INTEK GROUP

ANNUAL FINANCIAL REPORT
YEAR 2020

Board of Directors
of 26 April 2021

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

Contents

Social commitment

Dynamo Camp

Right to happiness

member seriousfun children's network
founded by paul newman

The Dynamo Camp charity offers **Recreational Therapy** programmes free of charge to young people between 6 to 17 years of age, with serious or chronic illnesses, mainly oncohaematological or neurological disorders, or diabetes, whether they are in treatment or in the post hospitalisation period. Dynamo Camp's mission is to offer these children the opportunity to simply "be kids" again. Opened in 2007 in the province of Pistoia, **the Camp hosts over 1,800 people, including sick children, their parents and their healthy siblings,** free of charge for holiday periods and during their free time, helping them to regain their peace of mind, carefreeness and self-confidence . With the Dynamo Programmes project, the Foundation also takes Recreational Therapy **outside the Camp to hospitals, family homes and disease-specific patient associations**. The benefits of Recreational Therapy are usually of a long term, often permanent nature and help children cope with their illness.

The approach to Recreational Therapy that the programmes are based on aims to involve the children and their families in enjoyable and fun activities that stimulate their abilities and restore their self-confidence.

Dynamo guests are used to challenges, and the Camp offers many entertaining challenges that are constructive but non-competitive: 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: to increase the number of eligible medical conditions, in particular serious neurological conditions that require increasingly complex management, and to extend the network of hospitals and associations we work with; quality training for the staff and over 950 volunteers who donate their time, intelligence and hearts each year; annual increase in the support tools provided to the individuals and the supportive companies that are always at our side.

The difficulties caused by the Covid-19 pandemic prevented Dynamo Camp from opening its doors to children suffering from severe and chronic illnesses.
Therefore, Dynamo Camp moved its traditional Camp sessions online, in order to involve children and families in inclusive activities that could be accessed remotely. At the same time, Dynamo Camp opened its doors to categories of vulnerable people it has never hosted before, such as children in family homes, mother-child family units in conditions of social distress and adults with severe disabilities housed in healthcare facilities for the disabled, demonstrating that recreational therapy can always be effective.

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
	Francesca Marchetti[A,C]
	Alessandra Pizzuti
	Luca Ricciardi[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 S.p.A. 2020-2025 Bond" Holders Rossano Bortolotti

**(term of office ends with the approval of the 2020 financial statements)*

2020 Directors' Report on operations

Dear Shareholders,

The year 2020 was characterised at global level 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, extraordinary in nature and extent, had enormous direct and indirect repercussions on economic activity, and created a general context of uncertainty. The international economy screeched to a halt, and a moderate recovery in activities began only in May 2020. With reference to 2021, the vaccination campaigns under way, along with the planned gradual relaxation of containment measures, are fuelling expectations for a decisive recovery in economic activity, which may benefit the investments of Intek Group S.p.A. (hereinafter, also "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 the equity investments and other assets held, with a specific focus on their capacity to generate cash and increase in value over time.

There is a special commitment to 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-frames, not characterised by particular sector restrictions. Amongst the assets in the portfolio, the equity investment in the KME group remains the most important and therefore the management dedicates the most attention to it. Specifically, numerous efforts have been made in recent years to streamline KME's businesses and to increase their value both now and in the future, with very positive results.

At the end of March if tgus year, the Group completed the winding up of I2 Capital Partiners SGR, its main vehicle for private equity business, which will continue, although not through a closed-end fund.

However, the overall goal remains the same, and Intek continues to aim to create a diversified, flexible asset portfolio with medium-term investment cycles.

There has also been no change from the past in the conviction that a comprehensive assessment of the Company's investment portfolio must consider not only the value of the economic results for the period achieved by the equity investments held, but also and above all it must consider the changes in value of the individual assets over time, and their capacity to create value for shareholders.

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

Therefore, the separate financial statements have always been the Company's preferred informational tool to communicate its results. The Company's accounting classification, starting from the year 2014, as an "investment entity" increased the informational content of this document, since 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 approach, and of the corporate simplification process, the figures in 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 asset management and, therefore, to carry them out the Company is not required to be listed in the Register provided for by article 20 of the TUF.

The main events characterising the operations of Intek and its investees in 2020 and the initial months of 2021 are described below.

(i) Enhancement activities in the copper industry

As of 1 July 2020, the "*Special*" and "*Copper*" businesses were legally separated within the company KME Germany GmbH & Co. KG. The two businesses are now part of KME Special Products GmbH & Co. KG and KME Germany GmbH (both direct subsidiaries of KME SE). The legal separation of the two businesses will not only enable improved operational management and increase the management's focus, it will also make it possible to pursue individual enhancement paths and differentiated strategic solutions.

Revenues from sales amounted to €1,882.4 million (-16.4% compared to 2019), revenues from sales net of raw materials equalled €531.9 million (-11.3% compared to 2019) and EBITDA was €75.1 million (-13.2% compared to 2019). Especially in the second part of the year, these figures suffered from the consequences of the climate of uncertainty linked to the effects of the Covid-19 pandemic, while the initial months of 2021 were instead marked a decisive recovery in business volumes.

(ii) Culti Milano S.p.A.

With the acquisition of the controlling holding of Bakel S.r.l. (2019), a company whose business focuses on cosmetic products made from natural active ingredients, and Scent Company S.r.l. (2020), a company active in olfactory branding, Culti Milano has accentuated its evolution towards a business model focussed on personal well-being (perfumes, personal hygiene, cosmetics). A joint venture was also launched in Hong Kong and a subsidiary was opened in Shanghai.

Culti and its subsidiaries recorded pro-forma consolidated turnover in 2020 of €15.3 million and pro-forma consolidated EBITDA of €3.6 million, compared to €14 million and €1.8 million, respectively, in 2019.

(iii) Extraordinary finance transactions

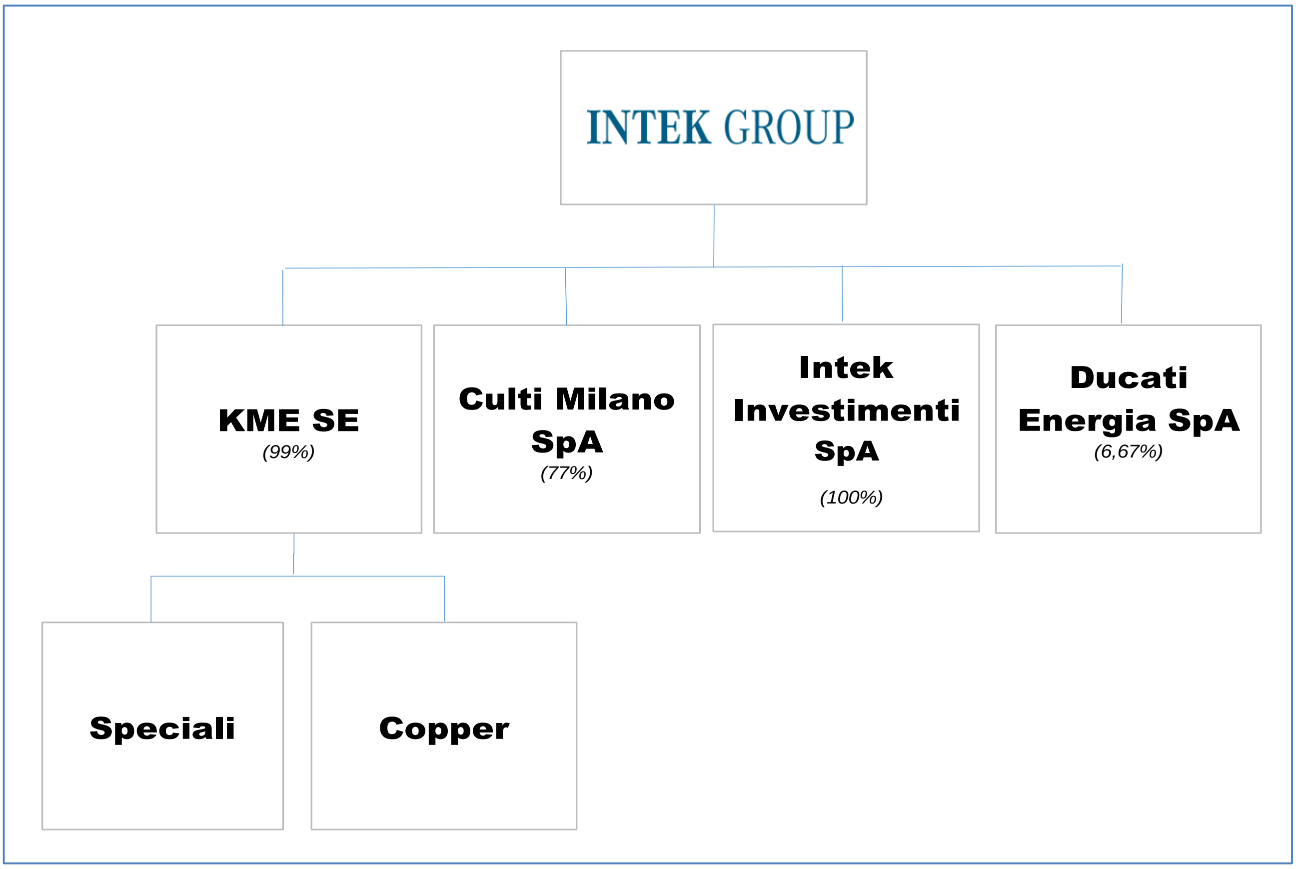
The new five-year 2020-2025 Intek Group Bond for a total of €75.9 million and with a fixed interest rate of 4.5% was issued in February 2020. Between the public subscription offer and the exchange offer on the previous Intek bonds, demand totalled €92.6 million. This transaction allowed Intek to reconfigure itss debt by extending its maturity and reducing its cost.

The following are currently under way:

- the issue and assignment of free warrants to all shareholders (ordinary and savings) with an exercise price of €0.40;
- the Public Exchange Offer on Intek Savings Shares, with the consideration of a 2020-2025 Intek Group bond with a par value of €21.60 for every 43 savings shares.

These transactions were deferred pending the publication of the financial statement data and are expected to be completed by the end of July.

Summary of the Group's corporate structure as at 31 December 2020



Intek Group held the following principal shareholdings as at 31 December 2020:

- *KME SE*: head of a leading global group in the production and marketing of semi-finished copper and copper-alloy products, active in two separate business segments: Special Products and Copper Products;
- *Culti Milano S.p.A.*: listed on the AIM market, increasingly geared towards personal well-being, in addition to the consolidation of its traditional business in the environmental fragrance segment;
- *Intek Investimenti S.p.A.*: this is the corporate vehicle in which investment and private equity activities of the Intek Group are now concentrated, also with a focus on sustainability issues;
- *Ducati Energia S.p.A.:* this is a non-controlling equity investment of Intek Group (6.67% of the share capital through all the special shares) active in various interesting business segments (condensers, industrial power factor correction, railway signalling, measurement tools, sustainable mobility, Intelligent Transportation Systems).

Compared to the situation as at 31 December 2019, the process of streamlining the Group corporate structure continued through the transactions described below:

- Disposal of equity investment in Ducati Energia S.p.A. by Immobiliare Pictea S.r.l. to Intek Group;
- Transfer to KME SE of the entire equity investment in Immobiliare Pictea S.r.l.;
- Transfer to Intek Investimenti S.p.A. of the equity investment in Isno 3 S.r.l. in liquidazione;
- The winding up of I2 Capital Partners SGR S.p.A., a company that operated in the management of mutual investment funds, completed on 31 March 2021.

Alongside equity investments, Intek also holds other residual assets of previous investments, such as credit assets from former Fime leasing and factoring management.

The Holding Company Intek Group S.p.A.

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

The current allocation of financial resources sees their strong concentration (90% of total assets) in the first place in the significant investment in the KME group, within which the intention is to privilege the highest performing and most promising sectors, while favouring an exit from segments with reduced prospects for an increase in value, also with regard to the phenomenon of the concentrations undertaken in recent years by major sector players. 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 their activities and performance. Coherently with this approach, Intek Group is working to identify possible agreements and/or partnership opportunities with third parties interested in the subsidiaries or their individual businesses for various reasons, looking to maximise their value primarily through the conclusion of extraordinary transactions.

Intek Group's financial highlights as at 31 December 2020, compared to 31 December 2019, are summarised below:[1]

(in thousands of Euro)	*31 Dec 2020*		*31 Dec 2019*	
Copper	*514,082*	*90.14%*	*494,434*	*86.69%*
Culti	*27,309*	*4.79%*	*13,646*	*2.39%*
Ducati Energia	*16,013*	*2.81%*	*16,000*	*2.81%*
Intek Investimenti	*10,241*	*1.80%*	*9,005*	*1.58%*
Immobiliare Pictea	-	*0.00%*	*16,741*	*2.94%*
I2 Capital Partners SGR being wound up	*(104)*	*-0.02%*	*32*	*0.01%*
Other investments	*2,165*	*0.38%*	*2,752*	*0.48%*
Other assets/liabilities	*634*	*0.11%*	*313*	*0.05%*
Net investments	**570,340**	**100.00%**	**552,923**	**100.00%**
Outstanding bonds (*)	*(78,288)*		*(106,000)*	
Net cash from third parties	*15,128*		*53,914*	
Net financial debt of the holding company to third parties	**(63,160)**	**-11.07%**	**(52,086)**	**-9.42%**
Total equity	**507,180**	**88.93%**	**500,837**	**90.58%**

Notes:

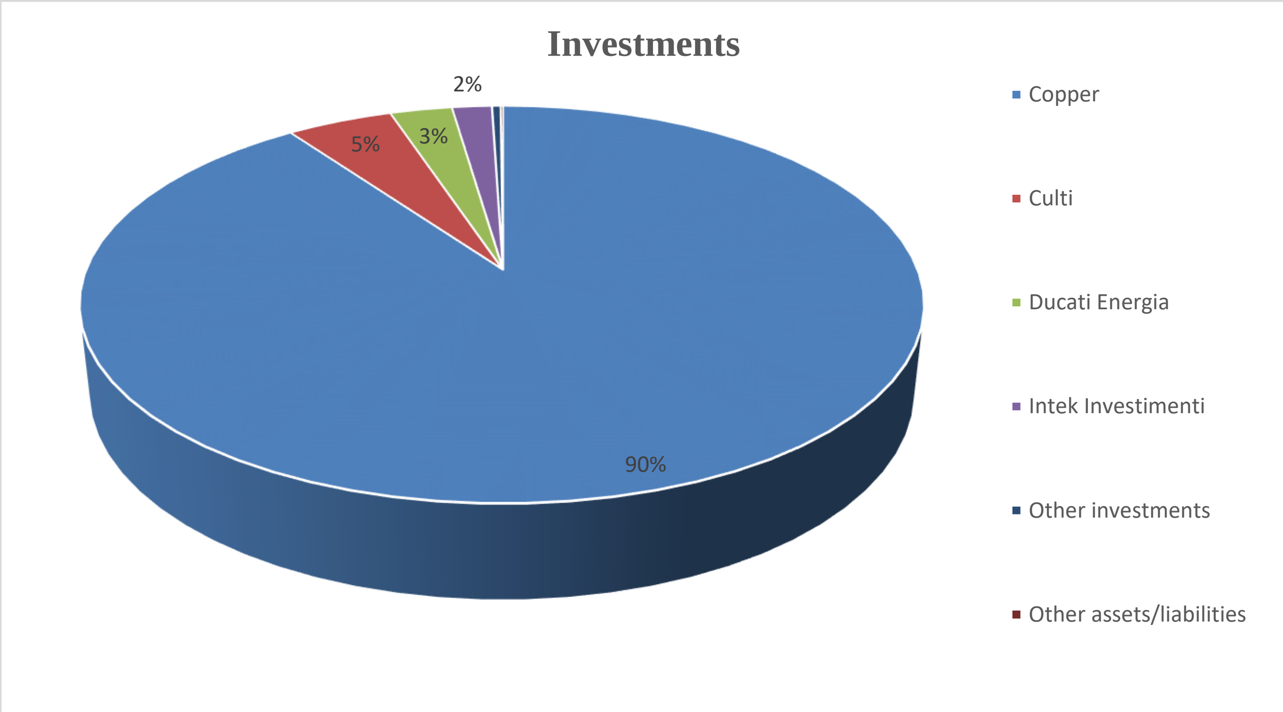
- *For improved comparability, the data for 2019 have been restated in order to better understand the effect of the disposal of Ducati Energia by Immobiliare Pictea to Intek Group and the transfer of Isno 3 to Intek Investimenti.*
- *In the table, investments are expressed net of any financial receivable/payable transactions outstanding with the Intek Group.*
- *(*) including accruing interest.*

[1] The report uses certain indicators identified as "Alternative Performance Indicators" ("APIs") pursuant to Consob communication of 3 December 2015, which incorporated 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 preceding years.

Net investments

The Net investments held by the Company amounted to €570.3 million as at 31 December 2020 (€552.9 million at the end of 2019), of which around 90% concentrated in KME SE. The increase in the investment in that investee is linked to the above-mentioned transfer of Immobiliare Pictea (€19.7 million).

Culti Milano increased its weight within the Group's assets due to the effects of the positive valuation linked to the result achieved.



Shareholders' Equity

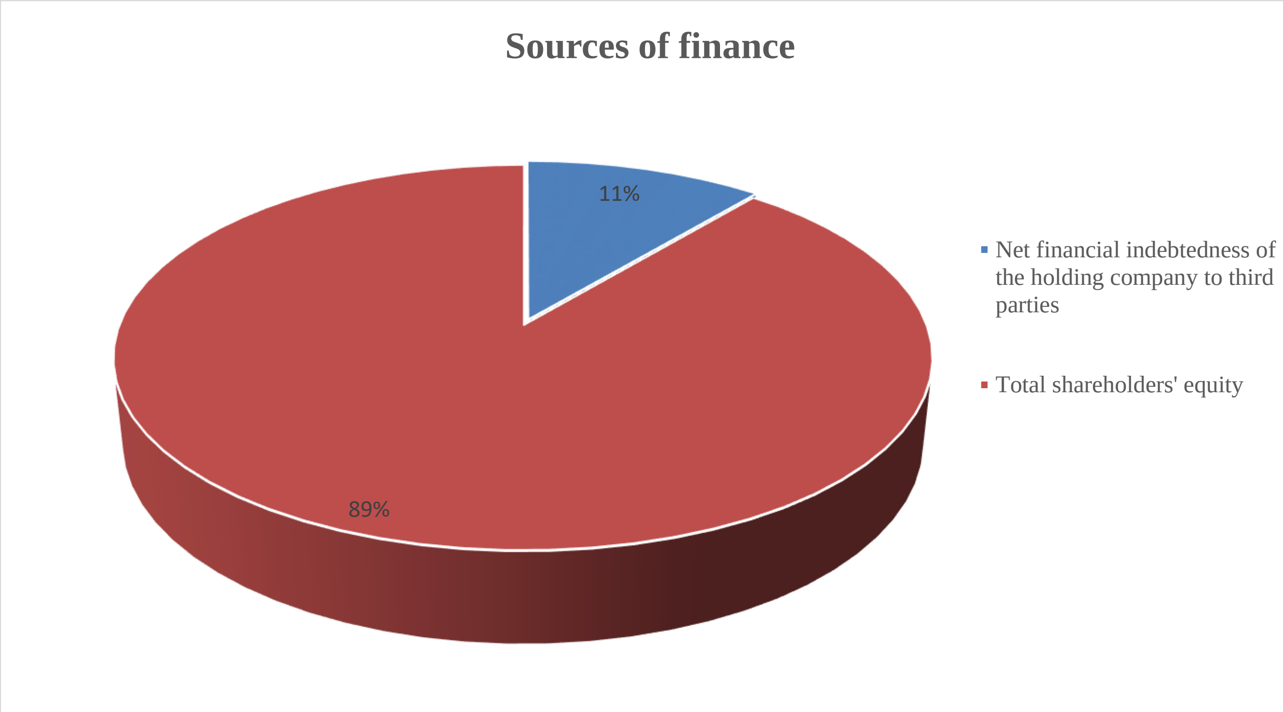
The holding company's shareholders' equity amounted to €507.2 million, compared to €500.8 million as at 31 December 2019; the change, net of the buyback of treasury shares for €0.2 million, was determined solely by the result for the year.

Equity per share was €1.17 (€1.15 at 31 December 2019).

The Share Capital, broken down into 389,131,478 ordinary shares and 50,109,818 savings shares, amounted to €335,069,009.80 as at 31 December 2020, unchanged compared to 31 December 2019. All the shares were without par 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, an additional 841,688 ordinary treasury shares were purchased, with a financial outlay of €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).

The structure of Intek's sources of finance can be summarised as follows:



Financial management

Net financial indebtedness of the holding company to third parties (excluding intra-group loans and lease liabilities) totalled €63.2 million as at 31 December 2020. The balance as at 31 December 2019 was €52.1 million. It increased as a result of financial expenses and management costs for the year.

At the end of December 2020, Intek Group had cash and cash equivalents of €15.3 million.

Intek Group's net financial position as at 31 December 2020, compared to 31 December 2019, is described below:

Net financial position			
(in thousands of Euro)		*31 Dec 2020*	*31 Dec 2019*
Cash and cash equivalents		(15,286)	(44,639)
Other financial assets		(72)	(9,604)
Current financial receivables from subsidiaries		(521)	(10,774)
(A) Net financial assets	**(A)**	**(15,879)**	**(65,017)**
Intek Group Bonds 2015 - 2020		-	106,000
Short-term financial payables		3,169	-
Financial payables to subsidiaries		1,245	4,256
Short-term financial payables for leases		572	552
(B) Short-term financial payables	**(B)**	**4,986**	**110,808**
(C) Short-term net financial position	**(A) - (B)**	**(10,893)**	**45,791**
Long-term financial payables for leases		2,965	3,444
Intek Group Bonds 2020 - 2025		75,332	-
(D) Medium to long-term financial payables		**78,297**	**3,444**
(E) Net financial position	**(C) - (D)**	**67,404**	**49,235**

Notes:

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

Bank loans are shown net of sums restricted to secure them.

The reconciliation between Net financial position and Net financial indebtedness of the holding company to third parties is provided below:

Reconciliation of Net financial position		
(in thousands of Euro)	*31 Dec 2020*	*31 Dec 2019*
Net financial position	**67,404**	**49,235**
Current financial receivables from subsidiaries	521	10,774
IFRS 9 adjustment receivables from subsidiaries	17	329
Financial payables to subsidiaries	(1,245)	(4,256)
Short-term financial payables for leases	(572)	(552)
Long-term financial payables for leases	(2,965)	(3,444)
Net financial indebtedness of the holding company to third parties	**63,160**	**52,086**

Cash flows

Cash flows for the years 2020 and 2019 can be summarised as follows:

(in thousands of Euro)		*2020*	*2019*
(A) Cash and cash equivalents at the beginning of the year		**44,639**	**51,902**
Profit/(loss) before taxes		6,542	(1,706)
Amortisation and depreciation		660	647
Impairment/(Reversal of impairment) of current and non-current financial assets		(14,231)	(6,413)
Changes in pension funds, post-employment benefits (TFR) and stock options		(3)	(16)
Changes in provisions for risks and charges		(235)	(416)
(Increase)/decrease in equity investments		(7,271)	2,462
(Increase)/decrease in other financial investments		-	2,108
Increase/(decrease) in financial payables to associated companies		253	(761)
(Increase)/decrease in financial receivables from associated companies		(3,011)	(2,041)
Dividends received		6,000	260
(Increase)/decrease in current receivables		79	(1,943)
Increase/(decrease) in current payables		598	1,012
(B) Total cash flows from/(used in) operating activities		**(10,619)**	**(6,807)**
(Increase) in non-current intangible assets and property, plant and equipment		(155)	(252)
Decrease in non-current intangible assets and property, plant and equipment		329	319
Increase/decrease in other non-current assets/liabilities		(291)	(531)
(C) Cash flows from/(used in) investing activities		**(117)**	**(464)**
(Purchase) sale of treasury shares		(192)	-
Bond Repayment and New Issue		(27,712)	-
Payment of interests on Bonds		(5,085)	(5,085)
Increase/(decrease) in current and non-current financial payables		4,820	4,373
(Increase)/decrease in current and non-current financial receivables		9,552	720
(D) Cash flows from/(used in) financing activities		**(18,617)**	**8**
(E) Change in cash and cash equivalents	**(B) + (C) + (D)**	**(29,353)**	**(7,263)**
(F) Cash and cash equivalents at the end of the period	**(A) + (E)**	**15,286**	**44,639**

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)	*2020*	*2019*
Fair value changes and other gains/losses from investment management	15,164	7,496
Investment management costs	(238)	(128)
Gross profit/(loss) from investments	**14,926**	**7,368**
Guarantee fees assets (a)	875	962
Net operating costs (b)	(4,266)	(3,882)
Overheads (a) - (b)	*(3,391)*	*(2,920)*
Reclassified operating profit/(loss)	**11,535**	**4,448**
Net finance expense	**(3,689)**	**(4,757)**
Profit/(loss) before taxes and non-recurring items	**7,846**	**(309)**
Non-recurring income/(expenses)	(1,304)	(1,398)
Profit/(loss) before taxes	**6,542**	**(1,707)**
Taxes for the year	(3)	664
Net profit (loss) for the period	**6,539**	**(1,043)**

"*Non-recurring income/(expenses)*" include non-ordinary costs and revenues, including depreciation of rights of use relating to leases, and are linked primarily to the Milan property at Foro Buonaparte 44, the registered office of the Company and of other investees.

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/(expenses) and taxes for the year.

* * *

Business outlook

The business outlook will be correlated with the performance of the investments and their increase in value, both dependant on the recovery of demand at global level and the measures undertaken by the various governments to support global economic activity and the Eurozone in particular, to handle the effects of the pandemic. In any event, contagion trends will have the utmost importance, in addition to the spread of virus variants and the extent and tightening of the ensuing containment measures.

Covid–19

The Covid-19 pandemic profoundly changed the prospects for the economy for 2020 and the following years. Although signs of stabilisation were beginning to be visible in the international economy at the end of 2019, the spread of the virus radically changed the general scenario and the speed of the economic recovery will depend on the actual duration of the health emergency and the capacity of governments to respond on a global scale.

In this context, Intek Group, as a holding company, suffered limited direct effects of the epidemiological emergency. The lockdown measures introduced to limit the effects of contagion did not stop company activities, which could be carried out remotely, with immediate recourse to smart working arrangements. Starting from mid-May 2020, the Foro Buonaparte office was reopened in compliance with Government regulations, while several employees continued to work remotely, and dedicated protocols and the necessary protections were adopted to guarantee employee and worker safety, such as periodic sanitisation of the offices. Intek did not make use of any of the initiatives to financially support employees that were made available by the Authorities in response to the Covid-19 emergency.

There were no particular effects in terms of operating costs as a result of the Covid-19 pandemic and none are expected in the coming years.

With reference to the other companies that were included in the scope of consolidation in 2020, please note that the restrictive measures and the climate of uncertainty ensuing from the spread of the pandemic:

- as regards I2 Capital Partners SGR, the decision was made to wind the company up, a procedure that was completed at the end of March 2021;
- as regards Immobiliare Pictea, the climate of uncertainty caused the interruption of sales negotiations on the Varedo/Limbiate property and, until autumn 2020, blocked the contacts under way for the acquisition or lease of the Ivrea property. Starting from the latter part of 2020, this situation fortunately changed, resulting in signature of with a lease agreement for the Ivrea property and the start of new negotiations for the Varedo/Limbiate property.

As regards the equity investments, including KME SE and Culti Milano, the general climate of uncertainty caused an inevitable slowdown in the implementation of value enhancement strategies. However, activities to strengthen the investee companies and the search for opportunities to invest and create value for shareholders continued.

In relation to KME SE, the separation of the “Special Products” and “Copper Divisions” divisions was into legally separate entities was completed in July 2020, to allow for improved management of the respective businesses and increase the management’s focus.

On the other hand, the time required to deliver certain strategic options, both disposals and purchases, increased, although this did not compromise the delivery itself. The former are intended to create a product portfolio with higher average margins, while the latter continue with the consolidation of market position in certain segments launched with the acquisition of MKM, and are intended to align consolidated profitability with that of the main international competitors. These options, although they have slowed due to the global events cited multiple times previously, remain open and may potentially take shape this year.

The economic performance for the yea was penalised especially in the second part of the year, as described in greater detail below. Sales, net of raw materials, were down by 11% compared to the previous year, as was EBITDA (-13%).

However, starting from the final quarter of 2021, there was a strong recovery in orders, which is continuing, and this has enabled the sales trend in the early months of 2021 to be inverted.

With reference to Culti Milano, the agreement to acquire 51% of Scent Company S.r.l., a company active in the olfactory and sanitisation branding sector, was signed in June 2020. The business was only marginally influenced by the pandemic and, especially in the second part of the year, the company achieved positive economic results, with a significant improvement compared to last year.

Performance in the various investment sectors

Below is the performance of the investments existing as at 31 December 2020, represented specifically by the equity investments in KME SE and Culti Milano.

You are reminded that the equity investments held for investment purposes are measured at fair value through profit or loss.

After the transfer of Immobiliare Pictea S.r.l. to KME SE, the other equity investments deemed instrumental to the Company's activities comprise only I2 Capital Partners SGR S.p.A., a company that is being wound up.

* * *

<u>KME SE</u>

Intek's investment in the Copper sector refers to the German subsidiary KME SE, which is itself the holding company of a global group that is a leader in the production and marketing of semi-finished products in copper and copper alloy, which has for years now represented the Intek Group's biggest industrial investment.

(in thousands of Euro)	*31 Dec 2020*	*31 Dec 2019*
KME SE investment	512,707	483,000
KME Beteiligungsgesellsch. mbH investment	1,400	1,158
Other	(25)	10,276
Total KME SE	**514,082**	**494,434**

The increase in the value of this equity investment is due to the transfer of Immobiliare Pictea (€19.7 million) and receivables (for €10.0 million) at the end of December. This transaction resulted in a reduction in the item "Other", which had included the transferred receivables.

* * *

The Group to which KME SE belongs manufactures a vast range of copper and copper-alloy products and is characterised by a particularly articulated and complex global organisational and production structure.

KME SE operates through two distinct businesses: the "*Special Products*" division and the "*Copper Products*" division.

As of 1 July 2020, the two businesses mentioned above previously held by KME Germany GmbH & Co. KG were legally separated. The two entities are now part of KME Special Products GmbH & Co. KG and KME Germany GmbH respectively (both direct subsidiaries of KME SE).

This transaction will allow for improved operations management of the two businesses and increase the management's focus, and will also make it possible to pursue individual enhancement paths and differentiated strategic solutions.

At the moment, the KME Group is committed to several transactions to both create and consolidate several businesses in the copper sector, which for some years now has been affecvted by a process of rationalisation of the various markets undertaken by major global players. In this context, KME has carried out both sale and purchase transactions, such as in the case of MKM - operating in the Copper business, acquired in 2019. KME Italy recently launched a project with Eredi Gnutti, another sector operator, which aims to unify their respective businesses in the laminates sector, promoting major operational and market rationalisation.

The products in the "*Special Products*" division are high-tech products that can be *customised* to the requirements of the client, with high added value and margins that are on average higher than other copper semi-finished products. The "*Special Productsl*" division in turn includes two product sub-categories, "*Engineering Products*" and "*Special Semis*":

- the "*Engineering Products*" are characterised by high added value and high technology, which make it possible to offer innovative, high performance solutions for casting in the iron and steel industry and for non-ferrous metals. This category of products includes, *inter alia*, tube moulds, cooling plates, casting wheels and crucibles, in addition to 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, tubing 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 Products*" division instead features a wide array of products for multiple uses in the mechanical, automotive, medical, construction and renewable energy sectors. This division includes, *inter alia*, products in laminated copper, products for coverings and coatings made with 100% recycled copper, various sizes and types of copper rods, and a wide range of copper pipes for plumbing and heating applications.

* * *

Commodity prices and inflation

Commodities in the energy and metal sectors were the most impacted by the sudden halt in economic activity and the potential ensuing serious slowdown at global level. Those associated with transport, including oil, were equally affected.

