INTEK GROUP

INTERIM FINANCIAL REPORT
AS AT 30 JUNE 2020
(1ST HALF 2020)

Drafted pursuant to art. 154-ter of the Consolidated Law on Finance (TUF)

Board of Directors
of 28 September 2020

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

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Company Bodies

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

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

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

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

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

Manager in charge of Financial Reporting	Giuseppe Mazza
Independent Auditors *(appointed by the shareholders' meeting of 31 May 2016)*	Deloitte & Touche SpA
Common Representative of Savings Shareholders	Simonetta Pastorino
Common Representative of the "Intek Group SpA 2020/2025 Bond" Holders	Rossano Bortolotti

Interim report on operations

Dear Shareholders,

As is well known, since January 2020 the domestic and international scenario has been characterised by the progressive spread of Covid-19 and the resulting restrictive measures to contain it enacted by the public authorities of the countries concerned. These circumstances, extraordinary in terms of their nature as well as their extent, caused a very unfavourable global macroeconomic scenario throughout the first half of the year which, despite some positive signs of a partial recovery in Europe, is expected to continue for the entire year within a highly uncertain environment. Within this situation of uncertainty, Intek Group S.p.A. (hereinafter, also “Intek” or the “Company”) in any event continued to carry out its investment enhancement programmes.

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

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

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

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

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

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

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

The main events characterising the operations of Intek and its investees in the first half of 2020 are described below.

(i) 2020-2025 Bond Loan

In February 2020, a bond loan in the amount of Euro 75.9 million, with a 5-year maturity and a 4.5% interest rate was finalised and requests, from the public offer of subscriptions and the exchange offer on the previous Intek bonds, were collected for Euro 92.6 million.

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

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

(ii) Copper sector

Gross operating profit (EBITDA) as at 30 June 2020 was Euro 40.6 million; it was 3.0% higher than the same figure in the first half of 2019 (Euro 39.4 million). Net operating profit (EBIT) amounted to Euro 19.7 million compared to Euro 16.6 million of the first half of 2019.

On 1 July 2020, the legal separation of the KME Germany "Copper" and "Special" divisions became effective. The activities of the two businesses are now carried out by two separate companies, both controlled directly by KME SE: KME Germany GmbH and KME Special Products GmbH.

The Covid-19 situation and the new legal entity focus have led the management of the company to increase the speed of cost optimisation measures in KME Germany GmbH.

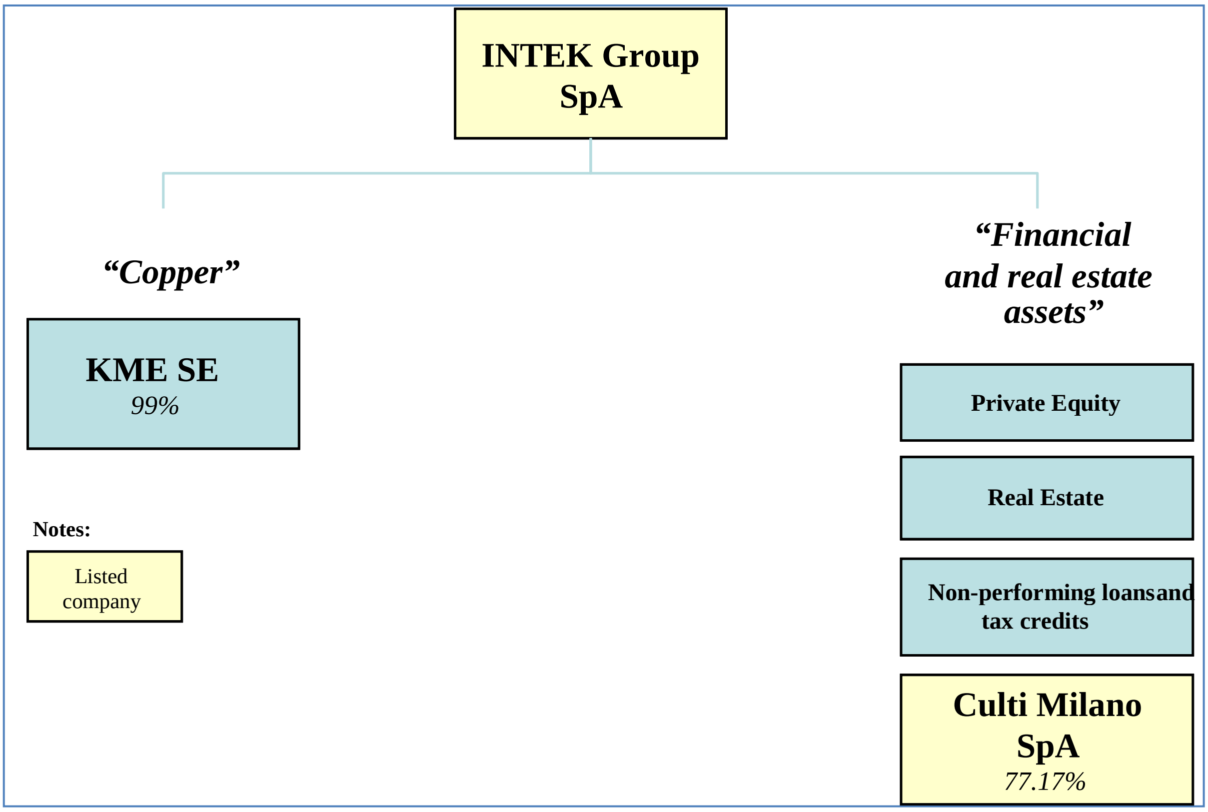
(iii) Culti Milano SpA

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

Part of this context is also, after the acquisition of the majority holding of Bakel Srl, the acquisition of Scent Company Srl, a company active in olfactory and sanitisation branding, with an investment of Euro 1.8 million.

In the first half of 2020, the consolidated revenue of Culti amounted to Euro 4.5 million, EBITDA reached Euro 0.6 million and EBIT Euro 0.3 million. These results do not include those of Scent Company since it was acquired in June 2020.

Summary of the Group's corporate structure



Intek Group is currently operating in the following investment sectors:

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

Financial position and results of operations of the Parent Company Intek Group

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

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

Intek's financial highlights as at 30 June 2020, compared to 31 December 2019, are summarised in the table below. [1]

Condensed separate statement of financial position

(in thousands of Euro)	*30 Jun 2020*		*31 Dec 2019*	
Copper	**494,123**	**89.21%**	**494,434**	**89.42%**
Financial and real estate assets				
Private Equity	*1,635*		*1,580*	
Non-operating assets	*10,529*		*9,952*	
Real Estate/Others	*34,073*		*33,308*	
Culti/Other services	*13,325*		*13,427*	
Total financial and real estate assets	**59,562**	**10.75%**	**58,267**	**10.54%**
Other assets/liabilities	**213**	**0.04%**	**222**	**0.04%**
Net investments	**553,898**	**100.00%**	**552,923**	**100.00%**
Outstanding bonds (*)	*(76,427)*		*(106,000)*	
Net cash from third parties	*18,951*		*53,914*	
Net financial debt of the holding company to third parties	**(57,476)**	**10.38%**	**(52,086)**	**9.42%**
Total equity	**496,422**	**89.62%**	**500,837**	**90.58%**

Notes:

- *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 follows the "ESMA" ("European Securities and Markets Authority") guidelines of 5 October 2015. APIs are financial indicators of financial performance, financial position or historical or future cash flows other than the financial indicators defined or specified in the applicable rules on financial reporting. APIs are calculated by adding or subtracting amounts from the data presented in the financial statements drafted in compliance with the rules applicable to financial reporting. The APIs have been consistent over time and were not redefined compared to prior years.*

Investments

The Net investments held by the Company amounted to Euro 553.9 million as at 30 June 2020, remaining aligned with the figure as at 31 December 2019 (Euro 552.9 million). Also the incidence of the individual sectors remains unchanged, with the copper sector continuing to represent Intek's main investment segment (roughly 89%).

Equity

The holding company's equity amounted to Euro 496.4 million compared to Euro 500.8 million as at 31 December 2019; the change is to be attributed to the results for the period. Equity per share was Euro 1.15, unchanged versus the same figure as at 31 December 2019.

The **Share Capital** as at 30 June 2020 was unchanged compared to the same figure as at 31 December 2019, standing at Euro 335,069,009.80, divided into 389,131,478 ordinary shares and 50,109,818 savings shares. None of the shares have a nominal value.

As at 30 June 2020, Intek held 6,555,260 ordinary treasury shares (1.68% of the shares in this category), an increase of 841,688 securities following acquisitions carried out in March 2020. Also as at 30 June 2020, Intek held 11,801 savings shares (i.e. 0.024% of the share capital in this category).

Financial management

Net financial debt of the holding company to third parties (excluding intra-group loans and lease liabilities) totalled Euro 57.5 million as at 30 June 2020. The balance as at 31 December 2019 was Euro 52.1 million.

Intek's reclassified net financial position as at 30 June 2020, compared to 31 December 2019, can be broken down as follows:

Reclassified net financial position

(in thousands of Euro)		*30 Jun 2020*	*31 Dec 2019*
Cash and cash equivalents		(19,266)	(44,639)
Other financial assets		(235)	(9,604)
Current financial receivables from subsidiaries		(9,358)	(10,774)
(A) Net financial assets	**(A)**	**(28,859)**	**(65,017)**
Intek Group Bonds		1,240	106,000
Financial payables to subsidiaries		1,357	4,256
Short-term financial payables for leases		569	552
(B) Short-term financial payables	**(B)**	**3,166**	**110,808**
(C) Short-term net financial position	**(A) - (B)**	**(25,693)**	**45,791**
Long-term financial payables for leases		3,206	3,444
Bank loans		262	-
Intek Group Bonds		75,187	-
(D) Medium to long-term financial payables	**-**	**78,655**	**3,444**
(E) Net financial position	**(C) - (D)**	**52,962**	**49,235**

Medium/long-term bank loans are shown net of sums restricted to secure them.

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

Statement of cash flows – indirect method			
(in thousands of Euro)		*1st half 2020*	*1st half 2019*
(A) Cash and cash equivalents at the beginning of the year		**44,639**	**51,902**
Profit/(loss) before taxes		(4,484)	(3,113)
Amortisation and depreciation		327	319
Impairment/(reversal of impairment) of current and non-current financial assets		900	(382)
Changes in pension funds, post-employment benefits (TFR) and stock options		10	6
Changes in provisions for risks and charges		(235)	-
(Increase)/decrease in equity investments		5	4,385
(Increase)/decrease in other financial investments		-	(2,297)
Increase/(decrease) in financial payables to related companies		(2,899)	(385)
(Increase)/decrease in financial receivables from related companies		1,181	(1,172)
(Increase)/decrease in current receivables		316	(3,187)
Increase/(decrease) in current payables		383	1,930
(B) Total cash flows from/(used in) operating activities		**(4,496)**	**(3,896)**
(Increase) in non-current intangible assets and property, plant and equipment		(67)	(4)
Decrease in non-current intangible assets and property, plant and equipment		-	228
(Increase)/decrease in instrumental equity investments		(550)	-
Increase/decrease in other non-current assets/liabilities		(141)	(119)
(C) Cash flows from/(used in) investing activities		**(758)**	**105**
(Purchase) sale of treasury shares		(192)	-
Increase/(decrease) in current and non-current financial payables		(4,714)	(2,956)
(Increase)/decrease in current and non-current financial receivables		(15,213)	(185)
(D) Cash flows from/(used in) financing activities		**(20,119)**	**(3,141)**
(E) Change in cash and cash equivalents	**(B) + (C) + (D)**	**(25,373)**	**(6,932)**
(G) Cash and cash equivalents at the end of the period	**(A) + (E)**	**19,266**	**44,970**

The Income Statement below was reclassified by indicating the results of investments, inclusive of their management costs, in a dedicated section.

