

PRESS RELEASE

- **INTEK GROUP SPA'S BOD APPROVES THE HALF-YEAR FINANCIAL REPORT AS AT 30 JUNE 2019, WHOSE SEPARATE FINANCIAL STATEMENTS HIGHLIGHT:**

	<u>(IN MILLIONS OF EURO)</u>	
	<u>30/06/2019</u>	<u>31/12/2018</u>
▪ NET INVESTMENTS	547.3	546.1
▪ NET FINANCIAL INDEBTEDNESS	48.4	44.2
▪ CASH AND CASH EQUIVALENTS	45.0	52.0
▪ SHAREHOLDERS' EQUITY	498.8	501.9

- **KME GROUP:**

- EBITDA UP TO EURO 39.4 MILLION, AN INCREASE OF 2.1% COMPARED TO THE CORRESPONDING PERIOD OF 2018;

- **CULTI MILANO:**

- MAIN ECONOMIC INDICATORS SHOW SIGNIFICANT GROWTH COMPARED TO 2018 (EBITDA +104%).

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The Board of Directors of Intek Group SpA (hereinafter also "Intek Group" or the "Company"), a diversified holding company whose objective is dynamic investment management, approved, on today's date, the half-year financial report as at 30 June 2019.

The Net investments held by the Company amounted to Euro 547.3 MILLION AS AT 30 JUNE 2019 (EURO 546.1 million at the end of 2018), of which around 89% were in the "copper" sector and the remaining investments in financial and real estate assets.

The Company maintained a solid equity structure: shareholders' equity as at 30 June 2019 amounted to Euro 498.8 million, compared to Euro 501.9 million as at 31 December 2018. The variation was determined by the loss for the period of Euro 3.0 million (loss of Euro 2.7 million in the first half of 2018).

The main events characterising the operations of Intek and its subsidiaries in the first half of 2019, are described below.

(I) KME

Acquisition of a 100% stake in Mansfelder Kupfer und Messing GmbH (MKM), a leading operator in the European copper market, and the sale of the brass rods businesses in Germany, Italy and France, as well as the tube business in Germany and Spain to the Zhejiang Hailiang Co. group.

The acquisition of MKM, finalised in February 2019, is of considerable strategic relevance, as it is meant to drive KME's overall competitiveness in its reference markets and could also enable a further redefinition of the scope of industrial activities in the portfolio. The purchase price paid by KME was Euro 80 million plus the assignment to the seller, European Acquisition Midco Limited, of a 1% stake in KME SE, which was first sold by Intek to its subsidiary for Euro 4.6 million.

The disposal of the brass rods business in Germany, Italy and France and the tubing business in Germany and Spain is instead intended to reduce the industrial complexity of the KME Group, by downsizing the number of products as well as plants. The agreement with Zhejiang Hailiang Co., signed in January 2019 and

finalised at the end of March 2019, resulted in net proceeds of Euro 88 million, corresponding to the sale price of Euro 119 million, in addition to net working capital and the repayment of intercompany payables existing at the date on which the contract was entered into, and after deducting the obligatory repayments of working capital credit lines used in relation to the business disposed of for around Euro 112 million.

Furthermore, in June 2019 KME reacquired 49% of Tréfigemetaux sas, a French company that manufactures copper tubing and rods, of which it already held 51% of the share capital.

In the first half of 2019, KME registered an increase of 25.0% in sales revenues compared to the corresponding period of 2018 (+5.2% net of the value of raw materials). EBITDA came to Euro 39.4 million (+2.1%) and EBIT stood at Euro 16.6 million (-28.1%). The net consolidated result was Euro 25.5 million, compared to Euro 4.9 million, benefitting from the result of extraordinary transactions.

(II) Culti Milano SpA

In the first half of 2019, Culti recorded a positive performance, with an increase in the main economic indicators from the corresponding period of the year 2018. The turnover for the first six months of the year amounted to Euro 3.6 million, marking an increase of 18% compared to the first half of 2018 (Euro 3.1 million), while EBITDA was a positive Euro 0.5 million (Euro 0.2 million as at 30 June 2018; +104%). EBIT was also positive, amounting to Euro 255 thousand, compared to Euro 42 thousand in the first half of 2018 (+508%). The net financial position was a positive Euro 3.0 million, almost unchanged with respect to 31 December 2018.