However, most commodity segments, first and foremost copper, recorded a significant rebound and closed 2020 better than expected. After a brief pause in the autumn, the recent rise in prices was supported by developments and expectations relating to the various vaccination campaigns and the successive economic stimulus manoeuvres, starting from the United States.

KME's main markets are concentrated in the Eurozone, the overall economic scenario of which appeared to be rather destabilised and volatile even before the Covid crisis.

All of the G20 countries apart from China experienced a recession in 2020. Although a recovery is expected this year, at the end of the year production will not yet have returned to the levels seen at the end of 2019 in many countries, and will be much lower than the levels forecast prior to the pandemic. According to preliminary data from the European statistics office, in 2020 the Eurozone economy contracted by 6.8% and deseasonalised by 4.3% compared to 2019.

After a precipitous drop in the first two quarters, the German economy, the top market for KME products, closed 2020 with a 5.5% reduction in GDP thanks to the recovery in the second part of the year. As regards the Italian economy, the reduction in GDP on an annual basis was more accentuated (-8.9%), with a trend similar to that of the German economy, but with more pronounced phenomena.

Current business performance

The difficult macroeconomic scenario of recent years has led KME to strengthen operational efficiency and organisational flexibility, and to rationalise its business portfolio, in order to concentrate resources on a series of high added value operating units and markets with greater growth potential. This has led to major investments in Germany for the expansion of alloy strip products, which have a higher added value, with applications in the digital and electric mobility segments, driven by strong demand for elements for connectors. Despite the delays caused by Covid, positive developments occurred starting from the final quarter of 2020, and they are expected to continue throughout 2021.

KME reacted to the sharp drop in demand in 2020 by involving the newly acquired MKM (today KME Mansfeld) in a general cost reduction action at group level, as well as in the plan for the development of expected synergies. This intervention is proceeding successfully and contributed to partially offset the turbulence of 2020, with further progress expected in 2021.

Synergies with MKM made production site specialisation possible, and allowed for an integrated approach to sales with an increase in service levels for customers. In terms of acquisitions, economies of scale were achieved in the procurement of goods and services (including energy and logistics), with a reduction in the level of waste. Services in the administrative/IT areas were also rationalised and centralised.

The Covid situation and the focus on the new legal entities have also induced the management to accelerate cost optimisation measures in KME Germany GmbH.

Individual business segments

Copper division

With reference to this KME business segment, demand for products intended for the **building sector** continues to be rather weak and persistently volatile, and for the moment this is continuing to neutralise the increase in added value obtained thanks to the major actions undertaken in recent years. In particular, great progress was made for the development of high quality products for a broader product range, but also in continuous customer support and in the development of design ideas, aiming to promote innovative solutions for residential architecture, interior design and, in general, large public spaces. However, it should be noted that the increase in the price of copper during the fourth quarter of 2020 and the first quarter of 2021 has not yet had any negative impacts on demand. Further developments are being carefully monitored.

In 2020, 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 counting on its traditional know-how in the field of metallurgy, are confirming signs of long-term stability, although to varying extents in the different segments. On the other hand, there are signs pointing in the direction of a negative trend in all applications linked to the automotive sector, due to uncertainty surrounding the development of technological standards and extensive destocking across the entire value chain in that sector. Naturally, the sudden closures caused by Covid further hit the automotive industry, as well as the electronics sector, which is in any event more stable in traditional segments, presenting interesting prospects for long-term growth in the development of electric mobility and digitalisation. In the fourth quarter of 2020, there was a strong increase in order acquisition in all industrial applications, also supported by restocking in the automotive sector.

For the first half of 2021, the management expects development at the same pace as today, supporting a positive vision for the overall result in 2021, despite the continuation of general uncertainty on the Covid front.

Special Products division

In the first half of 2020, this segment benefited from a substantial order portfolio resulting from commercial actions deployed in 2019.

2020 began with a significant increase in orders acquired, driven mainly by demand from Asian markets, increased maintenance activities in the iron and steel industry and a further increase in activities in the naval defence sector, phenomena which continued throughout 2020.

In general, forecasts for the Special Products division in 2021 are at the same level as 2020, but with a different seasonal profile in the engineering sector.

Engineering. For slab ingot moulds, volumes were positive, while tubular ingot moulds - in the standard mix with average margins - saw a downturn compared to the previous year. Revenue initially exceeded targets, with a slight improvement in margins despite some increases in costs relating to the German production units. During the second half of 2020, the flow of orders slowed, as general market conditions were still negatively influenced by the Covid crisis. Overall, the mix of engineering products had a slightly different outcome than forecast.

Products for maritime use and tube bundles. In the segment relating to maritime use, the order flow was positive in all end markets, primarily due to 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, which will be at the same level in 2021. The oil and gas markets are extremely volatile, and the largest projects in this sector have been suspended. Due to higher oil and gas prices, the resumption of projects in 2021 could make it possible for this segment to reach a slightly higher level.

Extruded and drawn products Sales and order flows were below 2020 targets. In Europe, the German market was influenced by negative trends in the automotive sector, while demand in Spain, Italy and France was impacted by the general weakness in the economy and industrial output levels.

The commitment of this business unit, primarily linked to the European industrial sector, was negatively impacted by the performance of the order portfolio impacted by the Covid crisis, but achieved a significant improvement in the fourth quarter. Orders from US customers were also lower for the entire first half of 2020, with a better order flow trend in the third and fourth quarters of 2020 due to orders placed to restock the supply chain.

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The main results of KME SE for 2020, compared to the previous year, can be summarised as follows:

Key results of the copper sector					
(in millions of Euro)	*2020*		*2019*		*Change*
Revenue	1,882.2		2,252.5		-16.4%
Revenue (net of raw materials)	471.8	100.0%	531.9	100.0%	-11.3%
EBITDA	75.1	15.9%	86.5	16.3%	-13.2%
EBIT	31.2	6.6%	45.2	8.5%	-31.0%
Profit/(loss) before non-recurring items	(8.1)	-1.7%	0.7	0.1%	-1257.1%
Non-recurring income/(expenses)	(21.6)		13.8		
Effect of IFRS measurement of inventories	(12.7)		(28.3)		
Share of profit/(loss) of equity-accounted investees	(10.3)		(9.8)		
Profit/(loss) from assets held for sale	(12.2)		(7.9)		
Consolidated net profit/(loss)	(65.9)		(24.6)		
Comprehensive income	(82.9)		(36.6)		
Net indebtedness *	270.7		237.1		
Equity attributable to owners of the Parent *	115.0		168.0		

Consolidated revenues in 2020 totalled €1,882.2 million, down 16.4% compared to €2,252.5 million in 2019, which included €87.0 million from Tréfimetaux, subsequently consolidated in the second half of 2019. The decline in terms of sales volumes expressed in tonnes was around 7%. Net of the value of raw materials, revenue was down from €531.9 million to €471.8 million, marking a reduction of 11.3%. On a like-for-like basis, the reduction was instead €44.4 million, equal to 8.6% (€516.2 million pro-forma in 2019).

Gross operating income (**EBITDA**) in 2020 was €75.1 million; 13.2% lower than the figure for 2019 when EBITDA stood at €86.5 million. On a like-for-like basis, the reduction was 11.4%, equal to €9.4 million (€84.5 million pro-forma in 2019).

Net operating income (**EBIT**) stood at €31.2 million (€45.2 million in 2019).

The **Loss before non-recurring items** was €8.1 million (profit of €0.7 million in 2019).

The valuation of inventories and forward agreements had a negative impact on the above-mentioned result for €12.6 million compared to the negative impact of €28.3 million recorded in 2019.

The result at the end of December 2020 was negatively affected by **non-recurring expenses** of €21.6 million, of which €11.6 million relating to restructuring costs linked to the implementation of synergies, €2.4 million for costs related to Covid-19 and €2.6 million due to a serious cyber attack in August. Another €1.4 million in non-recurring expenses were instead linked to the pension fund in the United Kingdom.

The KME **Group's consolidated net profit/(loss)** (net of the profit/(loss) of non-controlling interests) shows a loss of €67.3 million (compared to a loss of €25.2 million in 2019).

The KME **Group's total net profit/(loss)** (which also includes other comprehensive income (expense)) shows a loss of €83.5 million (compared to the profit of €36.6 million in 2019).

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As regards performance for the year 2021, there are expectations that growth will be positive for all industrial sectors that use copper laminates. In the first quarter of 2021, sales volumes were high, driven by demand from the automotive sector for hybrid and electric vehicles and, with reference to the Chinese market, for high-end European vehicles. The renewable energies sector and the digital devices market are also contributing to sustained sales performance.

Sales 10% higher than the corresponding period of the previous year are estimated with revenue, net of raw materials, up by over 5% with a positive effect on EBITDA, which is expected to be 10% higher than in the first quarter of 2020.

Increases compared to 2020 are also expected for the special products sector.

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Financial management

The **Net Financial Position** as at 31 December 2020 was negative for €270.7 million, compared to €237.1 million last year. The increase was primarily due to the higher price of metal and the change in financial instruments measured at fair value. The Group is continuing to adopt measures to optimise working capital requirements.

On 9 February 2018, KME SE successfully issued a five-year bond loan of €300 million with a return of 6.75% intended for institutional investors. The bond was rated, is listed, and is guaranteed by a pledge, with reservation of the voting right, consisting of the shares of KME Germany GmbH & Co. KG (now KME Special Products GmbH & Co. KG), and a first mortgage on the industrial buildings and installations of the Osnabrück plant (owned by KME real property GmbH & Co. KG, KME Germany GmbH and KME Special Products GmbH & Co. KG). Roughly two-thirds of the bond receipts were used to repay part of the credit lines granted by the banking pool coordinated by Deutsche Bank.

The residual loan of €350 million was extended to February 2021, with an option to extend for a further two years.

The German institution KfW IPEX-Bank GmbH joined the banking pool with an increase in credit lines of €15 million in June 2018 and a further €10 million in December 2019, bringing the total loan to €375 million.

During the third quarter of 2020, following the entry of KME Mansfeld into the loan, two banks increased their participation, bringing the credit lines to €395 million.

In February 2021, the duration of the loan was extended for an additional year, on the basis of the option previously granted.

The credit lines were used through letters of credit for €394.9 million (€374.9 million as at 31 December 2019) as a means of payment to metal suppliers. The relative supplier liabilities are still recognised under trade payables or other payables.

In relation to factoring transactions, the credit lines granted by Mediocredito Italiano S.p.A., now Intesa Sanpaolo S.p.A., and Factofrance in 2018, both for €150 million, were extended respectively to February 2023 and February 2022, with the expectation for the latter of an option to extend for an additional year. Lines for an additional €150 million, maturing in May 2023 and the possibility of an additional extension, were granted to KME Mansfeld GmbH. Obligations deriving from recourse factoring with respect to factoring companies amounted to €19.4 million (€16.1 million at 31 December 2019).

The aforementioned loans require compliance with financial covenants, subject to quarterly review, except for the bond loan, which is subject to an "at incurrence covenant test" according to the standards for this type of bond. As at 31 December 2020, the KME group had fully respected all covenants.

As at 31 December 2020, **equity** was €115.0 million. Total **Investments** as at 31 December 2020 amounted to €19.4 million (€45.7 million as at 31 December 2019). The number of **Employees** at 31 December 2020 was 3,886 (3,991 at the end of 2019).

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Valuation of KME in the Intek financial statements

The carrying amount as at 31 December 2020 of the equity investment in KME SE was €512.7 million, against €483 million as at 31 December 2019. The increase of €26.5 million is to be linked for €29.7 million to the transfer carried out in late December.

For the valuation of KME SE, based on the Unlevered discounted cash flow (UDCF) methodology, the data from the 2021-2025 plan approved by the administrative bodies of KME SE in the course of 2021, which they use to test their assets for impairment, were used.

For its impairment analyses, KME's management increased the discount rate by an additional premium of 1.5% linked to execution risk, thus reaching a WACC of 9.34% when last year it was equal to 9.67%.

To determine its equity investment in KME SE, Intek's management performed further analyses from its perspective as market participant, assuming an increase in the *additional premium* of 0.75 percentage points, and adjusting by 50% the component of the same nature already used to prepare the interim financial report, against the increased visibility of the effects and uncertainties of the above-mentioned health crisis, given that at that time KME SE sales trends still benefited from orders obtained prior to the spread of the pandemic and that the above-mentioned discount rate also reflected greater growth in terms of EBITDA inherent in the KME Plan with respect to that of its peers. To date, there has been a market trend which sees positive order and revenue situations in the first quarter, greater visibility of the possibility of an economic recovery, also in light of the relaunch actions planned by the central authorities and, more generally, also thanks to the spread of vaccines, a situation of less uncertainty relating to the pandemic. The reduction in the additional premium is therefore based on a situation returning to normal.

The discount rate was therefore equal to 10.09%, when it was 10.37% in the 2020 interim report and 11.67% in the 2019 financial statements, factoring in an *additional premium* of 1.5% and 2%, respectively.

To calculate the equity value of KME, the operating value thus estimated was subsequently adjusted using the same methodology as that adopted 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 estimated net financial position as at 31 December 2020.

The value obtained was compared with other values resulting from other methods in particular using the market multiples and the transaction multiples methods with the EV/EBITDA parameter, calculated by using historical EBITDA and for the former also with the prospective EBITDA. The average of the values resulting from the application of these other methods would have led to values 4% higher than that determined through the UDCF method, which was therefore used as a basis to determine the share attributable to Intek Group, which amounted to €509.5 million.

This value approximates the carrying amount of the equity investment (€512.7 million), with a variance equal to 0.6% which falls within the range of variation deemed not relevant by the policy for the determination of fair value in light of the general principle of significance of financial reporting. Therefore, the carrying amount of the equity investment was not modified.

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

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<u>Culti Milano S.p.A.</u>

Intek holds 77.17% of the share capital of Culti Milano S.p.A., a company whose shares have been traded on the AIM Italia market managed by Borsa Italiana since July 2017. The equity investment has not changed compared to last year.

(in thousands of Euro)	*31 Dec 2020*	*31 Dec 2019*
Equity investment Culti Milano S.p.A.	27,300	13,236
Warrant Culti Milano S.p.A.	-	379
Other	9	31
Total Culti	**27,309**	**13,646**

The value of the equity investment increased due to the effects of the measurement at fair value, which was carried out using the multiples methodology, benefiting from the company's performance, particularly the significant increase in EBITDA recorded in 2020. Given the continuing limitation of trades, based on the analyses performed on volumes traded, the prices reported have once again not been deemed representative of the company's fair value.

During the year, the warrants expired, and therefore they were written off.

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The business of Culti Milano, which traditionally operated at domestic and international level in the manufacture and distribution of high-end environmental fragrances, a specific luxury market segment, has recently extended to the perfumes and cosmetics sector, evolving from a fragrance company to a personal well-being business: from fragrance for spaces (home, car, boat, etc.) to personal products (perfume, 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 link with the "personal well-being" market segment. Particular attention was dedicated to the international sales network which covers the main markets and is present in more than 60 countries.

From this perspective, the controlling holding of Bakel S.r.l., a company whose business focuses on cosmetics products made from natural active ingredients, and Scent Company S.r.l., a company active in olfactory branding, were acquired.

The acquisition of 50.01% of Bakel was completed in July 2019 with an investment of €2.5 million (of which 2.0 million paid at closing, while the remaining up to €500 thousand will be subject to an incentive mechanism, based on the company's profitability, to be recognised by the end of 2021).

The acquisition of 51.00% of Scent Company took place in June 2020 with an investment of €1.8 million. The remaining 49% is subject to compulsory put & call options, to be exercised by the final deadline of three years from the closing date for enterprise values within a range of €1.6 million and €2.7 million.

Also in the course of 2020, a joint ventures was also launched in Hong Kong, in addition to a subsidiary in Shanghai, which will make it possible to consolidate Culti Milano's already significant presence in the area, laying the foundations for greater penetration of the newly acquired Scent Company as well, in addition to launching Bakel's commercial activities in those geographical areas.

The Group - consisting of Culti Milano, Bakel and Scent Company - recorded pro-forma consolidated turnover of €15.3 million and EBITDA of €3.6 million in 2020, compared to €14.0 million and €1.8 million, respectively, in 2019.

The significant commercial increase in the companies already within the scope as at 31 December 2019, along with the external growth linked to the acquisition of Scent Company, caused a considerable increase in the Group's profitability, with an improvement of 106% in pro-forma EBITDA on a like-for-like basis (Culti Milano and Bakel 2019 compared to 2020) and constant cash generation in 2020.

Despite the global pandemic situation and the uncertainty in the majority of the markets in which the Culti Group companies operate, 2020 confirmed that the strategic process that started in prior years is coming to fruition.

Culti Milano continued to grow in its reference markets, with particular repercussions both in Italy and in the various Asian countries.

Despite its primary presence in the Italian market, and therefore the significant difficulties encountered due to the extended closure of points of sale in the sector, Bakel responded by repositioning its product in alternative channels, while safeguarding the brand's positioning and profitability.

For the newly acquired Scent Company, commercial results were even more extraordinary, as the majority of the deal flow comes from hotels and retail spaces, both in Italy and worldwide. The enormous commercial capacity and flexibility in adapting to market requirements make Scent Company an example of how commercial rigour also pays from the income perspective.

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I2 Capital Partners SGR SpA

(in thousands of Euro)	*31 Dec 2020*	*31 Dec 2019*
I2 Capital Partners SGR investment	768	1,056
Financial payables to I2 Capital Partners SGR	(872)	(1,024)
Total I2 Capital Partners SGR S.p.A.	**(104)**	**32**

I2 Capital Partners SGR S.p.A. ("**I2 Capital**") managed the closed-end private equity fund, I2 Capital Partners ("*Fund*") of €200 million from 2007 to 2019 when the procedure was completed for the winding up of the company itself.

In 2019, Intek Group increased its shareholding in the Fund from 19.15% to 59.5% through purchases from certain investors who wished to exit from their investment at the end of its activities, with an outlay of €3.2 million.

In the course of 2020, I2 Capital requested and obtained the revocation of its authorisation from the Bank of Italy and launched the winding up process, which completed with no significant expenses at the end of March 2021, after the transfer to Intek Group of two of the company's employees.

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The I2 Capital financial statements as at 31 December 2020 posted a loss of €1.0 million linked to the fact that, after the Fund closed, the company had no further sources of revenue.

Equity as at 31 December 2020 was equal to €0.8 million and the company had current financial assets of €1.0 million at the same date, of which €0.8 million is represented by financial receivables due from Intek.

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Intek Investimenti S.p.A.

(in thousands of Euro)	*31 Dec 2020*	*31 Dec 2019*
Intek Investimenti investment	9,704	8,450
Isno 3 investment	-	1,500
Financial receivables/payables from/to Intek Investimenti	537	(945)
Total Intek Investimenti	**10,241**	**9,005**

Intek Investimenti S.p.A. is a sub-holding company to which the previous private equity investments of Intek Group were transferred, which makes investments, primarily non-controlling.

In the course of 2019, the residual equity investments held by Intek in Società Agricola Agrienergia S.r.l., Breda Energia S.r.l. being wound up, Mecchld S.r.l. and Il Post S.r.l., as well as some credit positions, were transferred to Intek Investimenti S.p.A.

Following completion of the winding up of Breda Energia in 2020, its financial receivable from Intek was assigned to Intek Investimenti and partially offset with the receivable of the parent company due from Intek Investimenti.

In December 2020, the subsidiary Società Agricola Agrienergia, of which Intek Investimenti held 51% of the share capital, was transferred to Oasi Dynamo Società Agricola S.r.l., previously an indirect wholly-owned subsidiary of KME SE. Società Agricola Agrienergia manages a 999 kW plant for the production of electricity fuelled by biogas generated from the fermentation of cereal crops, located in the Municipality of Pegognaga (MN). Intek Investimenti also subscribed an additional tranche of the share capital increase of Oasi Dynamo Società Agricola through partial offsetting for €0.6 million of the receivables due from the same company. Intek Investimenti thus holds 42.8% of Oasi Dynamo Società Agricola S.r.l. at a carrying amount of €2.1 million.

Also in December 2020, Intek transferred to Intek Investimenti S.p.A. its 57.72% shareholding in Isno 3 S.r.l. ia company being wound up, in which the following main assets held by the I2 Capital Partners fund were concentrated:

- *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 S.r.l. a company being wound up, is still pending before the Court of Cassation. The Court's decision is expected in 2021.

- *Nuovi Investimenti SIM S.p.A.*

  For this investment, there is still a residual receivable for a nominal amount of €1.2 million (the carrying amount of which was adjusted to €0.5 million) due from several of the purchasers of Nuovi Investimenti SIM S.p.A. for which a dispute is under way.

- *Benten S.r.l.*

  As at 31 December 2020, the assets of Benten S.r.l. (30% held) still to be realised consist only of tax credits subject to disputes with the Italian Revenue Agency for a total of €13.7 million. In October 2020, a ruling in the first instance was handed down against Benten, on the Agency's implied decision rejecting the complaint concerning a repayment of €2.9 million based on a VAT modification note.

In December 2020, Intek Investimenti acquired an additional 3% shareholding in Isno 3 from I2 Capital, and thus now holds 60.72% of that company.

The total value of the equity investment in Isno 3 is now €1.6 million.

The other investments include Mecchld S.r.l., 20% held with a carrying amount of €0.2 million, active in the fintech field, Il Post S.r.l., 32.51% held with a carrying amount of €0.3 million, operating in publishing, managing the online daily newspaper of the same name, and 40% of Acqua Dynamo S.r.l. a social enterprise (Società Benefit), with a carrying amount of €0.2 million, which markets mineral water.

As a result of the completion of the winding up of Breda Energia, the financial receivable from Quattroduedue SpA S.p.A. of Euro €3.4 million was transferred to Intek Investimenti.

With the winding up of I2 Capital, mentioned previously, Intek Investimenti may play a more important role than in the past in the conduct of the Intek Group's private equity activities.

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At 31 December 2020, Intek Investimenti had shareholders' equity of €9.0 million, inclusive of the profit earned of €0.2 million, and had €0.9 million in cash and cash equivalents.

The fair value measurement, performed on the basis of adjusted equity, led to a negative adjustment of €0.2 million.

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Ducati Energia S.p.A.

(in thousands of Euro)	*31 Dec 2020*	*31 Dec 2019*
Ducati Energia investment	16,013	16,000
Total Ducati Energia	**16,013**	**16,000**

The equity investment in Ducati Energia consists of 100% of the category B special shares, constituting 6.77% of its share capital. These shares enjoy a 2% premium over the ordinary shares in the event of a dividend distribution. Moreover, if control of Ducati Energia is transferred, 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 more than 1,200 employees distributed 9 plants all over the world and operate in various business segments and applications that are currently particularly interesting, such as: condensers, industrial power factor correction and power electronics, alternators and ignition systems for endothermic engines, electric vehicles and recharging stations, energy analysers, systems for the remote control of electricity grids, railway signalling, motorway and public transport systems and equipment, and wind power generators.

Ducati Energia approves its financial statements by 30 June; the data below therefore refer to 2019. From the initial indications received, although performance in 2020 was also influenced by the effects of the pandemic, it was still positive, as are expectations for the current year.

In 2019, the Ducati Energia Group achieved consolidated revenues of €250.5 million, of which €200 million in Italy and the remainder abroad. The Systems Division contributed €57.9 million to revenue, while the Energy Division contributed €191.7 million.

EBITDA for the year 2019 amounted to €23.2 million, compared to €36.0 million in the previous year, while EBIT totalled €14.9 million compared to €26.2 million in 2018.

Net consolidated profit was €10.0 million in 2019, less than 2018, when the figure was €18.3 million.

In the course of 2019, Ducati Energia made investments in development, in part completed in 2020, destined to expand the offer of new products and to enter new markets, with good prospects for an increase in revenue for the subsequent three years.

In 2019 the order portfolio recorded options and deliveries for the 2020-2021 two-year period of roughly €305 million, thanks to the continued production of electrical current consumption metering tools and the start of the marketing of new products in the railway sector.

In relation to the individual business segments, there was a slight contraction in demand for Condensers in 2019, due to the continuing climate of uncertainty in international markets. Despite the epidemiological emergency and the ensuing lockdown, performance should post an improvement in 2020.

In 2019, turnover for the Generators sector rose by roughly 20%, thanks to the entry of new products. Turnover in 2020 is expected to be line with the previous year thanks to the launch of additional new products.

Electric Vehicle sector trends were notably positive in 2019, with turnover nearly double the previous year. Additional growth is forecast in 2020 thanks to the awarding of new orders.

Expectations for the Motorway sector are also positive for the future, in both the Italian and foreign markets.

The Energy sector, the 2019 turnover of which was aligned with the previous year, maintains prospects for stability of turnover thanks to the expansion of the product range.

In 2019, Ducati Energia acquired new orders for electricity consumption metering tools which, due to growing market demand, will guarantee a constant increase in revenue over the coming years.

In 2020, the Railway sector recovered several orders postponed since 2019 and was awarded significant new contracts.

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Given the lack of availability of a plan to use the UCF method, the equity investment in Ducati Energia was measured using the market multiples method and the transaction multiples method, confirming the previous carrying amounts.

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Immobiliare Pictea S.r.l.

(in thousands of Euro)	*31 Dec 2020*	*31 Dec 2019*
Immobiliare Pictea investment	-	24,133
Financial receivables from Immobiliare Pictea	-	8,608
Ducati investment	-	(16,000)
Total Immobiliare Pictea	**-**	**16,741**

Until December 2020, Intek Group S.p.A. directly held 100% of Immobiliare Pictea S.r.l., in which all of the real property assets previously held by Rede Immobiliare S.r.l., I2 real property S.r.l. and Tecno Servizi were concentrated.

At the end of 2020, as part of a project to streamline the Intek real property portfolio, Immobiliare Pictea was transferred to KME SE (along with the receivables owed to Intek from it for a total of roughly €10 million).

Also as part of this project, in April 2021 the shareholders' meetings of Immobiliare Pictea and KME Italy S.p.A. approved the plan for the partial demerger in favour of Pictea of part of the real property assets of KME Italy not instrumental to its core business.

The demerger, with KME Italy's concentration purely in industrial activities relating to laminated products, is expected to possibly also be functional to business combinations with other industrial operators.

Prior to the transfer, Immobiliare Pictea transferred the equity investment in Ducati Energia to Intek at the price of €16.0 million, corresponding to the carrying amount in the consolidated financial statements. This value was then confirmed in the financial statement valuations as at 31 December 2020. With this transfer, Immobiliare Pictea realised a capital gain of €9.0 million and concentrated its assets solely in real property.

Immobiliare Pictea closed its 2020 financial statements with equity of €14.7 million and a profit, influenced by the capital gain achieved with the transfer of Ducati Energia, of €7.6 million, which enabled it to distribute dividends to Intek totalling €6.0 million.

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The real property assets held by Immobiliare Pictea is currently represented, aside from Foro Buonaparte 44, by real property assets from the disposal of previous industrial investments.

The most significant areas, all unleased as at 31 December 2020, are those in Varedo/Limbiate (MB), Ivrea (TO) and Sondrio, the latter owned by Fossati Uno S.r.l., in which Immobiliare Pictea holds a 35% stake.

In particular:

- *Varedo/Limbiate Property*

The property consists of a plot of land of 40,100 square metres, and includes buildings used as factories, offices and residences totalling 26,000 square metres.

The fair value of the property as at 31 December 2020 was €11.5 million.

After a suspension period linked to the Covid-19 emergency, expressions of interest in both leasing and purchasing the area resumed from the second half of 2020. Negotiations are currently under way for a lease on a surface area of roughly 10,000 m2.

- *Ivrea Property*

  The property, located in the Municipality of Ivrea, consists of a main warehouse of 11,000 square metres and other accessory units.

  The fair value of the property as at 31 December 2020 was €2.2 million.

  In January 2021, a lease agreement was entered into, in force as of 1 August 2020, which will guarantee an annual lease payment of €144 thousand under normal circumstances.

- *Sondrio Property (Fossati Uno S.r.l.)*

  The industrial complex includes factories, offices, technical and service buildings, situated on a broad area of roughly 38,000 square metres.

  The 35% investment in Fossati Uno S.r.l. is valued, jointly with the shareholder loans, at €2,488 thousand at 31 December 2020.

- *Milan Property - Foro Buonaparte 44*

  This is the property housing Intek's registered office and those of the majority of its subsidiaries, in Milan at Foro Buonaparte 44.

  This property represented the only asset of the company when it was acquired by Intek.

  The market value of the property is estimated at €13.5 million as at 31 December 2020.

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<u>Other investments</u>

(in thousands of Euro)	*31 Dec 2020*	*31 Dec 2019*
Fime assets/liabilities	2,093	3,203
Former ErgyCapital assets/liabilities	82	(220)
Former FEB assets/liabilities	(327)	(327)
Other	317	96
Total other investments	**2,165**	**2,752**

The item includes assets and liabilities linked primarily to previous investments.

On the former Fime assets, in the course of 2020 there were collections of €1.6 million, of which €0.6 million linked to the sale of the properties in Palermo and part of the one in Sezze. In the course of 2021, the Bari property was sold and the sale of the residual part of the Sezze property is expected soon. Thus the real property assets linked to these businesses will be fully liquidated, generating extremely significant returns on the whole.

With reference to ErgyCapital, in 2020 the liquidation of Energetica Solare S.r.l. was completed, against which a provision for risks had been recognised. The only remaining asset is the equity investment in Ergyca Tracker 2.

The former FEB assets/liabilities refer to payables to unlocatable creditors of the Bredafin Innovazione procedure, which are not yet statute-barred.

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Extraordinary finance transactions

In the course of 2020 and the early months of 2021, Intek Group was involved in three related extraordinary finance transactions, two of which are still being carried out.

These include:

- the issue of the "*Intek Group S.p.A. 2020-2025*" bond in February 2020;
- the voluntary total public exchange offer on Intek Group S.p.A. savings shares;
- the issue and assignment of warrants.

Issue of the "Intek Group 2020-2025" Bond Loan

The "*Intek Group S.p.A. 2020-2025*" bond loan (the "**Bond Loan**"), with the exception of the rate (4.5% instead of 5%), has similar characteristics to the previous "*Intek Group S.p.A. 2015-2020*" bond and therefore a duration of 5 years, annual deferred coupon, par value of each bond €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. The bonds resulting from the Bond Loan (the "**2020-2025 Bonds**") are not backed by either collateral or personal guarantees and they have not been and are not expected to be assigned a rating.

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

The Bond Loan was issued through:

- a voluntary partial public exchange offer on 2,354,253 bonds resulting from the "*Intek Group 2015 – 2020*" bond loan outstanding ("**2015-2020 Bonds**"), with consideration consisting of a maximum of 2,354,253 new 2020 – 2025 Bonds intended to be listed on the MOT Bond Market organised and managed by Borsa Italiana , for a total of €50.9 million ("**Exchange Offer on Bonds**");
- a concurrent public offer for subscription of 2020 – 2025 Bonds for a maximum of around €25.0 million (the "**Subscription Offer**").

The Exchange Offer on Bonds envisaged a claw back mechanism based on which any 2020-2025 Bonds not subscribed as part of the Exchange Offer on Bonds would be transferred to the Subscription Offer. For the two offers, requests amounted to €92.6 million, against €75.9 million offered. In particular, requests for participation in the Subscription Offer were equal to a total par value of €54.6 million, while for the Exchange Offer on Bonds, 2015-2020 Bonds for a total par value of €38.0 million were subject to requests.

On 18 February 2020, after the offers, 3,511,741 2020-2025 Bonds were issued, with a unit par value of €21.60, for a total par value of €75.9 million (ISIN: IT0005394884) listed on the MOT market. On the same date, the 2015-2020 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 2015-2020 Bonds used in the Exchange Offer on Bonds, or 18 February 2020.

The financial resources from the Subscription Offer, together with those from the loan obtained from a credit institution for €25.0 million and with the financial resources already held by Intek, allowed for the redemption of the 2015-2020 Bonds, maturing on 20 February 2020 and not used to participate in the Exchange Offer on Bonds.

