*	*2018*	*Change*	*% Change*
Interest income from related companies	*445*	*254*	191	75.20%
Other finance income and interest	*475*	*756*	(281)	-37.17%
Total finance income	920	1,010	(90)	-8.91%
Interest expense to related companies	*(108)*	*(114)*	6	-5.26%
Loan interest expense	*(246)*	*(261)*	15	-5.75%
Interest expense on securities issued	*(5,319)*	*(5,261)*	(58)	1.10%
Interest expense on lease agreements	*(23)*	-	(23)	n/a
Other interest expense	*(51)*	-	(51)	n/a
Other finance expense	*(138)*	*(173)*	35	-20.23%
Total finance expense	(5,885)	(5,809)	(76)	1.31%
Total net financial expense	**(4,965)**	**(4,799)**	**(166)**	**3.46%**

Interest income and expense from/to 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)	*2019*	*2018*	*Change*	*% Change*
Current taxes	977	1,667	(690)	-41.39%
Deferred taxes	133	(649)	782	-120.49%
Current and deferred taxes	**1,110**	**1,018**	**92**	**9.04%**

Since 2007, Intek Group and most of its Italian subsidiaries elected to apply the “Italian domestic tax consolidation regime”, which allows the determination of a single IRES (Italian corporate income tax) taxable base equal to the algebraic sum of the taxable income and losses of each of the participating entities. Financial relationships, responsibilities and mutual obligations are set out in the agreement and regulation regarding the domestic tax consolidation arrangement, according to which taxable losses of the Parent and/or subsidiaries can be offset against the tax savings realised by the Parent and/or subsidiaries with taxable income.

Reconciliation of theoretical tax charge and the effective charge:

(in thousands of Euro)	*2019*
Profit/(loss) before taxes	(2,978)
Theoretical tax charge *(tax rate used 24%)*	**715**
Reconciliation:	
Effect due to different tax rates:	-
Other effects:	-
- Non-deductible (expenses) and non-taxable income	(1,029)
- Tax losses – Deferred taxes not set aside	(159)
- Use of tax losses	-
- Impairment losses/(reversal of impairment losses) on investments and securities	1,592
- Current taxes for previous years	(9)
- Taxes on share of profit/(loss) of equity-accounted investees	-
- Other	-
Taxes recognised in profit or loss	**1,110**

6. ***Additional information***

6.1. *Financial instruments by category*

	31 Dec 2019	*31 Dec 2018*	*Change*
Financial assets at fair value through profit or loss	525,832	523,328	2,504
Financial assets at fair value through other comprehensive income	-	-	-
Amortised cost	76,845	82,385	(5,540)
Financial assets	**602,677**	**605,713**	**(3,036)**
Financial liabilities at fair value through profit or loss	(1,643)	(2,427)	784
Financial payables and liabilities at amortised cost	(127,291)	(128,014)	723
Financial liabilities	**(128,934)**	**(130,441)**	**1,507**

6.2. *Financial instruments by financial statement item*

Financial instruments and reconciliation with financial statement items at 31 December 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	524,418	-	524,418	-
Non-current financial assets	3,090	2,664	426	-
Other non-current assets	6	6	-	-
Trade receivables	13,482	13,482	-	-
Other current receivables and assets	5,216	3,764	-	1,452
Current financial assets	13,013	12,025	988	-
Cash and cash equivalents	44,904	44,904	-	-
Total financial assets	**604,129**	**76,845**	**525,832**	**1,452**
Non-current financial payables and liabilities	(5,422)	(4,710)	(712)	-
Other non-current liabilities	(1,801)	(1,801)	-	-
Current financial payables and liabilities	(116,134)	(115,203)	(931)	-
Trade payables	(1,399)	(1,399)	-	-
Other current liabilities	(4,368)	(4,178)	-	(190)
Total financial liabilities	**(129,124)**	**(127,291)**	**(1,643)**	**(190)**

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 market 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	524,418	379	-	524,039
Non-current financial assets	426	-	-	426
Current financial assets	988	-	-	988
Total financial assets	**525,832**	**379**	**-**	**525,453**
Non-current financial payables and liabilities	(712)	-	(286)	(426)
Current financial payables and liabilities	(931)	-	-	(931)
Total financial liabilities	**(1,643)**	**-**	**(286)**	**(1,357)**

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 guarantees issued which fall under the level 3 assets. For the determination of the fair value of participating investments, please refer to the dedicated 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 31 December 2019, except for the interest rate hedge on the Immobiliare Pictea mortgage loan, the notional value of which is Euro 4,938 thousand.