At the start of July, Culti completed the purchase of 50.01% of Bakel Srl, a company whose business is focused on luxury skincare products, produced exclusively using natural active ingredients. The shares were acquired with an investment of Euro 2.5 million, of which Euro 2 million paid at closing. The final amount for a maximum of Euro 500 thousand, to be paid by 2021, will be subject to an incentive mechanism calculated on the basis of the company's future profitability.

The outlay for the acquisition was financed using its own resources and through a medium-term amortising 5-year loan of Euro 1 million, granted by ICCREA.

The integration of the activities of Culti and Bakel is expected to bring significant benefits in terms of optimisation of the distribution network.

During the half, Intek, through market purchases, increased its stake in Culti Milano from 72.04% to 77.17%, with a total outlay of Euro 0.4 million.

(III) Closure of the I2 Capital Partners Fund

The end of July marked the end of the term for the liquidation of the Fund, with the distribution to investors of the entire remaining cash, amounting to Euro 6.9 million, and with the assignment to said investors of the shares of the company Isno 3 Srl, a vehicle in which all residual assets still not liquidated were concentrated.

In 2019, before the closing of the Fund, Intek acquired, at a cost of Euro 3.2 million, the rights of some investors, increasing its stake in the Fund from 19.15% to 59.5%.

Due to the distribution of the Fund, Intek collected liquidity of Euro 3.6 million and assumed control of Isno 3, of which I2 Capital Partners SGR holds a stake of 3% based on the remuneration agreements relating to the final part of its management company activities.

In addition to continuing to develop the assets acquired by the Fund, Isno 3 will continue to manage the Festival Crociere dispute, currently pending before the Court of Cassation, as a result of the challenge of the part of the appeal ruling which saw it as the losing party, in conformance with the first instance ruling.

(IV) New Private Equity initiatives

After having established the benefit company Nextep, the first Italian investment platform dedicated to companies interested in integrating sustainability in their business model, Intek retains an active interest in innovative sectors such as that of investments heavily geared towards sustainability in both the financial and real estate domains.

The investment target will be high-potential Italian business which can benefit from skills, capital and strategic vision to accelerate their growth and evolution in a sustainable direction, understood as innovation and leverage for growth in economic as well as environmental and social value.

This initiative is based on the market’s clear interest in the ESG (Environmental, Social and Governance) area and the long-term experience of Intek and its management with respect to sustainability and governance matters. As regards environmental aspects, the reference partner has been identified as Nativa, an advisory firm active in the field of sustainability, founded as the first Benefit Corporation in Italy and whose mission is to create a positive large-scale impact on society, the biosphere and the economy.

(V) 2015-2020 Bond Loan

The Bond Loan with a nominal value of Euro 101.7 million will expire on 20 February 2020, as well as the associated coupon of Euro 5.1 million.

With reference to the requirements needed to extinguish the aforementioned loan, it should be noted that, at the date of approval of this report, Intek has liquidity of Euro 46.0 million, and expects, by the end of the year, collections of receivables from the subsidiary KME SE and guarantee deposits totalling Euro 18 million.

The company commenced negotiations with various financial institutions and, in particular, it is in advanced negotiations with a bank of prime standing for the definition of a 3-year Euro 50 million loan, with which Intek has already successfully completed transactions in the recent past which also concerned the main subsidiaries.

A project is also under way for the issuing of a bond instrument for an amount of at least Euro 50 million. The performance of the corporate debt securities market and, more generally speaking, of the financial markets, the success of the previous issues and the amount of debt with respect to the main company indicators are all elements which, together with the reduced size of the transaction, should help the issue be successful.

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The **investment sectors** of the Intek Group are currently:

- the traditional “**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, carried out also through the I2 Capital Partners closed-end investment fund (the “**Fund**”), liquidated in July 2019 and the management of receivables (tax receivables, non-performing loans and receivables arising from insolvency proceedings) and real estate.

