

INTEK GROUP

Registered office: 20121 Milan (MI) - Foro Buonaparte, 44

Share capital Euro 314,225,009.80 fully paid-up

Tax Code and Milan Companies Register no. 00931330583

www.itkgroup.it

PRESS RELEASE

- **THE BOD OF INTEK GROUP S.P.A. APPROVED THE INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2017. HERE BELOW ARE THE HIGHLIGHTS FROM THE SEPARATE FINANCIAL STATEMENTS:**

IN MILLIONS OF EURO

	<u>30/06/2017</u>	<u>31/12/2016</u>
▪ NET INVESTMENTS	520.5	522.6
▪ NET FINANCIAL DEBT	(81.0)	(80.4)
▪ TOTAL CASH AND CASH EQUIVALENTS	14.0	16.0
▪ EQUITY	439.4	442.2

- **KME GROUP:**
 - SIGNIFICANT INCREASE IN EBITDA, TOTALLING EURO 36.2 MILLION, UP 30.1% (26.7% ON A LIKE-FOR-LIKE BASIS) COMPARED TO THE SAME PERIOD OF 2016;
- **ERGYCAPITAL:**
 - NEGOTIATIONS FOR THE DISPOSAL OF INVESTMENTS IN THE SOLAR ENERGY SECTOR WITH EXPECTED INCOME OF EURO 21.3 MILLION;
 - RESOLUTION PASSED ON MERGER WITH INTEK GROUP;
- **CULTI MILANO:**
 - LISTED ON THE AIM MARKET IN JULY 2017 (FINANCIAL RESOURCES WORTH EURO 4.5 MILLION, FREE FLOAT OF 27.96%);
 - SIGNIFICANT INCREASE IN MAIN ECONOMIC INDICATORS COMPARED TO THE FIRST HALF OF THE PRIOR YEAR (TURNOVER UP 35%);
- **I2 CAPITAL PARTNERS FUND:**
 - 100% OF ALPI FONDI SGR AND 68% OF NUOVI INVESTIMENTI SIM DIVESTED.

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Today, the Board of Directors of Intek Group S.p.A. (hereinafter also referred to as “Intek Group” or the “Company”), a diversified holding company that takes a dynamic approach to managing its investments, approved the interim financial statements as at 30 June 2017.

The Net Investments held by the Company amounted to Euro 520.5 million as at 30 June 2017 (Euro 522.6 million at the end of 2016), of which 86.9% were in the “copper” sector and the remaining in financial and real estate assets.

The Company maintains a robust capital structure: Equity amounted to Euro 439.4 million, compared to Euro 442.2 million as at 31 December 2016. The change was mainly due to the Euro 2.8 million loss for the period.

The result for the period, a loss of Euro 2.8 million, was mainly attributable to the negative balance of the financial position (net interest charges amounted to Euro 1.8 million).

Here below are the most significant events occurred in the first half of 2017.

(i) Restructuring of the copper sector:

- (a) Restructuring of the copper sector and its strategic assets continues, which may result in industrial agreements with third parties and the sale of certain business segments.
- (b) EBITDA in the first half of 2017 amounted to Euro 36.2 million, up 30.1% from the first half of 2016, when EBITDA came in at Euro 27.8 million, confirming the positive effect of the efficiency and flexibility measures adopted.

(ii) Culti Milano S.p.A. quotation:

- (a) In July, the shares of the company were listed on the AIM market following the placement of 865,500 newly issued ordinary shares that resulted from a capital increase backed by the contribution of financial resources worth Euro 4.5 million. The listing price was set at Euro 5.20 per share. The company's free float was equal to 27.96% of its share capital.
- (b) In the first half of 2017, the company recorded positive performance with a significant increase in main economic indicators from the first half of the prior year and in line with the budget (turnover up 35%).

(iii) Disposal of ErgyCapital photovoltaic systems:

In August, an agreement regarding the disposal of the shares held by ErgyCapital in solar energy companies for a total consideration of Euro 21.3 million was signed with ContourGlobal, leading international operator in the energy sector. Closing is expected by the end of September.