Voluntary total public exchange offer on Intek Group S.p.A. savings shares

When the issue of the Bond was announced to the market, on 3 December 2019 the promotion of a voluntary total public exchange offer on the Savings Shares was also announced (the "**Exchange Offer on Savings Shares**" or the "**Offer**"), with consideration represented by 1 2020-2025 Bond, with a unit par value of €21.60, for every 43 Savings Shares contributed, acquired for a total par value of up to roughly €25.2 million.

The Exchange Offer on Savings Shares was subject, first of all, to the issue as part of the two offers mentioned above of the 2020-2025 Bonds for a total amount of at least €60.0 million and, in the second place, to the non-occurrence of the events pursuant to the MAC condition and the approval of the transaction by the Intek ordinary and extraordinary shareholders' meetings.

Having met the condition of the minimum threshold of €60.0 million of 2020-2025 Bonds issued, on 25 February 2020 the Company promoted, pursuant to article 102 of the Consolidated Law on Finance (TUF), of the Exchange Offer on Savings Shares and, on 13 March 2020, it filed the relative offer document with Consob.

As a result of the Covid-19 emergency, it was not possible to hold the necessary ordinary and extraordinary shareholders’ meetings to carry out the Exchange Offer on Savings Shares. These meetings were originally called for 24 and 25 February 2020 and subsequently for 27 and 30 March 2020.

In light of the extraordinary circumstances linked to the Covid-19 pandemic, and the postponements of the Shareholders’ Meeting mentioned above, the Company informed Consob that it was advisable to defer the above-mentioned ordinary and extraordinary shareholders' meetings to after to the publication of the 2020 Interim Financial Report and, as a result, to also defer the Exchange Offer on Savings Shares, to be able to provide the market with a full and updated disclosure also with reference to any potential impacts of the pandemic on the activities and results of its investees and, in consequence, of the Company. Consob then announced, on 29 May 2020 that the screening process could not be carried out if the Shareholders' Meeting had not been held, as it was an essential prerequisite of the Exchange Offer on Savings Shares.

At its meeting on 28 September 2020, the Board of Directors approved the 2020 interim financial report and at its next meeting on 9 October 2020 it decided to call the ordinary and extraordinary shareholders' meeting for the promotion of the Exchange Offer on Savings Shares for 27 and 30 November 2020, on first and second call, respectively.

On 30 November 2020, the ordinary and extraordinary shareholders' meeting therefore decided (i) to authorise for a period of 6 months the acquisition of all Savings Shares, to be completed through the Offer, (ii) to establish the Offer consideration as one(1) 2020-2025 Bond for each 43 Savings Shares and (iii) to cancel all Savings Shares held by the Company upon completion of the Offer.

On 14 January 2021, the Board of Directors of Intek Group therefore decided to once again promote the Offer, under the same terms as those originally set forth, and transmitted to Consob the notification pursuant to art. 102 of the TUF. On 2 February 2021, the new offer document for the performance of the relative preliminary screening was filed with Consob.

However, the Offer was again deferred after the publication of the 2020 financial statement data to allow for the prospectus relating to the 2020-2025 Bonds and the offer document to include the final and not preliminary data and information relating to the year 2020 and any impacts, if applicable, of the Covid-19 pandemic.

In light of the above, and compatibly with the obtaining of the authorisations rom the competent authorities, the Company believes that the issue and assignment of the warrants mentioned herein and the Exchange Offer on Savings Shares can be carried out by the end of July 2021.

Issue and Assignment of warrants

On 9 October, the Board of Directors of Intek Group decided to submit to the extraordinary shareholders' meeting the proposed issue and free assignment of “*Intek Group S.p.A. 2021-2024 Warrants*” (the

“***Warrants***”), to be assigned to all shareholders, both ordinary and savings, and possibly to the management, as well as two share capital increases in connection with such assignments.

Every warrant will make it possible to subscribe at a fixed exercise price of €0.40 (including share premium) one newly issued ordinary share, with no par value, and with the same characteristics as those outstanding.

The Warrants are expected to be assigned before the Exchange Offer on Savings Shares mentioned above is carried out, so that the savings shareholders that intend to subsequently participate in the Offer may also benefit from it.

The Assignment of the Warrants and the related share capital increases pursue multiple ends, namely:

- to enable the Company, within a time-frame of 3 years, to be able to further strengthen its financial and capital structure during a time of significant uncertainty linked to factors external to the business;
- to enable the current shareholders to be able to actively participate in the Company’s development plans, within a medium/long-term time-frame;
- to provide the shareholders with a financial instrument the value of which may be increased in the market and which may be settled on the MTA;
- to achieve greater alignment between the interests of the management and those of the shareholders, an objective to be attained by amending the Company’s current Remuneration Policy.

On 30 November 2020, following the proposal by the Board of Directors, the extraordinary shareholders' meeting approved the issue and assignment of warrants to shareholders according to a ratio that may vary from a minimum of 0.4 to a maximum of 0.6 warrants for every ordinary share and/or savings share held, along with the related share capital increase up to a maximum of approximately €105 million. The assignment ratio will be established, prior to the assignment of the warrants, by the Board of Directors, which will also determine the end date of the exercise period, which will be sometime between 30 March 2023 and 28 June 2024. If all the warrants assigned to shareholders are exercised, the share capital may increase by between €69 million and €105 million, depending on the warrant assignment ratio.

On the same date, the extraordinary shareholders' meeting also approved an increase in the share capital in connection with the warrants to be assigned to the management, to a maximum of approximately €10 million. The share capital increase for the management warrants is, however, subject to the approval by the next shareholders’ meeting, which has to formally resolve on Remuneration Policy, of an incentive plan set up for this purpose by the Board of Directors.

The Company will resume the warrant issue authorisation procedure immediately after the publication of the financial statement data for the year 2020 and believes, as noted above, that they may be issued and assigned by the end of July 2021.

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Group results

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

In particular, as at 31 December 2020, shareholders' equity in the consolidated financial statements coincides with that in the separate financial statements. However, the result of the consolidated financial statements (profit of €4.5 million) was influenced by the higher carrying amount recorded for the equity investment in Immobiliare Pictea, compared to the amount recorded in the separate financial statements.

The consolidated financial statements include, in addition to the Parent Company, the wholly-owned instrumental subsidiaries I2 Capital and Immobiliare Pictea, the latter only at income statement and cash flow level following its transfer to KME SE in late December 2020.

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

Consolidated shareholders' equity		
(in thousands of Euro)	*31 Dec 2020*	*31 Dec 2019*
Share capital	335,069	335,069
Reserves	167,588	169,434
Profit/(loss) for the period	4,523	(1,868)
Net shareholders' equity attributable to the shareholders of the Parent company	**507,180**	**502,635**
Non-controlling interests	-	-
Total shareholders' equity	**507,180**	**502,635**

The change in shareholders' equity was the result of the profit for the year and to a minimum extent the acquisition of treasury shares.

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

Consolidated net invested capital		
(in thousands of Euro)	*31 Dec 2020*	*31 Dec 2019*
Net non-current assets	571,521	554,061
Net working capital	1,771	11,130
Net deferred tax	940	1,587
Provisions	(659)	(930)
Net invested capital	**573,573**	**565,848**
Total shareholders' equity	507,180	502,635
Net financial position	66,393	63,213
Sources of finance	**573,573**	**565,848**

"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 indebtedness".*
- *"Provisions" include the items "Employee benefits" and "Provisions for risks and charges".*

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

Consolidated net financial position			
(in thousands of Euro)		*31 Dec 2020*	*31 Dec 2019*
Short-term financial payables		3,851	111,971
Medium to long-term financial payables		85	4,996
Financial payables to Group companies		3,353	3,232
(A) Financial payables	**(A)**	**7,289**	**120,199**
Cash and cash equivalents		(15,415)	(44,904)
Other financial assets		(292)	(9,661)
Financial receivables from Group companies		(521)	(2,421)
(B) Cash and current financial assets	**(B)**	**(16,228)**	**(56,986)**
(C) Consolidated net financial position (net of outstanding securities)	**(A) + (B)**	**(8,939)**	**63,213**
(D) Outstanding debt securities (net of interest)		**75,332**	**-**
(E) Net financial position	**(C) + (D)**	**66,393**	**63,213**
(F) Non-current financial assets		**-**	***(2,664)***
(G) Reclassified net financial position	***(E) + (F)***	***66,393***	***60,549***

(E) Defined as per CONSOB communication DEM/6064293 of 28 July 2006 in application of 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)		*2020*	*2019*
(A) Cash and cash equivalents at the beginning of the year		**44,904**	**52,556**
Profit/(loss) before taxes		4,612	(2,978)
Amortisation and depreciation		579	559
Impairment/(reversal of impairment) of non-current assets other than financial assets		693	720
Impairment/(reversal of impairment) of investments and financial assets		(13,164)	(8,115)
Changes in pension funds, post-employment benefits (TFR) and stock options		10	(4)
Changes in provisions for risks and charges		(235)	(466)
(Increase)/decrease in investments		(1,987)	2,019
(Increase)/decrease in financial investments and financial assets		-	2,368
Increase/(decrease) in current and non-current financial payables to associated companies		(3,232)	(474)
(Increase)/decrease in current and non-current financial receivables from associated companies		1,900	(473)
Dividends received		-	337
(Increase)/decrease in current receivables		127	(1,393)
Increase/(decrease) in current payables		547	958
(B) Total cash flows from/(used in) operating activities		**(10,150)**	**(6,942)**
(Increase) in non-current intangible assets and property, plant and equipment		(680)	(661)
Decrease in non-current intangible assets and property, plant and equipment		623	999
Increase/decrease in other non-current assets/liabilities		(450)	(537)
(C) Cash flows from/(used in) investing activities		**(507)**	**(199)**
(Purchase) sale of treasury shares and similar securities		(192)	-
Increase/(decrease) in current and non-current financial payables		(3,051)	(1,232)
(Increase)/decrease in current and non-current financial receivables		(15,448)	721
(D) Cash flows from/(used in) financing activities		**(18,691)**	**(511)**
(E) Change in cash and cash equivalents	**(B) + (C) + (D)**	**(29,348)**	**(7,652)**
(F) Change in scope of consolidation		**(141)**	**-**
(G) Cash and cash equivalents at the end of the period	**(A) + (E) + (F)**	**15,415**	**44,904**

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

Consolidated income statement		
(in thousands of Euro)	*2020*	*2019*
Net income/(expenses) from investment management	14,750	8,388
Guarantee fees	876	962
Other income	772	3,732
Employment costs	(1,968)	(1,880)
Amortisation, depreciation, *impairment* and write-downs	(803)	(1,279)
Other operating costs	(4,756)	(7,936)
Operating profit/(loss)	**8,871**	**1,987**
Finance income	379	920
Finance expense	(4,637)	(5,885)
Net finance expense	*(4,258)*	*(4,965)*
Profit/(loss) before taxes	**4,613**	**(2,978)**
Current taxes	475	977
Deferred taxes	(565)	133
Total income taxes	**(90)**	**1,110**
Profit/(loss) for the period	**4,523**	**(1,868)**

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Additional information

<u>Related party transactions</u>

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 at normal market conditions. In 2020, there were no transactions that could be qualified as of greater importance pursuant to the "Procedure applicable to transactions with related parties".

As at 31 December 2020, Intek had trade receivables from KME SE and its subsidiaries totalling €0.8 million. These were mainly fees and commissions for guarantees and the provision of services.

With respect to financial relationships, please note the corresponding current accounts with a credit balance of €0.5 million with Intek Investimenti and with the debit balance of €0.4 million with respect to Immobiliare Pictea.

As regards the companies within the scope of consolidation, there is furthermore a loan payable of €0.9 million due from I2 Capital.

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 €3.3 million, of which €0.4 million current.

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.

<u>Disputes</u>

Disputes with certain holders of savings shares which were pending from the first half of 2016 are still under way.

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

In particular, of the three appeals, aside from one which will be dealt with in 2023 due to successive deferments by the Rome Court of Appeals, two concluded before the Bari Court of Appeals and the Rome Court of Appeals, respectively, with rulings that confirmed the decisions in the first instance and therefore against the appellant savings shareholders, who were also ordered to pay Intek's legal costs. These rulings became final and the related costs were collected.

The other five cases pending before the Court of Bari on the same matter, experienced further deferrals and currently the hearing for closing arguments has been listed for 16 June 2021, since the Judge rejected all the preliminary motions formulated by the counterparties.

Intek Group, in the certainty that it has 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, with the intention of taking the most effective measures in order to protect its interests and its reputation.

Furthermore, civil proceedings are pending before the Court of Milan, lodged by Futura Funds Sicav and a request for €350 thousand. Currently, the case is in the preliminary investigation phase, and after the hearing on 28 April 2021, it is expected to be concluded in January 2022. If the company should lose the case, and the sale consequently cancelled, the pre-existing credit position of Intek Group and Immobiliare Pictea, which had been closed as a result of the sale, would in any case re-emerge.

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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 wholly owned subsidiary Quattroduedue S.p.A..

At 31 December 2020, Quattroduedue Holding BV indirectly held182,778,198 Intek Group ordinary shares (46.97% of the Company’s voting share capital) and 1,424,032 savings shares (2.842% of the shares in this category). There were no changes during the year 2020.

As of June 2018, since the requirements and conditions prescribed by the regulations in force and in the Articles of Association had been met, the increase in the voting rights attached to the 158,067,500 ordinary Intek Group shares held by the shareholder Quattroduedue S.p.A. became effective; therefore, as a result of this increase, the total number of voting rights currently held by Quattroduedue S.p.A. 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 2020 it made no purchases or sales of such shares or units.

In January 2021, the Company received a statement from Banca Intesa Sanpaolo S.p.A. with regard to the possession of 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 17.610% of the voting rights in the Company. On the basis of the information provided by the shareholder Quattroduedue S.p.A., these are three convertible bond loans and one convertible bond loan issued by Quattroduedue S.p.A. and subscribed by Intesa Sanpaolo, maturing on 30 June 2021.

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.

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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. In March 2020, 841,688 ordinary treasury shares were purchased, with a financial outlay of €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).

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Governance Updates

As done in previous years, we believe it is advisable to update the corporate governance information provided with the financial statements as at 31 December 2019 and the half-year financial statements as at 30 June 2020 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 2020. Therefore, as at 31 December 2020, the share capital was equal to €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.

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

The Company's Board of Directors, at its meeting on 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 contributions of assets in kind, acquisitions and sales.

The Company has adopted the Organisational Model required by Legislative Decree 231/01 and the related Code of Ethics, most recently updated in March 2021.

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

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 to not be subject to management and coordination as defined in articles 2497 et seq. of the Italian Civil Code and article 37 of the Market Regulation, insofar as:
  - it has autonomous powers of negotiation in its relations with customers and suppliers;
  - it does not participate in any centralised treasury arrangements operated by the parent Quattroduedue Holding BV or any other company under the parent's control;
  - the number of Independent Directors (3 out of 9) is such as to ensure that their opinions have a material influence on board decisions;
- with regard to the provisions of article 38, the Company does not fall within its scope of application, as its corporate purpose does not exclusively envisage equity investment activity in accordance with predetermined limits.

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

This information is not provided as the size of the Company does 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 beyond which this type of report is required.

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<u>Research and development activities</u>

No research and development activities were undertaken during 2020, given the nature of the Company's specific activities.

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Personnel

The average number of employees in consolidated companies, as compared with 2019, is as follows:

	31/12/2020	*31/12/2019*	*Change*	*% Change*
Executives	3	3	-	0.00%
	23.08%	21.43%		
Clerical workers	10	11	(1)	-9.09%
	76.92%	78.57%		
Total employees (average)	**13**	**14**	**(1)**	**-7.14%**
	100.00%	100.00%		

As at 31 December 2020, Intek Group had 11 employees, of whom 2 executives and 9 clerical workers. In March 2021, two employees of I2 Capital Partners SGR (1 clerical worker and 1 executive) were employed by Intek Group.

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As for the economic treatment and all other aspects of the remuneration of Key management personnel, reference should be made to the specific Report on the remuneration policy and on payments made, prepared in compliance with the specific provisions issued by Consob and which will be published within the legal and regulatory terms.

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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 2020

Please refer to what has already been described in the report.

Proposal to approve the 2020 financial statements

"The Ordinary Shareholders' Meeting of INTEK Group S.p.A., 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 Board of Directors' Report on operations for the year ended at 31 December 2020 and the financial statements as a whole, and their individual entries and records with the provisions and uses proposed, which show a net income for the year of €6,539,266;
- to allocate profit for the year of €6,539,266 as follows:
  - 5% to the legal reserve, up to €326,964;
  - through the allocation to a special, non-distributable reserve, pursuant to art. 6 of Legislative Decree 38/2005, of the profits from application of the fair value criterion, totalling €6,212,302."

Milan, 26 April 2021

The Board of Directors
The Chairman
(Vincenzo Manes)

INTEK GROUP

YEAR 2020

REPORT ON CORPORATE GOVERNANCE

AND

OWNERSHIP STRUCTURE

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

OF

INTEK GROUP S.P.A.

WWW.ITKGROUP.IT

APPROVED BY THE BOARD OF DIRECTORS ON 26 APRIL 2021

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 in force until 31 December 2020.
Corporate Governance Code	/*New Code*the new Corporate Governance Code approved on a definitive basis by the Committee and published on its website (https://www.borsaitaliana.it/comitato-corporate-governance/codice/2020.pdf) on 31 January 2020 and in force as of the first financial year beginning subsequent to 31 December 2020.
Civil Code/C.C.:	the Italian Civil Code approved by Royal Decree no. 262 of 16 March 1942 - XX as amended.
Committee	:the Corporate Governance Committee, the composition of which was defined in June 2011 by the Business associations (ABI, ANIA, Assonime, Confindustria) and the association of professional investors (Assogestioni), as well as Borsa Italiana S.p.A.
Issuer/Company/Intek Group:	Intek Group S.p.A.
Financial year:	the financial year ended as at 31 December 2020, 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.
Report on Remuneration:	the Report on the remuneration policy and on compensation paid that companies are required to prepare pursuant to article 123-*ter* of the TUF.
Consolidated Law on finance/TUF:	Italian Legislative Decree no. 58 dated 24 February 1998 as amended.

Foreword

The Board of Directors of Intek Group S.p.A., in its meeting held on 26 April 2021, approved the Report on corporate governance and ownership structure for the 2020 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 refers to the requirements of the Code in force in the reference year of the financial statements (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.

This is the last year in which the Code is in force in its current formulation, as on 9 December 2019 the Committee defined the content of the new *Corporate Governance* Code, which was then approved on a definitive basis and published on the website of the Committee on 31 January 2020 (https://www.borsaitaliana.it/comitato-corporate-governance/codice/2020.pdf).

The New Code may be adopted starting from the first financial year beginning subsequent to 31 December 2020, informing the market of this in the report on corporate governance to be published in the course of 2022.

The structure of this Report complies with the Format (seventh edition of January 2018, which may be consulted on the website of Borsa Italiana at https://www.borsaitaliana.it/comitato-corporate-governance/documenti/format2019.en.pdf), 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).

In any event, please recall that the use of the Format (the first edition of which dates back to 2008) is in no manner compulsory for the purpose of meeting the above-mentioned obligations.

To this end, it is specified that pursuant to the 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, 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 2020, 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 22 December 2020 addressed by the Chairman of 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 eighth Annual report on the application of the Code (the "**Report**") relating to 2020 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.

The Report contains, in section 2.2., the "**Recommendations of the Committee for 2021**", 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 this end, the Committee deemed it useful to reconsider the set of recommendations provided over the last four years and developed several specific indications in areas characterised by the continuing presence of significant elements of weakness emerging with the Report, the superseding of which also appears to be functional to an improved application of the most innovative aspects of the New Code.

In this regard, the Committee, taking into account the application of the New Code, invited issuers, and on their behalf their respective boards of directors, to evaluate the effective application of the recommendations listed below, or to provide an adequate explanation of any deviations, inviting them:

(i) on the topic of **sustainability**, to:

- integrate business activity sustainability into the definition of strategies, the internal control and risk management system and the remuneration policy, also on the basis of an analysis of the relevance of factors that may impact long-term value generation.

(ii) on the topic of **pre-meeting information,** to:

- explicitly determine the terms deemed consistent for sending documentation;
- provide in the report on corporate governance a clear indication of the terms identified and effective respect for them;
- not allow for an exemption to such terms merely to meet confidentiality requirements.

(iii) on the **application of independence criteria**, to:

- always justify on an individual basis any non-application of one or more independence criteria;
- define ex ante the quantitative and/or qualitative criteria to be used to assess the significance of the relationships subject to review.

(iv) on the self-assessment of the **administration body**, to:

- evaluate the board's contribution to the definition of strategic plans;
- supervise the board review process.

(v) on the topic of the **appointment and succession of directors**, to:

- punctually report on the activities performed by the appointments committee if it is unified with the remuneration committee or its functions are attributed to the entire board;
- ensure the comprehensiveness and timeliness of resolution proposals for the process of appointing the corporate bodies and express, at least in companies with unconcentrated ownership, an orientation on its optimal composition;
- establish, at least in large companies, a succession plan for executive directors, identifying at least the procedures to be followed in the case of early departure from office.

(vi) on **remuneration policies**, to:

- provide clear indications on the identification of the weight of the variable component, distinguishing between components linked to annual and multi-year time-frames;
- strengthen the link of variable remuneration with long-term performance objectives, including, when relevant, non-financial parameters as well;
- limit to exceptional cases, with adequate justification, the possibility of disbursing sums not linked to pre-determined parameters (i.e. ad hoc bonuses);
- define criteria and procedures for the assignment of end of office indemnity;
- verify that the extent of compensation recognised to the non-executive directors and the members of the control body is adequate in light of the responsibilities, professional skills and effort required by their office.

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 development strategies.

The Intek Group makes investments with medium-long term time-frames 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.

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 2018-2020 period, 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.

With regard to the subsidiaries, 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 draft consolidated financial statements, equal to €16.4 million, and its average market capitalisation in the course of 2020, of €124 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 €300 million;

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

(ii) market capitalisation below €500 million. Moreover, the Company would no longer 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 (January 2021) 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 October 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 26 April 2021

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 €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 2020.

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

The total 389,131,478 existing ordinary shares do not attribute 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 mentioned in another part of this Report, the Company 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 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 in the ordinary Shareholders' Meeting with the right to intervene, and whose rights are set out in article 26 of the Articles of Association is Ms. Simonetta Pastorino. Ms. Pastorino was appointed for 2018/2020 by the Special Meeting of Savings Shareholders 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 preferential dividend up to a maximum of €0.07241 per share per annum subject to the right to other dividends increased by €0.020722 per share compared to ordinary shares. This, however, is without prejudice to the prorated increase in the preferential dividend in each of the two years following the payment of a preferential dividend of less than €0.07241 per share per annum;
- in the event the Company is wound up, a preferred right to the liquidation proceeds of €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 €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 €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 par value of at least €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 par 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 €21.60 for a total of €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 par value of the Offer for Subscription up to €37,877,760, corresponding to 1,753,600 2020-2025 Bonds ("claw back mechanism").

As already set forth in the previous Report relating to the year 2019, the main characteristics of the bond loan in question are as follows:

- minimum trading quantity/minimum lot on the MOT: 5 bonds with a nominal unit value of €21.60 were issued against a total par value of €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 maturity date at a price equal to 100% of the par value;
- voluntary early redemption: pursuant to Art. 6 of the regulation of the bond loan, 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 par 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 S.p.A. 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 €60.0 million) was met, the Company began the process for the completion of the transaction.

However, following the COVID-19 epidemiological emergency, 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 pertinent 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, later extended to 15 May 2020.

As the shareholders' meeting was not held, Consob therefore announced that the screening process that had been suspended could not be carried out.

As a result of the continuation of the Covid-19 pandemic emergency, the Company then deemed it appropriate to defer the ordinary and extraordinary shareholders' meeting that was supposed to pass resolutions for the execution of the Exchange Offer on Savings Shares to an occasion subsequent to the approval of the Interim Financial Report.

The shareholders' meeting in question, held on the later date of 30 November 2020, then passed the resolutions required for the execution of the Exchange Offer on Savings Shares, i.e.

(i) the authorisation, for a period of 6 (six) months, starting from that date, to purchase all of the Company's Savings Shares, for consideration equal to 1 (one) "Intek Group S.p.A. 2020 – 2025" Bond ("2020-2025 Bonds"), with a par value of €21.60, for every 43 Savings Shares and thus for a total maximum value of €25.2 million, to be carried out through a voluntary total public exchange offer of 2020-2025 Bonds with Intek Group S.p.A. Savings Shares;

(ii) the cancellation, effective as of the closing date of the above-mentioned public exchange offer, of all Intek Group S.p.A. Savings Shares which will be treasury shares of the Company, and thus up to 50,109,818 Intek Group S.p.A. Savings Shares, with no share capital reduction;

(iii) the resulting amendments of the articles of association, again effective as of the closing date of the public exchange offer and subject to the condition that after such offer, the Company has acquired all 50,109,818 Savings Shares outstanding.

The same shareholders' meeting also then approved:

(i) an increase in the Intek share capital for up to €105.4 million, with the issue of up to 263,544,777 ordinary shares with no par value (the "**Conversion Shares**");

(ii) the issue of up to 263,544,777 warrants, named "Intek Group S.p.A. 2021-2024 Warrants" (the "**Warrants**"), to be assigned free of charge to all shareholders of the Issuer, both ordinary and savings, other than the Company, in proportion with the number of shares held, with an assignment ratio to be determined by the Board of Directors prior to the assignment of the Warrants, between a minimum of 0.4 and a maximum of 0.6 Warrants per share held, establishing an exercise ratio based on 1 Conversion Share for every 1 Warrant exercised (the "Exercise Ratio") at the fixed exercise price of €0.40, inclusive of the share premium (of which €0.01 to be attributed to share capital). The Board of Directors was also provided with the right to indicate, prior to the assignment of the Warrants, their expiry on a date between 30 March 2023 and 28 June 2024;

(iii) the Intek Group S.p.A. 2021-2024 Warrant Regulation;

(iv) the paid, divisible share capital increase, for up to €105.4 million, inclusive of the share premium, for the exercise of the Warrants, through the issue of up to 263,544,777 ordinary shares without par value, with regular entitlement, reserved for the exercise of the Warrants. Please note that the share capital increase will be up to €70.2 million if the assignment ratio is established at 0.4 Warrant per share;

(v) the issue of up to 25,000,000 “Intek Group S.p.A. 2021-2024 Warrants” to be assigned to the management of the Company, subject to approval by the Shareholders' Meeting of the incentive plan to be prepared for this purpose by the Board of Directors. Every Warrant will provide the right to subscribe, within the exercise periods specified in the Regulation and, in any event, by the date of 28 June 2024, newly issued ordinary shares of the Company, according to the ratio of 1 Conversion Share for every 1 Warrant exercised, at the exercise price of €0.40, inclusive of the share premium (of which €0.01 to be attributed to share capital);

(vi) the paid, divisible share capital increase of the Company, with the exclusion of the option right pursuant to art. 2441, paragraph 5, reserved irrevocably for the exercise of the Warrants, for a total maximum of €10 million, inclusive of the share premium, by issuing up to 25,000,000 ordinary shares with no par value, with the same characteristics as those outstanding at the issue date.

* * *

By resolution of 30 November 2020, the Intek Board of Directors decided to postpone from 31 December 2020 to 30 June 2021 the final deadline by which to proceed with the issue of additional tranches of the Bond Loan named “Intek Group S.p.A. 2020-2025” (deadline which had already been postponed from 30 June 2020 to 31 December 2020).

On 14 January 2021, the Company announced pursuant to art. 102 of the TUF the promotion of the voluntary total public exchange offer (hereinafter, the “**Offer**”), concerning 50,098,017 Intek Group S.p.A. savings shares, or all savings shares less the 11,801 treasury savings shares, with no indication of the par value, issued by Intek and traded on the MTA market and, as consideration, “Intek Group S.p.A. 2020-2025” bonds and the issue of up to 263,544,777 “Intek Group S.p.A. 2021-2024 Warrants” of the Company to be assigned free of charge to all Company shareholders, ordinary and savings, other than the Company itself for the shares it holds, in proportion with the number of shares owned, proceeding, on 2 February 2021, pursuant to art. 102, paragraph 3, of the TUF and art. 37-ter of the Issuers’ Regulation, with filing the offer document with Consob for the performance of the relative screening process, which was later suspended as a result of the request from Consob for additional information, which suspended the terms until all information had been received and, in any event, for a period not to exceed 15 days.

Subsequently, by press release dated 16 March 2021, the Intek Board of Directors decided to postpone the approval of the financial statements as at 31 December 2020 to the second half of April 2021 as, at that moment, the preliminary data for 2020 were unavailable to the extent deemed sufficient to provide the market and savings shareholders with a full and updated disclosure on the impacts of the ongoing pandemic on the activities and results of Intek and its investees for the year 2020.

In this context, on that date, taking into account the deadline for the screening process on the offer document filed on 2 February 2021, Consob announced that the screening relating to the Offer could not proceed without a prospectus relating to the Bonds, an essential objective prerequisite of the Offer.

Taking into account this result, the Company therefore announced its intention to repropose the Offer subsequent to the publication of the financial statements as at 31 December 2020, deeming that, after obtaining the authorisations from the competent authorities, the assignment of the Warrants, which as already announced to the market on 9 October and 30 November 2020 must take place prior to the execution of the Offer, and the Offer itself, may be carried out by the end of July 2021.

In a press release issued on 19 March 2021, the Company noted that the Consob measure relating to the closure of the screening entailed only a deferment of the transaction, including the issue and assignment of Warrants, made necessary only to allow for the prospectus relating to the Intek 2020-2025 Bonds and the Offer Document to include the final and not preliminary data and information relating to the year 2020 and any impacts, if applicable, of the pandemic, as required by Consob warning notice no. 1/2021 issued on 16 February 2021, confirming the intention to present the transaction in its entirety once again immediately after the publication of the 2020 financial statement data in the second half of April.

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An annex to the Report includes two tables (Table 2a and Table 2b), the first showing details of the financial instruments issued by the Company and the second showing their performance on the Stock Exchange during the period, highlighting their market capitalisation.

In this regard, it should be noted that a specific section of the website www.itkgroup.it is 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 S.p.A. 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)

The significant reporting threshold as provided by article 120, paragraph 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.

On 31 December 2020, 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 S.p.A. 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 respect 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 S.p.A., 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.

At 31 December 2020, the Company directly held 6,555,260 ordinary treasury shares, or 1.68% of the ordinary share capital and 1.49% 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 2020 amount to 6,567,061 shares, representing 1.50% of the Company's share capital.

In the course of 2021 no ordinary shares were purchased, therefore at the date of this Report, the ordinary treasury shares held 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 29 June 2020 authorised the Board of Directors pursuant to the combined provision of articles 2357 and 2357-ter of the Italian Civil Code and article 132 of Legislative Decree 58/98 to purchase, for a period of 18 months from the date of the resolution, and dispose of, without time limits, ordinary shares and saving shares pursuant to the law and the regulation, with a maximum financial commitment of €5,000,000.

On 30 November 2020, the Shareholders' Meeting authorised the Board of Directors to purchase, for a duration of six months, all savings shares outstanding as part of the public purchase offer on savings shares.

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 2020;
- 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. Additional amendments to the above-mentioned articles were approved by the Extraordinary Shareholders' Meeting on 30 November 2020 to adapt to new regulatory provisions on gender quotas.

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. 44 of 29 January 2021. To this end, based on the abovementioned Consob regulations, the percentage that is applicable is 2.5% 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 obtain a number of candidates at least equal to what is set forth in laws and regulations applicable over time, in any event always rounding up.

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 S.p.A. (holding 45.75% of ordinary capital) in compliance with the procedure required by article 17 of the Articles of Association. The majority of Shareholders approved Quattroduedue's nominees with 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 2020 (meeting on 29 April 2020), 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 2020 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 17 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 29 April 2020, 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 2020, the Board of Directors met 8 times.