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Copper sector

The copper sector, headed up by the subsidiary KME SE, represents the biggest industrial investment of Intek Group and is summarised below:

<i>(in thousands of Euro)</i>	<i>30 Jun 2019</i>	<i>31 Dec 2018</i>
KME SE investment	478,170	483,000
KME Beteiligungsgesellsch.mbH investment	1,104	1,104
Other	8,723	5,161
Total “copper”	487,997	489,265

The reduction of Euro 4.8 million in the investment in KME SE was determined by the sale of the 1% share as part of the acquisition of control of MKM by KME.

The update of the valuation using the Unlevered discounted cash flow method as at 30 June 2019, as a result of the higher flows expected due to the acquisition of MKM, would have led to a positive fair value change of approximately 9% with respect to 31 December last year. For said update, moreover, a WACC of 11.4% was used, compared to 10.28% in the previous valuation, also to reflect the risks related, especially in consideration of the recent date of completion of the transaction itself, to the new components in the business perimeter and the synergies in the process of being implemented. The results of the Unlevered discounted cash flow method were compared with those achieved using other methods (in particular, using the market multiples and the transaction multiples methods with the EV/EBITDA multiple) which confirmed the results of the main method.

In respect of the provisions of the policy on the determination of the fair value, at the time of drafting the half-year report, no changes were made to the book value of the investment.

Owing to their broad range of uses, the demand for semi-finished copper products and copper alloys is closely related to the general trend in economic activity in the various reference markets.

Consolidated turnover in the first half of 2019 totalled Euro 1,284.4 million, an increase of 25% compared to the first half of 2018 (Euro 1,027.9 million). Turnover, net of the value of raw materials, rose from Euro 267.5 million to Euro 281.5 million, marking an increase of 5.2%.

Gross operating profit (EBITDA) in the first half of 2019 was Euro 39.4 million, 2.1% higher than the first half of 2018 when EBITDA was Euro 38.6 million.

EBIT stood at Euro 16.6 million (Euro 23.1 million in the first half of 2018).

The **net financial position** as at 30 June 2019 was a negative Euro 200.0 million. These balances came to Euro 219.4 million as at 31 December 2018. The Group continues to adopt measures to optimise its working capital requirements.

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“Financial and real estate assets” sector

As regards **“financial and real estate assets”**, in addition to the information provided above, in relation to the liquidation of the I2 Capital Partners Fund, note should be taken of the collections linked to former Fime/Isno 2 positions totalling Euro 2.0 million.

Activities also continued targeted at increasing the value of the real estate assets held by the Group, also through Immobiliare Pictea.

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Intek's financial highlights as at 30 June 2019, compared to 31 December 2018, are summarised in the table below.¹

Condensed separate statement of financial position				
<i>(in thousands of Euro)</i>	<i>30 Jun 2019</i>		<i>31 Dec 2018</i>	
Copper	487,997	89.17%	489,265	89.59%
Financial and real estate assets				
<i>Private Equity</i>	<i>5,801</i>		<i>2,881</i>	
<i>Non-operating assets</i>	<i>6,387</i>		<i>6,804</i>	
<i>Real Estate/Others</i>	<i>33,356</i>		<i>32,365</i>	
<i>Culti/Other services</i>	<i>13,181</i>		<i>12,767</i>	
Total financial and real estate assets	58,725	10.73%	54,817	10.04%
Other assets/liabilities	541	0.10%	2,031	0.37%
Net investments	547,263	100.00%	546,113	100.00%
<i>Outstanding bonds (*)</i>	<i>(103,303)</i>		<i>(105,766)</i>	
<i>Net cash from third parties</i>	<i>54,871</i>		<i>61,547</i>	
Net financial debt	(48,432)	8.85%	(44,219)	8.10%
Total equity	498,831	91.15%	501,894	91.90%

Notes:

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

¹It should be noted that IFRS 16 entered into force on 1 January 2019, which provides for the recognition of the asset forming the object of the lease, including operating, under assets, with a contra-item under financial payables. Intek applied the new standard by opting for the modified retrospective method and, therefore, without re-stating the comparative information and by determining the right of use equal to that of the lease liability. The application of the new standard involved the recognition of rights of use and financial liabilities of roughly Euro 4.5 million. In the condensed separate statement of financial position both items are classified under “Other assets/liabilities”.