(iv) Simplification and reorganisation of the Group's corporate structure:

During the first half of the year under review, the BoDs of Intek and its subsidiary ErgyCapital approved the merger by incorporation of ErgyCapital into Intek. This transaction, which should be completed in the final quarter of 2017, is part of the reorganisation process launched in 2016 with the merger of KME Partecipazioni S.p.A. and FEB - Ernesto Breda S.p.A. into Intek.

The conclusion of this transaction will allow the current shareholders of ErgyCapital to remain shareholders of a company whose financial instruments are listed on the stock market (MTA). On the other hand, Intek will expand its equity base with positive effects on liquidity and the exchange volume of its securities.

(v) Divestment of 100% of Alpi Fondi SGR (June 2017) and 68% of its parent company Nuovi Investimenti SIM (August 2017) by Fondo I2 Capital Partners (in which the Intek Group holds a 19.15% stake). The transaction resulted in gains worth Euro 5.4 million, which will be distributed to investors by the end of 2017. Agreements with the buyers provide for the sale of the residual stake in NIS by the end of 2017, with additional gains of approximately Euro 4.6 million by mid 2018.

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The **investment sectors** of Intek Group S.p.A. are the following:

- the traditional “**copper**” sector, including the production and marketing of semi-finished copper products and alloys, under the German subsidiary KME AG, which represents 87% of total net investments;
- the “**financial and real estate assets**” sector, which includes the private equity activity, carried out mainly through the closed-ended investment fund I2 Capital Partners (the “**Fund**”) and the management of receivables (tax receivables, non-performing loans and receivables arising from insolvency proceedings) and real estate. The equity investment in ErgyCapital is included under financial and real estate assets.

“**Copper**” sector

The “copper” sector includes the production and marketing of copper and copper-alloy semi-finished products by German subsidiary KME AG, and is the Intek Group’s core business.

Due to their wide field of application, the demand for copper and copper-alloy semi-finished products is very closely connected to the general economic performance in the reference markets.

Consolidated Revenue for the first half of 2017 amounted to Euro 954.9 million, up by 6.9% compared to the first half of 2016 (Euro 893.2 million). Revenue, net of the value of raw materials, declined from Euro 264.5 million to Euro 251.3 million, down by 5% (+1.4% on a like-for-like basis).

EBITDA for the first half of 2017 stood at Euro 36.2 million, up 30.1% from the first half of 2016, when EBITDA amounted to Euro 27.8 million, confirming the positive effect of the efficiency and flexibility measures adopted by the Group (+26.7% on a like-for-like basis).

EBIT stood at Euro 20.5 million (Euro 10.9 million in the first half of 2016).

The **Net Financial Position** as at 30 June 2017 was negative to the tune of Euro 183.7 million, a net improvement compared to Euro 270.6 million at the end of 2016. This improvement was attributable for Euro 19.8 million to the performance of fair value on LME contracts and commitments on metals.

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“**Financial and real estate assets**” sector

With regard to “**financial and real estate assets**”, in the reporting period, the Company continued pursuing the programmes aimed at accelerating their gradual realisation, especially as far as the I2 Capital Partners fund is concerned, of which Intek holds 19.15%.

The Advisor Committee and BoD of I2 Capital Partners SGR resolved to extend the duration of the Fund for another year and thus until 31 July 2018. This will allow for the disposal of the remaining investments and the fully repayment of shares at the best possible conditions.

From the end of June to August 2017, the Fund, through two complex transactions connected with one another, sold 100% of Alpi Fondi SGR S.p.A. (“Alpi Fondi”), a wholly owned subsidiary of Nuovi Investimenti SIM S.p.A. (“NIS”), and 67.97% of the latter company to two different groups of buyers. The buyers of NIS signed a commitment to purchase the remaining stake by 31 December 2017.

Upon the completion of the transactions, but excluding components related to the assets managed by Alpi Fondi and the revaluation of past losses for NIS, the Fund expects to receive a total of Euro 10 million from the two divestments, net of costs totalling approximately Euro 300 thousand.

With regard to **ErgyCapital**, the agreement signed at the start of August 2017 with a company of the ContourGlobal group, leading international operator in the energy sector, for the disposal of investments held in solar energy companies should be mentioned.