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

During the year under way, the Board of Directors met 3 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 employed 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 S.p.A. being wound up, Immobiliare Pictea S.r.l. and Intek Investimenti S.p.A., 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 powers delegated 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 €20 million;
- the subscription of bonds, including convertible bonds, issued by companies and/or national or foreign entities of for amount in excess of €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 €5 million;
- the signing of contracts involving the exchange, purchase or sale, including through a contribution, of an amount in excess of €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 €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 €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 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. Delegated bodies

The Board of Directors has appointed a Chairman (Vincenzo Manes) and a two Deputy Chairmen (Diva Moriani and Marcello Gallo), all 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 €5 million and €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 €2 million and €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 delegated powers

There are no other directors holding delegated management powers or otherwise were considered executives 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 €100 thousand and €500 thousand.

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

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

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 2020.

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 two Executive Deputy Chairmen, separately between them;
- 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 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 for 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 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 establishes the prohibition against carrying out transactions on financial instruments of the Company 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 ("black out periods"). This prohibition became compulsory for "relevant parties" with the entry into force of European Regulation 596/2014 ("MAR").

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 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 is 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 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 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 2020 (as 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 twice in 2021; 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, 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).[2]

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.

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 S.r.l..

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;

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

- 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 2020 financial statements (risk assessment phase);
- identification and definition of the set of internal controls between the entities which are included in the compliance programme for the financial year, through integration of the internal control system of each entity to form a single "internal control system" Model which is uniform and applicable to the parent company and the subsidiaries involved in the project, characterised by monitoring practices, principles and methodologies for maintenance and assessment of the internal control system which are unique and valid for the entities included in the scoping phase (*mapping* phase);
- preparation and execution of the compliance test procedures on internal administrative-accounting controls and documentation of the results obtained, as the basis for the opinion regarding their efficacy and actual application by the entities during the reference period and throughout the processes included in the scope of the project (compliance testing phase);
- sharing with the management of any opportunities for improvement as these arise from the tests carried out in order to promote improvements in the internal control system.

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

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

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

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

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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.

[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;

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 S.r.l. 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.

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

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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.

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 departments involved

Intek Group clearly identifies the roles and departments 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 S.r.l..

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 S.r.l., 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 S.r.l., 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 16 March 2021, 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 S.p.A. (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 2020 amount to €136 thousand.

Also in 2020, the total fees paid at the level of the subsidiaries were €933 thousand.

During the year the Independent Auditors and firms belonging to the same network were assigned further mandates by Intek and its subsidiaries, amounting to €168 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. An additional update of the Procedure by 30 June 2021 is planned to adapt to intervening regulatory amendments.

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.

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, terms, 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 discussion, 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 already in the negotiation and examination 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 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 €5 million.

Furthermore, the corresponding transactions of an amount in excess of €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 €100,000 with natural persons and no higher than €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 €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 S.p.A.. The list must be accompanied by information on the identity of the shareholders that present it, the overall relevant proportion held and a declaration by shareholders other than those who hold, including jointly, controlling interest or plurality interest, confirming the absence of connected relations. It must furthermore contain exhaustive information on their personal and professional characteristics, together with a declaration that they accept the candidacy.

- if only one list or lists that are linked in accordance with current regulations have been submitted within this deadline, other lists may be filed up to the third day after the deadline for submission at the registered office. In this case, the threshold is reduced by one half;
- the presence in the list of one Alternate Auditor designated by minority Shareholders as a substitute, if required, for the Auditor also selected from a non-controlling shareholder list, should the latter no longer be in office;
- in the event that two or more lists obtain the same number of votes, the auditors in the list submitted by the Shareholder with the largest shareholding or, subordinately, the highest number of Shareholders, shall be deemed elected;
- shareholders who, alone or together with others, hold an equity investment, in ordinary shares, equal to the highest percentage identified in article 147-ter, paragraph 1 of the TUF, in respect of the provisions issued by Consob, can submit lists. Based on article 144-quater, paragraph 2 of the TUF, the applicable percentage is 2.5% of the ordinary capital pursuant to the provisions set forth by Consob with its determination no. 44 of 29 January 2021;
- 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 a number of candidates at least equal to what is set forth by laws and regulations applicable over time belong to the least represented gender (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_itkg_30112020.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 30 November 2020.

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 S.p.A., 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.

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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 €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 2020 involved the position as the Standing Auditors of Marco Lombardi, Alberto Villani and Elena Beretta as they sit, as Standing Auditors, on other Boards of Statutory Auditors belonging to other Group companies and investees as listed below.

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

The Board of Statutory Auditors announced the findings of the verification that was also conducted for the purposes of article 149, paragraph 1, letter c-bis of 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 2020, the Board of Statutory Auditors met 6 times (the same as in 2019); participation in the meetings by the members was 100% (93% in the previous year). The average duration of the meetings of the Statutory Auditors was approximately 1 hour and fifteen minutes.

During this year, the Board of Statutory Auditors met once.

In 2020, 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 operation of the system for the disclosure of regulated information now named "eMarketSDIR" and managed by S.p.A.fid Connect S.p.A. The use of this service is stated on the homepage of the Company website.

The system allows disclosure to the public of press releases issued by the Company by sending them to the press agencies connected to the system, as well as to Borsa Italiana S.p.A., which in turn publishes a notice containing them, and to 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 on the website 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, 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 2020, the website www.itkgroup.it which is available in Italian as well as in English, had over 123 thousand hits by over 103 thousand visitors with over 350 thousand pages viewed. The peak of visits to the website was concentrated in the period between February and March 2020.

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 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 2020 were made available confirmed the soundness of this choice and the intention to increasingly focus in the future on communication, as well as organising and updating the Company's website, an element that is becoming more and more and strategic, in order to allow everyone, without any restrictions, to find information about the Company as broadly and fast as possible.

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

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

The Shareholders' Meeting's powers and responsibilities are those set out in the Italian Civil Code and 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 newS.p.A.per (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 2020, the following shareholders' meetings were held: 29 June (ordinary) for the approval of the financial statements and 30 November (ordinary and extraordinary) for amendments to the articles of association, authorisation to purchase savings shares and their cancellation and the issue of warrants to be assigned to shareholders and the management.

In 2021, at the date of this Report, no meeting has been held yet.

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

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

In particular, Articles 17 (Appointment and composition of the Board of Directors, and duration of the office of its members) and 22 (Board of Statutory Auditors) were amended in 2007, with the introduction of the voting list method for minorities and in 2014 and 2020, by adaptation thereof to the regulations on gender balance insofar as the composition of the administration and control bodies, as introduced by Italian Law 120/2011.

Furthermore, articles 5 and 13 of the Articles of Association which respectively establish the right to request the identification of shareholders (art. 83-duodecies of the TUF) and entitle shareholders to submit questions prior to the Shareholders' Meetings (article 125-bis, para. 4. b), no. 1) 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 powers or sub-powers 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 22 December 2020

During the meeting on 26 April 2021, the letter mentioned previously of 22 December 2020 addressed to the chairmen of the relative boards of directors was brought to the attention of the Board of Directors, whereby the Italian Corporate Governance Committee reconsidered the set of recommendations provided over the last four years, developing several specific indications in areas characterised by significant elements of weakness, also considering the fact that 2021 will be the first year of application of the New Corporate Governance Code.

The recommendations it contains may represent a useful governance reference for the Board of Directors, which will be re-appointed by the next Shareholders' Meeting in 2021, which will be mentioned in the report on corporate governance and ownership structure relating to that year, to be published in 2022.

Table 2a: INFORMATION ON THE STRUCTURE OF SHARE CAPITAL AND ON FINANCIAL INSTRUMENTS

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

OTHER FINANCIAL INSTRUMENTS		
	ISIN Code	No. of outstanding instruments
"*Intek Group S.p.A. 2020-2025*" Non-convertible Bonds	IT0005394884	3,511,741

* * * * * *

Table 2b: SHARE PERFORMANCE IN 2020

PERFORMANCE OF SECURITIES				
	Maximum value		***Minimum value***	
	Month	***Price***	***Month***	***Price***
Ordinary shares	December	0.3587	March	0.1970
Savings shares	December	0.5031	March	0.3292
Intek Group S.p.A. 2020-2025 Bonds	December	103.6267	March	85.5145

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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 S.p.A.	46.97%	61.66%

Table 4.2

Structure of the Board of Directors and its Constituent Committees

BOARD OF DIRECTORS													CONTROL AND RISK COMMITTEE		CONTROL 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				8/8	6			n/a	n/a
Deputy Chairman	Diva Moriani	1968	27.4.2005	08.05.2018	31.12.2020	M	X				8/8	10			n/a	n/a
Deputy Chairman	Marcello Gallo	1958	14.2.2005	08.05.2018	31.12.2020	M	X				8/8	7			n/a	n/a
Director	Giuseppe Lignana	1937	12.1.2005	08.05.2018	31.12.2020	M		X	X	X	7/8	-	C	5/5	n/a	n/a
Director	James Macdonald	1951	30.4.2013	08.05.2018	31.12.2020	M		X			6/8	4			n/a	n/a
Director	Ruggero Magnoni	1951	31.05.2016	08.05.2018	31.12.2020	M		X			7/8	10			n/a	n/a
Director	Alessandra Pizzuti	1962	19.6.2015	08.05.2018	31.12.2020	M		X			8/8	1			n/a	n/a
Director	Luca Ricciardi	1973	30.4.2013	08.05.2018	31.12.2020	M		X	X	X	8/8	-	M	5/5	n/a	n/a
Director	Francesca Marchetti	1963	08.5.2018	08.05.2018	31.12.2020	M		X	X	X	8/8	1	M	5/5	n/a	n/a

------DIRECTORS WHO CEASED TO HOLD OFFICE DURING THE YEAR-----																

Number of meetings held during the year	*BOARD OF DIRECTORS: 8*	*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 2020 in other joint-stock companies, partnerships limited by shares and private limited companies, as well as foundations and associations, is set out below.

Name	Listed	Office
Vincenzo Manes		
	Intek Group S.p.A. (2)	Chairman of the Board of Directors
	Nextep S.r.l. Benefit Corporation (1)	Chairman of the Board of Directors
	Quattroduedue Holding B.V.	Member of the Supervisory Board
	KME SE (1)	Chairman of the Supervisory Board
	Tod's Group (2)	Member of the Board of Directors and the Remuneration and CO/Risk Committees
	Compagnia Immobiliare Azionaria (CIA) S.p.A. (2)	Member of the Board of Directors
	Class Editori S.p.A. (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
	Fondazione Donor Italia	Director
	Robert Kennedy Human Rights	Member of the Board of Directors

Name	Listed	Office
Diva Moriani		
	Intek Group S.p.A. (2)	Deputy Chairman of the Board of Directors
	Nextep S.r.l. Benefit Corporation (1)	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)	Chairman
	KME Mansfeld GmbH (1)	Chairman
	KME Special Products GmbH (1)	Chairman
	KME S.r.l. (1)	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
	Assicurazioni Generali (2)	Member of the Board of Directors - Chairman of the Appointments and Remuneration Committee and member of the Related Party Committee
	Culti Milano S.p.A. (1)	Member of the Board of Directors
	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. being wound up (1)	Liquidator
	ISNO 3 S.r.l. being wound up (1)	Liquidator
	Benten S.r.l.	Member of the Board of Directors
	Mecchld S.r.l.	Member of the Board of Directors
	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
	Fondazione Italia Sociale	Member of the Board of Participants
	Fondazione Donor Italia Onlus	Chairman

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		
	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 S.r.l. 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
	Likipi Holding SA	Chairman

	Autostrade Lombarde S.p.A.	Member of the Board of Directors
	Società di Progetto Brebemi S.p.A.	Member of the Board of Directors
	Fondazione Dynamo	Member of the Board of Directors
	Fondazione Giuliano e Maria Carmen Magnoni Onlus	Founding Member and Chairman
	Fondazione Laureus Sport for Good Italia Onlus	Founding Member and Chairman
	Fondazione Cologni dei Mestieri d'Arte	Member of the Board of Directors
	Trilantic Capital Partners Europe	Senior Advisor and Member of the Advisory Council
	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

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
	Festa Trasporti e Logistica S.r.l. single shareholder	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	6/6	5
Standing Auditor	Giovanna Villa	1966	08.05.2018	08.05.2018	31.12.2020	M	x	6/6	10
Standing Auditor	Alberto Villani	1962	30.4.2013	08.05.2018	31.12.2020	M	x	6/6	34
Alternate Auditor	Elena Beretta	1969	19.6.2015	08.05.2018	31.12.2020	M	x	==	7
Alternate Auditor	Andrea Zonca	1966	30.4.2013	08.05.2018	31.12.2020	M	x	==	18

---------- STATUTORY AUDITORS WHOSE APPOINTMENT CEASED DURING THE YEAR ----------									

Number of meetings held during the year: 6
Indicate the *quorum* required for presentation of lists by the minority shareholders for election of one or more members (pursuant to 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 2020 in other joint-stock companies, partnerships limited by shares and limited liability companies.

Name	Listed	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)	Chairman of the Board of Statutory Auditors
	First Capital S.p.A.	Standing Auditor
	Value First Sicaf S.p.A.	Standing Auditor
	Palomar S.p.A.	Standing Auditor
	Fondazione Angeli del bello	Member of the Board of Auditors
Giovanna Villa		
	Intek Group S.p.A. (2)	Standing Auditor
	Lenovo Italy S.r.l.	Sole Auditor and Member of the SB
	Lenovo Global Technology Italy S.r.l.	Sole Auditor and Member of the SB
	OMP Racing S.p.A.	Standing Auditor
	Malvestiti S.p.A.	Standing Auditor
	Eolo S.p.A.	Standing Auditor
	Skylink S.r.l.	Standing Auditor
	Cometa S.r.l.	Standing Auditor
	Fratelli Carlotto S.r.l. acciai stampati	Standing Auditor
	Lubra S.p.A.	Standing Auditor
	Prevent Srl	Sole Director
	Italian Gasket S.p.A.	Member of the SB
	Kardia S.r.l.	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
	Areef 2 Palio – Sicaf S.p.A.	Standing Auditor
	BBC Italia S.r.l.	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 S.r.l.	Chairman of the Board of Statutory Auditors

	De Longhi Appliances S.r.l.	Chairman of the Board of Statutory Auditors
	De Longhi S.p.A.	Standing Auditor
	Edra S.p.A.	Chairman of the Board of Statutory Auditors
	Effe 2005 Gruppo Feltrinelli S.p.A.	Standing Auditor
	Finmeg S.r.l.	Standing Auditor
	Fratelli Consolandi S.r.l.	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 S.r.l.	Alternate Auditor
	Impresa Luigi Notari S.p.A.	Alternate Auditor
	Meg Property S.p.A.	Standing Auditor
	Nuova GS S.p.A.	Standing Auditor
	Over Light S.p.A.	Standing Auditor
	Pirelli & C. S.p.A. (2)	Standing Auditor
	Quattroduedue S.p.A.	Chairman of the Board of Statutory Auditors
	Royal Immobiliare S.r.l.	Sole Director
	San Remo Games S.r.l.	Sole Auditor
	Selecta S.p.A.	Chairman of the Board of Statutory Auditors
	Selecta Digital Services 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. S.r.l.	Member of the Board of Directors
	Tenuta Montemagno Soc. Agricola S.p.A.	Chairman of the Board of Statutory Auditors
	TP Industrial Holding S.p.A.	Standing Auditor
	Vetus Mediolanum S.p.A.	Chairman of the Board of Statutory Auditors
	Vianord Engineering S.p.A.s	Member of the Board of Directors

Elena Beretta		
	Carcano Antonio S.p.A.	Alternate Auditor
	Fratelli Consolandi S.r.l.	Standing Auditor
	I2 Capital Partners SGR S.p.A. being wound up (1)	Standing Auditor
	Impresa Costruzioni Grassi e Crespi S.r.l.	Alternate Auditor
	Intek Group S.p.A. (2)	Alternate Auditor
	Intek Investimenti S.p.A. (1)	Standing Auditor
	Quattroduedue S.p.A.	Standing Auditor
	Romeo Maestri & Figli S.p.A.	Alternate Auditor

Andrea Zonca		
	Axxam S.p.A.	Standing Auditor
	Campo S.p.A.	Standing Auditor

Clovis Oncology Italy S.p.A.	Standing Auditor
Dalmar S.p.A.	Chairman of the Board of Statutory Auditors
Dalmar Impianti S.p.A.	Standing Auditor
Envea 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 S.p.A.	Chairman of the Board of Statutory Auditors
Impresa Costruzioni Grassi & Crespi S.r.l.	Standing Auditor
Impresa Luigi Notari S.p.A.	Standing Auditor
Intek Group S.p.A. (2)	Alternate Auditor
Over Light S.p.A.	Standing Auditor
Rodigas S.r.l.	Standing Auditor
Romeo Maestri & Figli S.p.A.	Standing Auditor
Sevecom S.p.A.	Standing Auditor
So.Se.Co. S.r.l.	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

Separate financial statements as at 31 December 2020

INTEK Group S.p.A.
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 2020

Statement of financial position – Assets

(in Euro)	*Ref. Note*	*31-Dec-20*	*of which related parties*	*31-Dec-19*	*of which related parties*
Investments in equity interests and fund units	*4.1*	567,445,546	*551,198,346*	507,828,539	*507,607,555*
Instrumental equity investments	*4.2*	767,723	*767,723*	25,189,005	*25,189,005*
Non-current financial assets	*4.3*	134,058	*134,058*	425,646	*425,646*
Property, plant and equipment	*4.4*	3,877,831	-	4,389,404	-
Investment property	*4.5*	140,104	-	462,039	-
Intangible assets	*4.6*	6,637	-	7,835	-
Other non-current assets	*4.7*	2,961	-	2,961	-
Deferred tax assets	*4.21*	3,037,123	-	3,625,917	-
Total non-current assets		**575,411,983**		**541,931,346**	
Current financial assets	*4.8*	26,480,275	*1,371,317*	21,366,053	*11,704,679*
Trade receivables	*4.9*	4,534,501	*916,823*	13,483,467	*9,318,713*
Other current receivables and assets	*4.10*	4,083,033	*1,144,943*	4,200,221	*1,368,474*
Cash and cash equivalents	*4.11*	15,286,154	-	44,639,026	-
Total current assets		**50,383,963**		**83,688,767**	
Total assets		**625,795,946**		**625,620,113**	

The notes are an integral part of these financial statements.

Details of related party transactions are disclosed in note 7.11

Intek Group – Separate financial statements as at 31 December 2020

Statement of financial position – Liabilities

(in Euro)	*Ref. Note*	*31-Dec-20*	*of which related parties*	*31-Dec-19*	*of which related parties*
Share capital		335,069,010	-	335,069,010	-
Other reserves		94,389,655	-	95,436,752	-
Treasury shares		(2,011,911)	-	(1,819,672)	-
Retained earnings/(accumulated losses)		71,141,883	-	71,141,883	-
Stock option reserve		2,051,902	-	2,051,902	-
Profit/(loss) for the year		6,539,266	-	(1,042,793)	-
Total equity	*4.12*	**507,179,805**		**500,837,082**	
Employee benefits	*4.13*	232,466	-	230,495	-
Deferred tax liabilities	*4.21*	2,097,269	-	1,974,953	-
Non-current financial payables and liabilities	*4.14*	3,099,170	*2,911,140*	3,870,037	*3,345,957*
Bonds	*4.15*	75,331,877	-	-	-
Other non-current liabilities	*4.16*	721,536	-	1,014,443	-
Provisions for risks and charges	*4.17*	290,937	-	526,278	-
Total non-current liabilities		**81,773,255**		**7,616,206**	
Current financial payables and liabilities	*4.18*	30,816,705	*1,682,359*	111,739,022	*4,673,843*
Trade payables	*4.19*	1,866,358	*547,408*	1,199,013	*218,706*
Other current liabilities	*4.20*	4,159,823	*1,642,466*	4,228,790	*1,930,174*
Total current liabilities		**36,842,886**		**117,166,825**	
Total liabilities and equity		**625,795,946**		**625,620,113**	

The notes are an integral part of these financial statements.

Details of related party transactions are disclosed in note 7.11

Intek Group – Separate financial statements as at 31 December 2020

Statement of profit or loss and other comprehensive income

(in Euro)	*Ref. Note*	*2020*	*of which related parties*	*2019*	*of which related parties*
Net income from investment management	*6.1*	14,508,586	*14,508,586*	6,605,635	*6,386,309*
Guarantee fees	*6.2*	875,883	*875,883*	962,250	*962,250*
Other income	*6.3*	779,976	*168,513*	3,352,287	*2,423,679*
Labour costs	*6.4*	(1,517,510)	-	(1,458,797)	-
Amortisation, depreciation, *impairment* and write-downs	*6.5*	(660,728)	-	(647,557)	-
Other operating costs	*6.6*	(3,755,562)	*(1,407,638)*	(5,762,929)	*(3,747,546)*
Operating profit/(loss)		**10,230,645**		**3,050,889**	
Finance income	*6.7*	857,211	*491,790*	1,116,716	*641,770*
Finance expense	*6.7*	(4,546,060)	*(230,527)*	(5,874,935)	*(317,283)*
Net finance expense		*(3,688,849)*		*(4,758,219)*	
Profit/(loss) before taxes		**6,541,796**		**(1,707,330)**	
Current taxes	*6.8*	708,579	-	423,313	-
Deferred taxes	*6.8*	(711,109)	-	241,224	-
Total income taxes		**(2,530)**		**664,537**	
Profit/(loss) from continuing operations		**6,539,266**		**(1,042,793)**	
Profit/(loss) from discontinued operations		-		-	
Net profit/(loss) for the year		**6,539,266**		**(1,042,793)**	
Other comprehensive income:					
Measurement of employee defined benefits		(4,303)		(14,343)	
Taxes on other comprehensive income		-		-	
Items that will not be reclassified to profit or loss		(4,303)		(14,343)	
Items that may be reclassified to profit or loss		-		-	
Other comprehensive income:		(4,303)		(14,343)	
Total comprehensive income for the year		**6,534,963**		**(1,057,136)**	

The notes are an integral part of these financial statements.

Details of related party transactions are disclosed in note 7.11

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*	*Profit/(loss) for the year*	*Total equity*
Shareholders' 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)
Shareholders' 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	-	-	-	-
Shareholders' 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 2020

Statement of changes in equity as at 31 December 2020

(in thousands of Euro)	*Share capital*	*Other reserves*	*Treasury shares*	*Retained earnings/(accumulated losses)*	*Stock option reserve*	*Profit/(loss) for the year*	*Total equity*
Shareholders' equity as at 31 December 2019	**335,069**	**95,437**	**(1,820)**	**71,142**	**2,052**	**(1,043)**	**500,837**
Allocation of profit for the prior year	-	(1,043)	-	-	-	1,043	-
Purchase of treasury shares	-	-	(192)	-	-	-	(192)
Actuarial gains/losses on pension funds	-	(4)	-	-	-	-	(4)
Comprehensive income items	-	(4)	-	-	-	-	(4)
Profit/(loss) for the period	-	-	-	-	-	6,539	6,539
Total comprehensive income	-	(4)	-	-	-	6,539	6,535
Shareholders' equity as at 31 December 2020	**335,069**	**94,390**	**(2,012)**	**71,142**	**2,052**	**6,539**	**507,180**
Reclassification of treasury shares	(2,012)	-	2,012	-	-	-	-
Shareholders' equity as at 31 December 2020	**333,057**	**94,390**	**-**	**71,142**	**2,052**	**6,539**	**507,180**

At 31 December 2020, Intek Group directly held 6,655,260 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 2020

Statement of cash flows – indirect method

(in thousands of Euro)		*2020*	*2019*
(A) Cash and cash equivalents at the beginning of the year		**44,639**	**51,902**
Profit/(loss) before taxes		6,542	(1,706)
Amortisation and depreciation		660	647
Impairment/(reversal of impairment) of current and non-current financial assets		(14,231)	(6,413)
Changes in pension funds, post-employment benefits (TFR) and stock options		(3)	(16)
Changes in provisions for risks and charges		(235)	(416)
(Increase)/decrease in equity investments		(7,271)	2,462
(Increase)/decrease in other financial investments		-	2,108
Increase/(decrease) in financial payables to associates		253	(761)
(Increase)/decrease in financial receivables from associates		(3,011)	(2,041)
Dividends received		6,000	260
(Increase)/decrease in current receivables		79	(1,943)
Increase/(decrease) in current payables		598	1,012
(B) Total cash flows from/(used in) operating activities		**(10,619)**	**(6,807)**
(Increase) in non-current intangible assets and property, plant and equipment		(155)	(252)
Decrease in non-current intangible assets and property, plant and equipment		329	319
Increase/decrease in other non-current assets/liabilities		(291)	(531)
(C) Cash flows from/(used in) investing activities		**(117)**	**(464)**
(Purchase) sale of treasury shares		(192)	-
Bond Repayment and New Issue		(27,712)	-
Payment of interests on Bonds		(5,085)	(5,085)
Increase/(decrease) in current and non-current financial payables		4,820	4,373
(Increase)/decrease in current and non-current financial receivables		9,552	720
(D) Cash flows from/(used in) financing activities		**(18,617)**	**8**
(E) Change in cash and cash equivalents	**(B) + (C) + (D)**	**(29,353)**	**(7,263)**
(F) Cash and cash equivalents at the end of the period	**(A) + (E)**	**15,286**	**44,639**

The notes are an integral part of these financial statements.

Intek Group – Separate financial statements as at 31 December 2020

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 S.p.A..

The separate financial statements at 31 December 2020 (the "Financial Statements") were approved by the Board of Directors on 26 April 2021.

Although it is owned by Quattroduedue Holding B.V. through the wholly-owned subsidiary Quattroduedue S.p.A., 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:

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

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

c) measures and evaluates 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 as follows:

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 2020 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 2020 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 2019. 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 2019, except for the standards effective as from 1 January 2020. These financial statements were prepared on a going concern basis, as required by IAS 1, as there exist no doubts or uncertainties regarding the Group's ability to pursue its activities and continue to operate as a going concern in the foreseeable future. In evaluating the adequacy of the going concern assumption for the preparation of these financial statements, the Covid-19 health emergency and the effects of the ensuing restrictions introduced in the countries concerned, which had and continue in many respects to have a significant impact on the general context, were taken into consideration.

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:

- 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.

- On 29 March 2018, the IASB issued an amendment to "References to the Conceptual Framework in IFRS Standards". The amendment is effective for periods beginning on or after 1 January 2020, but early application is permitted. The Conceptual Framework defines the fundamental concepts for financial reporting and guides the Board in the development of the IFRSs. The document helps to ensure that the standards are conceptually consistent and that similar transactions are treated in the same manner, so as to provide useful information to investors, lenders and other creditors. The Conceptual Framework supports businesses in developing accounting standards when no IFRS applies to a particular transaction and, more generally, helps the parties concerned to understand and interpret the Standards.
- On 26 September 2019, the IASB issued the amendment named "Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform". It amends IFRS 9 - Financial Instruments and IAS 39 - Financial Instruments: Recognition and Measurement as well as IFRS 7 - Financial Instruments: Disclosures. In particular, the amendment modifies some of the requirements established for the application of hedge accounting, establishing temporary exemptions to them in order to mitigate the impact deriving from the uncertainty surrounding the IBOR reform (still under way) on future cash flows in the period prior to its completion. The amendment also requires companies to provide additional information in their financial statements on their hedging relationships that are directly concerned by the uncertainties generated by the reform and to which the above-mentioned exemptions apply.
- 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 an optional "concentration test" which makes it possible to rule out the presence of a business if the price paid substantially refers to an individual asset or group of assets. The amendments apply to all business combinations and asset acquisitions subsequent to 1 January 2020, but early application is permitted.
- On 28 May 2020, the IASB issued an amendment named "Covid-19 Related Rent Concessions (Amendment to IFRS 16)". The document provides lessees with the right to account for rent reductions linked to Covid-19 without having to evaluate, by analysing the contracts, whether they fall within the definition of lease modification as set forth in IFRS 16. Therefore, the lessees that take advantage of this right can account for the effects of reductions in rent payments directly in profit or loss at the effective date of the reduction. The adoption of this amendment had no significant effects.

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 any 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.

2.5. Financial assets and liabilities - 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.

2.6. 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.

2.7. 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.

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 €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".

2.8. 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.

2.9. Intangible assets

(a) Goodwill

Goodwill is the difference between the acquisition cost of a business and the current value of the business's 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*".

2.10. 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).

2.11. Shareholders' 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 as a negative figure that reduces the shareholders' equity.

The costs for equity transactions are used directly as a reduction of reserves.

2.12. 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.

2.13. 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 timing 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 timing 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), and for 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.

2.14. 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. 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 are carried out by independent actuaries.

2.15. 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.

2.16. 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.

2.17. 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.

2.18. 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.

2.19. Earnings/(loss) per share

Pursuant to IAS 33 paragraph 4, this kind of information is presented only for consolidated figures.

2.20. Use of estimates

The preparation of the separate financial statements and notes thereto in accordance with IFRS 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 life of non-current assets and the related recoverable amount, allowance for impairment, any impairment losses, the cost of employee benefits, the estimated current and deferred tax charges, the estimated indefinite useful lives of intangible assets and other provisions.

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

2.21. Accounting standards not yet applied

As at 31 December 2020, 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 obligations arising from the insurance contracts issued by that entity. The IASB developed the standard to eliminate incongruities and weaknesses inherent in the existing accounting standards, providing a single principle-based framework that would take all types of insurance contracts into account, including the reinsurance contracts held by an insurer. This standard does not apply to the Group's activities.
- On 23 January 2020, the IASB issued an amendment named "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current". The document aims to clarify how to classify payables and other liabilities as current or non-current. The amendments enter into force as of 1 January 2022, but the IASB has issued an exposure draft to postpone their entry into force to 1 January 2023; however, early application is permitted. The adoption of this amendment is not expected to have a significant effect on the Group's consolidated financial statements.
- On 14 May 2020, the IASB issued the following amendments named:
  - Amendments to IFRS 3 Business Combinations: the amendments aim to update the reference present in IFRS 3 to the revised version of the Conceptual Framework, without this entailing amendments to the provisions of IFRS 3.
  - Amendments to IAS 16 Property, Plant and Equipment: the amendments aim not to permit the deduction from the cost of property, plant and equipment of the amount received from the sale of goods produced in the asset testing phase. Such sales revenues and the relative costs will therefore be recognised in profit or loss.
  - Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: the amendment clarifies that in the estimate on whether a contract is onerous, all costs directly attributable to the contract must be taken into consideration. As a result, the assessment of whether a contract is onerous includes not only incremental costs (such as the cost of direct

material used in processing), but also all costs that the company cannot avoid because it has entered into the contract (such as the portion of personnel costs and the depreciation on the machinery used for the performance of the contract).

- Annual Improvements 2018-2020: the amendments were made to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples of IFRS 16 Leases.
- All amendments will enter into force on 1 January 2022. At the moment, the introduction of these amendments is not expected to have significant impacts.

- 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.

Although the following standards have been endorsed by the EU, they have not yet entered into force and have not been applied early by the Company:

- On 28 May 2020, the IASB issued an amendment named "Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)". The amendments make it possible to extend the temporary exemption from the application of IFRS 9 to 1 January 2023 for insurance contracts. These amendments will enter into force on 1 January 2021. No impacts are expected from the application considering the activities of the Company.
- On 27 August 2020, in light of the reform on interbank interest rates such as the IBOR, the IASB published the document "Interest Rate Benchmark Reform—Phase 2" which contains amendments to the following standards:
  - IFRS 9 Financial Instruments;
  - IAS 39 Financial Instruments: Recognition and Measurement;
  - IFRS 7 Financial Instruments: Disclosures;
  - IFRS 4 Insurance Contracts; and
  - IFRS 16 Leases.

  All amendments will enter into force on 1 January 2021. The adoption of this amendment is not expected to have a significant effect on the financial statements.

3. ***Financial risk management***

In its position as a dynamic investment holding company, Intek Group is directly exposed to risks connected with investments and disinvestments. The 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.

With reference to the impacts of the Covid-19 pandemic and the relative related risks, please refer to what is set forth in the report on operations.