6.4. Credit risk exposure and impairment losses

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

The ageing of trade receivables from current transactions at the date of these consolidated financial statements was as follows:

(in thousands of Euro)	*Gross carrying amount*	*Write-down as at 31 Dec 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	247	(231)	16
Trade receivables	**272**	**(231)**	**41**

6.5. Currency risk exposure

At 31 December 2019, there were no assets or liabilities in a foreign currency.

6.6. *Interest rate risk exposure*

As at 31 December 2019 the Group's interest-bearing financial assets and liabilities had the following interest rate risk exposure:

(in thousands of Euro)	*31 Dec 2019*	*31 Dec 2018*
Financial assets	-	-
Financial liabilities	(110,865)	(107,191)
Fixed rate instruments	**(110,865)**	**(107,191)**
Financial assets	59,566	67,483
Financial liabilities	(8,894)	(9,486)
Floating rate instruments	**50,672**	**57,997**

A 50-basis-point increase (decrease) in interest rates at the reporting date of these financial statements 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 AG and its main subsidiaries operating in the copper and copper-alloy semi-finished products sector for Euro 100 million for the loan obtained from a pool of banks.

There are furthermore additional guarantees for non-revolving credit lines connected to the copper sector of Euro 26 million, as well as guarantees for tax credits of approximately Euro 1.4 million expiring in 2020.

In December 2015, Intek Group indicated its willingness to issue a guarantee of up to Euro 5 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 profit/(loss) for the period ended 31 December 2019:

(in thousands of Euro)	*31 Dec 2019*
Profit/(loss) of Intek Group S.p.A.	**(1,043)**
Profit/(loss) of consolidated companies (1)	(2,580)
Reversal of impairment losses on investments	732
Amortisation of excess cost allocation on property (net of tax effect)	(127)
Fair value measurement of investments held by subsidiaries (net of tax effect)	988
Cancellation of effect of IFRS 16 on intra-group transactions	92
Cancellation of effect of IFRS 9 on intra-group transactions	70
Group's consolidated net profit/(loss)	**(1,868)**

Reconciliation of the equity of the Parent company Intek Group SpA and the consolidated equity for the period ended 31 December 2019:

(in thousands of Euro)	*31 Dec 2019*
Parent company's equity including profit/(loss) for the period	**500,837**
Fair value measurement of investments held by subsidiaries (net of tax effect)	8,892
Excess cost allocation on property (net of tax effect)	3,645
Cancellation of effect of IFRS 16 on intra-group transactions	92
Cancellation of effect of IFRS 9 on intra-group transactions	194
Difference between the consolidated companies' equity and their carrying amount	(11,025)
Group's consolidated equity including profit/(loss) for the period	**502,635**

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154 BIS, PARAGRAPH 5 OF ITALIAN LEGISLATIVE DECREE 58/98, AS SUBSEQUENTLY AMENDED AND SUPPLEMENTED

1. Having regard to the requirements of article 154 *bis*, paragraphs 3 and 4 of Italian Legislative Decree no. 58 of 24 February 1998, the undersigned Vincenzo Manes, Chairman, and Giuseppe Mazza, Manager in charge of Financial Reporting of INTEK Group S.p.A., hereby certify:
   - the adequacy with respect to the characteristics of the Company and
   - the effective application

   of administrative and accounting procedures for the preparation of the consolidated financial statements during 2019, including the policies which the Company applied in order to comply with the requirements of IFRS 10 in relation to Investment Entities.