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Equity

The holding company's equity amounted to Euro 498.8 MILLION, COMPARED TO EURO 501.9 million as at 31 December 2018; the variation was attributable to the result for the period. Equity per share is Euro 1.15, unchanged with respect to 31 December 2018.

The "**Share Capital**" as at 30 June 2019, unchanged with respect to 31 December 2018, amounts to Euro 335,669,009.80, 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 2019, Intek Group held 5,713,572 ordinary treasury shares (1.468% of the shares in this category) and 11,801 own savings shares (0.024% of the shares in this category).

Financial management

Net financial debt of the holding company to third parties totalled Euro 44.2 million as at 31 December 2018. The same balance as at 30 June 2019 was Euro 48.4 million.

Aside from the bonds, which mature in February 2020, there are no other financial debts to third parties except for a loan totalling Euro 0.2 million deriving from the merged company ErgyCapital and expiring in December 2019.

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Consolidated financial statements of Intek Group

The result for the period, in the absence of significant results in relation to "Net income from investment management", was a loss of Euro 2.0 million, due primarily to net financial expense.

Consolidated equity can be summarised as follows:

Consolidated net invested capital		
<i>(in thousands of Euro)</i>	<i>30 Jun 2019</i>	<i>31 Dec 2018</i>
Net non-current assets	552,909	552,459
Net working capital	11,144	9,181
Net deferred tax	1,064	1,429
Provisions	(1,423)	(1,385)
Net invested capital	563,694	561,684
Total equity	502,463	504,596
Net financial position	61,231	57,088
Sources of finance	563,694	561,684

The change is linked solely to the result for the period.

Details of the “Net financial position” are provided below:

Reclassified consolidated net financial position			
<i>(in thousands of Euro)</i>		<i>30 Jun 2019</i>	<i>31 Dec 2018</i>
Short-term financial payables		109,647	10,760
Medium to long-term financial payables		5,485	5,378
Financial payables to Group companies		3,510	3,706
(A) Financial payables	(A)	118,642	19,844
Cash and cash equivalents		(45,641)	(52,556)
Other financial assets		(10,426)	(10,242)
Financial receivables from Group companies		(1,344)	(1,349)
(B) Cash and current financial assets	(B)	(57,411)	(64,147)
(C) Consolidated net financial position (net of outstanding securities)	(A) + (B)	61,231	(44,303)
(D) Outstanding debt securities (net of interest)		-	101,391
(E) Consolidated net financial position	(C) + (D)	61,231	57,088
(F) Non-current financial assets		(3,402)	(3,403)
(G) Total net financial debt	(E) + (F)	57,829	53,685

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Ongoing disputes

Some disputes are still pending, both first instance and appeal, with a number of savings shareholders.

All the proceedings settled with a ruling had a favourable outcome for the Company.

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The Manager in charge of Financial Reporting, Giuseppe Mazza, hereby declares, pursuant to paragraph 2 of art. 154-bis of the Consolidated Law on Finance (Legislative Decree 58/1998), that the accounting disclosure contained in this press release corresponds to the documentary results, the books and the accounting records.

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The press release is available on the website www.itkgroup.it, through which it is possible to request information directly from the Company (telephone no. 02-806291; e-mail info@itk.it) as well as on the storage system “eMarket STORAGE” manage by Spafid Connect SpA at the address www.emarketstorage.com.

Milan, 27 September 2019

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 Half-Year Financial Statements as at 30 June 2019

Annex 1 - Statement of financial position – Assets

<i>(in thousands of Euro)</i>	<i>30-Jun-19</i>	<i>31-Dec-18</i>
Investments in equity interests and fund units	521,551	521,027
Non-current financial assets	3,824	4,722
Investment property	11,985	11,481
Property, plant and equipment	15,958	16,536
Intangible assets	6	6
Other non-current assets	7	6
Deferred tax assets	4,592	4,958
Total non-current assets	557,923	558,736
Current financial assets	12,700	12,516
Trade receivables	13,647	10,844
Other current receivables and assets	6,628	5,484
Cash and cash equivalents	45,641	52,556
Total current assets	78,616	81,400
Non-current assets held for sale	-	-
Total assets	636,539	640,136