Reclassified income statement		
(in thousands of Euro)	*1st half 2020*	*1st half 2019*
Fair value changes and other gains/losses from investment management	7	1,054
Investment management costs	(74)	(53)
Gross profit/(loss) from investments	**(67)**	**1,001**
Guarantee fees assets (a)	443	487
Net operating costs (b)	(2,101)	(1,748)
Overheads (a) - (b)	*(1,658)*	*(1,261)*
Reclassified operating profit/(loss)	**(1,725)**	**(260)**
Net finance expense	**(2,169)**	**(2,085)**
Profit/(loss) before taxes and non-recurring items	**(3,894)**	**(2,345)**
Non-recurring income/(expenses)	(590)	(768)
Profit/(loss) before taxes	**(4,484)**	**(3,113)**
Taxes for the year	257	71
Net profit (loss) for the period	**(4,227)**	**(3,042)**

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.

* * *

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

* * *

Covid-19

As a holding company, Intek Group had limited direct effects of the pandemic that developed over the initial months of 2020. The lockdown measures introduced to limit the effects of contagion did not stop company activities, which were carried out remotely. Beginning in mid-May, the Foro Buonaparte office was gradually reopened, adopting the protections required to guarantee employee and associate safety.

The climate of uncertainty ensuing from the spread of the pandemic initially provoked an inevitable slowdown in the implementation of investment and disinvestment strategies. Nonetheless, as highlighted below in this report, these programmes also continued at the level of the individual subsidiaries. They were able to limit the negative effects of the pandemic, thus guaranteeing continuity of results.

Intek Group 2020-2025 Bond loan

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

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

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

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

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

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

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

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

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

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

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

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

The Offer was subject to

i. the MAC condition;

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

As a result of the Covid-19 emergency, it was not possible to hold the necessary ordinary and extraordinary shareholders' meetings regarding this transaction, which were originally called for 24 and 25 February and subsequently for 27 and 30 March 2020. On 13 March 2020, the relative Offer Document was submitted to Consob. As a result of the governmental measures linked to Covid-19, the terms of the Consob screening were suspended until 15 May.

In light of the well-known extraordinary circumstances linked to Covid-19, and the postponements of the Shareholders' Meeting mentioned above, the Company reported to Consob the possibility of deferring subsequent to the publication of the Interim Financial Report the above-mentioned Ordinary and Extraordinary Shareholders' Meeting and, as a result, the Offer, to be able to provide the market with a full and updated disclosure also with reference to any potential impacts of the ongoing pandemic on the activities and results of its investees and as a result of the Company. Consob then disclosed 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 Offer.

The Board of Directors, at the meeting of 28 September, after acknowledging the Intek Group's and its subsidiaries' performance, also subsequent to the extraordinary circumstances related to Covid-19, resolved to meet by and not beyond the first ten days of October in order to decide on convening the Ordinary and Extraordinary Shareholders' Meeting in preparation for the promotion, pursuant to art. 102 of the TUF, of the Public Exchange Offer on the Savings Shares of the Intek Group.

Performance in the various investment sectors

A description is provided below of the performance of the management of Intek's investments as at 30 June 2020, represented by the following main equity investments: KME SE, the holding company of the KME Group and Culti Milano SpA.

It is hereby reiterated that the equity investments held for investment purposes are measured at fair value through profit or loss.

The other equity investments held in the portfolio, deemed instrumental to the Company's activities, include: I2 Capital Partners SGR and Immobiliare Pictea. Pursuant to the application of the accounting standard on Investment Entities, these are the only companies included in the scope of the consolidated financial statements together with the parent company Intek.

With regard to the instrumental investees, following the comment on the investments, we provide a brief summary of the equity, income and cash flow performance for the first half of 2020.

* * *

Copper sector

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

(in thousands of Euro)	*30 Jun 2020*	*31 Dec 2019*
KME SE investment	483,000	483,000
KME Beteiligungsgesellsch. mbH investment	1,158	1,158
Other	9,965	10,276
Total "Copper"	**494,123**	**494,434**

* * *

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

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

- the "*Engineering*" products are characterised by high value added and high technology which makes it possible to offer innovative, high performance solutions for casting in the iron and steel industry and of non-ferrous metals. This category of products includes, *inter alia*, tube moulds, cooling plates, casting wheels and crucibles, aside from a complete portfolio of moulds for remelting, copper staves, casting rollers for steel and aluminium strips;
- the "*Special Semis*" products are special products in copper alloys used in various industrial applications, particularly in the automotive, maritime, chemical, petrochemical and civil engineering sectors. This category of products includes, *inter alia*, 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*" division instead features a wide array of products for multiple uses in the mechanical, automotive, medical, construction and renewable energy sectors. This product division includes, *inter alia*, products in 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.

Due to the multiple fields of application of copper and copper alloy semi-finished and special products, demand for these products is closely linked to the general economic development of the reference markets.

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

In the Eurozone, where the KME Group has the most concentrated presence, previous growth has transformed into stagnation due to the slowdown in the automobile industry as well as exports. Uncertainty with respect to general economic trends, due to the development of the Covid-19 crisis and control over it, and also influenced by geopolitical tensions, is the greatest risk factor for economic activity.

The difficult macroeconomic scenario of recent years has led the units operating in the "copper" sector to reinforce their operational efficiency and organisational flexibility and to rationalise the portfolio, in order to concentrate resources on high added value businesses and companies with a greater growth potential. This led to a clear strategic focus and, in Germany, in light of strong demand for components for connectors, investments for the development of the alloy strip products, which have high added value for applications involving electric mobility and digitalisation. The project was finalised in the final quarter of 2019. Production began successfully in January 2020, but it suffered from a slowdown due to delays by end customers in the issue of quality certifications as a result of the Covid situation in the first and second quarters of 2020.

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

On 1 July 2020, the separation of the KME Germany "Copper" and "Special" divisions became effective. The activities of the two businesses are now carried out by two separate companies, both controlled directly by KME SE: KME Germany GmbH and KME Special Products GmbH.

The situation related to Covid and the focus on the new legal entity have led the management of the company to pursue an acceleration of the cost optimisation measures adopted by KME Germany GmbH.

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

Demand trends for **semi-finished products in copper and copper alloys for the industrial sector**, in which the KME Group strives to be an important industrial player by making available its traditional know-how in the field of metallurgy, are confirming signs of long-term stability, although to varying extents in the different segments. Moreover, signs of a sudden negative trend are emerging in all applications indirectly linked to the automotive segment, due to uncertainty surrounding the development of technological standards and the prolonged destocking activity throughout the value chain in the automotive sector, also struck by sudden closures due to Covid, and the electronics sector, which is naturally more stable in traditional segments and has interesting outlooks for long-term growth in the development of electric mobility and digitalisation. The year 2020 began with a good order portfolio relating to products for industrial applications, primarily for defence and the replenishment of stocks in the supply chain. The defence sector is stable and to date has not experienced negative impacts from the Covid crisis.

In the first half of 2020, **the special products division** was characterised by a strong order portfolio deriving from commercial activities in 2019. The year 2020 began with a significant increase in orders compared to the end of 2019, driven primarily by Asian demand, an increase in maintenance activity in the iron and steel and metallurgical sector and the further increase in activities linked to naval defence.

Engineering products

For slab ingot moulds, volumes were positive, while in tubular ingot moulds the standard mix with average margins saw a downturn compared to the previous year. AFM plates for China contributed positively to the margin average.

Revenue exceeded targets, with a slight improvement in margins despite the increase in costs relating to the German production units. In the second half of 2020, KME expects lower order flows, as general market conditions are still negatively influenced by the Covid crisis.

Products for maritime use and tube bundles

In the segment relating to maritime use, the order flow was positive in all end use markets, primarily thanks to the production assets in Jacksonville (United States), which support the orientation towards the defence market. Defence orders were confirmed and production increased with a positive start in 2020. The oil and gas markets are extremely volatile, and the largest projects in this segment have been suspended.

Extruded and drawn products

Sales and order flows were below 2020 targets. In Europe, the German market was influenced by trends in the automotive sector, while demand in Spain, Italy and even in France was impacted by the general weakness in the economy and industrial output levels. The performance of this business unit, primarily linked to the European industrial sector, negatively influenced the development of the order portfolio due to the Covid crisis. Orders from customers headquartered in the United States also suffered from a decline in the first half of 2020.

* * *

The main results of the copper sector for the first half of 2020, compared to the same period of the previous year, can be summarised as follows:

Key results of the copper sector		
(in millions of Euro)	*1st half 2020*	*1st half 2019*
Revenue (net of raw materials)	247.1	281.5
EBITDA	40.6	39.4
EBIT	19.7	16.6
Group’s consolidated net profit/(loss)	(46.6)	25.1
Net debt *	264.3	237.1

** as at 30 June 2020*

The **Consolidated revenue**, net of the value of raw materials, has decreased from Euro 281.5 million to Euro 247.1 million, a 12.2% decline.

EBITDA as at 30 June 2020 was Euro 40.6 million; 3.0% higher than the figure of the first half of 2019 when it stood at Euro 39.4 million.

EBIT was Euro 19.7 million (Euro 16.6 million in the first half of 2019).

Profit (loss) before non-recurring items was 0 (negative by Euro 3.9 million in the same period of 2019).

In June 2020, the **Consolidated net profit/(loss)** of the copper sector showed a loss of Euro 46.2 million (compared to profit of Euro 25.5 million in the first half of 2019).

The above-mentioned result was negatively impacted by the effects of the valuation of inventories and forward agreements for Euro 19.2 million compared to the negative figure of Euro 1.3 million in 2019.

The results in the first half of 2020 were negatively influenced by **non-recurring costs** of Euro 10.0 million, of which Euro 5.9 million relating to restructuring costs linked to the implementation of synergies.

The KME **Group's consolidated net profit/(loss)** showed a loss of Euro 46.6 million (compared to profit of Euro 25.1 million in 2019, which had benefitted from the effect of extraordinary transactions).

The KME **Group's total net profit/(loss)** showed a loss of Euro 47.7 million (compared to profit of Euro 16.2 million in 2019).

As at 30 June 2020, **Equity** was Euro 127.8 million.

The **Net Financial Position** as at 30 June 2020 was negative to the tune of Euro 264.3 million, compared to Euro 237.1 million at the end of December 2019. The increase was primarily due to the change in financial instruments measured at fair value and, to a residual extent, the seasonal nature of working capital.