Types of risk:

a) credit risk: there are no significant geographical concentrations of credit. 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 €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 2020*	*31 Dec 2019*	*Change*
Investments in subsidiaries	551,199	507,438	43,761
Other investments	16,247	12	16,235
Other investments	-	379	(379)
Investments in equity interests and fund units	**567,446**	**507,829**	**59,617**

The breakdown of the item is as follows:

Name	*Registered office*	*Percentage of interest*	*Fair value 31/12/2020*	*Fair value 31/12/2019*	*Difference*
Subsidiaries and associates					
KME SE	Osnabrück (D)	99.00%	512,707	483,000	29,707
Culti Milano S.p.A.	Milan	77.17%	27,300	13,236	14,064
Intek Investimenti S.p.A.	Milan	100.00%	9,704	8,450	1,254
KME Beteiligungsgesellsch.mbH	Osnabrück (D)	100.00%	1,400	1,158	242
Isno 3 S.r.l. in liquidation (*)	Milan	-	-	1,500	(1,500)
Ergyca Tracker 2 S.r.l.	Florence	51.00%	82	82	-
Energetica Solare S.r.l. in liquidation (**)	Milan	-	-	6	(6)
Nextep S.r.l. social enterprise (società benefit)	Milan	60.00%	6	6	-
Total subsidiaries and associates			**551,199**	**507,438**	**43,761**
Ducati Energia S.p.A.	Bologna	6.77%	16,013	-	16,013
Società Editoriale Vita	Milan		222	-	222
Other			12	12	-
Total other investments			**16,247**	**12**	**16,235**
Total investments			**567,446**	**507,450**	**59,996**
Culti Milano Warrant			-	379	(379)
Total other investments			**-**	**379**	**(379)**
Investments in equity interests and fund units			**567,446**	**507,829**	**59,617**

(*) 57.72% stake transferred to the direct subsidiary Intek Investimenti S.p.A. in the course of 2020. As at 31 December 2020 the Company does not hold shares of ISNO3 S.r.l., a company in liquidation.

(**) winding up completed in 2020.

Details of changes during the year are provided below:

Name	*Fair value 31/12/2019*	*Increases*	*Decreases*	*Other movements*	*Measurement of assets*	*Measurement of liabilities*	*Fair value 31/12/2020*
Subsidiaries and associates							
KME SE	483,000	29,707	-	-	-	-	512,707
Culti Milano S.p.A.	13,236	-	-	-	14,064	-	27,300
Intek Investimenti S.p.A.	8,450	-	-	1,500	-	(246)	9,704
KME Beteiligungsgesellsch.mbH	1,158	-	-	-	242	-	1,400
Isno 3 S.r.l. in liquidation	1,500	-	-	(1,500)	-	-	-
Ergyca Tracker 2 S.r.l.	82	-		-	-	-	82
Energetica Solare S.r.l. in liquidation	6	-	(6)	-	-	-	-
Nextep S.r.l. Benefit Corporation	6	-	-	-	-	-	6
Total subsidiaries and associates	**507,438**	**29,707**	**(6)**	**-**	**14,306**	**(246)**	**551,199**
Ducati Energia S.p.A.	-	16,013	-	-	-	-	16,013
Società Editoriale Vita	-	222	-	-	-	-	222
Other	12	-	-	-	-	-	12
Total other investments	**12**	**16,235**	**-**	**-**	**-**	**-**	**16,247**
Total investments	**507,450**	**45,942**	**(6)**	**-**	**14,306**	**(246)**	**567,446**
Culti Milano Warrant	379	-	-	-	-	(379)	-
Total other investments	**379**	**-**	**-**	**-**	**-**	**(379)**	**-**
Investments in equity interests and fund units	**507,829**	**45,942**	**(6)**	**-**	**14,306**	**(625)**	**567,446**

The increase in the equity investment in KME SE took place through the transfer of the equity investment in Immobiliare Pictea (€19,721 thousand), the transfer of receivables due from KME SE (€9,425 thousand) and KME Yorkshire Ltd (€559 thousand).

The equity investment in Isno 3 of €1,500 thousand was transferred to Intek Investimenti in December 2020, while that in Ducati Energia was acquired from Immobiliare Pictea before the latter's transfer to KME SE.

In 2020, the winding up of Energetica Solare S.r.l. was completed.

The Culti Milano Warrants were eliminated as a result of their expiry in the first half of the year; indeed, 3,095,500 Warrants lost all rights, as they became null and void.

For the valuation of investments, reference was made to the recently updated policies for determining fair value. The updates regarded the determination of quantitative parameters for the definition of an active market for equity investments in listed companies and the definition of a range within which the variances in fair value with respect to the carrying amount were deemed insignificant in light of the principle of relevance of financial reporting and therefore they do not give rise to changes in the carrying amount.

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 2021-2025 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.

Compared to last year, the Plan is characterised by a reduction in the estimated future cash flows for the first years, also in light of the deviations recorded in the past, especially with reference to the year 2020 as a result of the effects of the Covid-19 pandemic which entailed a reduction of roughly 13% in 2020 EBITDA with respect to that of the previous year.

The main assumptions of the Plan are:

- a decline in sales volumes of approximately 1.08% annually (against an estimated global decrease in demand for copper (2021-2025 CAGR) of 2.35%);
- an increase in added value (2021-2025 CAGR of approximately 3.7%) partially linked 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 in EBITDA with a CAGR of 10.86%. 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" of 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 of each country in which the Group operates;
- *market risk premium*: equal to 6.0%, in line with Italian valuation practices;
- debt cost: 10-year USD swap rate in December 2020 plus a 2.00% spread, for a total gross rate of 2.99%;
- Unlevered Beta 0.79: average of unlevered beta coefficients of a sample of comparable listed companies;
- Additional Alpha premium on the cost of own capital equal to 4%.

For its impairment analyses, KME's management increased the discount rate by an additional premium of 1.5% linked to execution risk, thus reaching a WACC of 9.34% when last year it was equal to 9.67%.

To determine its equity investment in KME SE, Intek's management performed further analyses from its perspective as market participant, assuming an increase in the *additional premium* of 0.75 percentage points, and adjusting by 50% the component of the same nature already used to prepare the interim financial report, against the increased visibility of the effects and uncertainties of the above-mentioned health crisis, given that at that time KME SE sales trends still benefitted from orders obtained prior to the spread of the pandemic and that the above-mentioned discount rate also reflected greater growth in terms of EBITDA within the KME Plan with respect to that of its peers. To date, the market trend has been positive order and revenue situations in the first quarter, increased likelihood of economic recovery, also in light of the relaunch actions planned by central governments and, more generally, a situation of less uncertainty relating to the pandemic, thanks in part to the spread of vaccines. The reduction in the additional premium therefore reflects a situation that is returning to normal.

Thus the discount rate was 10.09%, when it was 10.37% in the 2020 interim report and 11.67% in the 2019 financial statements, factoring in an additional premium of 1.5% and 2%, respectively.

This analysis led to a present value of KME cash flows equal to around 580 million.

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 estimated net financial position as at 31 December 2020.

The equity value thus determined is equal to €517 million. As part of the various sensitivity analyses performed, please note that any change by half a percentage point in the discount rate entails a change of around €25 million in the equity value of KME.

This value was compared with those 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 market multiples also the forward-looking EBITDA.

The average of the control methods essentially confirmed the results of the main method, with deviations of less than 10%.

The equity value was then linked to a shareholding of 99% held by Intek Group, also considering the earn-out clauses signed in the 1% disposal agreements, as part of the acquisition of MKM, reaching an estimated value of €509.5 million.

This value approximates the carrying amount of the equity investment (€512.7 million), with a variance equal to 0.6% which falls within the range of variation deemed not relevant by the policy for the determination of fair value in light of the general principle of significance of financial reporting. Therefore, the carrying amount of the equity investment was not modified.

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, this year the reference market was again distinguished, including with reference to comparables, by transactions that took place with frequency and volumes that according to the policy adopted by the company were not sufficient for them to provide useful information to determine the price on an ongoing basis. As a result, the prices recorded at the end of December 2020 were not deemed representative of the fair value of the company, and it was therefore considered advisable to use the market multiples method for the valuation of the investee, applied to the preliminary results from 2020. This led to the calculation that the value of Intek Group's equity investment was €27.3 million.

As for Ducati Energia, given that a plan to develop the UCF method was not available, this equity investment was measured using the market multiples method and the transaction multiples method applied to the 2020 preliminary data. The analysis did not bring to light significant changes with respect to the carrying amount.

For other investments, reference was mainly made to their equity value, 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*	*Shareholders' equity as at 31 December 2019*	*Profit/(loss) as at 31 December 2019*	*Percentage of interest*	*Carrying amount 31/12/2020*	*Carrying amount 31/12/2019*	*Difference*
I2 Capital Partners SGR S.p.A. in liquidation	Milan	1,500	(1,055)	(732)	100.00%	768	1,055	(287)
Immobiliare Pictea S.r.l.	Milan	80	13,062	(1,848)	-*	-	24,134	(24,134)

Total Instrumental equity investments	**768**	**25,189**	**(24,421)**

(*) At the end of December 2020, Immobiliare Pictea was transferred to KME SE.

The movements of the *"Instrumental equity investments"* item during 2020 were the following:

(in thousands of Euro)	*Investments in subsidiaries*	*Other investments*	*Total*
Historical cost	45,878	-	45,878
Impairment losses	(20,689)	-	(20,689)
Balance at 31 December 2019	**25,189**	**-**	**25,189**
Increases	751	-	751
Transfer	(24,134)	-	(24,134)
Impairment losses	(1,038)	-	(1,038)
Change for year	**(24,421)**	**-**	**(24,421)**
Historical cost	22,495	-	46,629
Impairment losses	(21,727)	-	(21,727)
Balance at 31 December 2020	**768**	**-**	**768**

The €24,134 thousand balance for the transfer of equity investments relates to the transfer of Immobiliare Pictea to KME SE at the end of December 2020.

The impairment loss of €1,038 thousand relates to I2 Capital Partners SGR and was determined on the basis of the shareholders' equity of the subsidiary. The subsidiary was placed in liquidation in the final quarter of 2020; moreover, I2 Capital Partners SGR requested and obtained cancellation from the Register pursuant to art. 35 of Legislative Decree 58/98 (as of 23 December 2020). The liquidation was completed on 31 March 2021.

4.3. Non-current financial assets

This item consists of the following:

(in thousands of Euro)	*31 Dec 2020*	*31 Dec 2019*	*Change*
Guarantee fees receivable	134	426	(292)
Non-current financial assets	**134**	**426**	**(292)**

"*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 Group 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.

4.4. Property, plant and equipment

The breakdown of the item is as follows:

(in thousands of Euro)	*31 Dec 2020*	*31 Dec 2019*	*Change*
Buildings	3,297	3,825	(528)
Other assets	581	564	17
Property, plant and equipment	**3,878**	**4,389**	**(511)**

With reference to the basis of ownership, the assets may be broken down as follows.

(in thousands of Euro)	*Owned*	*Leased*	*Total*
Buildings	-	3,297	3,297
Other assets	496	85	581

Property, plant and equipment	**496**	**3,382**	**3,878**

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 2018	-	170	2,019	2,189
Increases	-	-	193	193
Disposals	-	-	(26)	(26)
Balance at 31 December 2019	-	170	2,186	2,356
Increases	-	-	47	47
Disposals	-	-	(149)	(149)
Balance at 31 December 2020	-	170	2,084	2,254
Accumulated depreciation				
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
Increases	-	-	32	32
Disposals	-	-	(149)	(149)
Balance at 31 December 2020	-	170	1,588	1,758
Net carrying amount				
31-Dec-2018	-	-	322	322
31-Dec-2019	-	-	481	481
31-Dec-2020	**-**	**-**	**496**	**496**

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
Increases	53	-	53	106
Disposals	-	-	(43)	(43)
Balance at 31 December 2020	4,456	-	126	4,582
Accumulated depreciation				
Balance at 1 January 2019	-	-	-	-
Increases	578	-	33	611
Balance at 31 December 2019	578	-	33	611
Increases	581	-	44	625
Disposals	-	-	(36)	(36)
Balance at 31 December 2020	1,159	-	41	1,200
Net carrying amount				
01-Jan-2019	4,389	-	75	4,464
31-Dec-2019	3,825	-	83	3,908
31-Dec-2020	**3,297**	**-**	**85**	**3,382**

The values at 1 January 2019 referred 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 2020*	*31 Dec 2019*	*Change*
Investment property	**140**	**462**	**(322)**

Details of changes are provided below:

(in thousands of Euro)	*Change*
Total at 31 December 2019	**462**
Change for year	(322)
Total at 31 December 2020	**140**

The change is linked to the sale of several properties in the last quarter of 2020.

4.6. Intangible assets

(in thousands of Euro)	*31 Dec 2020*	*31 Dec 2019*	*Change*
Other	7	8	(1)
Intangible assets	**7**	**8**	**(1)**

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 2018		16
Increases		4
Balance at 31 December 2019		20
Increases		2
Balance at 31 December 2020		22
Accumulated amortisation		
Balance at 31 December 2018		10
Increases		2
Balance at 31 December 2019		12
Increases		3
Balance at 31 December 2020		15
Net carrying amount		
	31-Dec-2018	6
	31-Dec-2019	8
	31-Dec-2020	**7**

4.7. Other non-current assets

The breakdown of the item is as follows:

(in thousands of Euro)	*31 Dec 2020*	*31 Dec 2019*	*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 2020*	*31 Dec 2019*	*Change*
Financial receivables from associates	521	10,774	(10,253)
Guarantee fees receivable	850	931	(81)
Financial assets held for trading	57	57	-
Other current financial assets	25,052	9,604	15,448
Current financial assets	**26,480**	**21,366**	**5,114**

At 31 December 2020, “Financial receivables from associates” relate to the ongoing credit line with Intek Investimenti; in addition to the €2,139 thousand loan to Intek Investimenti, the 2019 balance included Euro €8,353 thousand for the ongoing credit line with Immobiliare Pictea (still outstanding at 31 December 2020 with a net payable balance for Intek Group) and €282 thousand for the ongoing credit line with KME Yorkshire Ltd, a loan which was transferred to KME SE in December 2020.

“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"* includes €24,817 thousand for a deposit pledged to guarantee the outstanding credit line with Banco BPM, expiring in August 2021. The other assets in the financial statements as at 31 December 2019 referring to guarantee deposits were all collected during the year.

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

4.9. Trade receivables

(in thousands of Euro)	*31 Dec 2020*	*31 Dec 2019*	*Change*
From leasing and factoring activities	3,618	4,164	(546)
Due from associates	917	9,319	(8,402)
Trade receivables	**4,535**	**13,483**	**(8,948)**

"Receivables for leasing and factoring" relate to non-performing loans from the business previously operated 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. They declined as a result of the transfer to KME SE.

4.10. Other current receivables and assets

(in thousands of Euro)	*31 Dec 2020*	*31 Dec 2019*	*Change*
Tax assets	653	1,342	(689)
Accruals and prepayments	34	232	(198)
Receivables due from associates	1,145	1,368	(223)
Other	2,251	1,258	993
Other current receivables and assets	**4,083**	**4,200**	**(117)**

The *"Tax assets"* include receivables for direct taxes of €123 thousand and VAT credits of €530 thousand.

"*Receivables due from associates*" include positions arising from the tax consolidation.

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

The item *"Other"* includes primarily pending costs relating to ongoing projects, of which €1,726 thousand relating to consulting performed as part of extraordinary transactions not yet finalised.

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 2020*	*31 Dec 2019*	*Change*
Bank and post office accounts	15,281	44,613	(29,332)
Cash on hand	5	26	(21)
Cash and cash equivalents	**15,286**	**44,639**	**(29,353)**

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

4.12. Shareholders' equity

The "*Share Capital*" as at 31 December 2020 amounts to €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 par value.

There were no changes in the number of shares in 2020.

At 31 December 2020, the Company held 6,555,260 ordinary treasury shares, or 1.69% of the voting capital (1.49% of total capital), and 11,801 savings shares, or 0.024% of the share capital represented by this category of shares. In 2020, 841,688 ordinary shares were acquired. Following the acquisition of treasury shares, the "*Reserve for treasury shares held*" increased by €192 thousand.

The items *"Retained earnings" and "Stock option reserve"*, both available, for €71,142 thousand and €2,051 thousand respectively are unchanged from last year.

The breakdown of the item "*Other reserves*" is shown below:

(in Euro)	*31 Dec 2020*	*31 Dec 2019*	*Change*
Legal reserve	8,760,250	8,760,250	-
Share premium reserve	4,020,857	4,020,857	-
Available reserve (extraordinary)	9,389,936	9,582,175	(192,239)
ErgyCapital merger surplus reserve	2,172,158	3,214,951	(1,042,793)
Reserve for treasury shares held	2,011,911	1,819,672	192,239
Non-distributable reserve	65,733,638	65,733,638	-
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	(11,317)	(7,013)	(4,304)
Gain/loss reserve for treasury shares	28,458	28,458	-
Other reserves	**94,389,655**	**95,436,752**	**(1,047,097)**

The *"Legal Reserve"* and the *"Non-distributable Reserve"*, established pursuant to Legislative Decree 38/2005, may be used to cover losses. It should also be noted that the unrealised capital gains from the fair value did not contribute to the distributable profit and therefore to the privilege enjoyed by the savings shareholders.

Pursuant to article 2431 of the Italian Civil Code, the "*Share premium reserve*" may, e 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 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. Its use is linked to the coverage of the loss that emerged in the course of 2019.

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 2019*	*Increases*	*Contributions to Funds*	*Decreases*	*31 Dec 2020*
Clerical workers	187	31	(9)	(23)	186
Executives	2	19	(19)	-	2
IFRS Adjustments	41	3	-	-	44
Employee benefits	**230**	**53**	**(28)**	**(23)**	**232**

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

General criteria	*31 Dec 2020*	*31 Dec 2019*
Discount rate	0.34%	0.77%
Rate of increase in future remuneration	1%	1%
Average remaining working life	15.6 anni	13.1 years
General criteria		

A discount rate based on the "Iboxx Eurozone Corporate AA" index was used also at 31 December 2020 for the actuarial valuation of post-employment benefits (TFR).

4.14. Non-current financial payables and liabilities

(in thousands of Euro)	*31 Dec 2020*	*31 Dec 2019*	*Change*
Payables for financial guarantees issued	134	426	(292)
Lease liabilities - related parties	2,911	3,346	(435)
Lease liabilities	54	98	(44)
Non-current financial payables and liabilities	**3,099**	**3,870**	**(771)**

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 connected to 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 in application of IFRS 16. Liabilities with respect to related parties refer to Immobiliare Pictea for leases payable on the Milan, Foro Buonaparte properties.

4.15. Bonds

(in thousands of Euro)	*31 Dec 2020*	*31 Dec 2019*	*Change*
Intek Group 2020/2025 Bonds	75,332	-	75,332
Bonds	**75,332**	**-**	**75,332**

The item refers to the 2020-2025 Intek Group Bonds issued in February 2020 with a fixed rate of 4.5%, outstanding for a nominal amount of €75,854 thousand. They are shown net of the issue costs, which are deferred along the duration of the security so as to determine a constant effective interest rate.

4.16. Other non-current liabilities

(in thousands of Euro)	*31 Dec 2020*	*31 Dec 2019*	*Change*
Payables for guarantees issued	300	592	(292)
Liabilities for "special situations"	422	422	-
Other non-current liabilities	**722**	**1,014**	**(292)**

"*Payables for guarantees issued*" refer to the non-current portion of the payable for tax liabilities, broken down into instalments over 48 months, with a final due date in November 2022, 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 S.p.A. proceedings (€326 thousand) and for the remainder to advances linked to former Fime Leasing positions.

4.17. Provisions for risks and charges

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

(in thousands of Euro)	*31 December 2019*			*Increases*	*Releases/ uses*	*31 December 2020*		
	Non-current	*Current*	*Total*			*Non-current*	*Current*	*Total*
Provisions for equity investment risks	225	-	225	-	(225)	-	-	-
Provisions for risks for tax disputes	291	-	291	-	-	291	-	291
Provision for special situations risks	10	-	10	-	(10)	-	-	-
Total	**526**	**-**	**526**	**-**	**(235)**	**291**	**-**	**291**

The *"Provisions for equity investment risks"* were allocated for equity investments, from the merger with ErgyCapital, with negative equity. They were used in full during the year for the closure of the last liquidation procedures.

The "*Provisions for risks for tax disputes*" relate to disputes concerning registration tax and Invim (tax on increase in real property value) of the Fime Group which have already reached the final ruling, recognised to the maximum extent of the estimated liability.

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 2020*	*31 Dec 2019*	*Change*
Payables due to banks	25,194	-	25,194
Payables for bonds	2,956	106,000	(103,044)
Due to associates	1,245	4,256	(3,011)
Payables for financial guarantees issued	850	931	(81)
Lease liabilities - related parties	438	418	20
Lease liabilities	134	134	-

Current financial payables and liabilities	**30,817**	**111,739**	**(80,922)**

Payables *"To banks"* refer to a credit line for €25,000 thousand, plus interest, outstanding with Banco BPM, that matures in August 2021 and is backed by a pledged current account in an equal amount.

The item "*Payables for bonds*", totalling €2,956 thousand,is for interest accruing on the 2020-2025 Intek Group Bond Loan. As at 31 December 2019, the amount of €106,000 thousand referred 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:

- I2 Capital Partners SGR in liquidation for €872 thousand;
- Immobiliare Pictea S.r.l. for €373 thousand.

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 paragraphs 4.8 and 4.11.

The *"Lease liabilities"* relate to the short-term share of the financial liability in application of IFRS 16.

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 "Directors' Report on operations".

4.19. Trade payables

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

(in thousands of Euro)	*31 Dec 2020*	*31 Dec 2019*	*Change*
Due to suppliers	1,319	980	443
Due to associates	547	219	224
Trade payables	**1,866**	**1,199**	**667**

4.20. Other current liabilities

(in thousands of Euro)	*31 Dec 2020*	*31 Dec 2019*	*Change*
Payables due to former lease customers	1,306	1,296	10
Payables due to associates	896	1,208	(312)
Payables to directors for end of office indemnity (TFM)	746	722	24
Payables due to employees	157	155	2
Tax liabilities	123	109	14
Payables due to social security institutions	69	72	(3)
Other liabilities	863	667	196
Other current liabilities	**4,160**	**4,229**	**(69)**

"*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 associates*" 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 the payment due date to be extended to 31 December 2021.

The item “*Due to employees*” mainly refers to amounts which have accrued but have not yet been settled.

Both as at 31 December 2020 and 31 December 2019, 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, already commented on in note 4.16.

4.21. Deferred tax assets and liabilities

(in thousands of Euro)	*31 Dec 2020*	*31 Dec 2019*	*Change*
Deferred tax assets	3,037	3,626	(589)
Deferred tax liabilities	(2,097)	(1,975)	(122)
Deferred tax assets and liabilities	**940**	**1,651**	**(711)**

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 2020	*31 Dec 2019*	*31 Dec 2020*	*31 Dec 2019*
Investment property	9	9	-	-
Investments in equity interests	-	-	1,548	1,387
Non-current financial assets	-	-	-	-
Trade receivables	1,756	2,228	549	588
Current financial assets	34	83	-	-
Cash and cash equivalents	14	14	-	-
Provisions for risks and charges	-	57	-	-
Other current liabilities	520	531	-	-
Deferred taxes on tax losses carried forward	704	704	-	-
Total	**3,037**	**3,626**	**2,097**	**1,975**

Deferred taxes are computed on timing 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 for €100 million for the loan obtained from a pool of banks and for additional bank credit facilities for €15.6 million.

A loan disbursed to Tecno Servizi S.r.l. (a company incorporated into Immobiliare Pictea in 2017) is also subject to a guarantee from Mediocredito originally for €7.8 million, with a residual value of €4.8 million.

In December 2015, Intek Group indicated its willingness to issue a guarantee of up to €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)	*2020*	*2019*	*Change*	*% Change*
Value adjustments on equity investments and securities	(1,417)	(732)	(685)	93.58%
Gains/(losses) from the sale of equity investments and securities	10	(297)	307	-103.37%
Measurement of investments at fair value	9,648	7,155	2,493	34.84%
Measurement of fund units at fair value	-	220	(220)	-100.00%
Dividends	6,268	260	6,008	2310.77%
Net income from investment management	**14,509**	**6,606**	**7,903**	**119.63%**

- the value adjustments on equity investments and securities refer for €1,038 thousand to the equity investment in I2 Capital Partners SGR in liquidation and for €379 thousand to the Culti warrants;
- the fair value measurement of equity investments refers, inter alia, for a positive €14,064 thousand to the measurement of Culti Milano and a negative €4,412 thousand to the measurement of Immobiliare Pictea. The negative measurement of Immobiliare Pictea relates to the measurement performed during the transfer and results from the dividends it distributed in December 2020;
- dividends for €6,000 thousand come from Immobiliare Pictea, €191 thousand from Culti Milano and €77 thousand from Ergyca Tracker 2.

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

6.2. Guarantee fees

(in thousands of Euro)	*2020*	*2019*	*Change*	*% Change*
Guarantee fees	876	962	(86)	-8.94%
Guarantee fees	**876**	**962**	**(86)**	**-8.94%**

These refer to the remuneration of the guarantees provided for instrumental equity interests and investment instruments for securing loans.

6.3. Other income

(in thousands of Euro)	*2020*	*2019*	*Change*	*% Change*
Income from “special situations”	538	828	(290)	-35.02%
Provision of services to associates	168	2,424	(2,256)	-93.07%
Other income and revenues	74	100	(26)	-26.00%
Other income	**780**	**3,352**	**(2,572)**	**-76.73%**

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

The item “*Provision of services to associates*” contains only the amounts invoiced for administrative support to associates which last year were influenced by the accrual of commissions relating to extraordinary transactions carried out by KME SE.

6.4. Labour costs

(in thousands of Euro)	*2020*	*2019*	*Change*	*% Change*
Wages and salaries	(734)	(754)	20	-2.65%
Social security charges	(241)	(233)	(8)	3.43%
Other personnel expense	(543)	(472)	(71)	15.04%
Employment costs	**(1,518)**	**(1,459)**	**(59)**	**4.04%**

Other personnel expense includes remuneration to associates of €330 thousand, in addition to contribution expense of €101 thousand, costs for a welfare plan of €59 thousand and an allocation to the employees' post-employment benefits (TFR) of €53 thousand.

The average number of employees is given here below:

	31 Dec 2020	*31 Dec 2019*	*Change*
Executives	2	2	-
Clerical workers	9	10	(1)
Average number of employees	**11**	**12**	**(1)**

6.5. Amortisation, depreciation, impairment and write-downs

(in thousands of Euro)	*2020*	*2019*	*Change*	*% Change*
Depreciation on property, plant and equipment	(32)	(34)	2	-5.88%
Depreciation on leased assets	(626)	(612)	(14)	2.29%
Amortisation on intangible assets	(3)	(2)	(1)	50.00%
Amortisation, depreciation, *impairment* and write-downs	**(661)**	**(648)**	**(13)**	**2.01%**

6.6. Other operating costs

(in thousands of Euro)	*2020*	*2019*	*Change*	*% Change*
Directors' and Statutory Auditors' fees	(1,215)	(3,042)	1,827	-60.06%
Professional services	(1,190)	(1,382)	192	-13.89%
Travel costs	(234)	(345)	111	-32.17%
Other personnel expense	(64)	(85)	21	-24.71%
Legal and company disclosure	(147)	(119)	(28)	23.53%
Electricity, heating, postal and telephone costs	(35)	(52)	17	-32.69%
Insurance premiums	(70)	(82)	12	-14.63%
Training and seminars	(14)	(28)	14	-50.00%
Real property leases	(247)	(255)	8	-3.14%
Maintenance	(23)	(25)	2	-8.00%
Leases and rentals	(26)	(52)	26	-50.00%
Other tax charges	(42)	(41)	(1)	2.44%
Membership fees	(221)	(215)	(6)	2.79%
Other net costs	(113)	(163)	50	-30.67%
Donations	(10)	(94)	84	-89.36%
Bank charges	(6)	(13)	7	-53.85%
	(3,657)	*(5,993)*	*2,336*	*-38.98%*
Release of provisions	-	230	(230)	-100.00%
Losses on receivables	(99)	-	(99)	n/a
Other operating costs	**(3,756)**	**(5,763)**	**2,007**	**-34.83%**

"*Directors' and Statutory Auditors' fees*" for 2019 were influenced by the accrual of variable compensation linked to the extraordinary transactions of KME, totalling €1,800 thousand.

6.7. Finance income and expense

(in thousands of Euro)	*2020*	*2019*	*Change*	*% Change*
Interest income from group companies	*492*	*642*	(150)	-23.36%
Other finance income and interest	*365*	*475*	(110)	-23.16%
Total finance income	857	1,117	(260)	-23.28%
Interest paid by group companies	*(60)*	*(128)*	68	-53.13%
Loan interest expense	*(195)*	*(18)*	(177)	983.33%
Interest expense on securities issued	*(3,851)*	*(5,319)*	1,468	-27.60%
Interest expense for leases	*(178)*	*(201)*	23	-11.44%
Other finance expense	*(262)*	*(209)*	(53)	25.36%
Total finance expense	(4,546)	(5,875)	1,329	-22.62%
Total net financial expense	**(3,689)**	**(4,758)**	**1,069**	**-22.47%**

The breakdown of the interest income and interest expense from related parties is provided under paragraph 7.11.

Financial expenses on securities issued declined due to the reduction in the amount of the securities themselves, as well as the interest rate.

6.8. Current and deferred taxes

(in thousands of Euro)	*2020*	*2019*	*Change*	*% Change*
Current taxes	709	423	286	67.61%
Deferred taxes	(711)	241	(952)	-395.02%
Current and deferred taxes	**(2)**	**664**	**(666)**	**n/a**

Since 2007, Intek Group and most of its Italian subsidiaries have elected to apply the Italian domestic tax consolidation regime, determining IRES (Italian corporate income tax) on a taxable base that corresponds to the algebraic sum of the taxable income and losses of each of the participating entities. The financial relationships, responsibilities and mutual obligations are set out in the domestic tax consolidation regime agreement and regulations, 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)	*2020*
Profit/(loss) before taxes	6,542
Tax charge at theoretical rate	(1,570)
- Impairment losses on securities and investments that are non-deductible/non-taxable	(1,351)
- Fair value measurements	2,066
- Other	1,149
- Previous year taxes	(296)
Total effective tax charge	**(2)**

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 2020*	*31 Dec 2019*	*Change*
Financial assets at fair value through profit or loss	568,487	509,243	59,244
Financial assets at fair value through other comprehensive income	-	-	-
Amortised cost	48,827	81,361	(32,534)
Available-for-sale financial assets	-	-	-
Financial assets	**617,314**	**590,604**	**26,710**
Financial liabilities at fair value through profit or loss	(984)	(1,357)	373
Financial payables and liabilities at amortised cost	(114,889)	(120,585)	5,696
Financial liabilities	**(115,873)**	**(121,942)**	**6,069**

7.2. *Financial instruments by financial statement item*

The reconciliation of financial instruments with financial statement items at 31 December 2020 is provided below:

(in thousands of Euro)	*Total*	*At amortised cost*	*At fair value*	*Outside the scope of IFRS 7*
Investments in equity interests and fund units	567,446	-	567,446	
Instrumental equity investments	768	-	-	768
Other non-current assets	3	3	-	-
Non-current financial assets	134	-	134	-
Trade receivables	4,535	4,535	-	-
Other current receivables and assets	4,083	3,430	-	653
Current financial assets	26,480	25,573	907	-
Cash and cash equivalents	15,286	15,286	-	-
Total financial assets	**618,735**	**48,827**	**568,487**	**1,421**
Non-current financial payables and liabilities	(3,099)	(2,965)	(134)	-
Bonds and PFI	(75,332)	(75,332)		-
Other non-current liabilities	(722)	(722)	-	-
Current financial payables and liabilities	(30,817)	(29,967)	(850)	-
Trade payables	(1,866)	(1,866)	-	-
Other current liabilities	(4,160)	(4,037)	-	(123)
Total financial liabilities	**(115,996)**	**(114,889)**	**(984)**	**(123)**

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 €0.8 million.