The completion of the transaction is subject to the acceptance of some binding conditions, namely:

- the non-occurrence of events or circumstances affecting the financial condition, business and/or assets of the companies to be disposed of;
- the approval of the transaction by the lending banks of the companies Ergyca One Srl and Ergyca Tracker Srl;
- disposal by Ergyca Tracker Srl of the shareholding in Ergyca Tracker 2 Srl.

The consideration for the transaction, to be fully paid at closing, is equal to Euro 21.3 million and was defined on the basis of the economic and financial position of the companies to be disposed of as at 31 December 2016. This consideration will be adequate taking into account any payments made by the companies to be disposed of to related parties from 1 January 2017 and the closing date.

Culti Milano S.p.A.

Culti Milano S.p.A. operates in the field of producing and selling high-end home fragrances, which is a precise segment of the luxury market. Strengths of the product distributed by the company include its *Made in Italy* style, the exclusiveness and sophistication of the fragrances and the refined design, which makes the brand iconic.

It should be noted that in July, Culti Milano was listed on the Alternative Investment Market (AIM) with a capital increase of Euro 4.5 million. The company thus obtained the resources necessary to pursue a major plan for commercial development in Italy and abroad, including through the opening of Culti Milano stores with qualified partners, where appropriate. The first step of this development plan involves the opening in Naples of the third Italian boutique, which is scheduled for October.

The company was listed following the placement of 865,500 newly issued ordinary shares. The unit price of shares was set at Euro 5.20 and placement totalled Euro 4.5 million (gross of expenses and placement fees). The expected free float is equal to 27.96% of capital.

In addition, free warrants, also listed, were granted to all shareholders in the ratio of 1 warrant per share held.

In the first half of 2017, the company recorded positive performance and the main economic indicators showed significant improvement compared with the first half of the prior year and in line with the budget.

Turnover amounted to Euro 2.7 million, up 35% from the same period in 2016. EBITDA came in at Euro 209 thousand (loss of Euro 79 thousand as at 30 June 2016) and EBIT at Euro 75 thousand (loss of Euro 135 thousand in the first half of 2016). Net profit was positive to the tune of Euro 31 thousand (loss of Euro 392 thousand in 2016).

The consolidated net financial position showed a net debt of Euro 206 thousand compared to Euro 1,421 thousand at 31 December 2016.

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The Intek Group's financial highlights as at 30 June 2017, in comparison with 31 December 2016, can be summarised as shown below:

Condensed Separate Statement of Financial Position				
<i>(in thousands of Euro)</i>	<i>30 Jun. 2017</i>		<i>31 Dec. 2016</i>	
Copper	452,311	86.90%	454,616	86.99%
Financial and real estate assets				
<i>Private Equity</i>	<i>6,371</i>		<i>6,209</i>	
<i>Non-operating assets</i>	<i>6,049</i>		<i>7,176</i>	
<i>Real Estate/Others</i>	<i>25,715</i>		<i>25,341</i>	
<i>ErgyCapital/Other services</i>	<i>21,188</i>		<i>21,411</i>	
Total financial and real estate assets	59,323	11.40%	60,137	11.51%
Other assets/liabilities	8,844	1.70%	7,836	1.50%
Net investments	520,478	100.00%	522,589	100.00%
<i>Outstanding bonds (*)</i>	<i>(102,905)</i>		<i>(105,379)</i>	
<i>Net cash from third parties</i>	<i>14,017</i>		<i>15,981</i>	
Net financial debts due to third parties	(88,888)		(89,398)	
<i>Cash investments in KME</i>	<i>7,840</i>		<i>9,000</i>	
Holding company financial debts due to third parties	(81,048)	15.57%	(80,398)	15.38%
Total equity	439,430	84.43%	442,191	84.62%

Notes:

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

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Equity

The equity of the holding company is equal to Euro 439.4 million (Euro 442.2 million as at 31 December 2016); the change is due to the result for the period (negative by Euro 2.8 million). Equity per share was Euro 1.13, in line with figures as at 31 December 2016.

The **Share Capital** as at 30 June 2017, unchanged compared to 31 December 2016, was Euro 314,225,009.80, subdivided into 345,506,670 ordinary shares and 50,109,818 savings shares. The shares have no par value.

As at 30 June 2017, Intek Group held 5,713,572 ordinary treasury shares (1.65% of the category capital) and 11,801 own savings shares (equal to 0.024% of the category capital).