Please note that, as at 30 June 2020, the subsidiary KME Mansfeld GmbH had a credit line granted by a pool of banks for a total of up to around Euro 151 million, consisting of two tranches:

(a) Tranche A consisting of a revolving loan of up to Euro 146 million maturing in December 2021 including a run off period of 12 months

(b) Tranche B consisting of a line with quarterly amortisation until December 2021 for roughly Euro 5 million.

In addition, there is around Euro 4.9 million in amortisable lines.

During the third quarter of 2020, KME Mansfeld GmbH, as part of the integration process, entered the pool bank loan of the KME group, coordinated by Deutsche Bank. The loan was increased up to Euro 395 million while the bank consortium relating to Tranche A of KME Mansfeld was closed and Tranche B was increased by Euro 25 million maturing in the third quarter of 2024 and with quarterly amortisation starting from the third quarter of 2022.

The KME loans (bank pool and factoring) contain similar 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 high-yield bond loans.

As at 30 June 2020, the KME group had fully respected all covenants.

As at 30 June 2020, Total Investments amounted to Euro 9.0 million (Euro 26.0 million in June 2019).

The number of Employees at 30 June 2020 was 3,916 (3,991 at the end of 2019).

The average commodity price of copper decreased by 12.37% in US$ in the second quarter of 2020 compared to the same period of the previous year (from US$ 6,113/tonne to US$ 5,357/tonne) and by 10.7% in Euro (from Euro 5,440/tonne to Euro 4,859/tonne). In terms of trend, average copper prices decreased by 4.97% in US$ compared to the first quarter of 2020 (from US$ 5,637/tonne to US$ 5,357/tonne), and by 4.9% in Euro (from Euro 5,111/tonne to Euro 4,859/tonne). Compared to 2019, average copper prices declined by 10.72% in US$ (from US$ 6,000/tonne to US$ 5,357/tonne) and by 9.3% in Euro (from Euro 5,359/tonne to Euro 4,859/tonne).

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Private Equity

The investment in the Private Equity area is represented by the Company's equity investment in I2 Capital Partners SGR S.p.A., the relations involving payables to and receivables from said company, and the investment in Isno 3 Srl in liquidazione.

(in thousands of Euro)	*30 Jun 2020*	*31 Dec 2019*
Isno 3 Srl in liquidazione investment	1,500	1,500
I2 Capital Partners SGR investment	1,085	1,055
Financial payables to I2 Capital Partners SGR	(956)	(1,024)
Other	6	49
Total Private Equity	**1,635**	**1,580**

The investment in Isno 3, totalling 57.72%, was received by Intek following the liquidation of the I2 Capital Partners Fund. The main assets held by the Fund and transferred to Isno 3 Srl were:

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

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

- *Nuovi Investimenti SIM SpA*

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

- *Benten Srl*

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

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The financial statements of I2 Capital Partners SGR as at 30 June 2020 show a loss of Euro 0.5 million, due to the absence of revenue, and equity of Euro 1.1 million.

Due to the failure to launch new Intek private equity projects, the search for potential buyers for this company recently began. If it cannot be sold quickly, I2 Capital Partners SGR could be liquidated quite rapidly without significant expenses.

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Culti/Other services

Details are provided below:

(in thousands of Euro)	*30 Jun 2020*	*31 Dec 2019*
Culti Milano and Progetto Ryan 3 (formerly Culti Srl) investment	13,233	13,614
Other assets of former ErgyCapital	82	(219)
Other	10	32
Total Culti Milano/Other services	**13,325**	**13,427**

Culti Milano

As at 30 June 2020, Intek holds 77.17% of the share capital of Culti Milano SpA, a company whose shares were admitted to trading on the AIM Italia market managed by Borsa Italiana in July 2017. The equity investment has not changed compared to last year.

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

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

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

From this perspective, the majority holding of Bakel Srl, a company whose business focuses on cosmetics products made exclusively from natural active ingredients, and Scent Company Srl, a company active in olfactory and sanitisation branding, were acquired.

The acquisition of Bakel (50.01%) was completed in July 2019 with an investment of Euro 2.5 million (of which 2 million paid at the closing, while the remaining up to Euro 500 thousand will be subject to an incentive mechanism, based on the company's profitability, to be recognised by the end of 2021).

The Scent Company acquisition (51.00%) took place in June 2020 with an investment of Euro 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 Euro 1.6 and 2.7 million.

A controlled joint venture 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 highly promising geographical areas.

The first half of 2020 was characterised by a slowdown in activities due to the Covid-19 pandemic. Nonetheless, Culti never suspended its commercial and research activities, as confirmation of its channel differentiation and complementarity strategy.

The main consolidated indicators (excluding the results of Scent Company) can be summarised as follows:

- total consolidated sales of Euro 4.5 million;
- sales in the domestic market: Euro 1.7 million;
- sales in international markets (equal to 62% of total revenue): Euro 2.8 million;
- EBITDA Euro 0.6 million;
- EBIT Euro 0.3 million.

Former ErgyCapital assets

After the closure of the liquidation of Energetica Solare Srl and the transfer to Intek Investimenti of the equity investment in Società Agricola Agrienergia Srl, the only asset remaining is the equity investment in the joint venture ErgycaTracker 2 Srl which in the course of 2020 distributed dividends of Euro 77 thousand.

Non-operating assets

They can be summarised as follows:

(in thousands of Euro)	*30 Jun 2020*	*31 Dec 2019*
Intek Investimenti investment	8,450	8,450
Former Fime receivables (net of advances)	2,894	2,899
Other non-performing receivables (tax receivables and from compositions with creditors)	280	280
Provisions for risks	(291)	(301)
Financial receivables from Intek Investimenti	(401)	2,204
Financial payables to Breda Energia Srl in liquidazione	-	(3,150)
Other	(403)	(430)
Total non-operating assets	**10,529**	**9,952**

In the first half of 2020, following the closure of the liquidation of Breda Energia Srl, its financial receivable from Intek was assigned to Intek Investimenti and partially offset with the receivable of the parent company due from Intek Investimenti.

Intek Investimenti is the sub-holding company to which residual equity investments held by Intek in Società Agricola Agrienergia Srl, Breda Energia Srl in liquidazione, Mecchld Srl and Il Post Srl, as well as some credit positions, were transferred in the course of 2019.

Specifically, the subsidiary Società Agricola Agrienergia, of which Intek Investimenti holds 51% of the share capital, manages a 999 kW power plant for the production of electricity fuelled by biogas generated from the fermentation of cereal crops, located in the Municipality of Pegognaga (MN).

Mecchld Srl, 20% held by Intek Investimenti with a carrying amount of Euro 0.2 million, is active in the fintech area, while Il Post, 32.51% held with a carrying amount of Euro 0.2 million, operates in the publishing industry, managing the online daily newspaper of the same name.

As regards the Former Fime receivables, in 2020 a total of Euro 0.8 million was collected.

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Real Estate/Other assets

Real Estate/Other assets can be summarised as follows:

(in thousands of Euro)	*30 Jun 2020*	*31 Dec 2019*
Immobiliare Pictea investment	24,133	24,133
Land and buildings	472	462
Financial receivables from Immobiliare Pictea	9,353	8,607
Other	115	106
Total Real Estate/Others	**34,073**	**33,308**

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

With respect to the former Fime Leasing properties, the disposals of the real estate units in Sezze and Palermo, for which preliminary sale agreements have been signed, should be completed in the last part of 2020.

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

The assets of Immobiliare Pictea also include an investment consisting of 100% of the category B special shares of Ducati Energia SpA, constituting 6.77% of its share capital. These shares enjoy a 2% premium over ordinary shares in the event of a dividend distribution. Moreover, if control of Ducati Energia is given up, these shares will be converted into ordinary shares with the same rights as those afforded to the transferring shareholders.

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

The fair value of the equity investment in Ducati Energy as at 30 June 2020 was estimated at Euro 16,000 thousand in the consolidated financial statements.

The claims for compensation reciprocally lodged against the former tenant of part of the Varedo (former Tecno) property have continued to be litigated, with respect to which it was necessary to proceed with the termination of the contract as a result of the repeated violations of legal and contractual provisions.

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Group results

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

The consolidated financial statements include, in addition to the Parent Company, the 100%-owned instrumental subsidiaries: I2 Capital Partners SGR and Immobiliare Pictea. In the year 2020, there were no changes in the scope of consolidation.

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

Consolidated equity		
(in thousands of Euro)	*30 Jun 2020*	*31 Dec 2019*
Share capital	335,069	335,069
Reserves	167,331	169,434
Profit/(loss) for the period	(4,593)	(1,868)
Equity attributable to owners of the Parent company	**497,807**	**502,635**
Non-controlling interests	-	-
Total equity	**497,807**	**502,635**

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

The profit/(loss) for the period, without any significant results from "*Net income from investment management*" was a negative Euro 4.6 million due primarily to net financial charges.

Consolidated income statement		
(in thousands of Euro)	*1st half 2020*	*1st half 2019*
Net income/(expenses) from investment management	(188)	2,683
Guarantee fees	442	488
Other income	903	1,622
Labour costs	(983)	(980)
Amortisation, depreciation, impairment and write-downs	(516)	(679)
Other operating costs	(2,195)	(3,220)
Operating profit/(loss)	**(2,537)**	**(86)**
Finance income	191	688
Finance expense	(2,588)	(2,889)
Net finance expense	*(2,397)*	*(2,201)*
Profit/(loss) before taxes	**(4,934)**	**(2,287)**
Current taxes	633	703
Deferred taxes	(292)	(404)
Total income taxes	**341**	**299**
Profit/(loss) for the period	**(4,593)**	**(1,988)**

The Consolidated net invested capital was as follows:

Consolidated net invested capital		
(in thousands of Euro)	*30 Jun 2020*	*31 Dec 2019*
Net non-current assets	553,468	554,061
Net working capital	11,228	11,130
Net deferred tax	1,309	1,587
Provisions	(710)	(930)
Net invested capital	**565,295**	**565,848**
Total equity	497,807	502,635
Net financial position	67,488	63,213
Sources of finance	**565,295**	**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 previously considered in the definition of "Net financial debt".*
- *"Net provisions" include the items "Employee benefits" and "Provisions for risks and charges".*

The details of the "*Net financial position*" are the following:

Reclassified consolidated net financial position			
(in thousands of Euro)		*30 Jun 2020*	*31 Dec 2019*
Short-term financial payables		7,124	111,971
Medium to long-term financial payables		5,091	4,996
Financial payables to Group companies		401	3,232
(A) Financial payables	**(A)**	**12,616**	**120,199**
Cash and cash equivalents		(19,742)	(44,904)
Other financial assets		(291)	(9,661)
Financial receivables from Group companies		(282)	(2,421)
(B) Cash and current financial assets	**(B)**	**(20,315)**	**(56,986)**
(C) Consolidated net financial position (net of outstanding securities)	**(A) + (B)**	**(7,699)**	**63,213**
(D) Outstanding debt securities (net of interest)		**75,187**	**-**
(E) Consolidated net financial position	**(C) + (D)**	**67,488**	**63,213**
(F) Non-current financial assets		***(2,664)***	***(2,664)***
(G) Total net financial debt	***(E) + (F)***	***64,824***	***60,549***

