

Press Release

INTEK GROUP

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Kick off of the Joint Venture between KME and Golden Dragon for the production of Connectors in China

Milan, 18 March 2014. Today in Shanghai, a joint venture between KME Ag and the Chinese company Golden Dragon Precise Copper Tube Group Inc. has been finalized.

The project foresees the construction of a manufacturing plant for “connectors” rolled products in the province of Henan.

Connectors are devices made of particular kinds of rolled copper alloy, serving the purpose of joining electrical cables, which are mainly used in the electronics and automotive industries.

Considering the positive growth forecast of these sectors on the Chinese market, KME, already present as leading operator in Europe and in the U.S. markets, has found a Chinese partner able to support the set-up of a manufacturing facility and the penetration of the reference domestic market.

Golden Dragon is the leading Chinese operator in the copper industry having an international footprint and a strong interest in diversifying its core business. Over the last two years, Golden Dragon joined KME in the development of a joint venture project which is today ready to be executed.

Based on the agreement KME Group contributes to the joint venture:

- a) the German plant of Stolberg , historically dedicated to this type of production
- b) equipments coming from dismissed production sites
- c) the know-how of the Group in this specific segment

Golden Dragon will contribute all the necessary financial resources needed for the construction of the new production plant in China , valued around Usd 99 million (ninety-nine millions).

Based on the agreement, the two partners will equally own (50%) of KMD (HK) Holding Limited, registered in Hong Kong , owning :

- a) 100 % of the German company (KME Stolberg GmbH, owner of Stolberg plant), and
- b) 100% of the Chinese company (KMD Precise Copper Strip Co., Ltd. , owner of the new plant).

The target of the joint venture is to become the key global player in the “connector” segment being the only player to have fully integrated manufacturing operations in China, able to supply directly all major markets worldwide.

Having completed the design phase, the parties will immediately start the plant construction which will be located in Xinxiang City adjacent to the industrial compound of Golden Dragon.

The launch of the complete production process is expected to happen before the beginning of 2015. In the meantime, a finishing line supplied with semi-finished products coming from Stolberg will be installed in Xinxiang plant. This will enable KMD to immediately start serving the Chinese market directly from China.

Today in Shanghai – all conditions precedent to the transaction (including the approvals of the competent authorities of the PRC, as well as the antitrust authorities in Europe) have been satisfied.

The respective contributions of Golden Dragon and KME, which are conditional upon each other, will be effective on or prior to 31 March, 2014.

From an accounting point of view the transaction will generate a capital gain of around 50 million (fifty million) Euros for KME, due to the booking of the 50% participation in KMD (HK) Holding Limited. Around 50% of such capital gain will be deferred due to specific performance guarantees granted by KME to Golden Dragon.

No financial commitment by KME Group is foreseen.

KME Ag is the holding company of the copper business, fully owned (100%) by Intek Group SpA.

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This press release is available on the website www.itkgroup.it. In case of further questions, please contact the Company.