7.4. Currency risk exposure

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

7.5. Interest rate risk exposure

As at 31 December 2020 the Group's interest-bearing financial assets and liabilities had the following interest rate risk exposure:

(in thousands of Euro)	*31 Dec 2020*	*31 Dec 2019*
Financial assets	-	-
Financial liabilities	(78,869)	(105,621)
Fixed rate instruments	**(78,869)**	**(105,621)**
Financial assets	15,802	55,387
Financial liabilities	(26,439)	(4,256)
Floating rate instruments	**(10,637)**	**51,131**

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

The carrying amount of financial assets is the Intek Group's maximum exposure to this risk.

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 €50 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. 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	567,446	-	-	567,446
Non-current financial assets	134	-	-	134
Current financial assets	907	-	-	907
Total financial assets	**568,487**	**-**	**-**	**568,487**
Non-current financial payables and liabilities	(134)	-	-	(134)
Current financial payables and liabilities	(850)	-	-	(850)
Total financial liabilities	**(984)**	**-**	**-**	**(984)**

The financial instruments recognised in the statement of financial position and income statement at fair value 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 S.p.A. and other companies belonging to its network:

(in thousands of Euro)	*Total*	*Intek Group*	*Subsidiaries*
a) audit fees	1,069	136	933
b) fees for non-audit services	168	75	93
- audit services for certification purposes	*14*	*12*	*2*
financial covenants, compliance opinions	-	-	-
- other fees	*154*	*63*	*91*
c) fees charged by firms in the Independent auditors' network	-	-	-
Independent Auditors' fees	**1,236**	**210**	**1,026**

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.

Assets/liabilities

(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*
Culti Milano S.p.A.	-	-	9	-	-	-	-	-
EM Moulds S.p.A.	-	-	58	-	-	-	-	-
ErgycaTracker 2 S.r.l.	-	-	-	-	-	-	-	(21)
I2 Capital Partners SGR S.p.A. in liquidation	-	-	1	1	-	(872)	-	-
Immobiliare Pictea S.r.l.	-	-	-	-	(2,911)	(810)	-	-
Intek Investimenti S.p.A.	-	521	-	-	-	-	-	-
Isno 3 S.r.l. in liquidation	-	-	19	-	-	-	-	-
KME France Sas	-	-	2	-	-	-	-	-
KME Germany GmbH	-	-	77	-	-	-	(28)	-
KME Italy S.p.A.	-	-	175	-	-	-	(10)	-
KME SE	-	-	467	-	-	-	(300)	-
KME S.r.l.	-	-	1	-	-	-	(97)	-
KME Yorkshire Ltd	-	-	-	-	-	-	(8)	-
Nextep S.r.l. social enterprise (società benefit)	-	-	14	-	-	-	-	-
Quattroduedue S.p.A.	-	-	67	-	-	-	-	-
Società Agricola Agrienergia S.r.l.	-	-	17	98	-	-	-	-
Serravalle Copper Tube S.r.l.	-	-	10	-	-	-	-	-
Directors and Statutory Auditors	-	-	-	-	-	-	(104)	(1,621)
Receivables from guarantees	134	850	-	-	-	-	-	-
Receivables/Payables for group VAT	-	-	-	42	-	-	-	-
Receivables/Payables for tax consolidation	-	-	-	1,004	-	-	-	-
	134	**1,371**	**917**	**1,145**	**(2,911)**	**(1,682)**	**(547)**	**(1,642)**
Total	**134**	**26,480**	**4,535**	**4,083**	**(3,099)**	**(30,817)**	**(1,866)**	**(4,160)**
Effect	**100.00%**	**5.18%**	**20.22%**	**28.04%**	**93.93%**	**5.46%**	**29.31%**	**39.47%**

Income Statement flows

(in thousands of Euro)	*Net income from investment management*	*Guarantee fees*	*Other operating income*	*Other operating costs*	*Finance income*	*Finance expense*
Culti Milano S.p.A.	13,876	1	15	(2)	-	-
EM Moulds S.r.l.	-	23	-	-	-	-
Energetica Solare S.r.l. in liquidation	10	-	-	-	-	-
Ergyca Tracker 2 S.r.l.	77	-	-	-	-	-
I2 Capital Partners SGR S.p.A. in liquidation	(1,038)	-	50	-	-	(17)
Immobiliare Pictea S.r.l.	1,588	-	25	(169)	223	(171)
Isno 3 S.r.l. in liquidation	-	-	15	-	-	-
Intek Investimenti S.p.A.	(246)	-	15	-	16	(19)
KME Germany & CO KG Gmbh	-	-	-	-	-	-
KME Bet	242	-	-	-	-	-
KME Italy S.p.A.	-	85	-	(4)	-	-
KME SE	-	750	-	-	201	-
KME S.r.l.	-	-	-	(25)	-	-
KME Special	-	15	-	-	-	-
KME Yorkshire	-	-	-	-	10	-
Oasi Dynamo FoodCo S.r.l.	-	-	-	(6)	-	-
Progetto Ryan 3 S.r.l. in liquidation	-	-	-	-	-	-
Quattroduedue S.p.A.	-	-	15	-	-	-
Società Agricola Agrienergia S.r.l.	-	-	34	-	-	-
Trèfimetaux SA		2	-	-	-	-
Directors/Statutory Auditors	-	-	-	(1,202)	42	(24)
	14,509	**876**	**169**	**(1,408)**	**492**	**(231)**
Total	**14,509**	**876**	**780**	**(3,756)**	**857**	**(4,546)**
Effect	**100.00%**	**100.00%**	**21.67%**	**37.49%**	**57.41%**	**5.08%**

7.12. Proposal to approve the 2020 financial statements

Refer to the Directors' Report.

List of direct equity investments as at 31 December 2020

List of equity investments as at 31 December 2020 and changes compared to 31 December 2019

Equity investments (in Euro)	Notes	par value	Balance as at 31 December 2019		Changes during the period(+ / -)		Write-backs/(Adjustments)	Balance as at 31 December 2020				Market value at 31 December 2020	
		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 par value	27,639,093	483,000,000	-	29,706,698	-	27,639,093	99.00%		512,706,698		
KME Germany Beteiligungs GmbH	(*)		-	1,158,000	-	-	242,000	-	100.00%		1,400,000		
Energetica Solare S.r.l. in liquidation (1)	(*)	116,945	1	5,730	(1)	(5,730)	-	-	-		-		
Ergyca Tracker 2 S.r.l.	(*)	10,000	1	81,900	-	-	-	1	51.00%		81,900		
Culti Milano S.p.A.	(*)	no par value	2,388,750	13,235,571	-	-	14,064,000	2,388,750	77.17%		27,299,571	5.20	12,421,500
Intek Investimenti S.p.A.	(*)	7,608,000	7,608,000	8,450,175	1,500,000	1,500,000	(246,000)	9,108,000	100.00%		9,704,175		
Isno 3 S.r.l. in liquidation (2)	(*)	1,012,932	1	1,500,177	(1)	(1,500,177)	-	-	-		-		
Nextep S.r.l. social enterprise (società benefit)	(*)	10,000	-	6,000	-	-	-	-	60.00%		6,000		
Intomalte S.p.A.	(*)	516	200	1	-	-	-	200	20.00%		1		
Newcocot S.r.l. in liquidation	(*)	2,780	1	1	-	-	-	1	27.80%		1		
I2 Capital Partners SGR S.p.A. in liquidation		1,500,000	1,500,000	1,055,723	-	750,000	(1,038,000)	1,500,000	100.00%		767,723		
Immobiliare Pictea S.r.l. (3)		80,000	1	24,133,282	(1)	(19,721,000)	(4,412,282)	-	-		-		
Warrant Culti Milano S.p.A. (4)			2,230,000	379,100	(2,230,000)	(379,100)	-	-	-		-	-	-
Total				**532,626,560**		**10,729,791**	**8,609,718**				**551,966,069**		
Treasury shares (recognised as a reduction in Shareholders' equity)													
Intek Group S.p.A. savings shares		no par value	11,801	6,867	-	-		11,801	-	0.5819	6,867	0.5000	5,901
Intek Group S.p.A. ordinary shares		no par value	5,713,572	1,812,805	841,688	192,239		6,555,260	-	0.3069	2,055,044	0.3530	2,314,007
Total				**1,819,672**		**192,239**	**-**				**2,011,911**		
Total				**534,453,099**			**8,609,718**				**553,984,847**		

(*): recognised in the item "Investments in equity interests and fund units"
(1): company whose winding up was completed in 2020
(2): shares transferred to the direct subsidiary Intek Investimenti S.p.A. in 2020
(3): companies transferred to the direct subsidiary KME SE in 2020

(4): expired in 2020

List of indirect equity investments as at 31 December 2020

Company Name	Registered office	Activity	Currency	Share capital	% Stake	Investor Company	Total Equity Investment
Acqua Dynamo S.r.l. social enterprise (società benefit)	Italy	Commercial	Euro	27,000	40.00%	Intek Investimenti S.p.A.	40.00%
AML - Azienda Metalli Laminati S.p.A.	Italy	Industrial	Euro	3,300,000	24.24%	KME Mansfeld GmbH	24.24%
AMT - Advanced Mould Technology India Private Ltd.	India	Services	INR	40,000,000	71.50%	KME Special Products GmbH	71.50%
Bakel S.r.l.	Italy	Commercial	Euro	100,000	50.01%	Culti Milano S.p.A.	50.01%
Bertram's GmbH	Germany	Services	Euro	300,000	100.00%	KME Germany GmbH	100.00%
Culti Milano Asia Ltd.	China	Commercial	HKD	5,000,000	60.00%	Culti Milano S.p.A.	60.00%
Cuprum S.A.U.	Spain	Services	Euro	60,910	100.00%	KME Special Products GmbH	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 Dashan Surface Machinery Co. Ltd.	China	Industrial	RMB	10,000,000	70.00%	KME SE	70.00%
Dynamo Academy S.r.l. social enterprise (società benefit)	Italy	Services	Euro	10,000	25.00%	KME Italy S.p.A.	25.00%
EM Moulds S.p.A.	Italy	Industrial	Euro	3,090,000	100.00%	KME Special Products GmbH	100.00%
Evidal Schmoele Verwaltungsgesellschaft mbH	Germany	not operating	Euro	30,000	50.00%	KME SE	50.00%
Fossati Uno S.r.l.	Italy	Real Property	Euro	100,000	35.00%	Immobiliare Pictea S.r.l.	35.00%
GreenRecycle Srl in liquidation	Italy	in liquidation	Euro	500,000	100.00%	KME Recycle S.r.l. in liquidation	100.00%
Il Post S.r.l.	Italy	Publishing	Euro	396,516	32.51%	Intek Investimenti S.p.A.	32.51%
Immobiliare Agricola Limestre S.r.l.	Italy	Real Estate	Euro	110,000	100.00%	KME Italy S.p.A.	100.00%
Immobiliare Pictea S.r.l.	Italy	Real Property	Euro	80,000	100.00%	KME SE	100.00%
Irish Metal Industries Ltd. In liquidation	Ireland	in liquidation	Euro	127	100.00%	KME Yorkshire Ltd.	100.00%
ISNO 3 S.r.l. in liquidation	Italy	not operating	Euro	1,754,906	60.72%	Intek Investimenti S.p.A.	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 Special Products GmbH	70.00%
KME S.r.l.	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	100.00%
KME America Inc.	United States	Commercial	USD	5,000	100.00%	KME Germany GmbH	100.00%
KME America Marine Holding Inc.	United States	Holding company	USD	4,800,000	100.00%	KME Special Products GmbH	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 Chile Lda. In liquidation	Chile	Trading in metals	PSC	9,000,000	100.00%	KME Germany GmbH	100.00%
KME Germany GmbH	Germany	Industrial	Euro	20,000,000	100.00%	KME SE	100.00%
KME Grundstuecksgesellschaft SE & Co. KG	Germany	Real Estate	Euro	50,000	99.00%	KME SE	100.00%
					1.00%	KME Germany GmbH	
KME India Private Ltd. In liquidation	India	in liquidation	INR	6,500,000	99.80%	KME Germany GmbH	100.00%
					0.20%	KME SE	
KME Italy S.p.A	Italy	Industrial	Euro	93,999,000	100.00%	KME SE	100.00%
KME Kalip Servis Sanavi ve Ticaret A.S.	Turkey	Commercial	TRY	950,000	85.00%	KME Special Products GmbH	85.00%
KME Mansfeld GmbH	Germany	Industrial	Euro	38,349,000	100.00%	KME SE	100.00%
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 Special Products GmbH	100.00%
					0.01%	KME SE	
KME Polska Sp.z.o.o.	Poland	Commercial	PLN	250,000	100.00%	KME Germany GmbH	100.00%
KME Real Estate GmbH & Co. KG	Germany	Commercial	Euro	100,000	100.00%	KME SE	100.00%
KME Recycle S.r.l. in liquidation	Italy	in liquidation	Euro	2,000,000	100.00%	KME SE	100.00%
KME Rolled France SAS	France	not operating	Euro	40,000	100.00%	KME Italy S.p.A.	100.00%
KME Service Russland Ltd.	Russia	Services	RUB	10,286,000	70.00%	KME Special Products GmbH	70.00%
KME Spain S.A.U.	Spain	Commercial	Euro	92,446	100.00%	KME SE	100.00%
KME Special Products GmbH	Germany	Industrial	Euro	20,000,000	100.00%	KME SE	100.00%
KMETAL S.p.A.	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 S.r.l.	Italy	Holding company	Euro	40,000	20.00%	Intek Investimenti S.p.A.	20.00%
MKM Mansfelder Copper UK Ltd in liquidation	Great Britain	in liquidation	LST	23,859	100.00%	KME Mansfeld GmbH	100.00%
MKM France Eurl in liquidation	France	in liquidation	Euro	21,000	100.00%	KME Mansfeld GmbH	100.00%
Oasi Dynamo Società Agricola S.r.l.	Italy	Agricultural activity	Euro	35,000	57.14%	Immobiliare Agricola Limestre S.r.l.	100.00%
					42.86%	Intek Investimenti S.p.A.	
Oasi Dynamo FoodCo S.r.l.	Italy	Sale of food products	Euro	10,000	100.00%	Immobiliare Agricola Limestre S.r.l.	100.00%
P.H.M. Pehamet Sp.Zo.o.	Poland	Commercial	PLN	7,865,000	100.00%	KME Germany GmbH	100.00%
Scent Company S.r.l.	Italy	Commercial	Euro	100,000	51.00%	Culti Milano S.p.A.	51.00%
Serravalle Copper Tubes Italy S.r.l.	Italy	Industrial	Euro	3,000,000	100.00%	Trefimetaux S.A.S	100.00%
Società Agricola Agrienergia S.r.l.	Italy	Industrial	Euro	20,000	51.00%	Oasi Dynamo Società Agricola S.r.l.	51.00%
Special Steels & Alloys S.E. Asia Pte Ltd.	Singapore	Commercial	$SG	352,088	28.41%	KME Special Products GmbH	28.41%
Tekvalia AG	Switzerland	not operating	CHF	2,100,000	49.00%	KMETAL S.p.A.	49.00%
Tekvalia Recycling S.r.l. in liquidation	Italy	in liquidation	Euro	10,000	49.00%	Tekvalia AG	49.00%
Trefimetaux SAS	France	Industrial	Euro	11,000,000	100.00%	KME SE	100.00%
Valika SAS	France	Trading in metals	Euro	200,000	51.00%	KME Recycle S.r.l. in liquidation	51.00%

List of equity investments as at 31 December 2020 and changes compared to 31 December 2019

Equity investments (in Euro)	Notes	Nominal value	Balance as at 31 December 2019		Changes during the period (+ / -)		Write-backs/ (Adjustments)	Balance as at 31 December 2020				Market value at 31 December 2020	
		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	27.639.093	483.000.000	-	29.706.698	-	27.639.093	99,00%		512.706.698		
KME Germany Beteiligungs GmbH	(*)		-	1.158.000	-	-	242.000	-	100,00%		1.400.000		
Energetica Solare Snr.. in liquidation (1)	(*)	116.945	1	5.730	(1)	(5.730)	-	-	-		-		
Ergyca Tracker 2 S.r.l.	(*)	10.000	1	81.900	-	-	-	1	51,00%		81.900		
Culti Milano S.p.A.	(*)	no nominal value	2.388.750	13.235.571	-	-	14.064.000	2.388.750	77,17%		27.299.571	5,20	12.421.500,00
Intek Investimenti S.p.A.	(*)	7.608.000	7.608.000	8.450.175	1.500.000	1.500.000	(246.000)	9.108.000	100,00%		9.704.175		
Isno 3 s.r.l. in liquidation (2)	(*)	1.012.932	1	1.500.177	(1)	(1.500.177)	-	-	-		-		
Nextep S.r.l. social enterprise (società benefit)	(*)	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 S.p.A. in liquidation		1.500.000	1.500.000	1.055.723	-	750.000	(1.038.000)	1.500.000	100,00%		767.723		
Immobiliare Pictea S.r.l. (3)		80.000	1	24.133.282	(1)	(19.721.000)	(4.412.282)	-	-		-		
Warrant Culti Milano S.p.A. (4)			2.230.000	379.100	(2.230.000)	(379.100)	-	-	-		-		
Total				**532.626.560**		**10.729.791**	**8.609.718**				**551.966.069**		
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	0,5000	5.901
Intek Group S.p.A. ordinary shares		no nominal value	5.713.572	1.812.805	841.688	192.239		6.555.260	-	0,3059	2.005.044	0,3530	2.314.007
Total				**1.819.672**		**192.239**	**-**				**2.011.911**		
Total				**534.446.232**			**8.609.718**				**553.977.980**		

(*): recognised in the item "Investments in equity interests and fund units"

List of indirect equity investments as at 31 December 2020

Company Name	Registered office	Activity	Currency	Share capital	% Stake	Investor Company	Total Equity Investment
Acqua Dynamo S.r.l. social enterprise (società benefit)	Italy	Commercial	Euro	27.000	40,00%	Intek Investimenti S.p.A.	40,00%
AML - Azienda Metalli Laminati S.p.A.	Italy	Industrial	Euro	3.300.000	24,24%	KME Mansfeld GmbH	24,24%
AMT - Advanced Mould Technology India Private Ltd.	India	Services	INR	40.000.000	71,50%	KME Special Products GmbH	71,50%
Bakel S.r.l.	Italy	Commercial	Euro	100.000	50,01%	Culti Milano S.p.A.	50,01%
Bertram's GmbH	Germany	Services	Euro	300.000	100,00%	KME Germany GmbH	100,00%
Culti Milano Asia Ltd.	China	Commercial	HKD	5.000.000	60,00%	Culti Milano S.p.A.	60,00%
Cuprum S.A.U.	Spain	Services	Euro	60.910	100,00%	KME Special Products GmbH	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 Dashan Surface Machinery Co. Ltd.	China	Industrial	RMB	10.000.000	70,00%	KME SE	70,00%
Dynamo Academy S.r.l. social enterprise (società benefit)	Italy	Services	Euro	10.000	25,00%	KME Italy S.p.A.	25,00%
EM Moulds S.p.A.	Italy	Industrial	Euro	3.090.000	100,00%	KME Special Products GmbH	100,00%
Evidal Schmoele Verwaltungsgesellschaft mbH	Germany	not operating	Euro	30.000	50,00%	KME SE	50,00%
Fossati Uno S.r.l.	Italy	Real Property	Euro	100.000	35,00%	Immobiliare Pictea S.r.l.	35,00%
GreenRecycle Srl in liquidation	Italy	in liquidation	Euro	500.000	100,00%	KME Recycle S.r.l. in liquidation	100,00%
Il Post S.r.l.	Italy	Publishing	Euro	396.516	32,51%	Intek Investimenti S.p.A.	32,51%
Immobiliare Agricola Limestre S.r.l.	Italy	Real Estate	Euro	110.000	100,00%	KME Italy S.p.A.	100,00%
Immobiliare Pictea S.r.l.	Italy	Real Property	Euro	80.000	100,00%	KME SE	100,00%
Irish Metal Industries Ltd. In liquidation	Ireland	in liquidation	Euro	127	100,00%	KME Yorkshire Ltd.	100,00%
ISNO 3 S.r.l. in liquidation	Italy	not operating	Euro	1.754.906	60,72%	Intek Investimenti S.p.A.	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 Special Products GmbH	70,00%
KME S.r.l.	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	100,00%
KME America Inc.	United States	Commercial	USD	5.000	100,00%	KME Germany GmbH	100,00%
KME America Marine Holding Inc.	United States	Holding company	USD	4.800.000	100,00%	KME Special Products GmbH	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 Chile Lda. In liquidation	Chile	Trading in metals	PSC	9.000.000	100,00%	KME Germany GmbH	100,00%
KME Germany GmbH	Germany	Industrial	Euro	20.000.000	100,00%	KME SE	100,00%
KME Grundstuecksgesellschaft SE & Co. KG	Germany	Real Estate	Euro	50.000	99,00%	KME SE	100,00%
					1,00%	KME Germany GmbH	
KME India Private Ltd. In liquidation	India	in liquidation	INR	6.500.000	99,80%	KME Germany GmbH	100,00%
					0,20%	KME SE	
KME Italy S.p.A	Italy	Industrial	Euro	93.999.000	100,00%	KME SE	100,00%
KME Kalip Servis Sanavi ve Ticaret A.S.	Turkey	Commercial	TRY	950.000	85,00%	KME Special Products GmbH	85,00%
KME Mansfeld GmbH	Germany	Industrial	Euro	38.349.000	100,00%	KME SE	100,00%
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 Special Products GmbH	100,00%
					0,01%	KME SE	
KME Polska Sp.z.o.o.	Poland	Commercial	PLN	250.000	100,00%	KME Germany GmbH	100,00%
KME Real Estate GmbH & Co. KG	Germany	Commercial	Euro	100.000	100,00%	KME SE	100,00%
KME Recycle S.r.l. in liquidation	Italy	in liquidation	Euro	2.000.000	100,00%	KME SE	100,00%
KME Rolled France SAS	France	not operating	Euro	40.000	100,00%	KME Italy S.p.A.	100,00%
KME Service Russland Ltd.	Russia	Services	RUB	10.286.000	70,00%	KME Special Products GmbH	70,00%
KME Spain S.A.U.	Spain	Commercial	Euro	92.446	100,00%	KME SE	100,00%
KME Special Products GmbH	Germany	Industrial	Euro	20.000.000	100,00%	KME SE	100,00%
KMETAL S.p.A.	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 S.r.l.	Italy	Holding company	Euro	40.000	20,00%	Intek Investimenti S.p.A.	20,00%
MKM Mansfelder Copper UK Ltd in liquidation	Great Britain	in liquidation	LST	23.859	100,00%	KME Mansfeld GmbH	100,00%
MKM France Eurl in liquidation	France	in liquidation	Euro	21.000	100,00%	KME Mansfeld GmbH	100,00%
Oasi Dynamo Società Agricola S.r.l.	Italy	Agricultural activity	Euro	35.000	57,14%	Immobiliare Agricola Limestre S.r.l.	100,00%
					42,86%	Intek Investimenti S.p.A.	
Oasi Dynamo FoodCo S.r.l.	Italy	Sale of food products	Euro	10.000	100,00%	Immobiliare Agricola Limestre S.r.l.	100,00%
P.H.M. Pehamet Sp.Zo.o.	Poland	Commercial	PLN	7.865.000	100,00%	KME Germany GmbH	100,00%
Scent Company S.r.l.	Italy	Commercial	Euro	100.000	51,00%	Culti Milano S.p.A.	51,00%
Serravalle Copper Tubes Italy S.r.l.	Italy	Industrial	Euro	3.000.000	100,00%	Trefimetaux S.A.S	100,00%
Società Agricola Agrienergia S.r.l.	Italy	Industrial	Euro	20.000	51,00%	Oasi Dynamo Società Agricola S.r.l.	51,00%
Special Steels & Alloys S.E. Asia Pte Ltd.	Singapore	Commercial	$SG	352.088	28,41%	KME Special Products GmbH	28,41%
Tekvalia AG	Switzerland	not operating	CHF	2.100.000	49,00%	KMETAL S.p.A.	49,00%
Tekvalia Recycling S.r.l. in liquidation	Italy	in liquidation	Euro	10.000	49,00%	Tekvalia AG	49,00%
Trefimetaux SAS	France	Industrial	Euro	11.000.000	100,00%	KME SE	100,00%
Valika SAS	France	Trading in metals	Euro	200.000	51,00%	KME Recycle S.r.l. in liquidation	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 2020, 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 reliable analysis of the development and performance of the business and the situation of the issuer, together with a description of the principal risks and uncertainties that it faces.

Milan, 26 April 2021

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 2020, 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, by 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 2020 at Group level

The most significant transactions that took place in 2020 and in the course of this year until this report was drafted were:

Copper sector

In July 2020, the legal separation was completed of the "Special Products" and "Copper Products" businesses within the company KME Germany GmbH & Co. KG, through the creation of two companies, KME Special Products GmbH & Co. KG and KME Germany GmbH (both direct subsidiaries of KME SE).

This transaction is closely linked to the possibility to enhance the value of the two above-mentioned business areas.

Furthermore, in December 2020 the Company transferred the equity investment in Immobiliare Pictea S.r.l. (for €19.7 million) and receivables (for €10.0 million) to KME SE.

Culti Milano S.p.A.

In the course of 2020, this subsidiary concluded the acquisition of Scent Company S.r.l., operating in the olfactory branding sector.

Extraordinary finance transactions

The transaction which from a financial perspective is certainly the most significant, as previously emphasised in the report on the financial statements for the year 2019, was the issue in February 2020 of the new five-year 2020-2025 Intek Group Bond for €75.9 million and with a fixed interest rate of 4.5%.

This transaction made it possible to extend the maturity terms of the previous Bond Loan, moreover also reducing its cost.

Also as regards extraordinary finance, both the issue and the assignment of free warrants to all shareholders (ordinary and savings) with an exercise price of €0.40 are underway, as is a Public Exchange Offer on Intek Savings Shares, with the consideration of a 2020-2025 Intek Group bond with a nominal value of €21.60 for every 43 savings shares.

As described in more detail in the Directors' Report, these transactions were deferred pending the publication of the financial statement data as at 31 December 2020 and are expected to be completed by the end of July 2021.

Accounting standards applied to the Investment Entity

The separate financial statements and the consolidated financial statements were drawn up 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 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, also through meetings with the management and the independent auditor, that the determination of the fair value was reasonable, and had been made by an independent and reliable expert, identified as EY Advisory S.p.A.

Upon completion of these checks, no elements of inconsistency and/or illogicality had emerged in the conclusions reached.

The following table summarises the result of these measurements regarding the equity investments in the 2020 financial statements, compared with their book values the previous year:

Name	*Registered office*	*Percentage of interest*	*Fair value 31/12/2020*	*Fair value 31/12/2019*	*Difference*
Subsidiaries and associates					
KME SE	Osnabrück (D)	99.00%	512,707	483,000	29,707
Culti Milano S.p.A.	Milan	77.17%	27,300	13,236	14,064
Intek Investimenti S.p.A.	Milan	100.00%	9,704	8,450	1,254
KME Beteiligungsgesellsch.mbH	Osnabrück (D)	100.00%	1,400	1,158	242
Isno 3 S.r.l. in liquidation	Milan	-	-	1,500	(1,500)
Ergyca Tracker 2 S.r.l.	Florence	51.00%	82	82	-
Energetica Solare S.r.l. in liquidation	Milan	-	-	6	(6)
Nextep S.r.l. social enterprise (società benefit)	Milan	60.00%	6	6	-
Total subsidiaries and associates			**551,199**	**507,438**	**43,761**
Ducati Energia S.p.A.	Bologna	6.77%	16,013	-	16,013
Società Editoriale Vita	Milan		222	-	222
Other			12	12	-
Total other investments			**16,247**	**12**	**16,235**
Total investments			**567,446**	**507,450**	**59,996**
Culti Milano Warrant			-	379	(379)
Total other investments			**-**	**379**	**(379)**
Investments in equity interests and fund units			**567,446**	**507,829**	**59,617**

The increase in the fair value measurement of the subsidiary KME SE was due mainly to the transfer mentioned above, while for the fair value measurement of the Culti Milano S.p.A. holding, the significant increase was due to the improvements in the results for 2020.

Specifically with respect to these two investments, a specific valuation was obtained from the above-mentioned independent advisor EY Advisory S.p.A., further commented on and discussed with the independent auditor.

Atypical or unusual transactions, including intra-group or related party transactions during 2020.

The Board of Statutory Auditors is not aware of any atypical or unusual transactions during the year 2020.

Comments on ordinary transactions with related parties are provided in the Notes to the financial statements and in the Directors' Report on operations.

These transactions essentially related to the provision of services, including financial and administrative services, and receivables/payables deriving from loan transactions.

In 2020 the Board participated in the meetings of the Control and Risk Committee and received the appropriate updates from the Internal Audit department and from the Supervisory Body pursuant to Legislative Decree 231/2001, during dedicated meetings with their individual members. No critical issues emerged from those meetings.

Observations or requests for information by the Independent Auditors/complaints by Shareholders pursuant to article 2408 of the Italian Civil Code/representations

In the course of 2020 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	1,069	136	933
b) fees for non-audit services	168	75	93
- audit services for certification purposes	*14*	*12*	*2*
financial covenants, compliance opinions	-	-	-
- other fees	*154*	*63*	*91*
c) fees charged by firms in the Independent auditors' network	-	-	-
Independent Auditors' fees	**1,236**	**210**	**1,026**

In particular the Board of Statutory Auditors examined the non-audit services commissioned, 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 2020, the independent auditors issued a fairness opinion linked to the assignment of free warrants to the management.

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 had regular contacts, as mentioned above, with the Internal Audit department and the Supervisory Body pursuant to Legislative Decree 231/2001, as well as with the independent auditors Deloitte & Touche S.p.A.; at least two of its members also participated in all the meetings of the Control and Risk Committee, in addition, obviously, to continuous interaction with the Company during 2020.

During 2020, the Board of Statutory Auditors met 6 times (the same as in 2019); all members participated in all meetings (93% in the previous year).

This year, the Board of Statutory Auditors has met 3 times.

For information on the regulations and operation of the corporate bodies, see to the Report on Corporate Governance that accompanies the financial statements .

In the performance of its supervisory duties, at meetings and in frequent discussions, the Board of Statutory Auditors:

a) confirmed that the company complied with its legal requirements and Articles of Association during the year;

b) confirmed that the company respected the principles of proper management, and that there was 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 the subsidiaries had provided all the information required for the parent company to fulfil its legal reporting requirements, and that the parent had issued appropriate instructions, also pursuant to article 114, paragraph 2 of Legislative Decree 58/1998.

e) confirmed that the company's reporting obligations to the Supervisory Authorities had been met.

Where deemed necessary, the Board of Statutory Auditors also had contacts with the members of the Boards of Statutory Auditors of certain subsidiaries, and with the persons in charge at their independent auditors.

The Company has published a Report on Corporate Governance in accordance with regulatory requirements, which this Board of Statutory Auditors has found adequate for its purposes. No instances of non-compliance with these requirements emerged in the performance of our supervisory activities.

The company’s organisational structure appears to be adequate for its business.

The Board of Statutory Auditors also verified:

- that the Company adhered to the Corporate Governance Code published by Borsa Italiana S.p.A.;

- that the Company properly established the “Control and Risk Committee”, which operated regularly throughout 2020;
- that 3 of the members of the Board are independent directors, a number which is considered adequate for the activities of the Board;
- that the Executive Directors reported to the Board the operations carried out under the delegated powers conferred on them.

The Board of Statutory Auditors periodically verified that each of its members continued to fulfil the requirement for “independence” and “professionalism”, and also verified that there were no reasons that might prevent the conferment of offices, and that the rule on the accumulation of offices and the interlocking rules were complied with.

In conclusion, based on the internal and external information flows acquired, the Board of Statutory Auditors has ascertained that the organisational structure, internal procedures, corporate documents and resolutions of the corporate bodies comply with the law, the provisions of the Articles of Association and the applicable regulations, as well as with the codes of conduct that the Company has declared it will comply with.

The Board of Statutory Auditors acknowledges that each of the Company’s bodies and departments has fulfilled the reporting obligations required by the applicable laws.