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

(G) Alternative Performance Indicator

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

Consolidated statement of cash flows – indirect method			
(in thousands of Euro)		*1st half 2020*	*1st half 2019*
(A) Cash and cash equivalents at the beginning of the year		**44,904**	**52,556**
Profit/(loss) before taxes		(4,934)	(2,287)
Amortisation and depreciation		291	276
Impairment/(reversal of impairment) of non-current assets other than financial assets		225	403
Impairment/(reversal of impairment) of investments and financial assets		378	(2,612)
Changes in pension funds, post-employment benefits (TFR) and stock options		17	12
Changes in provisions for risks and charges		(235)	-
(Increase)/decrease in investments		-	4,385
(Increase)/decrease in financial investments and financial assets		-	(2,297)
Increase/(decrease) in current and non-current financial payables to related companies		2,139	(196)
(Increase)/decrease in current and non-current financial receivables from related companies		(2,831)	6
(Increase)/decrease in current receivables		348	(3,244)
Increase/(decrease) in current payables		327	2,103
(B) Total cash flows from/(used in) operating activities		**(4,275)**	**(3,451)**
(Increase) in non-current intangible assets and property, plant and equipment		(301)	(213)
Decrease in non-current intangible assets and property, plant and equipment		-	175
Increase/decrease in other non-current assets/liabilities		(140)	(122)
(C) Cash flows from/(used in) investing activities		**(441)**	**(160)**
(Purchase) sale of treasury shares and similar securities		(192)	-
Increase/(decrease) in current and non-current financial payables		(4,807)	(3,120)
(Increase)/decrease in current and non-current financial receivables		(15,447)	(184)
(D) Cash flows from/(used in) financing activities		**(20,446)**	**(3,304)**
(E) Change in cash and cash equivalents	**(B) + (C) + (D)**	**(25,162)**	**(6,915)**
(F) Cash and cash equivalents at the end of the period	**(A) + (E)**	**19,742**	**45,641**

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Update in matters of governance

In line with what has been done in previous years, during the presentation of the interim financial report, the Company deems it appropriate to update its information on corporate governance.

On 29 June 2020, the Shareholders' Meeting approved the Board of Directors' report on operations and the financial statements closed as at 31 December 2019, as well as the proposal to cover the loss for the year of Euro 1,042,793 by using the available "ErgyCapital merger reserve".

The Shareholders' Meeting also approved the first section of the "Remuneration Policy" for the year 2020 and expressed its opinion in favour of the second section of the "Report on Remuneration" relating to the year 2019, drafted pursuant to art. 123-ter of Legislative Decree 58/98. The Board of

Directors was also authorised, in compliance with the limits and methods laid out by law, the articles of association and regulations, to purchase and dispose of treasury shares.

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

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

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Additional information

Treasury shares

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 Euro 0.2 million. At the date of this Report, the ordinary treasury shares held therefore amount to 6,555,260 (1.68% of the share capital in this category).

Parent company and ownership structure

The Company is controlled by Quattroduedue Holding BV, which is based in Amsterdam - Duivendrecht (Holland), Entrada 306, 5th Floor, through Quattroduedue SpA, a wholly owned subsidiary of Quattroduedue Holding BV. At 30 June 2020, Quattroduedue Holding BV held 182,778,198 Intek Group ordinary shares (46.97% of the Company's ordinary share capital) and 1,424,031 savings shares (2.842% of the shares in this category).

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

With respect to *"potential shareholdings and/or long positions"*, please recall that in July 2018, the Company received a statement from Intesa Sanpaolo S.p.A. with regard to the possession of participatory financial instruments (mandatory convertible loans) which, if the prerequisites are met for their conversion, would give the right to the attribution of an investment equal to approximately 25% of the ordinary share capital of the Company.

For any other information regarding the ownership structures, the Company's governance and the fulfilment of any other obligations, refer to the specific report prepared for the year 2019 pursuant to art. 123 bis of Legislative Decree 58/98, which is part of the financial statements.

Related party transactions

Related party transactions, including intra-group transactions, were neither atypical nor unusual, in that they were part of the Group companies' day-to-day business and were all conducted on an arm's length basis or according to standard criteria or normal market conditions.

As at 30 June 2020, the main loans disbursed to non-consolidated direct and indirect subsidiaries were as follows:

- Società Agricola Agrienergia for Euro 0.4 million;
- KME Yorkshire Ltd for Euro 0.3 million.

Intek also has a receivable for a loan of Euro 9.3 million to Immobiliare Pictea, subject to elimination in the consolidated financial statements.

The existing loans payable with non-consolidated companies refer to Intek Investimenti (Euro 0.4 million) which also holds a financial loan of Euro 3.2 million to the parent company Quattroduedue SpA.

There is furthermore a loan of Euro 1.1 million to I2 Capital Partners SGR, subject to elimination in the consolidated financial statements.

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

<u>Disputes</u>

Below is updated information on the main litigation involving Intek Group.

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

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

In particular, one of the rulings that was challenged by the counterparty that lost the case before the Court of Appeal of Bari, accepted the Company’s opposition to an order by the Court of Bari for payment of Euro 118 thousand which was revoked at the time of the final decision and the counterparty was ordered to return the amount that Intek Group had paid pursuant to the provisional order, pay back the costs of the proceedings and also pay compensation for damages due to vexatious litigation. Likewise, the Court of Appeal of Bari confirmed the ruling against the appealing savings shareholder, ordering such shareholder to pay back the costs of the proceedings. That ruling also became final and the relative expenses were collected.

The other two rulings handed down by the Court of Rome, accepting the requests of Intek Group, confirmed the non-existence of the receivables alleged by two savings shareholders (who in the meantime had also acted by means of a payment procedure, obtaining two court orders for payment that were objected to by Intek Group and are currently pending before the Court of Bari) from Intek Group for alleged undistributed dividends, and sentenced the defendants to refund Intek Group for the legal costs of the proceedings. These rulings were challenged before the Court of Appeal of Rome and the cases will be discussed, one in October 2020, for the final hearing, and the other in May 2021, for the closing arguments.

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

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

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

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<u>Personnel</u>

As at 30 June 2020, Intek had 11 employees, of whom 2 executives and 9 clerical workers.

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

	30/06/2020	*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%		

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

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

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

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The Company's Board of Directors, at its meeting of 14 September 2012, decided, among other things, to apply the exception envisaged by articles 70, paragraph VIII, and 71-*bis* of the Issuers' Regulation, which exempts the Company from publishing an Information Document in the case of significant mergers, demergers, share capital increases through transfers in kind, acquisitions and sales.

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Risk Management

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

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

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 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.

For more information on corporate risks, please refer to the dedicated section of the Notes to the interim financial report.

Significant events after 30 June 2020

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

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

Below is a summary of the comments regarding the operations carried out in the first half of 2020 by the companies identified as instrumental to Intek's operations.

For more information, please refer to the section on Performance in the various investment sectors.

I2 Capital Partners SGR SpA

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

As at 30 June 2020, the company's equity amounted to Euro 1.1 million, after recognising a loss for the half-year of Euro 0.5 million.

After the liquidation of the I2 Capital Partners Fund, in July 2019, no new operating opportunities in the private equity segment are under review. I2 Capital Partners SGR was therefore put up for sale and, if no buyers come forward in a brief period of time, it will be liquidated without incurring significant expenses.

Immobiliare Pictea Srl

The company, over which Intek assumed full control in the course of 2015, owns the Milan property at Foro Buonaparte 44 where Intek and some of its subsidiaries have their registered offices.

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

The company's equity amounts to Euro 12.7 million and it had a loss for the period of Euro 0.4 million.

INTEK GROUP

Condensed consolidated interim financial statements as at 30 June 2020

Intek Group – Condensed consolidated interim financial statements as at 30 June 2020

Consolidated Statement of financial position – Assets

(in thousands of Euro)	*Ref. Note*	*30-Jun-20*	*of which related parties*	*31-Dec-19*	*of which related parties*
Investments in equity interests and fund units	*4.1*	524,040	*508,028*	524,418	*508,027*
Non-current financial assets	*4.2*	27,542	*2,725*	3,090	*3,090*
Property, plant and equipment	*4.3*	12,148	-	12,148	-
Investment property	*4.4*	14,602	-	14,817	-
Intangible assets	*4.5*	8	-	8	-
Other non-current assets	*4.6*	6	-	6	-
Deferred tax assets	*4.20*	4,767	-	5,081	-
Total non-current assets		**583,113**		**559,568**	
Current financial assets	*4.7*	1,444	*1,153*	13,013	*3,352*
Trade receivables	*4.8*	14,147	*9,902*	13,482	*9,276*
Other current receivables and assets	*4.9*	4,836	*1,620*	5,216	*1,922*
Cash and cash equivalents	*4.10*	19,742	-	44,904	-
Total current assets		**40,169**		**76,615**	
Non-current assets held for sale		-		-	
Total assets		**623,282**		**636,183**	

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

Details of related party transactions are disclosed in note 4.21

Intek Group – Condensed consolidated interim financial statements as at 30 June 2020

Consolidated Statement of financial position – Liabilities

(in thousands of Euro)	*Ref. Note*	*30-Jun-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)		71,142		71,143	
Other comprehensive income reserve		(268)		(225)	
Profit/(loss) for the period		(4,593)		(1,868)	
Equity attributable to owners of the Parent	***4.11***	**497,807**		**502,635**	
Non-controlling interests		-		-	
Total equity	***4.11***	**497,807**		**502,635**	
Employee benefits	*4.12*	369	-	354	-
Deferred tax liabilities	*4.20*	3,458	-	3,494	-
Non-current financial payables and liabilities	*4.13*	29,969	-	5,422	-
Bonds	*4.14*	75,187	-	-	-
Other non-current liabilities	*4.15*	1,661	-	1,801	-
Provisions for risks and charges	*4.16*	341	-	576	-
Total non-current liabilities		**110,985**		**11,647**	
Current financial payables and liabilities	*4.17*	8,396	*401*	116,134	*3,232*
Trade payables	*4.18*	1,722	*288*	1,399	*219*
Other current liabilities	*4.19*	4,372	*1,649*	4,368	*1,930*
Total current liabilities		**14,490**		**121,901**	
Total liabilities and equity		**623,282**		**636,183**	

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

Details of related party transactions are disclosed in note 4.21

Intek Group – Condensed consolidated interim financial statements as at 30 June 2020