Financing activities

Net financial debt of the holding company to third parties totalled Euro 80.4 million as at 31 December 2016. The balance as at 30 June 2017 was Euro 81.0 million.

There are no financial payables to third parties except for the bonds issued in February 2015.

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Intek Group Consolidated Financial Statements

The result for the period, lacking significant results in the area of “*Net income equity investments*”, was a loss of Euro 3.0 million, due to the imbalance in financial management and the poor performance of net income from equity investments.

The consolidated **balance sheet** is summarised as follows:

Consolidated net invested capital		
<i>(in thousands of Euro)</i>	<i>30 Jun. 2017</i>	<i>31 Dec. 2016</i>
Net non-current assets	519,167	509,747
Net working capital	15,276	17,615
Net deferred tax	2,560	2,786
Provisions	(4,424)	(4,943)
Net invested capital	532,579	525,205
Total equity	439,126	441,978
Net financial position	93,453	83,227
Sources of finance	532,579	525,205

Changes are almost exclusively related to the result of the period.

The "Net financial position" can be broken down as follows:

Reclassified Consolidated Net Financial Position			
<i>(in thousands of Euro)</i>		<i>30 Jun. 2017</i>	<i>31 Dec. 2016</i>
Short-term financial payables		2,619	5,201
Medium- to long-term financial payables		6,847	7,063
Financial payables to Group companies		3,676	3,823
(A) Financial payables	(A)	13,142	16,087
Cash and cash equivalents		(3,040)	(10,444)
Other financial assets		(2,172)	(6,775)
Financial receivables from Group companies		(15,571)	(16,631)
(B) Cash and current financial assets	(B)	(20,783)	(33,850)
(C) Consolidated net financial position (net of outstanding securities)	(A) + (B) + (C)	(7,641)	(17,763)
(D) Outstanding debt securities (net of interest)		101,094	100,990
(E) Consolidated net financial position	(D) + (E)	93,453	83,227
(F) Non-current financial assets		(56,842)	(46,731)
(G) Total net financial debt	(F) + (G)	36,611	36,496

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Pending disputes

In the first half of 2016, certain savings shareholders filed complaints against INTEK regarding the alleged violation of their rights in relation to the distribution of reserves resolved by the Ordinary Shareholders' Meeting of 19 June 2015 and implemented by assigning the 3,479,875 savings shares in the Company's portfolio to all shareholders, receiving in some cases injunctions, which were promptly opposed.

To counter such initiatives, the Company has taken action through the initiation of proceedings which are currently pending at the Courts of Milan, Rome and Bari, in order to ascertain that no savings shareholders' rights were violated and therefore that their claim in relation to the already mentioned distribution is unfounded.

As far as judgments are concerned, it should be noted that in May 2017 the Court of Bari, accepting the opposition of the Company, revoked the previously issued injunction, stating that the saving shareholder's claim was unfounded and ordering the latter to pay legal costs and compensation for vexatious litigation. This judgment was challenged by the losing party and is currently being reviewed by the Bari Court of Appeal.

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The Financial Reporting Manager, Giuseppe Mazza, hereby declares that, pursuant to art. 154-bis, paragraph 2 of the Consolidated Law on Finance (Italian Legislative Decree no. 58/1998), the accounting information contained in this press release, corresponds to the company's documents, books, and accounting records.

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The press release is available on the website www.itkgroup.it, where it is possible to request information directly from the Company (phone: 02-806291; e-mail: info@itk.it) and on the authorised "eMarket STORAGE" system operated by Spafid Connect S.p.A. at www.emarketstorage.com.

Milan, 20 September 2017

The Board of Directors

Annexes:

- 1) Consolidated Statement of Financial Position
- 2) Consolidated Income Statement
- 3) Consolidated statement of cash flows