The Board of Statutory Auditors reports 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 2020.

These activities led to the following conclusions:

Monitoring of compliance with the principles of proper administration

Based on the information acquired, the Board of Statutory Auditors notes that the choices made by the management were reasonable, and guided by the principle of correct information, and that the directors are aware of the risks and the effects of the transactions 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 finds 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 positively and concretely monitored the results of that organisational structure.

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

During the year 2020, as stated, no issues emerged in relation to the independence of each member of the Board of Statutory Auditors or with regard to its operation. Similarly, it encountered no issues in the operation of the Board of Directors and of the Control and Risk Committee.

In particular, there were no issues in relation to the performance of the functions of the Independent Directors who, as members of 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 duplication of 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 on the activities carried out by said Committee.

Monitoring of the adequacy of the administrative-accounting system and the independent audit of the financial statements.

The Board of Statutory Auditors was in regular contact with audit firm Deloitte & Touche S.p.A., also evaluating the materiality thresholds adopted and the ways in which the data on subsidiaries was used.

Today, Deloitte issued its own report on the financial statements without any comments.

There are no issues, with particular regard to the requirement for the appointed audit firm to be independent, also on the basis of the declaration provided today by the independent auditor itself.

Today, the Independent Auditor also issued the Additional Report to the Internal control and auditing committee (article 11, Regulation (EU) 537/2014).

The Board of Statutory Auditors also confirmed that the financial statements have been drafted according to the accounting standards adopted and that the notes to the financial statements indicate the valuation criteria adopted, their compliance with the corresponding accounting standards and the other information required by the applicable law.

Actual implementation of the rules on corporate governance

In relation to corporate governance and its adequacy, the Board of Statutory Auditors, based on the information acquired, reiterates that the Company adhered to the Corporate Governance Code prepared by Borsa Italiana S.p.A. and no issues emerged during the year.

Monitoring of relations with subsidiaries and parent companies

The Board of Statutory Auditors has received constant flows of information regarding relations with other Group companies, including through constant 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 transactions with related parties, the Board, mainly through its participation in the Control and Risk Committee, was informed of transactions with related parties and made no observations in this regard.

Analysis of the 2020 separate financial statements

The financial statements as at 31 December 2020 show a profit of €6,539,266, the allocation of which is proposed as follows:

- 5% to the legal reserve, up to €326,964;
- through allocation to a special, non-distributable reserve, pursuant to art. 6 of Legislative Decree 38/2005, of the profits from application of the fair value criterion, totalling €6,212,302.

On 30 April 2021, the Independent Auditors issued an unreserved opinion on the financial statements.

The Chairman of the Company, Vincenzo Manes, and the Manager in charge of Financial Reporting, Giuseppe Mazza, on 15 April 2021, 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 2020, and their compliance with international financial reporting standards.

Proposal to Shareholders

The Board of Statutory Auditors is of the opinion that the financial statements as at and for the year ended 31 December 2020 and the allocation of the profit for the year, as highlighted in the Annual Financial Report for the year 2020 prepared by the Board of Directors should be approved.

Milan/Florence, 30 April 2021

THE BOARD OF STATUTORY AUDITORS (with unanimous consent)

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 2020, 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 2020 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.

Deloitte.

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 2020 shows Euro 567 million of investments in equity interests and fund units measured at *fair value*, of which Euro 513 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* as main method, market multiples and transaction multiples as control methods). 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 with respect to both the company being valued 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 represented by the equity stake in KME SE, the relevance of the discretionary component of the estimates relating to the forecast of the cash flows and the determination of 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 as at 31 December 2020.
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 specialists belonging to Deloitte network, have included the following: • recognition and understanding of the process related to the *fair value* assessment of the investment; 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 2020, 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 2020 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 2020 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
April 30th, 2021

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 2020

Intek Group – Consolidated financial statements as at 31 December 2020

Consolidated Statement of financial position – Assets

(in thousands of Euro)	*Ref. Note*	*31-Dec-20*	*of which related parties*	*31-Dec-19*	*of which related parties*
Investments in equity interests and fund units	*4.1*	567,446	*551,199*	524,418	*508,027*
Non-current financial assets	*4.2*	134	*134*	3,090	*3,090*
Property, plant and equipment	*4.3*	3,925	-	12,148	-
Investment property	*4.4*	140	-	14,817	-
Intangible assets	*4.5*	7	-	8	-
Other non-current assets	*4.6*	3	-	6	-
Deferred tax assets	*4.20*	3,037	-	5,081	-
Total non-current assets		**574,692**		**559,568**	
Current financial assets	*4.7*	26,480	*1,371*	13,013	*3,352*
Trade receivables	*4.8*	4,534	*916*	13,482	*9,276*
Other current receivables and assets	*4.9*	4,122	*1,144*	5,216	*1,922*
Cash and cash equivalents	*4.10*	15,415	-	44,904	-
Total current assets		**50,551**		**76,615**	
Non-current assets held for sale		-		-	
Total assets		**625,243**		**636,183**	

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 2020

Consolidated Statement of financial position – Liabilities

(in thousands of Euro)	*Ref. Note*	*31-Dec-20*	*of which related parties*	*31-Dec-19*	*of which related parties*
Share capital		335,069		335,069	
Other reserves		98,469		100,336	
Treasury shares		(2,012)		(1,820)	
Retained earnings/(accumulated losses)		71,143		71,143	
Other comprehensive income reserve		(12)		(225)	
Profit/(loss) for the period		4,523		(1,868)	
Shareholders' equity attributable to owners of the Parent	***4.11***	**507,180**		**502,635**	
Non-controlling interests		-		-	
Total equity	***4.11***	**507,180**		**502,635**	
Employee benefits	*4.12*	368	-	354	-
Deferred tax liabilities	*4.20*	2,097	-	3,494	-
Non-current financial payables and liabilities	*4.13*	3,130	*2,911*	5,422	-
Bonds	*4.14*	75,332	-	-	-
Other non-current liabilities	*4.15*	722	-	1,801	-
Provisions for risks and charges	*4.16*	291	-	576	-
Total non-current liabilities		**81,940**		**11,647**	
Current financial payables and liabilities	*4.17*	29,960	*815*	116,134	*3,232*
Trade payables	*4.18*	1,905	*560*	1,399	*219*
Other current liabilities	*4.19*	4,258	*1,642*	4,368	*1,930*
Total current liabilities		**36,123**		**121,901**	
Total liabilities and equity		**625,243**		**636,183**	

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 2020

Consolidated Statement of profit or loss and other comprehensive income

(in thousands of Euro)	*Ref. Note*	*2020*	*of which related parties*	*2019*	*of which related parties*
Net income from investment management	*5.1*	14,750	*-*	8,388	*-*
Guarantee fees	*5.2*	876	*876*	962	*962*
Other income	*5.3*	772	*94*	3,732	*2,334*
Labour costs	*5.4*	(1,968)	*-*	(1,880)	*-*
Amortisation, depreciation, *impairment* and write-downs	*5.5*	(803)	*-*	(1,279)	*-*
Other operating costs	*5.6*	(4,756)	*(1,239)*	(7,936)	*(3,314)*
Operating profit/(loss)		**8,871**		**1,987**	
Finance income		379	*269*	920	*445*
Finance expense		(4,637)	*(43)*	(5,885)	*(108)*
Net finance expense	*5.7*	*(4,258)*		*(4,965)*	
Profit/(loss) before taxes		**4,613**		**(2,978)**	
Current taxes	*5.8*	475		977	
Deferred taxes	*5.8*	(565)		133	
Total income taxes		**(90)**		**1,110**	
Net profit/(loss) for the year		**4,523**		**(1,868)**	
Other comprehensive income:					
Measurement of employee defined benefits		(6)		*(15)*	
Items that will not be reclassified to profit or loss		(6)		(15)	
Net change in cash flow hedge reserve		(31)		(103)	
Taxes on other comprehensive income		7		25	
Items that may be reclassified to profit or loss		(24)		(78)	
Other comprehensive income, net of tax effect:		(30)		(93)	
Total comprehensive income for the year		**4,493**		**(1,961)**	
Profit/(loss) for the period attributable to:					
- non-controlling interests		-		-	
- owners of the Parent		4,523		(1,868)	
Profit/(loss) for the period		4,523		(1,868)	
Total comprehensive income attributable to:					
- non-controlling interests		-		-	
- owners of the Parent		4,493		(1,961)	
Total comprehensive income for the period		4,493		(1,961)	
Earnings per share (in Euro)					
Basic earnings/(loss) per share		0.0021		(0.0043)	
Diluted earnings/(loss) per share		0.0021		(0.0043)	

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 2019

(in thousands of Euro)	*Share capital*	*Other reserves*	*Treasury shares*	*Retained earnings/(accumulated losses)*	*Other comprehensive income reserve*	*Profit/(loss) for the period*	*Total equity attributable to owners of the Parent*	*Non-controlling interests*	*Total consolidated equity*
Shareholders' 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)
Shareholders' 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	-	-	-	-	-	-
Shareholders' 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 2020

Consolidated Statement of changes in equity as at 31 December 2020

(in thousands of Euro)	*Share capital*	*Other reserves*	*Treasury shares*	*Retained earnings/(accumulated losses)*	*Other comprehensive income reserve*	*Profit/(loss) for the period*	*Total equity attributable to owners of the Parent*	*Non-controlling interests*	*Total consolidated equity*
Shareholders' equity as at 31 December 2019	**335,069**	**100,336**	**(1,820)**	**71,143**	**(225)**	**(1,868)**	**502,635**	**-**	**502,635**
Allocation of Parent company's profit/(loss)	-	(1,043)	-	-	-	1,043	-	-	-
Allocation of subsidiaries' profit/(loss)	-	(825)	-	-	-	825	-	-	-
Purchase of treasury shares	-	-	(192)	-	-	-	(192)	-	(192)
Other	-	1	-	-	243	-	244	-	244
Comprehensive income items	-	-	-	-	(30)	-	(30)	-	(30)
Profit/(loss) for the period	-	-	-	-	-	4,523	4,523	-	4,523
Total comprehensive income	-	-	-	-	(30)	4,523	4,493	-	4,493
Shareholders' equity as at 31 December 2020	**335,069**	**98,469**	**(2,012)**	**71,143**	**(12)**	**4,523**	**507,180**	**-**	**507,180**
Reclassification of treasury shares	(2,012)	-	2,012	-	-	-	-	-	-
Shareholders' equity as at 31 December 2020	**333,057**	**98,469**	**-**	**71,143**	**(12)**	**4,523**	**507,180**	**-**	**507,180**

At 31 December 2020, the Parent Company directly held 6,555,260 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 2020

Consolidated statement of cash flows – indirect method

(in thousands of Euro)		*2020*	*2019*
(A) Cash and cash equivalents at the beginning of the year		**44,904**	**52,556**
Profit/(loss) before taxes		4,613	(2,978)
Amortisation and depreciation		579	559
Impairment/(reversal of impairment) of non-current assets other than financial assets		693	720
Impairment/(reversal of impairment) of investments and financial assets		(13,162)	(8,115)
Changes in pension funds, post-employment benefits (TFR) and stock options		8	(4)
Changes in provisions for risks and charges		(235)	(466)
(Increase)/decrease in investments		(1,987)	2,019
(Increase)/decrease in financial investments and financial assets		-	2,368
Increase/(decrease) in current and non-current financial payables to associates		(3,232)	(474)
(Increase)/decrease in current and non-current financial receivables from associates		1,900	(473)
Dividends received		-	337
(Increase)/decrease in current receivables		124	(1,393)
Increase/(decrease) in current payables		549	958
(B) Total cash flows from/(used in) operating activities		**(10,150)**	**(6,942)**
(Increase) in non-current intangible assets and property, plant and equipment		(680)	(661)
Decrease in non-current intangible assets and property, plant and equipment		623	999
Increase/decrease in other non-current assets/liabilities		(450)	(537)
(C) Cash flows from/(used in) investing activities		**(507)**	**(199)**
(Purchase) sale of treasury shares and similar securities		(192)	-
Increase/(decrease) in current and non-current financial payables		(3,051)	(1,232)
(Increase)/decrease in current and non-current financial receivables		(15,448)	721
(D) Cash flows from/(used in) financing activities		**(18,691)**	**(511)**
(E) Change in cash and cash equivalents	**(B) + (C) + (D)**	**(29,348)**	**(7,652)**
(F) Change in scope of consolidation		**(141)**	**-**
(G) Cash and cash equivalents at the end of the period	**(A) + (E) + (F)**	**15,415**	**44,904**

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

Intek Group – Consolidated financial statements as at 31 December 2020

Notes

1. <u>General information</u>

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

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

Although it is owned by Quattroduedue Holding B.V. through the wholly-owned subsidiary Quattroduedue S.p.A., 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 in its relations 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 2020 were approved by the Board of Directors on 26 April 2021 and will be published in accordance with legal requirements.

2. <u>Accounting policies</u>

2.1. Assessment of Investment Entity status

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

Paragraph 27 of IFRS 10 requires that the company:

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

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

c) measures and evaluates 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 as follows:

- 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 2020 were therefore prepared by applying the accounting standards for 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 preparation of the financial statements as from 31 December 2014.

2.2. Basis of presentation

The Consolidated financial statements as at 31 December 2020 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 2020 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 2019.

These consolidated financial statements were drafted on a going concern basis, according to the provisions of IAS 1. In evaluating the adequacy of the going concern assumption for the preparation of these financial statements, the Covid-19 health emergency and the effects of the ensuing restrictions introduced in the countries concerned, which had and continue in many respects to have a significant impact on the general context, were taken into consideration.

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 consolidated financial statements as at 31 December 2019, except for the standards effective as from 1 January 2020 laid out below, the application of which in any event had no effects.

The following IFRS accounting standards, amendments and interpretations were applied by the Group for the first time as of 1 January 2020:

- 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 did not impact the Group's consolidated financial statements.
- On 29 March 2018, the IASB issued an amendment to "References to the Conceptual Framework in IFRS Standards". The amendment is effective for periods beginning on or after 1 January 2020, but early application is permitted. The Conceptual Framework defines the fundamental concepts for financial reporting and guides the Board in the development of the IFRSs. The document helps to ensure that the standards are conceptually consistent and that similar transactions are treated in the same manner, so as to provide useful information to investors, lenders and other creditors. The Conceptual Framework supports businesses in developing accounting standards when no IFRS applies to a particular transaction and, more generally, helps the parties concerned to understand and interpret the Standards.
- On 26 September 2019, the IASB issued the amendment named "Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform". It amends IFRS 9 - Financial Instruments and IAS 39 - Financial Instruments: Recognition and Measurement as well as IFRS 7 - Financial Instruments: Disclosures. In particular, the amendment modifies some of the requirements established for the application of hedge accounting, establishing temporary exemptions to them in order to mitigate the impact deriving from the uncertainty surrounding the IBOR reform (still under way) on future cash flows in the period prior to its completion. The amendment also requires companies to provide additional information in their financial statements on their hedging relationships that are directly concerned by the uncertainties generated by the reform and to which the above-mentioned exemptions apply. The adoption of this amendment did not impact the Group's consolidated financial statements.
- On 22 October 2018 the IASB issued the document "Definition of a Business (Amendments to IFRS 3)". The document provides several clarifications on the definition of a business for the proper

application of IFRS 3. In particular, the amendment clarifies that while a business generally produces an output, the presence of an output is not strictly necessary to identify an integrated set of activities/processes and goods as a business. However, to meet the definition of a business, a set of activities/processes and goods must include, as a minimum, an input and a substantial process that together significantly contribute to the capacity to create output. To that end, the IASB replaced the term "ability to create outputs" with "ability to contribute to the creation of outputs" to clarify that a business may exist even without all inputs and processes necessary to create an output. The amendment also introduced an optional "concentration test" which makes it possible to rule out the presence of a business if the price paid substantially refers to an individual asset or group of assets. The amendments apply to all business combinations and asset acquisitions subsequent to 1 January 2020, but early application is permitted. The adoption of this amendment did not impact the Group's consolidated financial statements.

The Group has not yet applied the accounting standards listed below in paragraph 2.21, which, although already issued by the IASB, will become effective after the date of these consolidated financial statements or which have not yet completed the endorsement process by the European Union.

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

Specific notes contained in the 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 as regards income statement flows:

Name	**Registered office**	**Curren cy**	**Share capital**	**Activity**	**% ownership**	
					direct	**indire ct**
Intek Group S.p.A.	Italy	Euro	335,069,009.80	Holding company	Parent company	
I2 Capital Partners SGR S.p.A. in liquidation	Italy	Euro	1,500,000	Management of investment funds	100.00%	
Immobiliare Pictea S.r.l.	Italy	Euro	80,000	Real Property	100.00%	

The balance sheet items consolidated line-by-line relate to Intek Group S.p.A. and I2 Capital Partners SGR S.p.A. in liquidation; at the end of December 2020, effective 31 December 2020, Immobiliare Pictea was transferred to KME SE and therefore the balance sheet items at 31 December 2020 were not included in the scope of consolidation, instead the income statement balances and the cash flows were consolidated from 1 January 2020 to 31 December 2020.

For comparability with the financial statement balances at 31 December 2019, the tables in the notes include the amount of movements during the year linked to the change in the scope of consolidation ("Change in scope of consolidation" column).

Please also note that the subsidiary I2 Capital Partners SGR was placed in liquidation in the final quarter of 2020 and that in December 2020 it requested and obtained cancellation from the Register pursuant to art. 35 of Legislative Decree 58/98. The winding up procedure concluded on 31 March 2021.

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 of the HGB (Germany's commercial code and accounting standards), the indirect subsidiaries KME Special Products GmbH & Co. KG, Osnabrück, KME Grundstücksgesellschaft SE & Co. KG, Osnabrück and KME Real Estate GmbH & Co. KG, Osnabrück do not publicly disclose their financial statements. In such cases, German law (§ 264b No. 3a HGB and § 264 (3) No. 3 HGB) requires a statement indicating that the direct subsidiary KME SE and its subsidiaries KME Special Products GmbH & Co. KG, 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 Group 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 €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. Shareholders' 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 as a negative figure that reduces the shareholders' 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 timing 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 timing 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 timing 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 2020 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 432,831,670, taking account of any share splits and/or reverse share splits and any increases/reductions in share capital pursuant to IAS 33 paragraph 64.

2.20. Use of estimates

The preparation of the consolidated financial statements and notes thereto in accordance with IFRSs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. The estimates were mainly used to determine: the fair value of investments in equities and funds, investment property, the useful lives of non-current assets and the related recoverable amount, allowance for impairment, any impairment losses, the cost of employee benefits, the estimated current and deferred tax charges and other provisions.

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

2.21. Accounting standards not yet applied

As at 31 December 2020, 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 obligations arising from the insurance contracts issued by that entity. The IASB developed the standard to eliminate incongruities and weaknesses inherent in the existing accounting standards, providing a single principle-based framework that would take all types of insurance contracts into account, including the reinsurance contracts held by an insurer. This standard does not apply to the Group's activities.
- On 23 January 2020, the IASB issued an amendment named "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current". The document aims to clarify how to classify payables and other liabilities as current or non-current. The amendments enter into force as of 1 January 2022, but the IASB has issued an exposure draft to postpone their entry into force to 1 January 2023; however, early application is permitted. The adoption of this amendment is not expected to have a significant effect on the Group's consolidated financial statements.
- On 14 May 2020, the IASB issued the following amendments named:
    - Amendments to IFRS 3 Business Combinations: the amendments aim to update the reference present in IFRS 3 to the revised version of the Conceptual Framework, without this entailing amendments to the provisions of IFRS 3.
    - Amendments to IAS 16 Property, Plant and Equipment: the amendments aim not to permit the deduction from the cost of property, plant and equipment of the amount received from the sale of goods produced in the asset testing phase. Such sales revenues and the relative costs will therefore be recognised in profit or loss.
    - Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: the amendment clarifies that in the estimate on whether a contract is onerous, all costs directly attributable to the contract must be taken into consideration. As a result, the assessment of whether a contract is onerous includes not only incremental costs (such as the cost of direct material used in processing), but also all costs that the company cannot avoid because it has entered into the contract (such as the portion of personnel costs and the depreciation on the machinery used for the performance of the contract).
    - Annual Improvements 2018-2020: the amendments were made to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples of IFRS 16 Leases.
    - All amendments will enter into force on 1 January 2022. At the moment, the introduction of these amendments is not expected to have significant impacts.
- 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.

Although the following standards have been endorsed by the EU, they have not yet entered into force and have not been applied early by the Company:

- On 28 May 2020, the IASB issued an amendment named "Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)". The amendments make it possible to extend the temporary exemption from the application of IFRS 9 to 1 January 2023 for insurance. These amendments will enter into force on 1 January 2021. No impacts are expected from the application considering the activities of the Company.
- On 27 August 2020, the IASB published, in light of the reform on interbank interest rates such as the IBOR, the document "Interest Rate Benchmark Reform—Phase 2" which contains amendments to the following standards:
    - IFRS 9 Financial Instruments;
    - IAS 39 Financial Instruments: Recognition and Measurement;
    - IFRS 7 Financial Instruments: Disclosures;

- IFRS 4 Insurance Contracts; and
- IFRS 16 Leases.

All amendments will enter into force on 1 January 2021. The adoption of this amendment is not expected to have a significant effect on the financial statements.

3. Financial risk management

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

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

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

With reference to the impacts of the Covid-19 pandemic and the relative related risks, please refer to what is set forth in the report on operations.

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 €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 2020

4.1. Investments in equity interests and fund units

(in thousands of Euro)	*31 Dec 2020*	*31 Dec 2019*	*Change in scope of consolidation*	*Change*
Investments in subsidiaries and associates	551,199	508,027	-	43,172
Investments in other companies	16,247	16,012	-	235
Mutual fund units	-	-	-	-
Other investments	-	379	-	(379)
Investments in equity interests and fund units	**567,446**	**524,418**	**-**	**43,028**

The breakdown of the item, with the relative changes during the year, is as follows:

Name	*Percentage of interest as at 31/12/2020*	*31/12/2019*	*Increases*	*Decreases*	*Other movements*	*Positive change in fair value*	*Negative change in fair value*	*31/12/2020*
KME SE	99.00%	483,000	29,707	-	-	-	-	512,707
Culti Milano S.p.A.	77.17%	13,236	-	-	-	14,064	-	27,300
KME Beteiligungsgesellsch.mbH	100.00%	1,158	-	-	-	242	-	1,400
Isno 3 S.r.l. in liquidation	-	1,578	-	(78)	(1,500)	-	-	-
Intek Investimenti S.p.A.	100.00%	8,450	-	-	1,500	-	(246)	9,704
Fossati Uno S.r.l.	-	511	22	-	-	-	(533)	-
Ergyca Tracker 2 S.r.l.	51.00%	82	-	-	-	-	-	82
Energetica Solare S.r.l. in liquidation	100.00%	6	-	(6)	-	-	-	-
Nextep S.r.l. social enterprise (società benefit)	60.00%	6	-	-	-	-	-	6
Total subsidiaries and associates		**508,027**	**29,729**	**(84)**	**-**	**14,306**	**(779)**	**551,199**
Ducati Energia		16,000	13	-	-	-	-	16,013
Editoriale Vita		-	222	-	-	-	-	222
Other minor investments		12	-	-	-	-	-	12
Other investments		**16,012**	**235**	**-**	**-**	**-**	**-**	**16,247**
Total investments		**524,039**	**29,964**	**(84)**	**-**	**14,306**	**(779)**	**567,446**
Culti Milano Warrant		379	-	(379)	-	-	-	-
Total other investments		**379**	**-**	**(379)**	**-**	**-**	**-**	**-**
Investments in equity interests and fund units		**524,418**	**29,964**	**(463)**	**-**	**14,306**	**(779)**	**567,446**

The stake in KME SE increased through the transfer of the equity investment in Immobiliare Pictea (€19,723 thousand) and the transfer of receivables due from KME SE (€9,425 thousand) and from KME Yorkshire Ltd (€559 thousand).

The €1,500 thousand investment in Isno 3 was transferred to Intek Investimenti, while the stake in Ducati Energia was acquired from Immobiliare Pictea prior to its transfer to KME SE.

During the year, the winding up of Energetica Solare S.r.l. was completed and the 2017-2020 Culti Milano Warrants expired. Indeed, in the first half of the year 3,095,500 Warrants lost all rights, becoming null and void for all intents and purposes.

For the valuation of investments, reference was made to the recently updated policy for determining fair value. The updates regarded the determination of quantitative parameters for the definition of an active market for equity investments in listed companies and the definition of a range within which the variances in fair value with respect to the carrying amount were deemed insignificant in light of the principle of relevance of financial reporting and therefore they do not give rise to changes in the carrying amount.

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 2021-2025 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.

Compared to last year, the Plan is characterised by a a reduction in the estimated future cash flows for the first years, also in light of the deviations recorded in the past, especially with reference to the year 2020 as a result of the effects of the Covid-19 pandemic which entailed a reduction of roughly 13% in 2020 EBITDA with respect to that of the previous year.

The main assumptions of the Plan are:

- a decline in sales volumes of approximately 1.08% annually (against an estimated global decrease in demand for copper (2021-2025 CAGR) of 2.35%);
- an increase in added value (2021-2025 CAGR of approximately 3.7%) partially linked to the assumed rise in the price of copper. The increase in the price of copper is supported by the forecasts in the studies published by the main financial operators (2020-2024 CAGR of 2.1%);
- significant recovery in EBITDA with a CAGR of 10.86%. Recovery in the EBITDA margin as well (from 3% to 5%), which in any event remains below that of competitors.
- investments 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" of 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 of each country in which the Group operates;
- *market risk premium*: equal to 6.0%, in line with Italian valuation practices;
- debt cost: 10-year USD swap rate in December 2020 plus a 2.00% spread, for a total gross rate of 2.99%;
- Unlevered Beta 0.79: average of unlevered beta coefficients of a sample of comparable listed companies;
- Additional Alpha premium on the cost of own capital equal to 4%.
- For its impairment analyses, KME's management increased the discount rate by an additional premium of 1.5% linked to execution risk, thus reaching a WACC of 9.34% when last year it was equal to 9.67%.

To determine its equity investment in KME SE, Intek's management performed further analyses from its perspective as market participant, assuming an increase in the additional premium of 0.75 percentage points, and adjusting by 50% the component of the same nature already used to prepare the interim financial report, against the increased visibility of the effects and uncertainties of the above-mentioned health crisis, given that at that time KME SE sales trends still benefitted from orders obtained prior to the spread of the pandemic and that the above-mentioned discount rate also reflected greater growth in terms of EBITDA within the KME Plan with respect to that of its peers. To date, the market trend has been positive order and revenue situations in the first quarter, increased likelihood of economic recovery, also in light of the relaunch actions planned by central governments and, more generally, a situation of less uncertainty relating to the pandemic, thanks in part to the spread of vaccines. The reduction in the additional premium therefore reflects a situation that is returning to normal.

Thus the discount rate was 10.09%, when it was 10.37% in the 2020 interim report and 11.67% in the 2019 financial statements, factoring in an additional premium of 1.5% and 2%, respectively.

This analysis led to a present value of KME cash flows equal to around 580 million.

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 estimated net financial position as at 31 December 2020.

The equity value thus determined is equal to €517 million. As part of the various sensitivity analyses performed, please note that any change by half a percentage point in the discount rate entails a change of around €25 million in the equity value of KME.

This value was compared with those 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 market multiples also the forward-looking EBITDA.

The average of the control methods essentially confirmed the results of the main method, with deviations of less than 10%.

The equity value was then linked to a shareholding of 99% held by Intek Group, also considering the earn-out clauses signed in the 1% disposal agreements, as part of the acquisition of MKM, reaching an estimated value of €509.5 million.

This value approximates the carrying amount of the equity investment (€512.7 million), with a variance equal to 0.6% which falls within the range of variation deemed not relevant by the policy for the determination of fair value in light of the general principle of significance of financial reporting. Therefore, the carrying amount of the equity investment was not modified.

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, this year the reference market was again distinguished, including with reference to comparables, by transactions that took place with frequency and volumes that according to the policy adopted by the company were not sufficient for them to provide useful information to determine the price on an ongoing basis. As a result, the prices recorded at the end of December 2020 were not deemed representative of the fair value of the company, and it was therefore considered advisable to use the market multiples method for the valuation of the investee, applied to the preliminary results from 2020. This led to the calculation that the value of Intek Group's equity investment was €27.3 million.

As for Ducati Energia, given that a plan to develop the UCF method was not available, this equity investment was measured using the market multiples method and the transaction multiples method applied to the 2020 preliminary data. The analysis did not bring to light significant changes in the carrying amount.

For the other investments, reference was mainly made to their equity value, 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 2020*	*31 Dec 2019*	*Change in scope of consolidation*	*Change*
Guarantee fees receivable	134	426	-	(292)
Receivables due from associates	-	2,664	(2,664)	-
Non-current financial assets	**134**	**3,090**	**(2,664)**	**(292)**

"Receivables due from associates" at 31 December 2019 related to Fossati Uno S.r.l., an investment held by Immobiliare Pictea, the balance sheet items of which at 31 December 2020 are not included in the scope of consolidation.

"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:

(in thousands of Euro)	*31 Dec 2020*	*31 Dec 2019*	*Change in scope of consolidation*	*Change*
Buildings	3,297	10,393	(6,403)	(693)
Plant and equipment	-	117	(114)	(3)
Other assets	628	578	(28)	78
Advances and assets under development	-	1,060	(1,479)	419
Property, plant and equipment	**3,925**	**12,148**	**(8,024)**	**(199)**

The change in the balance compared to last year was primarily due to the exit of Immobiliare Pictea from the scope of consolidation, which entailed a negative change linked to the Foro Buonaparte, 44 property, and the recognition of existing leases pursuant to IFRS 16.

Below is the breakdown between owned and leased assets.

(in thousands of Euro)	*Owned*	*Leased*	*Total*
Buildings	-	3,297	3,297
Other assets	500	128	628
Property, plant and equipment	**500**	**3,425**	**3,925**

Changes in owned assets for the year 2020 are analysed below:

(in thousands of Euro)	*Buildings*	*Plant and equipment*	*Moveable property*	*Advances*	*Total*
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**
Gross amount at 31 December 2019	**13,506**	**127**	**2,535**	**1,060**	**17,228**
Purchases in the period	-	17	77	419	513
Change in scope of consolidation (cost)	(13,506)	(144)	(56)	(1,479)	(15,185)
Disposals (cost)	-	-	(151)	-	(151)
Gross amount at 31 December 2020	**-**	**-**	**2,405**	**-**	**2,405**
Accumulated depreciation at 31 December 2019	**(3,488)**	**(10)**	**(2,040)**	**-**	**(5,538)**
Change in scope of consolidation (depreciation provision)	3,838	30	28	-	3,896
Amortisation, depreciation, *impairment* and write-downs	(350)	(20)	(42)	-	(412)
Disposals (accumulated depreciation)	-	-	149	-	149
Accumulated depreciation at 31 December 2020	**-**	**-**	**(1,905)**	**-**	**(1,905)**
Gross amount	-	-	2,405	-	2,405
Accumulated depreciation	-	-	(1,905)	-	(1,905)
Total at 31 December 2020	**-**	**-**	**500**	**-**	**500**

Leased assets changed as follows:

(in thousands of Euro)	*Buildings*	*Plant and equipment*	*Moveable property*	*Advances*	*Total*
Gross amount	494	-	116	-	610
Accumulated depreciation	(119)	-	(33)	-	(152)
Total at 31 December 2019	**375**	**-**	**83**	**-**	**458**
Gross amount at 31 December 2019	**494**	**-**	**116**	**-**	**610**
Purchases in the period	52	-	103	-	155
Change in scope of consolidation (cost)	4,278	-	-	-	4,278
Disposals (cost)	(282)	-	(43)	-	(325)
Gross amount at 31 December 2020	**4,542**	**-**	**176**	**-**	**4,718**
Accumulated depreciation at 31 December 2019	**(119)**	**-**	**(33)**	**-**	**(152)**
Reclassifications	-	-	-	-	-
Change in scope of consolidation (depreciation provision)	(1,013)	-	-	-	(1,013)
Amortisation, depreciation, impairment and write-downs	(113)	-	(51)	-	(164)
Disposals (accumulated depreciation)	-	-	36	-	36
Accumulated depreciation at 31 December 2020	**(1,245)**	**-**	**(48)**	**-**	**(1,293)**
Gross amount	4,542	-	176	-	4,718
Accumulated depreciation	(1,245)	-	(48)	-	(1,293)
Total at 31 December 2020	**3,297**	**-**	**128**	**-**	**3,425**

4.4. *Investment property*

(in thousands of Euro)	*31 Dec 2020*	*31 Dec 2019*	*Change in scope of consolidation*	*Change*
Investment property	**140**	**14,817**	**(13,662)**	**(1,015)**

The changes in the item were as follows:

Total at 31 December 2019	**14,817**
Increases during the period	10
Decreases	(332)
Fair value adjustments	(693)
Change in scope of consolidation	(13,662)
Total at 31 December 2020	**140**

Decreases during the year are linked to the sale of several properties in the last quarter of 2020.