2. No material findings emerged in this regard.

3. Moreover, they certify that:

   3.1. the consolidated financial statements:

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

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

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

   3.2. the annual Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Milan, 29 April 2020

The Chairman

signed Vincenzo Manes

The Manager in charge of Financial Reporting

signed Giuseppe Mazza

Report of the Board of Statutory Auditors of INTEK Group S.p.A. on the consolidated financial statements as at 31 December 2019

Though not mandatory, as every year, as part of its supervisory duties in observance of the law and the Articles of Association which it is required to follow, the Board of Statutory Auditors presents a short report on the consolidated financial statements as at 31 December 2019.

Moreover, this report is prepared according to the principle that the arguments or documents submitted by the Directors to the Shareholders' Meeting are examined by the Board of Statutory Auditors, which reports to the Shareholders' Meeting itself.

In order to avoid unnecessary duplication, this report is complementary to the report on the separate financial statements as at and for the year ended 31 December 2019, which shall be considered as totally referred to in this report.

ACCOUNTING STANDARDS – EFFECTS ON THE CONSOLIDATED FINANCIAL STATEMENTS

As already detailed in the report to the separate financial statements, qualification as an Investment Entity as required by paragraph 27 of IFRS 10 resulted in the fact that the consolidated financial statements differ from the separate financial statements only insofar as the equity investments which are not measured at fair value and consolidated on a line-by-line basis, which certainly constitute the equity investments which, in accounting and measurement terms, have the least impact on the consolidated financial statements.

Regarding the aforementioned fair value, which certainly constitutes the most significant element for the separate and consolidated financial statements, as also indicated in the report to the separate financial statements, the Board specifically verified that it has been measured with the support of an independent and qualified advisor, which was identified in E&Y S.p.A.

The main consequence of the above is that the difference between the values in the separate financial statements and those in the consolidated financial statements are not relevant. All of this is shown in more detail in the following tables:

Reconciliation of the profit/(loss) of the Parent company Intek Group SpA and the consolidated profit/(loss) for the period ended 31 December 2019:

(in thousands of Euro)	*31 Dec 2019*
Profit/(loss) of Intek Group S.p.A.	**(1,043)**
Profit/(loss) of consolidated companies (1)	(2,580)
Reversal of impairment losses on investments	732
Amortisation of excess cost allocation on property (net of tax effect)	(127)
Fair value measurement of investments held by subsidiaries (net of tax effect)	988
Cancellation of effect of IFRS 16 on intra-group transactions	92
Cancellation of effect of IFRS 9 on intra-group transactions	70
Group's consolidated net profit/(loss)	**(1,868)**

Reconciliation of the equity of the Parent company Intek Group SpA and the consolidated equity for the period ended 31 December 2019:

(in thousands of Euro)	*31 Dec 2019*
Parent company's equity including profit/(loss) for the period	**500,837**
Fair value measurement of investments held by subsidiaries (net of tax effect)	8,892
Excess cost allocation on property (net of tax effect)	3,645
Cancellation of effect of IFRS 16 on intra-group transactions	92
Cancellation of effect of IFRS 9 on intra-group transactions	194
Difference between the consolidated companies' equity and their carrying amount	(11,025)
Group's consolidated equity including profit/(loss) for the period	**502,635**

SCOPE OF CONSOLIDATION

The scope of consolidation has not changed compared to the previous year.

The following table lists all subsidiaries consolidated on a line-by-line basis in 2019:

Name:	**Registered office**	**Curren cy**	**Share capital**	**Activity**	**% ownership direct**	**indire ct**
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%	

ACCOUNTING DOCUMENTS WHICH COMPRISE THE CONSOLIDATED FINANCIAL STATEMENTS

The Chairman of the Company, Vincenzo Manes, and the Manager in charge of Financial Reporting of Intek Group S.p.A., Giuseppe Mazza, on 29 April 2020, provided the Directors and Statutory Auditors with a written statement, also for the purposes of article 154 bis of Legislative Decree 58/1998, certifying the adequacy, for a company of this type, of the management and accounting policies for the preparation of separate and consolidated financial statements for 2019, and their compliance with international financial reporting standards.