Consolidated Statement of profit or loss and other comprehensive income

(in thousands of Euro)	*Ref. Note*	*1st half 2020*	*of which related parties*	*1st half 2019*	*of which related parties*
Net income from investment management	*5.1*	(188)	-	2,683	
Guarantee fees	*5.2*	442	*442*	488	*488*
Other income	*5.3*	903	*48*	1,622	*487*
Labour costs	*5.4*	(983)	-	(980)	-
Amortisation, *depreciation, impairment* and write-downs	*5.5*	(516)	-	(679)	
Other operating costs	*5.6*	(2,195)	*(823)*	(3,220)	*(907)*
Operating profit/(loss)		**(2,537)**		**(86)**	
Finance income		191	*78*	688	*238*
Finance expense		(2,588)	*(31)*	(2,889)	*(54)*
Net finance expense	*5.7*	*(2,397)*		*(2,201)*	
Profit/(loss) before taxes		**(4,934)**		**(2,287)**	
Current taxes	*5.8*	633		703	
Deferred taxes	*5.8*	(292)		(404)	
Total income taxes		**341**		**299**	
Net profit/(loss) for the year		**(4,593)**		**(1,988)**	
Other comprehensive income:					
Measurement of employee defined benefits		2		*(26)*	
Items that will not be reclassified to profit or loss		2		(26)	
Net change in cash flow hedge reserve		(58)		(157)	
Taxes on other comprehensive income		14		38	
Items that may be reclassified to profit or loss		(44)		(119)	
Other comprehensive income, net of tax effect:		(42)		(145)	
Total comprehensive income for the year		**(4,635)**		**(2,133)**	
Profit/(loss) for the period attributable to:					
- non-controlling interests		-		-	
- owners of the Parent		(4,593)		(1,988)	
Profit/(loss) for the period		(4,593)		(1,988)	
Total comprehensive income attributable to:					
- non-controlling interests		-		-	
- owners of the Parent		(4,635)		(2,133)	
Total comprehensive income for the period		(4,635)		(2,133)	

Earnings per share (in Euro)					
Basic earnings/(loss) per share		(0.0106)		(0.0046)	
Diluted earnings/(loss) per share		(0.0106)		(0.0046)	

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

Details of related party transactions are disclosed in note 4.21

Consolidated Statement of changes in equity as at 30 June 2019

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

At 30 June 2019, the Parent Company directly held 5,713,572 ordinary shares and 11,801 savings shares, all without par value. All the shares were then fully reclassified as a deduction from share capital.

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

Consolidated Statement of changes in equity as at 30 June 2020

Consolidated Statement of changes in equity as at 30 June 2020											
(in thousands of Euro)	*Share capital*	*Other reserves*	*Treasury shares*	*Retained earnings/(accumulated losses)*	*Mandatory convertible loan*	*Consolidation reserve*	*Other comprehensive income reserve*	*Profit/(loss) for the period*	*Total equity attributable to owners of the Parent*	*Non-controlling interests*	*Total consolidated equity*
Equity as at 31 December 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)	-	(824)	-	(1)	-	-	-	825	-	-	-
Purchase of treasury shares	-	-	(192)	-	-	-	-	-	(192)	-	(192)
Comprehensive income items	-	-	-	-	-	-	(43)	-	(43)	-	(43)
Profit/(loss) for the period	-	-	-	-	-	-	-	(4,593)	(4,593)	-	(4,593)
Total comprehensive income	-	-	-	-	-	-	(43)	(4,593)	(4,636)	-	(4,636)
Equity as at 30 June 2020	**335,069**	**98,469**	**(2,012)**	**71,142**	**-**	**-**	**(268)**	**(4,593)**	**497,807**	**-**	**497,807**
Reclassification of treasury shares	(2,012)	-	2,012	-	-	-	-	-	-	-	-
Equity as at 30 June 2020	**333,057**	**98,469**	**-**	**71,142**	**-**	**-**	**(268)**	**(4,593)**	**497,807**	**-**	**497,807**

At 30 June 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 condensed consolidated interim financial statements.

Intek Group – Condensed consolidated interim financial statements as at 30 June 2020

Consolidated statement of cash flows – indirect method

(in thousands of Euro)		*1st half 2020*	*1st half 2019*
(A) Cash and cash equivalents at the beginning of the year		**44,904**	**52,556**
Profit/(loss) before taxes		(4,934)	(2,287)
Amortisation and depreciation		291	276
Impairment/(reversal of impairment) of non-current assets other than financial assets		225	403
Impairment/(reversal of impairment) of investments and financial assets		378	(2,612)
Changes in pension funds, post-employment benefits (TFR) and stock options		17	12
Changes in provisions for risks and charges		(235)	-
(Increase)/decrease in investments		-	4,385
(Increase)/decrease in financial investments and financial assets		-	(2,297)
Increase/(decrease) in current and non-current financial payables to related companies		2,139	(196)
(Increase)/decrease in current and non-current financial receivables from related companies		(2,831)	6
(Increase)/decrease in current receivables		348	(3,244)
Increase/(decrease) in current payables		327	2,103
(B) Total cash flows from/(used in) operating activities		**(4,275)**	**(3,451)**
(Increase) in non-current intangible assets and property, plant and equipment		(301)	(213)
Decrease in non-current intangible assets and property, plant and equipment		-	175
Increase/decrease in other non-current assets/liabilities		(140)	(122)
(C) Cash flows from/(used in) investing activities		**(441)**	**(160)**
(Purchase) sale of treasury shares and similar securities		(192)	-
Increase/(decrease) in current and non-current financial payables		(4,807)	(3,120)
(Increase)/decrease in current and non-current financial receivables		(15,447)	(184)
(D) Cash flows from/(used in) financing activities		**(20,446)**	**(3,304)**
(E) Change in cash and cash equivalents	**(B) + (C) + (D)**	**(25,162)**	**(6,915)**
(F) Cash and cash equivalents at the end of the period	**(A) + (E)**	**19,742**	**45,641**

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

Intek Group – Condensed consolidated interim financial statements as at 30 June 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 SpA.

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

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

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

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

The Condensed consolidated interim financial statements as at 30 June 2020 were approved by the Board of Directors on 28 September 2020 and will be published in accordance with legal requirements.

2. ***Accounting policies***

2.1. Assessment of Investment Entity status

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

Paragraph 27 of IFRS 10 requires that the company:

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

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

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

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

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

The Condensed consolidated interim financial statements as at 30 June 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 that are related to the Company's investment activity, which therefore are not fully consolidated, in line with the financial statements as from 31 December 2014.

2.2. Basis of presentation

The Condensed consolidated interim financial statements as at 30 June 2020 were drafted pursuant to art. 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 art. 6 of Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002 as well as with the provisions issued in implementation of art. 9 of Legislative Decree 38/2005.

The Condensed consolidated interim financial statements as at 30 June 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 Condensed consolidated interim 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 emerging in the early months of 2020 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 this regard, it is deemed that the Intek Group may reasonably obtain the financial resources required to handle any critical issues that can currently be foreseen.

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 laid out below in paragraph 2.5, the application of which in any event had no effects.

The Group has not yet applied the accounting standards listed below in paragraph 2.6, 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. 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. Considering the fact that interim financial statements are based for the most part on updates of estimates made for the previous year-end financial statements, in the absence of objective elements, the values of assets and liabilities are adjusted only if the results of the updates of the estimation processes differ significantly from the previous ones.

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

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

2.4. Basis of consolidation

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

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

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

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

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

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

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

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

a) derecognises the assets and liabilities of the former subsidiary from the consolidated statement of financial position;

b) recognises any investment retained in the former subsidiary at the corresponding fair value on the date the control is lost and subsequently accounts for it and for any amounts owed by or to the former subsidiary in accordance with relevant IFRSs. This fair value becomes the basis for the next posting of the investment;

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

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

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

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

There were no changes in the scope of consolidation during the first half of 2020.

2.5. Newly applied accounting standards

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.

2.6. Accounting standards not yet applied

As at 30 June 2020, no IFRS and IFRIC accounting standards, amendments and interpretations endorsed by the European Union but not yet requiring application as at 30 June 2020 had been issued, and 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 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. Although this amendment applies to financial statements beginning on 1 June 2020, and companies are permitted to apply it early to financial statements beginning on 1 January 2020, it has not yet been endorsed by the European Union, and

therefore the Group did not apply it as at 30 June 2020. The adoption of this amendment is not expected to have significant effects on the Group's consolidated financial statements.

- 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. These amendments will enter into force on 1 January 2021. The adoption of this amendment is not expected to have significant effects on the Group's consolidated financial statements.
- On 30 January 2014 the IASB issued IFRS 14 – Regulatory Deferral Accounts which allows only first-time adopters to continue to recognise the amounts relative to assets subject to regulated fees ("Rate Regulation Activities") according to the previous accounting principles that had been adopted. Since the Group is not a first-time adopter, this standard cannot be applied.

3. *Financial risk management*

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

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

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

Types of risk:

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

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

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

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

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

4. Notes to the condensed consolidated interim financial statements as at 30 June 2020

4.1. Investments in equity interests and fund units

(in thousands of Euro)	*30 Jun 2020*	*31 Dec 2019*	*Change*
Investments in subsidiaries and associates	508,028	508,027	1
Investments in other companies	16,012	16,012	-
Other investments	-	379	(379)
Investments in equity interests and fund units	**524,040**	**524,418**	**(378)**

The breakdown of the item is as follows:

Name	*Percentage of interest as at 30/06/2020*	*31/12/2019*	*Increases*	*Decreases*	*30/06/2020*
KME SE	99.00%	483,000	-	-	483,000
Culti Milano SpA	77.17%	13,236	-	-	13,236
Intek Investimenti SpA	100.00%	8,450	-	-	8,450
Isno 3 Srl in liquidazione	57.72%	1,578	-	-	1,578
KME Beteiligungsgesellsch.mbH	100.00%	1,158	-	-	1,158
Fossati Uno Srl	35.00%	511	7	-	518
Ergyca Tracker 2 Srl	51.00%	82	-	-	82
Energetica Solare Srl in liquidazione	100.00%	6	-	(6)	-
Nextep Srl Benefit Corporation	60.00%	6	-	-	6
Total subsidiaries and associates		**508,027**	**7**	**(6)**	**508,028**
Ducati Energia		16,000	-	-	16,000
Other minor investments		12	-	-	12
Other investments		**16,012**	**-**	**-**	**16,012**
Total investments		**524,039**	**7**	**(6)**	**524,040**
Culti Milano Warrant		379	-	(379)	-
Total other investments		**379**	**-**	**(379)**	**-**
Investments in equity interests and fund units		**524,418**	**7**	**(385)**	**524,040**

During the year, the liquidation of Energetica Solare Srl was completed and the 2017-2020 Culti Milano Warrants expired.

To determine the fair values of the various investments, the estimates performed for the financial statements as at 31 December 2019 were updated. The update of the estimates did not bring to light variances exceeding 10% and therefore, in compliance with the provisions of the policy on the determination of fair value, during the preparation of the interim financial report the carrying amounts were not modified.

With reference to the investment in KME SE, the Unlevered discounted cash flow (UDCF) methodology was used, with the support of an external consultant, by discounting the operating cash flows expected from the assets (net of the tax effect). As the basis of information, the economic projections and the changes in certain balance sheet items contained in the 2020-2024 Plan, already used for the measurement as at 31 December 2019 and updated to take into consideration the effects of Covid-19 (“2H2020-20205 Plan” or “Revised Plan”), were used. This update substantially confirmed the results of the plan, although with an extension of the realisation timing. To discount the cash flows, a discount rate representative of the average cost of capital (WACC) was used, also inclusive of an additional premium of 3.0% to reflect the risks intrinsic in the forecasts linked to the historical deviations that have been recorded as well as the fact that in the plan increases in EBITDA higher than that of its peers are expected. The rate applied is 10.37%.