N.B. The Independent Auditors have still not completed their examination of the above data

Intek Group – Condensed Consolidated Half-Year Financial Statements as at 30 June 2019

Annex 1 - Statement of financial position – Liabilities

<i>(in thousands of Euro)</i>	<i>30-Jun-19</i>	<i>31-Dec-18</i>
Share capital	335,069	335,069
Reserves and Profit/(loss) for the period	167,394	169,527
Equity attributable to owners of the Parent	502,463	504,596
Non-controlling interests	-	-
Total equity	502,463	504,596
Employee benefits	381	343
Deferred tax liabilities	3,528	3,529
Non-current financial payables and liabilities	5,907	6,697
Bonds	-	101,391
Other non-current liabilities	2,218	2,338
Provisions for risks and charges	1,042	1,042
Total non-current liabilities	13,076	115,340
Current financial payables and liabilities	114,087	15,391
Trade payables	1,763	1,308
Other current liabilities	5,150	3,501
Total current liabilities	121,000	20,200
Total liabilities and equity	636,539	640,136

N.B. The Independent Auditors have still not completed their examination of the above data

Intek Group – Condensed Consolidated Half-Year Financial Statements as at 30 June 2019

Annex 2) Statement of profit or loss and other comprehensive income

<i>(in thousands of Euro)</i>	<i>1st half 2019</i>	<i>1st half 2018</i>
Net income/(expenses) from investment management	2,683	(606)
Guarantee fees	488	786
Other income	1,622	632
Labour costs	(980)	(968)
Amortisation, depreciation, impairment and write-downs	(679)	(425)
Other operating costs	(3,220)	(857)
Operating profit/(loss)	(86)	(1,438)
Finance income	688	904
Finance expense	(2,889)	(2,932)
<i>Net finance expense</i>	<i>(2,201)</i>	<i>(2,028)</i>
Profit/(loss) before taxes	(2,287)	(3,466)
Current taxes	703	799
Deferred taxes	(404)	(839)
Total income taxes	299	(40)
Profit/(loss) for the period	(1,988)	(3,506)

N.B. The Independent Auditors have still not completed their examination of the above data

Intek Group – Condensed Consolidated Half-Year Financial Statements as at 30 June 2019

Annex 3) Statement of cash flows – indirect method

<i>(in thousands of Euro)</i>	<i>1st half 2019</i>	<i>1st half 2018</i>
(A) Cash and cash equivalents at the beginning of the year	52,556	28,886
Profit/(loss) before taxes	(2,287)	(3,466)
Amortisation and depreciation	276	203
Impairment/(reversal of impairment) of non-current assets other than financial assets	403	222
Impairment/(reversal of impairment) of investments and financial assets	(2,612)	943
Changes in pension funds, post-employment benefits and stock options	12	18
Changes in provisions for risks and charges	-	(1,571)
(Increase)/decrease in investments	4,385	326
(Increase)/decrease in financial investments and financial assets	(2,297)	(100)
Increase/(decrease) in current and non-current financial payables to related companies	(196)	(211)
(Increase)/decrease in current and non-current financial receivables from related companies	6	33,935
(Increase)/decrease in current receivables	(3,244)	876
Increase/(decrease) in current payables	2,103	(2,913)
(B) Total cash flows from/(used in) operating activities	(3,451)	28,262
(Increase) in non-current intangible assets and property, plant and equipment	(213)	(158)
Decrease in non-current intangible assets and property, plant and equipment	175	-
Increase/decrease in other non-current assets/liabilities	(122)	-
(C) Cash flows from/(used in) investing activities	(160)	(158)
Increase/(decrease) in current and non-current financial payables	(3,120)	(3,379)
(Increase)/decrease in current and non-current financial receivables	(184)	-
(D) Cash flows from/(used in) financing activities	(3,304)	(3,379)
(E) Change in cash and cash equivalents	(B) + (C) + (D)	(6,915)
(F) Effect of changes in accounting standards	-	(526)
(G) Cash and cash equivalents at the end of the period	(A) + (E) + (F)	45,641
		53,085

N.B. The Independent Auditors have still not completed their examination of the above data