4.5. *Intangible assets*

(in thousands of Euro)	*31 Dec 2020*	*31 Dec 2019*	*Change in scope of consolidation*	*Change*
Other	7	8	-	(1)
Intangible assets	**7**	**8**	**-**	**(1)**

The intangible assets in the table above relate to software and have finite useful lives.

The changes during the year are analysed below:

(in thousands of Euro)	*Other*	*Advances and assets under development*	*Total*
Gross amount	20	-	20
Accumulated amortisation	(12)	-	(12)
Total at 31 December 2019	**8**	**-**	**8**
Gross amount at 31 December 2019	**20**	**-**	**20**
Purchases in the period	2	-	2
Gross amount at 31 December 2020	**22**	**-**	**22**
Accumulated amortisation at 31 December 2019	**(12)**	**-**	**(12)**
Amortisation, depreciation, *impairment* and write-downs	(3)	-	(3)
Accumulated depreciation at 31 December 2020	**(15)**	**-**	**(15)**
Gross amount	22	-	22
Accumulated depreciation	(15)	-	(15)
Total at 31 December 2020	**7**	**-**	**7**

4.6. *Other non-current assets*

The breakdown of the item is as follows:

(in thousands of Euro)	*31 Dec 2020*	*31 Dec 2019*	*Change in scope of consolidation*	*Change*
Guarantee deposits	3	6	(3)	-

Other non-current assets	**3**	**6**	**(3)**	**-**

4.7. *Current financial assets*

(in thousands of Euro)	*31 Dec 2020*	*31 Dec 2019*	*Change in scope of consolidation*	*Change*
Financial receivables from associates	521	2,421	-	(1,900)
Guarantee fees receivable	850	931	-	(81)
Financial assets held for trading	57	57	-	-
Other current financial assets	25,052	9,604	-	15,448
Current financial assets	**26,480**	**13,013**	**-**	**13,467**

At 31 December 2020, *"Financial receivables from associates"* relate to the ongoing credit line with Intek Investimenti; in addition to the €2,139 thousand loan to Intek Investimenti, the 2019 balance included €282 thousand for the ongoing credit line with KME Yorkshire Ltd, a loan transferred in December 2020.

"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"* includes €24,817 thousand for a deposit pledged to guarantee the outstanding credit line with Banco BPM, expiring in August 2021. The other assets in the financial statements as at 31 December 2019 referring to guarantee deposits were all collected during the year.

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

4.8. *Trade receivables*

(in thousands of Euro)	*31 Dec 2020*	*31 Dec 2019*	*Change in scope of consolidation*	*Change*
Due from customers - gross amount	-	*272*	*(269)*	(3)
Allowance for impairment	-	*(231)*	*231*	-
Due from customers - net amount	-	41	(38)	(3)
Due from associates	916	9,276	-	(8,360)
Receivables from factoring/leases	3,618	4,165	-	(547)
Trade receivables	**4,534**	**13,482**	**(38)**	**(8,910)**

"Receivables from factoring/leases" relate to non-performing loans from the business previously operated 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. They declined as a result of the transfer to KME SE.

4.9. *Other current receivables and assets*

(in thousands of Euro)	*31 Dec 2020*	*31 Dec 2019*	*Change in scope of consolidation*	*Change*
Tax assets	667	1,452	(22)	(763)
Receivables from special situation activities	-	300	(300)	-
Accruals and prepayments	34	237	(3)	(200)
Receivables due from associates	1,144	1,922	(42)	(736)
Other receivables	2,277	1,305	-	972

Other current receivables and assets	**4,122**	**5,216**	**(367)**	**(727)**

The *"Tax assets"* include primarily positions of the Parent Company, of which for direct taxes of €123 thousand and VAT credits of €530 thousand.

The *"Receivables for special situation activities"*, totalling €300 thousand in 2019, related to loans secured by mortgages, ascribed to Immobiliare Pictea. Therefore, as the balance sheet items do not fall within the scope of consolidation in 2020, as described above, this sub-item is equal to zero at 31 December 2020.

"Receivables due from associates" 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 accounts and cash on hand.

(in thousands of Euro)	*31 Dec 2020*	*31 Dec 2019*	*Change in scope of consolidation*	*Change*
Bank and post office accounts	15,410	44,877	(140)	(29,327)
Cash on hand	5	27	(1)	(21)
Cash and cash equivalents	**15,415**	**44,904**	**(141)**	**(29,348)**

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

4.11. Shareholders' equity attributable to owners of the Parent

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

During the year, there were no changes in the number of shares issued, while 841,688 treasury shares were acquired; following the acquisition of treasury shares, the "Reserve for treasury shares held" increased by €192 thousand.

4.12. *Employee benefits*

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

(in thousands of Euro)	*31 Dec 2020*	*31 Dec 2019*	*Change in scope of consolidation*	*Change*
Executives	88	80	-	8
Clerical workers	231	228	-	3
IAS adjustment	49	46	-	3
Employee benefits	**368**	**354**	**-**	**14**

The changes in the item were as follows:

(in thousands of Euro)	*31 Dec 2019*	*Change in scope of consolidation*	*Increases*	*Decreases*	*Contributions to the fund*	*31 Dec 2020*
Executives	80	-	37	-	(29)	88
Clerical workers	228	-	35	(23)	(9)	231
IFRS differences	46	-	3	-	-	49
Employee benefits	**354**	**-**	**75**	**(23)**	**(38)**	**368**

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

General criteria	*31 Dec 2020*	*31 Dec 2019*
Discount rate	-0.02-0.34%	0.37-0.77%
Rate of increase in future remuneration	0.5-1.0%	0.5-1.0%
Average remaining working life	5.8-15.6 years	6.3-13.1 years
General criteria		

A discount rate based on the "Iboxx Eurozone Corporate AA" index was used also at 31 December 2020 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 2020*	*31 Dec 2019*	*Change in scope of consolidation*	*Change*
Payables for financial guarantees issued	134	426	-	(292)
Due to banks	-	4,398	(3,939)	(459)
Lease liabilities	85	312	(203)	(24)
Lease liabilities - related parties	2,911	-	2,911	-
Due to others	-	286	(317)	31
Non-current financial payables and liabilities	**3,130**	**5,422**	**(1,548)**	**(744)**

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 financial liabilities maturing beyond twelve months, recognised due to the application of IFRS 16 and refer to properties and vehicles.

The change in the item "*Due to banks*" is attributable to Immobiliare Pictea, which is not included in the scope of consolidation.

4.14. Bonds

(in thousands of Euro)	*31 Dec 2020*	*31 Dec 2019*	*Change in scope of consolidation*	*Change*
Intek Group 2020/2025 Bonds	75,332	-	-	75,332
Bonds	**75,332**	**-**	**-**	**75,332**

In February 2020, the 5-year "*Intek Group 2020-2025 Bonds*" bond loan, with a fixed rate of 4.5%, was issued. The par value of the issue is €75.9 million. 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 2020*	*31 Dec 2019*	*Change in scope of consolidation*	*Change*
Payables for "special situations"	422	422	-	-
Payables for guarantees issued	300	592	-	(292)
Other payables	-	787	(642)	(145)
Other non-current liabilities	**722**	**1,801**	**(642)**	**(437)**

"Payables for special situations" originated as part of agreements with creditors and refer to untraceable creditors of the former FEB – Ernesto Breda S.p.A. proceedings (€326 thousand) and for the remainder to advances linked to former Fime Leasing positions.

"*Payables for guarantees issued*", equal to €300 thousand, refer to the non-current portion of the payable for tax liabilities, broken down into instalments over 48 months until November 2022, assumed by the Company against guarantees given during the disposal of an equity investment.

4.16. Provisions for risks and charges

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

(in thousands of Euro)	*31 December 2019*	*Change in scope of consolidation*	*Increases*	*Releases/ uses*	*31 December 2020*
Provisions for equity investment risks	225	-	-	(225)	-
Provisions for risks for tax disputes	291	-	-	-	291
Provision for special situations risks	10	-	-	(10)	-
Other provisions for risks and charges	50	(50)	-	-	-
Total	**576**	**(50)**	**-**	**(235)**	**291**

The *"Provisions for equity investment risks"* were allocated for equity investments, acquired after the merger with ErgyCapital, with negative shareholders' equity. They were used in full during the year as a result of the closure of the liquidation of the subsidiary Energetica Solare S.r.l..

The *"Provisions for risks for tax disputes"* relate to disputes concerning stamp duty and Invim of the Fime Group, recognised to the maximum extent of the estimated liability.

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 2020*	*31 Dec 2019*	*Change in scope of consolidation*	*Change*
Due to associates	373	3,232	373	(3,232)
Due to banks	25,194	5,817	(5,757)	25,134
Payables for financial guarantees issued	850	931	-	(81)
Payables for bonds	2,956	106,000	-	(103,044)
Lease payables	145	154	(19)	10
Lease payables - related parties	442	-	442	-
Current financial payables and liabilities	**29,960**	**116,134**	**(4,961)**	**(81,213)**

The item "*Due to associates*" contains the balance of the corresponding current accounts, held at market rates with remuneration set at Euribor plus a spread, in existence with Immobiliare Pictea.

Payables "*Due to banks"* refer to a €25,000 thousand credit line and the relative interest with Banco BPM, expected to mature in August 2021 and guaranteed by a current account pledged in an equal amount.

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 the comment to paragraph 4.8.

The item "*Payables for bonds*", totalling €2,956 thousand, relates to interest accruing on the 2020-2025 Intek Group Bond Loan. As at 31 December 2019, the amount of €106,000 thousand referred to the principal debt and the debt for the coupon accruing on the Intek 2015-2020 Bond maturing on 20 February 2020.

The *"Lease liabilities"* relate to the short-term share of the financial liability in application of IFRS 16.

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

4.18. *Trade payables*

(in thousands of Euro)	*31 Dec 2020*	*31 Dec 2019*	*Change in scope of consolidation*	*Change*
Due to suppliers	1,345	1,180	(88)	253
Due to associates	560	219	(50)	391
Trade payables	**1,905**	**1,399**	**(138)**	**644**

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

4.19. *Other current liabilities*

(in thousands of Euro)	*31 Dec 2020*	*31 Dec 2019*	*Change in scope of consolidation*	*Change*
Due to employees	196	176	-	20
Due to social security institutions	101	104	(2)	(1)
Tax liabilities	150	190	(5)	(35)
Due to directors for end of office indemnity (TFM)	746	722	-	24
Due to associates	896	1,208	-	(312)
Other liabilities	2,169	1,968	(6)	207
Other current liabilities	**4,258**	**4,368**	**(13)**	**(97)**

The item "*Due to employees*" mainly refers to amounts which have accrued but have not yet been settled.

As at 31 December 2020 and as at 31 December 2019, the item "*Tax liabilities*" mainly refers to payables to the exchequer, for withholding amounts to be paid.

"Due 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 the payment due date to be extended to 31 December 2021.

The item *"Due to associates"* includes the payables to directors for accrued remuneration.

The item *"Other liabilities"* includes for €1,306 thousand sums received by way of advance from former leasing customers and not offset with credit entries and for €308 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 €0.7 million. Moreover, there are losses of €40.4 million for which no deferred tax assets were recognised.

(in thousands of Euro)	*31 Dec 2020*	*31 Dec 2019*	*Change in scope of consolidation*	*Change*
Deferred tax assets	3,037	5,081	(1,513)	(531)
Deferred tax liabilities	(2,097)	(3,494)	1,410	(13)
Deferred tax assets and liabilities	**940**	**1,587**	**(103)**	**(544)**

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 2020	*31 Dec 2019*	*31 Dec 2020*	*31 Dec 2019*
Property, plant and equipment	-	-	-	(1,410)
Investment property	9	914	-	-
Equity/Financial investments	-	-	(1,548)	(1,496)
Non-current financial assets	-	-	-	-
Trade receivables	1,756	2,280	(549)	(588)
Other current receivables and assets	-	405	-	-
Current financial assets	34	22	-	-
Cash and cash equivalents	14	14	-	-
Non-current financial liabilities	-	68	-	-
Provisions for risks and charges	-	57	-	-
Other current liabilities	520	531	-	-
Deferred taxes on tax losses carried forward	704	790	-	-
Total	**3,037**	**5,081**	**(2,097)**	**(3,494)**

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*	*Non-current financial payables and liabilities*	*Current financial payables and liabilities*	*Trade payables*	*Other current liabilities*
Immobiliare Pictea S.r.l.	-	-	-	-	(2,911)	(815)	(13)	-
Culti Milano S.p.A.	-	-	9	-	-	-	-	-
Società Agricola Agrienergia S.r.l.	-	-	17	98	-	-	-	-
ErgycaTracker 2 S.r.l.	-	-	-	-	-	-	-	(21)
EM Moulds S.p.A.	-	-	58	-	-	-	-	-
Intek Investimenti S.p.A.	-	521	-	-	-	-	-	-
Isno 3 S.r.l. in liquidation	-	-	19	-	-	-	-	-
KME France Sas	-	-	2	-	-	-	-	-
KME SE	-	-	467	-	-	-	(300)	-
KMD Connectors Stolberg	-	-	-	-	-	-	-	-
KME Italy S.p.A.	-	-	175	-	-	-	(10)	-
KME Germany GmbH	-	-	77	-	-	-	(28)	-
KME Yorkshire Ltd	-	-	-	-	-	-	(8)	-
KME Spain SA	-	-	-	-	-	-	-	-
KME S.r.l.	-	-	1	-	-	-	(97)	-
Serravalle Copper Tube S.r.l.	-	-	10	-	-	-	-	-
Nextep S.r.l. social enterprise (società benefit)	-	-	14	-	-	-	-	-
Quattroduedue S.p.A.	-	-	67	-	-	-	-	-
Receivables from guarantees	134	850	-	-	-	-	-	-
Receivables/Payables for group VAT	-	-	-	42	-	-	-	-
Receivables/Payables for tax consolidation	-	-	-	1,004	-	-	-	-
Directors and Statutory Auditors	-	-	-	-	-	-	(104)	(1,621)
	134	**1,371**	**916**	**1,144**	**(2,911)**	**(815)**	**(560)**	**(1,642)**
Total	**134**	**26,480**	**4,534**	**4,122**	**(3,130)**	**(29,960)**	**(1,905)**	**(4,258)**
Percentage	**100.00%**	**5.18%**	**20.20%**	**27.75%**	**93.00%**	**2.72%**	**29.40%**	**38.56%**

Flows of costs and revenues

(in thousands of Euro)	*Guarantee fees*	*Other operating income*	*Other operating costs*	*Finance income*	*Finance expense*
Culti Milano S.p.A.	1	15	(2)	-	-
EM Moulds S.r.l.	23	-	-	-	-
Intek Investimenti S.p.A.	-	15	-	16	(19)
Isno 3 S.r.l. in liquidation	-	15	-	-	-
KME SE	750	-	-	201	-
KME Italy S.p.A.	85	-	(4)	-	-
KME Special	15	-	-	-	-
KME S.r.l.	-	-	(25)	-	-
KME Yorkshire Ltd	-	-	-	10	-
Oasi Dynamo FoodCo S.r.l.	-	-	(6)	-	-
Quattroduedue S.p.A.	-	15	-	-	-
Trèfimetaux SA	2	34	-	-	-
Directors/Statutory Auditors	-	-	(1,202)	42	(24)
	876	**94**	**(1,239)**	**269**	**(43)**

Total	**876**	**772**	**(4,756)**	**379**	**(4,637)**

Percentage	**100.00%**	**12.18%**	**26.05%**	**70.98%**	**0.93%**

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 management of equity investments

The breakdown of the item is as follows:

(in thousands of Euro)	*2020*	*2019*	*Change*	*% Change*
Value adjustments on equity investments and securities	(382)	(12)	(370)	n/a
Gains/losses from the sale of fund units and securities	10	(297)	307	-103.37%
Measurement of equity investments at fair value	14,750	8,140	6,610	81.20%
Measurement of fund units and securities at fair value	-	220	(220)	-100.00%
Dividends	372	337	35	10.39%
Net income from management of equity investments	**14,750**	**8,388**	**6,362**	**75.85%**

This item consists of the following amounts:

- value adjustments on equity investments and securities basically refer to the Culti warrants, which expired in 2020;
- the measurement of investments at fair value refers inter alia for a positive €14,064 thousand to the valuation of Culti Milano.
- dividends for €191 thousand from Culti Milano, €104 thousand from Ducati Energia and €77 thousand from Ergyca Tracker 2.

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

5.2. Guarantee fees

(in thousands of Euro)	*2020*	*2019*	*Change*	*% Change*
Guarantee fees	876	962	(86)	-8.94%
Guarantee fees	**876**	**962**	**(86)**	**-8.94%**

These refer to the remuneration of the guarantees provided for instrumental equity interests and investment guarantees for securing loans.

5.3. Other income

(in thousands of Euro)	*2020*	*2019*	*Change*	*% Change*
Income from “special situations”	538	828	(290)	-35.02%
Fund management fees	-	393	(393)	-100.00%
Lease income	105	109	(4)	-3.67%
Provision of services to associates	94	2,334	(2,240)	-95.97%
Other	35	68	(33)	-48.53%
Other income	**772**	**3,732**	**(2,960)**	**-79.31%**

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

The balance in 2019 of *“Fund management fees”* related to the I2 Capital Partners Fund (closed in July 2019).

The item "*Provision of services to associates*" contains only the amounts invoiced for administrative support to Group companies; the balance last year was influenced by the accrual of commissions relating to extraordinary transactions carried out by KME SE.

5.4. Employment costs

(in thousands of Euro)	*2020*	*2019*	*Change*	*% Change*
Wages and salaries	(1,040)	(1,044)	4	-0.38%
Social security charges	(342)	(322)	(20)	6.21%
Other personnel expense	(586)	(514)	(72)	14.01%
Employment costs	**(1,968)**	**(1,880)**	**(88)**	**4.68%**

Other personnel expense includes remuneration to associates of €330 thousand, in addition to contribution expense of €101 thousand, costs for a welfare plan of €77 thousand and an allocation to the employees' post-employment benefits (TFR) of €78 thousand.

The average number of employees is given here below:

	31/12/2020	*31/12/2019*	*Change*	*% Change*
Executives	3	3	-	0.00%
	23.08%	21.43%		
Clerical workers	10	11	(1)	-9.09%
	76.92%	78.57%		
Total employees (average)	**13**	**14**	**(1)**	**-7.14%**
	100.00%	100.00%		

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

Please see the comments under the individual asset items.

(in thousands of Euro)	*2020*	*2019*	*Change*	*% Change*
Depreciation of property, plant and equipment	(413)	(403)	(10)	2.48%
Depreciation on leased assets	(163)	(154)	(9)	5.84%
Amortisation of intangible assets	(3)	(2)	(1)	50.00%
Reversal of impairment losses on investment property	(224)	(720)	496	-68.89%
Amortisation, depreciation, *impairment* and write-downs	**(803)**	**(1,279)**	**476**	**-37.22%**

5.6. *Other operating costs*

(in thousands of Euro)	*2020*	*2019*	*Change*	*% Change*
Directors' and Statutory Auditors' fees	(1,494)	(3,334)	1,840	-55.19%
Professional services	(1,426)	(1,643)	217	-13.21%
Travel costs	(238)	(351)	113	-32.19%
Other personnel expense	(68)	(88)	20	-22.73%
Legal and company disclosure	(147)	(119)	(28)	23.53%
Electricity, heating, postal and telephone costs	(184)	(230)	46	-20.00%
Insurance premiums	(98)	(108)	10	-9.26%
Training and seminars	(14)	(28)	14	-50.00%
Real property leases	(81)	(97)	16	-16.49%
Maintenance	(207)	(816)	609	-74.63%
Leases and rentals	(76)	(68)	(8)	11.76%
Other tax charges	(251)	(293)	42	-14.33%
Membership fees	(233)	(227)	(6)	2.64%
Other net costs	(121)	(156)	35	-22.44%
Donations	(10)	(122)	112	-91.80%
Bank charges	(9)	(15)	6	-40.00%
Capital losses on real property disposals	-	(428)	428	-100.00%
	(4,657)	*(8,123)*	*3,466*	-42.67%
Release of provisions	-	230	(230)	-100.00%
Losses on receivables	(99)	(43)	(56)	130.23%
Other operating costs	**(4,756)**	**(7,936)**	**3,180**	**-40.07%**

"*Directors' and Statutory Auditors' fees*" for 2019 were mainly influenced by the accrual of variable compensation linked to the extraordinary transactions of KME, totalling €1,800 thousand.

"Travel expenses" declined as a result of Covid-19 and the related restrictions on mobility imposed since the start of the epidemiological emergency.

In 2019, the balance of "*Maintenance*" was impacted by non-recurring expenses incurred on the Varedo property.

5.7. *Net finance expense*

(in thousands of Euro)	*2020*	*2019*	*Change*	*% Change*
Interest income from associates	*269*	*445*	(176)	-39.55%
Other finance income and interest	*110*	*475*	(365)	-76.84%
Total finance income	379	920	(541)	-58.80%
Interest expense to associates	*(43)*	*(108)*	65	-60.19%
Loan interest expense	*(402)*	*(246)*	(156)	63.41%
Interest expense on securities issued	*(3,851)*	*(5,319)*	1,468	-27.60%
Interest expense on lease agreements	*(8)*	*(23)*	15	-65.22%
Other interest expense	*(51)*	*(51)*	-	0.00%
Other finance expense	*(282)*	*(138)*	(144)	104.35%
Total finance expense	(4,637)	(5,885)	1,248	-21.21%
Total net financial expense	**(4,258)**	**(4,965)**	**707**	**-14.24%**

Compared with 2019, in 2020 there were finance expense savings due to the renewal of the outstanding bond loan at lower rates and amounts.

"Other finance income and interest" was positively impacted in 2019 by the release of adjustments made pursuant to IFRS 9.

Interest income and expense from/to associates 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 on related parties.

5.8. Current and deferred taxes

(in thousands of Euro)	*2020*	*2019*	*Change*	*% Change*
Current taxes	475	977	(502)	-51.38%
Deferred taxes	(565)	133	(698)	n/a
Current and deferred taxes	**(90)**	**1,110**	**(1,200)**	**-108.11%**

Since 2007, Intek Group and most of its Italian subsidiaries have elected to apply the Italian domestic tax consolidation regime, determining IRES (Italian corporate income tax) on a taxable base that corresponds to the algebraic sum of the taxable income and losses of each of the participating entities. The financial relationships, responsibilities and mutual obligations are set out in the domestic tax consolidation regime agreement and regulations, 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)	*2020*	*2019*
Profit/(loss) before taxes	4,613	(2,978)
Theoretical tax charge *(tax rate used 24%)*	**(1,107)**	**715**
Reconciliation:		
Effect due to different tax rates:	-	-
Other effects:	-	-
- Non-deductible (expenses) and non-taxable income	(430)	(1,029)
- Tax losses – Deferred taxes not set aside	-	(159)
- Impairment losses/(reversal of impairment losses) on investments and securities	1,935	1,592
- Current taxes for previous years	(488)	(9)
Taxes recognised in profit or loss	**(90)**	**1,110**

6. ***Additional information***

6.1. Financial instruments by category

	31 Dec 2020	*31 Dec 2019*	*Change*
Financial assets at fair value through profit or loss	568,487	525,832	42,655
Financial assets at fair value through other comprehensive income	-	-	-
Amortised cost	48,980	76,845	(27,865)
Financial assets	**617,467**	**602,677**	**14,790**
Financial liabilities at fair value through profit or loss	(984)	(1,643)	659
Financial payables and liabilities at amortised cost	(114,173)	(127,291)	13,118
Financial liabilities	**(115,157)**	**(128,934)**	**13,777**

6.2. Financial instruments by financial statement item

Financial instruments and reconciliation with financial statement items at 31 December 2020:

(in thousands of Euro)	*Total*	*At amortised cost*	*At fair value*	*Outside the scope of IFRS 7*
Investments in equity interests and fund units	567,446	-	567,446	-
Non-current financial assets	134	-	134	-
Investments	-	-	-	-
Other non-current assets	3	3	-	-
Trade receivables	4,534	4,534	-	-
Other current receivables and assets	4,122	3,455	-	667
Current financial assets	26,480	25,573	907	-
Cash and cash equivalents	15,415	15,415	-	-
Total financial assets	**618,134**	**48,980**	**568,487**	**667**
Non-current financial payables and liabilities	(3,130)	(2,996)	(134)	-
Bonds	(75,332)	(75,332)	-	-
Other non-current liabilities	(722)	(722)	-	-
Current financial payables and liabilities	(29,960)	(29,110)	(850)	-
Trade payables	(1,905)	(1,905)	-	-
Other current liabilities	(4,258)	(4,108)	-	(150)
Total financial liabilities	**(115,307)**	**(114,173)**	**(984)**	**(150)**

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. 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	567,446	-	-	567,446
Non-current financial assets	134	-	-	134
Current financial assets	907	-	-	907
Total financial assets	**568,487**	**-**	**-**	**568,487**
Non-current financial payables and liabilities	(134)	-	-	(134)
Current financial payables and liabilities	(850)	-	-	(850)
Total financial liabilities	**(984)**	**-**	**-**	**(984)**

The financial instruments recognised in the statement of financial position at fair value consist of equity investments and guarantees issued which are level 3 assets. For the determination of the fair value of the equity 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 2020.

6.4. Credit risk exposure and impairment losses

The carrying amount of financial assets is the Group's maximum exposure to credit risk.

6.5. Currency risk exposure

At 31 December 2020, there were no assets or liabilities in foreign currency.

6.6. Exposure to the risk of fluctuations in share value

The carrying amount of financial assets is the Intek Group's maximum exposure to this risk.

6.7. Interest rate risk exposure

As at 31 December 2020 the Group's interest-bearing financial assets and liabilities had the following interest rate risk exposure:

(in thousands of Euro)	*31 Dec 2020*	*31 Dec 2019*
Financial assets	-	-
Financial liabilities	(78,915)	(110,865)
Fixed rate instruments	**(78,915)**	**(110,865)**
Financial assets	40,983	59,566
Financial liabilities	(25,567)	(8,894)
Floating rate instruments	**15,416**	**50,672**

A 50-base-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 €75 thousand.

6.8. Liquidity risk exposure

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

* * *

7. ***Commitments and guarantees***

Intek Group is the guarantor for KME SE and its main subsidiaries for €100 million for the loan obtained from a pool of banks and for additional bank credit facilities for €15.6 million.

A loan disbursed to Tecno Servizi S.r.l. (a company incorporated into Immobiliare Pictea in 2017) is also subject to a guarantee from Mediocredito originally for €7.8 million, with a residual value of €4.8 million.

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

Annexes to the notes:

Reconciliation of the profit/(loss) of the Parent company Intek Group S.p.A. and the consolidated profit/(loss) for the year 2020:

(in thousands of Euro)	*31 Dec 2020*
Profit/(loss) of Intek Group S.p.A.	**6,539**
Profit/(loss) of consolidated companies (1)	6,598
Reversal of impairment losses on investments	(1,038)
Elimination of dividends received	(6,000)
Amortisation of excess cost allocation on property (net of tax effect)	(127)
Fair value measurement of investments held by subsidiaries (net of tax effect)	(1,164)
Cancellation of the effect of IFRS 16 on intra-group transactions	(91)
Cancellation of the effect of IFRS 9 on intra-group transactions	(194)
Group's consolidated net profit/(loss)	**4,523**

Reconciliation of the equity of the Parent Company Intek Group S.p.A. and the attributable consolidated equity for the period ended 31 December 2020:

There are no differences between the equity of the parent company and the consolidated equity: both amount to €507 million.

**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 2020, 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, 26 April 2021

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

Report of the Board of Statutory Auditors of INTEK Group S.p.A. on the consolidated financial statements as at 31 December 2020

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 2020.

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 2020, which shall be considered as totally referred to herein.

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 EY Advisory 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. At the end of the year, the differences between equity in the separate financial statements and in the consolidated financial statements were cancelled out due to the exit from the scope of consolidation of Immobiliare Pictea S.r.l..

It is therefore deemed useful to highlight, for better understanding, the comparison between the result for the year of the Parent Company and the consolidated result:

Reconciliation of the profit/(loss) of the Parent company Intek Group S.p.A. and the consolidated profit/(loss) for the year 2020:

(in thousands of Euro)	*31 Dec 2020*
Profit/(loss) of Intek Group S.p.A.	**6,539**
Profit/(loss) of consolidated companies (1)	6,598
Reversal of impairment losses on investments	(1,038)
Elimination of dividends received	(6,000)
Amortisation of excess cost allocation on property (net of tax effect)	(127)
Fair value measurement of investments held by subsidiaries (net of tax effect)	(1,164)
Cancellation of effect of IFRS 16 on intra-group transactions	(91)
Cancellation of effect of IFRS 9 on intra-group transactions	(194)
Group's consolidated net profit/(loss)	**4,523**

SCOPE OF CONSOLIDATION

As every year, the scope of consolidation and the list of companies consolidated on a line-by-line basis are provided below:

Name	**Registered office**	**Currency**	**Share capital**	**Activity**	
Intek Group S.p.A.	Italy	Euro	335,069,009.80	Holding company	Pa
I2 Capital Partners SGR S.p.A. in liquidation	Italy	Euro	1,500,000	Management of investment funds	
Immobiliare Pictea S.r.l.	Italy	Euro	80,000	Real Property	

Please note that Immobiliare Pictea was included only for income statement flows as a result of the transfer at the end of the year.

ACCOUNTING DOCUMENTS WHICH COMPRISE THE CONSOLIDATED FINANCIAL STATEMENTS

On 15 April 2021 the Chairman of the Company, Vincenzo Manes, and the Manager in charge of Financial Reporting, Giuseppe Mazza, 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 2020, and their compliance with international financial reporting standards.

On 30 April 2021, the Independent Auditors Deloitte & Touche S.p.A. issued an unreserved opinion 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 consolidated financial statements.

Information on the most important events, related party and/or intra-group transactions in 2020, reports and representations made by shareholders or third parties and, in general, oversight and controls, is contained in the Report of the Board of Statutory Auditors on the separate financial statements for the year.

In conclusion, the Board of Statutory Auditors is of the opinion that the consolidated financial statements and accompanying documents adequately reflect the Group's financial position and results of operations as at 31 December 2020.

The consolidated financial statements and accompanying documents have only been provided to Shareholders for information purposes and do not require approval.

Florence/Milan, 30 April 2021

THE BOARD OF STATUTORY AUDITORS (with unanimous consent)

The Chairman of the Board of Statutory Auditors

(signed Marco Lombardi)

Deloitte.

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INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014

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

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Intek Group S.p.A. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, 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.

Deloitte.

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 2020 shows Euro 567 million of investments in equity interests and fund units measured at *fair value*, of which Euro 513 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* as main method, market multiples and transaction multiples as control methods). 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 with respect to both the company being valued 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 represented by the equity stake in KME SE, the relevance of the discretionary component of the estimates relating to the forecast of the cash flows and the determination of 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 as at 31 December 2020.
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 specialists belonging to Deloitte network, have included the following: • recognition and understanding of the process related to the *fair value* assessment of the investment; 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 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 2020, 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 2020 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 2020 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
April 30th, 2021

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