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

- *risk free-rate:* weighted average of the 10-year government bonds in each country in which the Group operates;
- *market risk premium*: equal to 6.0%, in line with the Italian valuation practices;
- debt cost: 10-year USD swap rate at 30 June plus a 2.00% spread, for a total gross rate of 3.69%;
- Unlevered Beta: average of unlevered beta factors of a sample of comparable listed companies;
- Additional Alpha premium on the cost of own capital equal to 4%.

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

- the valuation of prior losses that can be carried forward for tax purposes;
- the fair value of surplus assets, consisting of properties not used in the business and other non-consolidated companies;
- the fair value of the joint venture KMD;
- the Group's net financial position as at 30 June 2020.

The values obtained were compared with those resulting from other methods in particular using the market multiples and the transaction multiples methods with the EV/EBITDA multiple. The results of the two control methods showed variances within 20%, therefore confirming the results of the principal method, in compliance with the provisions of the policy on the determination of fair value.

The results of the valuation process would have led to a decline in fair value of roughly 5% compared to that recognised in the financial statements closed as at 31 December.

In light of these results and the higher level of estimation inherent in the process of updating the calculation, no modifications were made to the carrying amount of the equity investment, in compliance with the provisions of the policy on the determination of fair value, when drafting the interim financial report.

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, the success of the implementation of programmes and market conditions, particularly with regard to the copper market. The application of the methodologies which are based on multiples, in relation to the selection and definition of the benchmark samples, are also subjective elements.

For the investment in Culti Milano, listed on the AIM market, as trades continue to be limited, the listings reported were deemed, also on this occasion, not representative of the fair value of the company, thus resulting in the opportunity to make recourse to the multiples methodology, which confirmed its carrying amount.

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

For other investments, reference was mainly made to the equity value of the same, adjusted on the basis of the current values of the related assets.

4.2. Non-current financial assets

This item can be broken down as follows:

(in thousands of Euro)	*30 Jun 2020*	*31 Dec 2019*	*Change*
Restricted bank deposits	24,817	-	24,817
Receivables due from related companies	2,664	2,664	-
Guarantee fees receivable	61	426	(365)
Non-current financial assets	**27,542**	**3,090**	**24,452**

"Restricted bank deposits" are provided to guarantee a Euro 25 million loan taken out from Banco BPM.

"Receivables due from related companies" relate to Fossati Uno Srl.

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

4.3. Property, plant and equipment:

With reference to the item "*Buildings*", the most significant amount refers to the building located in Milan, Foro Buonaparte 44, where the Parent Company Intek and other Group companies have their headquarters.

(in thousands of Euro)	*30 Jun 2020*	*31 Dec 2019*	*Change*
Buildings	10,155	10,393	(238)
Plant and equipment	124	117	7
Other assets	642	578	64
Advances and assets under development	1,227	1,060	167
Property, plant and equipment	**12,148**	**12,148**	**-**

Below is the breakdown between owned and leased assets.

(in thousands of Euro)	*Owned*	*Leased*	*Total*
Buildings	9,843	312	10,155
Plant and equipment	124	-	124
Other assets	480	162	642
Advances and assets under development	1,227	-	1,227
Property, plant and equipment	**11,674**	**474**	**12,148**

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	3	167	187
Gross amount at 30 June 2020	**13,506**	**144**	**2,538**	**1,227**	**17,415**
Accumulated depreciation at 31 December 2019	**(3,488)**	**(10)**	**(2,040)**	**-**	**(5,538)**
Depreciation, impairment and write-downs	(175)	(10)	(18)	-	(203)
Accumulated depreciation at 30 June 2020	**(3,663)**	**(20)**	**(2,058)**	**-**	**(5,741)**
Gross amount	13,506	144	2,538	1,227	17,415
Accumulated depreciation	(3,663)	(20)	(2,058)	-	(5,741)
Total at 30 June 2020	**9,843**	**124**	**480**	**1,227**	**11,674**

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	-	-	102	-	102
Disposals (cost)	-	-	(19)	-	(19)
Gross amount at 30 June 2020	**494**	**-**	**199**	**-**	**693**
Accumulated depreciation at 31 December 2019	**(119)**	**-**	**(33)**	**-**	**(152)**
Depreciation, impairment and write-downs	(63)	-	(23)	-	(86)
Disposals (accumulated depreciation)	-	-	19	-	19
Accumulated depreciation at 30 June 2020	**(182)**	**-**	**(37)**	**-**	**(219)**
Gross amount	494	-	199	-	693
Accumulated depreciation	(182)	-	(37)	-	(219)
Total at 30 June 2020	**312**	**-**	**162**	**-**	**474**

4.4. Investment property

(in thousands of Euro)	30 Jun 2020	31 Dec 2019	Change
Investment property	**14,602**	**14,817**	**(215)**

The changes in the item were as follows:

(in thousands of Euro)	
Total at 31 December 2019	**14,817**
Increases during the period	10
Fair value adjustments	(225)
Total at 30 June 2020	**14,602**

The breakdown by each property is as follows:

(in thousands of Euro)	30 Jun 2020	31 Dec 2019
Limbiate - Varedo	11,460	11,629
Ivrea	2,235	2,291
Padua	100	100
Sezze	441	431
San Marcello Pistoiese	334	334
Castronno	32	32
Total at 30 June 2020	**14,602**	**14,817**

4.5. Intangible assets

(in thousands of Euro)	30 Jun 2020	31 Dec 2019	Change
Other	8	8	-
Intangible assets	**8**	**8**	**-**

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

The changes during the first half of the year are analysed below:

(in thousands of Euro)	Total
Gross amount	20
Accumulated amortisation	(12)
Total at 31 December 2019	**8**
Gross amount at 31 December 2019	**20**
Purchases in the period	2
Gross amount at 30 June 2020	**22**
Accumulated amortisation at 31 December 2019	**(12)**
Amortisation, impairment and write-downs	(2)
Accumulated amortisation at 30 June 2020	**(14)**
Gross amount	22
Accumulated amortisation	(14)
Total at 30 June 2020	**8**

4.6. *Other non-current assets*

The breakdown of the item is as follows:

(in thousands of Euro)	*30 Jun 2020*	*31 Dec 2019*	*Change*
Guarantee deposits	6	6	-
Other non-current assets	**6**	**6**	**-**

4.7. *Current financial assets*

(in thousands of Euro)	*30 Jun 2020*	*31 Dec 2019*	*Change*
Financial receivables from related companies	282	2,421	(2,139)
Guarantee fees receivable	871	931	(60)
Financial assets held for trading	57	57	-
Other current financial assets	234	9,604	(9,370)
Current financial assets	**1,444**	**13,013**	**(11,569)**

"Financial receivables from related companies" include only the balance of the current account with KME Yorkshire Ltd.

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

The item *"Other current financial assets"* at 31 December 2019 referred to security deposits that were collected in the course of the half-year.

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

4.8. *Trade receivables*

(in thousands of Euro)	*30 Jun 2020*	*31 Dec 2019*	*Change*
Due from customers - gross amount	*266*	*272*	(6)
Allowance for impairment	*(231)*	*(231)*	-
Due from customers - net amount	35	41	(6)
Due from related companies	9,902	9,276	626
Receivables from factoring/leases	4,210	4,165	45
Trade receivables	**14,147**	**13,482**	**665**

The receivables *"Due from related companies"* mainly referred to guarantees issued and other provisions of services.

"Receivables for leasing and factoring activities" relate to non-performing loans from the business previously handled by Fime Leasing and Fime Factoring.

4.9. *Other current receivables and assets*

(in thousands of Euro)	*30 Jun 2020*	*31 Dec 2019*	*Change*
Tax assets	1,120	1,452	(332)
Receivables from special situation activities	300	300	-
Accruals and prepayments	283	237	46
Receivables due from related companies	1,620	1,922	(302)
Other receivables	1,513	1,305	208
Other current receivables and assets	**4,836**	**5,216**	**(380)**

The *"Tax assets"* include primarily positions of the Parent Company, i.e., credits for direct taxes of Euro 391 thousand and VAT credits of Euro 705 thousand.

The *"Receivables for special situation activities"*, totalling Euro 300 thousand, relate to loans secured by mortgages.

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

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

All the receivables are due within twelve months.

4.10. *Cash and cash equivalents*

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

(in thousands of Euro)	*30 Jun 2020*	*31 Dec 2019*	*Change*
Bank and post office accounts	19,737	44,877	(25,140)
Cash on hand	5	27	(22)
Cash and cash equivalents	**19,742**	**44,904**	**(25,162)**

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

4.11. *Equity attributable to owners of the Parent*

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

There were no changes in the number of shares issued during the first half of the year, while 841,688 treasury shares were acquired.

4.12. *Employee benefits*

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

(in thousands of Euro)	*30 Jun 2020*	*31 Dec 2019*	*Change*
Executives	84	80	4
Clerical workers	239	228	11
IAS adjustment	46	46	-
Employee benefits	**369**	**354**	**15**

The changes in the item were as follows:

(in thousands of Euro)	*31 Dec 2019*	*Increases*	*Decreases*	*Contributions to the fund*	*30 Jun 2020*
Executives	80	17	-	(13)	84
Clerical workers	228	16	-	(5)	239
IFRS differences	46	3	(3)	-	46
Employee benefits	**354**	**36**	**(3)**	**(18)**	**369**

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

General criteria	*30 Jun 2020*	*31 Dec 2019*
Discount rate	0.30-0.74%	0.37-0.77%
Rate of increase in future remuneration	0.5-1.0%	0.5-1.0%
Average remaining working life	7.3-12.3 years	6.3-13.1 years
General criteria		

A discount rate based on the "Iboxx Eurozone Corporate AA" index was used also at 30 June 2020 for the actuarial valuation of post-employment benefits.

4.13. Non-current financial payables and liabilities

The breakdown of the item is as follows:

(in thousands of Euro)	*30 Jun 2020*	*31 Dec 2019*	*Change*
Payables for financial guarantees issued	61	426	(365)
Due to banks	29,249	4,398	24,851
Lease liabilities	314	312	2
Due to others	345	286	59
Non-current financial payables and liabilities	**29,969**	**5,422**	**24,547**

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

(in thousands of Euro)	*Current*	*Non-current*	*Total*
Banco BPM	467	4,169	4,636
Mediocredito centrale	5,245	-	5,245
Mortgage loans	**5,712**	**4,169**	**9,881**
Banco BPM loan	**-**	**25,080**	**25,080**
Total Payables due to banks	**5,712**	**29,249**	**34,961**

No financial covenants apply to the existing loans.

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

The Mediocredito Centrale loan, guaranteed by a mortgage on the Varedo property, is relative to two mortgages which expired on 31 December 2015 and includes Euro 4,841 thousand in capital and Euro 404 thousand in estimated accrued interest. The official agreement for the extension of these mortgages had not yet been concluded on the date of these financial statements and therefore the debt was classified as being due in the upcoming year.

During the first half of the year, a loan backed by a mortgage on the Ivrea property, taken out from Intesa Sanpaolo, was paid off.