Intek Group – Condensed consolidated interim financial statements

Annex 1: Statement of financial position

Assets		
<i>(in thousands of Euro)</i>	<i>30/06/2017</i>	<i>31/12/2016</i>
Investments in equity interests and fund units	447,280	445,404
Non-current financial assets	57,031	48,782
Property, plant and equipment	11,332	11,519
Investment property	3,512	3,566
Intangible assets	7	6
Other non-current assets	5	470
Deferred tax assets	5,574	5,866
Total non-current assets	524,741	515,613
Current financial assets	21,619	27,621
Trade receivables	11,743	14,448
Other current receivables and assets	10,014	10,599
Cash and cash equivalents	3,040	10,444
Total current assets	46,416	63,112
Non-current assets held for sale	1,784	1,784
Total assets	572,941	580,509
Liabilities		
<i>(in thousands of Euro)</i>	<i>30/06/2017</i>	<i>31/12/2016</i>
Share capital	314,225	314,225
Reserves and Profit/(loss) for the period	124,901	127,753
Equity attributable to owners of the Parent	439,126	441,978
Non-controlling interests	-	-
Total equity	439,126	441,978
Employee benefits	294	411
Deferred tax liabilities	3,014	3,080
Non-current financial payables and liabilities	6,847	9,064
Bonds	101,094	100,990
Other non-current liabilities	3,385	2,321
Provisions for risks and charges	4,130	4,532
Total non-current liabilities	118,764	120,398
Current financial payables and liabilities	9,796	12,915
Trade payables	1,183	1,027
Other current liabilities	4,072	4,191
Total current liabilities	15,051	18,133
Total liabilities and equity	572,941	580,509

NB: The Independent Auditors have not yet completed the audit of the above figures.

Intek Group – Condensed consolidated interim financial statements as at 30 June 2017

ANNEX 2 - Income statement

<i>(in thousands of Euro)</i>	<i>1st half 2017</i>	<i>1st half 2016</i>
Net income from investment management	(276)	(3,158)
Commissions on guarantees given	1,974	2,028
Other income	526	1,580
Personnel costs	(955)	(1,008)
Amortisation, depreciation, impairment and write-downs	(267)	(1,069)
Other operating costs	(2,512)	(2,260)
Operating profit/(loss)	(1,510)	(3,887)
Financial income	1,140	1,073
Financial expense	(2,873)	(3,081)
<i>Net financial expense</i>	<i>(1,733)</i>	<i>(2,008)</i>
Profit/(loss) before taxes	(3,243)	(5,895)
Current taxes	492	(47)
Deferred taxes	(200)	277
Total income taxes	292	230
Profit/(loss) for the period	(2,951)	(5,665)

NB: The Independent Auditors have not yet completed the audit of the above figures.

Intek Group – Condensed consolidated interim financial statements as at 30 June 2017

Annex 3 - Statement of Cash Flows – indirect method

<i>(in thousands of Euro)</i>	<i>1st half 2017</i>	<i>1st half 2016</i>
(A) Cash and cash equivalents at the beginning of the year	10,444	10,947
Profit/(loss) before taxes	(3,243)	(5,895)
Amortisation and depreciation	213	216
Impairment/(Reversal of impairment) on non-current assets other than financial assets	54	853
Impairment/(Reversal of impairment) of investments and financial assets	294	3,305
Changes in pension provisions, post-employment benefits and stock options	(103)	(50)
Changes in provisions for risks and charges	(402)	(303)
(Increase)/decrease in investments	(2,096)	(1,336)
(Increase)/decrease in financial investments and financial assets	4,847	21,193
Increase/(decrease) in current and non-current financial payables to related parties	(147)	1,424
(Increase)/decrease in current and non-current financial receivables from related parties	949	(17,314)
(Increase)/decrease in current receivables	3,782	(2,678)
Increase/(decrease) in current payables	37	(67)
Taxes paid during the year	-	-
(B) Total Cash flows from/(used in) operating activities	4,185	(652)
(Increase) in non-current intangible assets and property, plant and equipment	(27)	(57)
Decrease in non-current intangible assets and property, plant and equipment	-	72
Increase/decrease in other non-current assets/liabilities	1,528	2
(C) Cash flows from/(used in) investing activities	1,501	17
Increase/(decrease) in current and non-current financial payables	(2,873)	(2,788)
(Increase)/decrease in current and non-current financial receivables	(10,217)	670
(D) Cash flows from/(used in) financing activities	(13,090)	(2,118)
(E) Change in cash and cash equivalents	(B) + (C) + (D)	(7,404)
(F) Cash and cash equivalents at the end of the period	(A) + (E)	8,194

NB: The Independent Auditors have not yet completed the audit of the above figures.