On 7 May 2020, the Independent Auditors Deloitte & Touche SpA issued an unreserved positive opinion in its report on the consolidated financial statements.

Exhaustive information has been provided in the Report on the Consolidated financial statements (accounting standards, notes and annexes).

Information on key indicators of both financial and non-financial performance can be extracted from the tables contained in the notes to the financial statements.

Information on the most important events, related party and/or intra-group transactions in 2019, reports and representations made by shareholders or third parties and, in general, oversight and controls, is contained in the Report of the Board of Statutory Auditors on the separate financial statements for the year.

In conclusion, the Board of Statutory Auditors is of the opinion that the consolidated financial statements and accompanying documents adequately reflect the Group’s financial and equity position and results of operations as at 31 December 2019.

The consolidated financial statements and accompanying documents have only been provided to Shareholders for information purposes and do not require approval.

Milan, 7 May 2020 THE BOARD OF STATUTORY AUDITORS

The Chairman of the Board of Statutory Auditors

(signed Marco Lombardi)

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INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014

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

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Intek Group S.p.A. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Intek Group S.p.A. (the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Fair Value Measurement for investment in KME SE

Description of the Key Audit Matter	Paragraph 4.1 of the explanatory notes to the consolidated financial statements at 31 December 2019 shows Euro 524 million of investments in equity interests and fund units measured at *fair value*, of which Euro 483 million referred to the stake held in KME SE, parent company of the KME Group that operates in the "copper" industry. The fair value of the investment in KME SE was estimated with the support of an external appraiser in compliance with the policy on "*Fair Value Assessment Methods Policy*" that Intek Group S.p.A. has adopted applying different methodologies (Unlevered discounted cash flow, market multiples and transaction multiples). The method adopted to estimate the *fair value* is based on a significant level of complexity and subjectivity, with reference to the Unlevered discounted cash flow methodology, related to the assumptions concerning the expected cash flows of the investment, the appropriate discount rate (WACC) and the long-term growth rate (g-rate); these assumptions are influenced by future expectations and market conditions, with specific reference to the copper industry in Europe. The application of multiple-based methods, moreover, is characterized by elements of subjectivity, in the process of selection and definition of the sample of comparables. The explanatory notes provide detailed information's on the valuation process adopted. Given the materiality of the amount of the investment, the relevance of the discretionary component of the estimates relating to the determination of the cash flows and the other above mentioned assumptions and key variables of the *fair value* we considered that the *fair value* valuation process related to this investment was a key audit matter of the Group's consolidated financial statements.
Audit procedures to address the Key Audit Matter identified	The main procedures carried out as part of our audit work, also with the support of evaluation experts belonging to Deloitte network, have included the following: • recognition and understanding of the process related to the *fair value* assessment; for this purpose we have acquired and analyzed the "Fair Value Assessment Methods Policy" and its compliance with the international accounting standards; • critical analysis of methodology used, verifying, also obtaining information and interviewing the Company's management and its external advisor, the adequacy with market practices;

Deloitte.

- analysis of the reasonableness and sustainability of the principal assumptions adopted to estimate the expected cash flows of the investment, the appropriate discount rate (WACC) and the long-term growth rate (g-rate), as well as the criteria used for selecting and defining the sample of comparables in order to determine the market multiples and transaction multiples;

- verification of the calculation accuracy;

Finally, we examined the completeness and compliance of the disclosure provided in the consolidated financial statements with respect to the provisions of the applicable accounting standards.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Intek Group S.p.A. has appointed us on 31 May 2016 as auditors of the Company for the years from 31 December 2016 to 31 December 2024.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Intek Group S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of Intek Group as at 31 December 2019, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98, with the consolidated financial statements of Intek Group as at 31 December 2019 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of Intek Group as at 31 December 2019 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the Group and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Maurizio Ferrero
Partner

Milan, Italy
May 7th, 2020

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