The Banco BPM loan relates to a 36-month credit line opened in February.

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.

4.14. Bonds

(in thousands of Euro)	*30 Jun 2020*	*31 Dec 2019*	*Change*
Intek Group 2020/2025 Bonds	75,187	-	75,187
Bonds	**75,187**	**-**	**75,187**

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 Euro 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)	*30 Jun 2020*	*31 Dec 2019*	*Change*
Payables for guarantees issued	451	592	(141)
Liabilities for "special situations"	422	422	-
Other payables	788	787	1
Other non-current liabilities	**1,661**	**1,801**	**(140)**

"Payables for guarantees issued", equal to Euro 451 thousand, refer to the non-current portion of the payable for tax liabilities, broken down into instalments over 48 months, assumed by the Group against guarantees given during the disposal of an equity investment.

"Liabilities for special situations" originated as part of agreements with creditors and refer to creditors that could not be found of the former FEB – Ernesto Breda SpA proceedings (Euro 326 thousand) and for the remainder to advances linked to former Fime Leasing positions.

"Other payables", amounting to Euro 788 thousand, refer to an investment agreement concerning the Fossati Uno initiative, which provides for payment to the counterparty of part of the net proceeds arising from the initiative.

4.16. Provisions for risks and charges

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

(in thousands of Euro)	*31 December 2019*	*Increases*	*Releases/ uses*	*30 June 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**	**-**	**(235)**	**341**

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 as a result of the closure of the liquidation of the subsidiary Energetica Solare Srl.

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

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

4.17. Current financial payables and liabilities

(in thousands of Euro)	*30 Jun 2020*	*31 Dec 2019*	*Change*
Shares of expiring loans	5,712	5,817	(105)
Payables for bonds	1,240	106,000	(104,760)
Payables for financial guarantees issued	871	931	(60)
Due to related companies	401	3,232	(2,831)
Lease liabilities	172	154	18
Current financial payables and liabilities	**8,396**	**116,134**	**(107,738)**

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

The item "*Payables for bonds*" includes interest accrued for the period on the Intek Group 2020-2025 Bonds. At 31 December 2019, the amount of Euro 106,000 thousand referred to the principal debt and the coupon accruing on the Intek Group 2015-2020 Bonds which were paid off in February 2020.

The item *"Due to related companies"*, amounting to Euro 401 thousand, contains the balance of the current account, with remuneration set at Euribor plus a spread, in existence with Intek Investimenti.

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

The *"Lease liabilities"* relate to the short-term share of the financial liability recognised due to the 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".

4.18. Trade payables

(in thousands of Euro)	*30 Jun 2020*	*31 Dec 2019*	*Change*
Due to suppliers	1,434	1,180	254
Due to related companies	288	219	69
Trade payables	**1,722**	**1,399**	**323**

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

4.19. Other current liabilities

(in thousands of Euro)	*30 Jun 2020*	*31 Dec 2019*	*Change*
Payables due to related companies	916	1,208	(292)
Payables to directors for end of office indemnity (TFM)	733	722	11
Payables due to employees	260	176	84
Tax liabilities	178	190	(12)
Payables due to social security institutions	101	104	(3)
Accrued expenses and deferred income	2	-	2
Other liabilities	2,182	1,968	214
Other current liabilities	**4,372**	**4,368**	**4**

The item *"Payables due to related companies"* includes the payables to directors for accrued remuneration.

"Payables to directors for end of office indemnity (TFM)" refer to the residual amount due to the Chairman for the end of office indemnity (TFM) accrued to 31 December 2012, the date on which the office ended. The amount in question has been accruing interest of 5% since 2014. The Chairman has allowed extension of the payment expiration date to 31 December 2020.

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

Both as at 30 June 2020 and 31 December 2019, the item *"Tax liabilities"* mainly refers to payables to the tax authorities, for withholding amounts.

The item *"Other liabilities"* includes for Euro 1,296 thousand sums received by way of advance from former leasing customers and not offset with credit entries and for Euro 322 thousand the current share of the payable linked to guarantees given, noted above in item *"Other non-current liabilities"*.

4.20. Deferred tax assets and liabilities

As at the reporting date of these consolidated financial statements, the Group recorded deferred tax assets on tax losses carried forward amounting to Euro 0.8 million. Moreover, there are losses of Euro 40.4 million for which no deferred tax assets were recognised.

(in thousands of Euro)	*30 Jun 2020*	*31 Dec 2019*	*Change*
Deferred tax assets	4,767	5,081	(314)
Deferred tax liabilities	(3,458)	(3,494)	36
Deferred tax assets and liabilities	**1,309**	**1,587**	**(278)**

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

(in thousands of Euro)	*Deferred tax assets*		*Deferred tax liabilities*	
	30 Jun 2020	*31 Dec 2019*	*30 Jun 2020*	*31 Dec 2019*
Property, plant and equipment	-	-	(1,386)	(1,410)
Investment property	914	914	-	-
Equity/Financial investments	-	-	(1,484)	(1,496)
Trade receivables	2,008	2,280	(588)	(588)
Other current receivables and assets	405	405	-	-
Current financial assets	46	22	-	-
Cash and cash equivalents	6	14	-	-
Non-current financial liabilities	82	68	-	-
Provisions for risks and charges	5	57	-	-
Other current liabilities	511	531	-	-
Deferred taxes on tax losses carried forward	790	790	-	-
Total	**4,767**	**5,081**	**(3,458)**	**(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*	*Current financial payables and liabilities*	*Trade payables*	*Other current liabilities*
Culti Milano SpA	-	-	10	-	-	(2)	-
EM Moulds SpA	-	-	52	-	-	-	-
Fossati Uno Srl	2,664	-	-	-	-	-	-
Intek Investimenti SpA	-	-	-	-	(401)	-	-
Isno 3 Srl in liquidazione	-	-	9	-	-	-	-
KME Germany GmbH	-	-	62	-	-	(28)	-
KME Italy SpA	-	-	139	-	-	(5)	-
KME SE	-	-	9,259	-	-	-	-
KME Srl	-	-	-	-	-	(74)	-
KME Yorkshire Ltd	-	282	264	-	-	(8)	-
Nextep Srl Benefit Corporation	-	-	15	-	-	-	-
Oasi Dynamo Foodco	-	-	6	-	-	-	-
Quattroduedue SpA	-	-	59	-	-	-	-
Serravalle Copper Tube Srl	-	-	10	-	-	-	-
Società Agricola Agrienergia Srl	-	-	17	-	-	-	-
Receivables from guarantees	61	871	-	-	-	-	-
Receivables/Payables for tax	-	-	-	1,620	-	-	-
Directors and Statutory Auditors	-	-	-	-	-	(171)	(1,649)
	2,725	**1,153**	**9,902**	**1,620**	**(401)**	**(288)**	**(1,649)**
Total	**27,776**	**1,210**	**14,147**	**4,836**	**(8,396)**	**(1,722)**	**(4,372)**
Percentage	**9.81%**	**95.29%**	**69.99%**	**33.50%**	**4.78%**	**16.72%**	**37.72%**

Flows of costs and revenues

(in thousands of Euro)	*Guarantee fees*	*Other operating income*	*Other operating costs*	*Finance income*	*Finance expense*
Culti Milano SpA	1	8	-	-	-
EM Moulds Srl	17	-	-	-	-
Intek Investimenti SpA	-	8	-	9	(19)
Isno 3 Srl in liquidazione	-	7	-	-	-
KME Italy SpA	49	-	-	-	-
KME SE	375	-	-	45	-
KME Srl	-	-	(12)	-	-
KME Yorkshire Ltd	-	-	-	5	-
Quattroduedue SpA	-	8	-	-	-
Società Agricola Agrienergia S.r.l.	-	17	-	-	-
Directors/Statutory Auditors	-	-	(811)	19	(12)
	442	**48**	**(823)**	**78**	**(31)**
Total	**442**	**903**	**(2,195)**	**191**	**(2,588)**
Percentage	**100.00%**	**5.32%**	**37.49%**	**40.84%**	**1.20%**

5. <u>*Income Statement*</u>

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

5.1. Net income from investment management

The breakdown of the item is as follows:

(in thousands of Euro)	*1st half 2020*	*1st half 2019*	*Change*	*% Change*
Gains/losses from the sale of fund units and securities	(368)	(265)	(103)	38.87%
Measurement of investments at fair value	-	2,000	(2,000)	-100.00%
Measurement of fund units and securities at fair value	-	611	(611)	-100.00%
Dividends	180	337	(157)	-46.59%
Net income from investment management	**(188)**	**2,683**	**(2,871)**	**-107.01%**

This item consists of the following amounts:

- losses from the sale of fund units and securities include Euro 379 thousand deriving from the expiry of the Culti Milano warrants;
- dividends include Euro 104 thousand from Ducati Energia and Euro 76 thousand from ErgycaTracker Due.

With respect to the first half of 2019, please note that

- the result of the "*Measurement of investments at fair value*", which was positive for Euro 2,000 thousand, related to the equity investment in Ducati Energia, while the result of the "Measurement of fund units and securities at fair value", also positive for Euro 611 thousand, instead related to units of the I2 Capital Partners Fund;
- the "*Gains/losses from the sale of fund units and securities*", amounting to a negative Euro 265 thousand, derived almost entirely from the sale of 1% of the equity investment in KME SE;
- dividends totalling Euro 337 thousand related to Culti Milano (Euro 183 thousand), Società Agricola Agrienergia (Euro 77 thousand) and Ducati Energia (Euro 77 thousand).

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

5.2. Guarantee fees

(in thousands of Euro)	*1st half 2020*	*1st half 2019*	*Change*	*% Change*
Guarantee fees	442	488	(46)	-9.43%
Guarantee fees	**442**	**488**	**(46)**	**-9.43%**

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

5.3. Other income

(in thousands of Euro)	*1st half 2020*	*1st half 2019*	*Change*	*% Change*
Income from "special situations"	812	668	144	21.56%
Fund management fees	-	394	(394)	-100.00%
Lease income	28	27	1	3.70%
Provision of services to related companies	48	487	(439)	-90.14%
Other	15	46	(31)	-67.39%
Other income	**903**	**1,622**	**(719)**	**-44.33%**

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

"Fund management fees" related to the I2 Capital Partners Fund.

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

5.4. Labour costs

(in thousands of Euro)	*1st half 2020*	*1st half 2019*	*Change*	*% Change*
Wages and salaries	(539)	(554)	15	-2.71%
Social security charges	(186)	(176)	(10)	5.68%
Other personnel expense	(258)	(250)	(8)	3.20%
Labour costs	**(983)**	**(980)**	**(3)**	**0.31%**

Other personnel expense includes remuneration to associates of Euro 118 thousand, in addition to contribution expense of Euro 69 thousand, costs for a welfare plan of Euro 34 thousand and an allocation to the employees' post-employment benefits (TFR) of Euro 25 thousand.

The average number of employees is given here below:

	30/06/2020	*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**

(in thousands of Euro)	*1st half 2020*	*1st half 2019*	*Change*	*% Change*
Depreciation of property, plant and equipment	(206)	(198)	(8)	4.04%
Depreciation on leased assets	(83)	(77)	(6)	7.79%
Amortisation of intangible assets	(2)	(1)	(1)	100.00%
Reversal of impairment losses on investment property	(225)	(403)	178	-44.17%
Amortisation, depreciation, impairment and write-downs	**(516)**	**(679)**	**163**	**-24.01%**

Please see the comments under the individual asset items.

5.6. *Other operating costs*

(in thousands of Euro)	*1st half 2020*	*1st half 2019*	*Change*	*% Change*
Directors' and Statutory Auditors' fees	(744)	(758)	14	-1.85%
Professional services	(477)	(714)	237	-33.19%
Travel costs	(90)	(170)	80	-47.06%
Other personnel expense	(33)	(38)	5	-13.16%
Legal and company disclosure	(45)	(63)	18	-28.57%
Electricity, heating, postal and telephone costs	(89)	(107)	18	-16.82%
Insurance premiums	(48)	(80)	32	-40.00%
Training and seminars	(12)	(13)	1	-7.69%
Real estate leases	(17)	(15)	(2)	13.33%
Maintenance	(120)	(572)	452	-79.02%
Leases and rentals	(16)	(31)	15	-48.39%
Other tax charges	(360)	(408)	48	-11.76%
Membership fees	(89)	(88)	(1)	1.14%
Other net costs	(39)	(76)	37	-48.68%
Donations	(10)	(79)	69	-87.34%
Bank fees	(6)	(8)	2	-25.00%
Other operating costs	**(2,195)**	**(3,220)**	**1,025**	**-31.83%**

In the first half of 2019, *"Professional services"* included costs incurred for potential extraordinary transactions.

"Travel costs" declined due to Covid-19.

The item "*Maintenance*" was influenced by non-recurring expenses incurred on the Varedo property in the first half of 2019.

5.7. *Net finance expense*

(in thousands of Euro)	*1st half 2020*	*1st half 2019*	*Change*	*% Change*
Interest income from related companies	*78*	*238*	(160)	-67.23%
Other finance income and interest	*113*	*450*	(337)	-74.89%
Total finance income	191	688	(497)	-72.24%
Interest expense to related companies	*(31)*	*(54)*	23	-42.59%
Loan interest expense	*(189)*	*(130)*	(59)	45.38%
Interest expense on securities issued	*(2,090)*	*(2,622)*	532	-20.29%
Interest expense on lease agreements	*(9)*	*(13)*	4	-30.77%
Other interest expense	*(25)*	*(27)*	2	-7.41%
Other finance expense	*(244)*	*(43)*	(201)	n/a
Total finance expense	(2,588)	(2,889)	301	-10.42%
Total net finance expense	**(2,397)**	**(2,201)**	**(196)**	**8.91%**

The renewal of the outstanding bond loan at lower rates and amounts has already resulted in finance expense savings.

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

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

5.8. Current and deferred taxes

(in thousands of Euro)	*1st half 2020*	*1st half 2019*	*Change*	*% Change*
Current taxes	633	703	(70)	-9.96%
Deferred taxes	(292)	(404)	112	-27.72%
Current and deferred taxes	**341**	**299**	**42**	**14.05%**

Since 2007, Intek Group and most of its Italian subsidiaries elected to apply the "Italian domestic tax consolidation regime", which allows the determination of a single IRES (Italian corporate income tax) taxable base equal to the algebraic sum of the taxable income and losses of each of the participating entities. Financial relationships, responsibilities and mutual obligations are set out in the agreement and regulation regarding the domestic tax consolidation arrangement, according to which taxable losses of the Parent and/or subsidiaries can be offset against the tax savings realised by the Parent and/or subsidiaries with taxable income.

Reconciliation of theoretical tax charge and the effective charge:

(in thousands of Euro)	*1st half 2020*
Profit/(loss) before taxes	(4,934)
Theoretical tax charge *(tax rate used 24%)*	**1,184**
Reconciliation:	
- Non-deductible (expenses) and non-taxable income	634
- Impairment losses/(reversal of impairment losses) on investments and securities	(1,477)
Taxes recognised in profit or loss	**341**

6. Additional information

6.1. Financial instruments by category

	30 Jun 2020	*31 Dec 2019*	*Change*
Financial assets at fair value through profit or loss	525,029	525,832	(803)
Financial assets at fair value through other comprehensive income	-	-	-
Amortised cost	65,608	76,845	(11,237)
Financial assets	**590,637**	**602,677**	**(12,040)**
Financial liabilities at fair value through profit or loss	(1,277)	(1,643)	366
Financial payables and liabilities at amortised cost	(119,852)	(127,291)	7,439
Financial liabilities	**(121,129)**	**(128,934)**	**7,805**

6.2. Financial instruments by financial statement item

Financial instruments and reconciliation with financial statement items at 30 June 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	524,040	-	524,040	-
Non-current financial assets	27,542	27,481	61	-
Other non-current assets	6	6	-	-
Trade receivables	14,147	14,147	-	-
Other current receivables and assets	4,836	3,716	-	1,120
Current financial assets	1,444	516	928	-
Cash and cash equivalents	19,742	19,742	-	-
Total financial assets	**591,757**	**65,608**	**525,029**	**1,120**
Non-current financial payables and liabilities	(29,969)	(29,563)	(406)	-
Bonds	(75,187)	(75,187)	-	-
Other non-current liabilities	(1,661)	(1,661)	-	-
Current financial payables and liabilities	(8,396)	(7,525)	(871)	-
Trade payables	(1,722)	(1,722)	-	-
Other current liabilities	(4,372)	(4,194)	-	(178)
Total financial liabilities	**(121,307)**	**(119,852)**	**(1,277)**	**(178)**

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;
- 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	524,040	-	-	524,040
Non-current financial assets	61	-	-	61
Current financial assets	928	-	-	928
Total financial assets	**525,029**	**-**	**-**	**525,029**
Non-current financial payables and liabilities	(406)	-	(345)	(61)
Current financial payables and liabilities	(871)	-	-	(871)
Total financial liabilities	**(1,277)**	**-**	**(345)**	**(932)**

The financial instruments recognised in the balance sheet at fair value consist of participating investments and guarantees issued which fall under the level 3 assets. For the determination of the fair value of participating investments, please refer to the dedicated note. The fair value of the guarantees issued is determined by applying a rate which is considered to be representative of the risk undertaken.

6.3. Notional value of financial instruments and derivatives

No derivative financial instruments are recognised as at 30 June 2020, except for the interest rate hedge on the Immobiliare Pictea mortgage loan, the notional value of which is Euro 4,705 thousand.

6.4. Credit risk exposure and impairment losses

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

The ageing of trade receivables from current transactions at the date of these consolidated financial statements was as follows:

(in thousands of Euro)	*Gross carrying amount*	*Write-down as at 30 Jun 2020*	*Net carrying amount*
Not yet due	5	-	5
Up to 60 days past due	5	-	5
61 to 120 days past due	9	-	9
121 days to 1 year past due	-	-	-
Over 1 year past due	247	(231)	16
Trade receivables	**266**	**(231)**	**35**

6.5. Currency risk exposure

At 30 June 2020, there were no assets or liabilities in foreign currency.

6.6. *Interest rate risk exposure*

As at 30 June 2020 the Group's interest-bearing financial assets and liabilities had the following interest rate risk exposure:

(in thousands of Euro)	*30 Jun 2020*	*31 Dec 2019*
Financial assets	-	-
Financial liabilities	(106,143)	(110,865)
Fixed rate instruments	**(106,143)**	**(110,865)**
Financial assets	47,734	59,566
Financial liabilities	(5,960)	(8,894)
Floating rate instruments	**41,774**	**50,672**

A 50-basis-point increase (decrease) in interest rates at the reporting date of these financial statements would produce an increase (decrease) in equity and profit of approximately Euro 250 thousand.

6.7. *Liquidity risk exposure*

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

* * *

7. *Commitments and guarantees*

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

There are furthermore additional guarantees for non-revolving credit lines connected to the copper sector of Euro 26 million, as well as guarantees for tax credits of approximately Euro 1.4 million expiring in 2020.

In December 2015, Intek Group indicated its willingness to issue a guarantee of up to Euro 5 million for Associazione Dynamo for the granting of a mortgage loan for the restructuring of certain buildings located in Limestre. This mortgage is also secured by other real guarantees.

Annexes to the notes:

Reconciliation of the profit/(loss) of the Parent company Intek Group SpA and the consolidated profit/(loss) for the first half of 2020:

(in thousands of Euro)	*1st half 2020*
Profit/(loss) of Intek Group S.p.A.	**(4,227)**
Profit/(loss) of consolidated companies (1)	(877)
Reversal of impairment losses on investments	521
Amortisation of excess cost allocation on property (net of tax effect)	(64)
Cancellation of effect of IFRS 16 on intra-group transactions	38
Cancellation of effect of IFRS 9 on intra-group transactions	16
Group's consolidated net profit/(loss)	**(4,593)**

Reconciliation of the equity of the Parent company Intek Group SpA and the consolidated equity for the period ended 30 June 2020:

(in thousands of Euro)	*30 Jun 2020*
Parent company's equity including profit/(loss) for the period	**496,422**
Fair value measurement of investments held by subsidiaries (net of tax effect)	8,892
Excess cost allocation on property (net of tax effect)	3,581
Cancellation of effect of IFRS 16 on intra-group transactions	130
Cancellation of effect of IFRS 9 on intra-group transactions	210
Difference between the consolidated companies' equity and their carrying amount	(11,428)
Group's consolidated equity including profit/(loss) for the period	**497,807**

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

1. Having regard to the requirements of article 154-*bis*, paragraphs 3 and 4 of Italian Legislative Decree no. 58 of 24 February 1998, the undersigned Vincenzo Manes, Chairman, and Giuseppe Mazza, Manager in charge of Financial Reporting of Intek Group S.p.A., hereby certify:

   - the adequacy with respect to the characteristics of the Company and
   - the effective application

   of administrative and accounting procedures for the preparation of the condensed consolidated interim financial statements during the period from 01.01.2020 to 30.06.2020, 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 condensed consolidated interim financial statements:

   a) were prepared in accordance with the applicable set of international accounting standards as endorsed by the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002. 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 interim report on operations includes a reliable analysis of the references to the important events that took place in the first six months of the year and their impact on the condensed consolidated interim financial statements, along with a description of the main risks and uncertainties for the remaining six months of the year. The interim report on operations also includes a reliable analysis of the information on significant transactions with related parties.

Milan, 28 September 2020

The Chairman

signed Vincenzo Manes

The Manager in charge of Financial Reporting

signed Giuseppe Mazza

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REPORT ON REVIEW OF THE HALF-YEARLY CONSOLIDATED FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying half-yearly consolidated financial statements of Intek Group S.p.A. and subsidiaries (the "Intek Group"), which comprise the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and explanatory notes thereto, as at and for the six month ended 30 June 2020. The Directors are responsible for the preparation of the half-yearly consolidated financial statements in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on the half-yearly consolidated financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-yearly consolidated financial statements of Intek Group as at 30 June 2020 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Maurizio Ferrero
Partner

Milan, Italy
30 September 2020

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