INTEK GROUP KME

KME Group SpA

(until 22 September 2022 Intek Group SpA)

INTERIM FINANCIAL REPORT
AS AT 30 JUNE 2022
(1ST HALF 2022)

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

Board of Directors
of 28 September 2022

KME Group S.p.A.
Registered and Administrative Office:
20121 Milan - Foro Buonaparte, 44
Share capital €335,069,967.44, fully paid-up
Tax Code and Milan Business
Register No. 00931330583
www.itkgroup.it

Contents

Company Bodies

Board of Directors *(appointed by the shareholders' meeting of 8 June 2021)*

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

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

Board of Statutory Auditors *(appointed by the shareholders' meeting of 8 June 2021)*

Chairman	Silvano Crescini
Standing Auditors	Marco Lombardi
	Giovanna Villa
Alternate Auditors	Elena Beretta
	Cristina Sorrentino

Manager in charge of Financial Reporting	Giuseppe Mazza
Independent Auditors *(appointed by the shareholders' meeting of 31 May 2016)*	Deloitte & Touche S.p.A.
Common Representative of Savings Shareholders *(appointed by the special shareholders' meeting of 8 June 2021)*	Andrea Santarelli
Common Representative of the "KME Group SpA 2020–2025 Bond" Holders	Rossano Bortolotti
Common Representative of the "KME Group SpA 2022– 2027 Bond" Holders	Rossano Bortolotti

Interim report on operations

Dear Shareholder,

the six-month period in question was characterised at global level by the conflict which affected Russia and Ukraine starting in February, whose outcome and duration are currently not foreseeable. The situation in Ukraine risks significantly changing the global macroeconomic scenario with profound consequences. Russia, in fact, plays a central role in the global energy supply (it produces about 18% of natural gas and 12% of oil) and is also a primary supplier of many industrial metals and agricultural raw materials. The persistence of conditions of instability and tension on commodity prices is intensifying the increase in inflationary pressures, subsequently damaging growth by eroding consumers’ purchasing power.

This interim financial report is published following the change of company name from Intek Group SpA to KME Group SpA, which took place on 23 September 2022. This forms part of a strategic process, announced by the Board of Directors on 22 April 2022, which will see the Company concentrate its activities on the business management of the investment in KME SE.

Indeed, in recent years the Company’s activities have focused on managing the shareholding in KME SE and its subsidiaries, carrying out several acquisitions and disposal operations that have created a new strategic configuration of the copper sector, focused mainly on the rolled products (“Copper”). At the same time, these transactions have led to a significant reduction in the debt of the KME Group which, in the first half of 2022, executed the early repayment of Euro 190 million out of Euro 300 million of the bond issued in 2018.

The Copper sector also offers interesting development prospects, both in terms of profitability and cash generation, reinforced by the increased competitive positioning of KME SE, in line with the expectations of most relevant markets.

Other investments included the one in Culti Milano SpA, albeit less significant in terms of size, which has reached interesting levels both in terms of profitability and cash generation that are not yet fully reflected in the price of the listed stock on the Euronext Growth Milan market (“EGM”, formerly AIM Italia).

The Board of Directors, in the context described, believes that the best way to enhance the Company’s assets is to focus on the management of the shareholding in KME SE, which will develop strategic and long-lasting value compared to other investments. This process is the best way to benefit from the favourable prospects of the Copper sector described above and thus maximise the creation of value for shareholders.

The other investments (Culti Milano SpA, Ducati Energia SpA and those, mainly minority interests, held indirectly through Intek Investimenti SpA) will subsequently be focused on creating value through disposal to third parties or assignment to the shareholders of the Company.

In this new strategic configuration, it is considered that the new structure of the Group, even with the expected increased cash generation capacity, requires a lower level of capital endowment. The promotion of the three voluntary public exchange offers concluded on 23 September is aligned to this new context.

In this interim report on operations, given the recent launch of the new strategic process, whose effects on investment management have still not fully materialised, as well as to ensure better comparability and understanding, analysis continued to be focussed on the Parent Company, on the individual equity investments and their results, in continuity with the disclosure presented in the previous financial reports.

The main events that characterised the operations of the Parent Company and its investees in 2022 until the date on which this report was drafted are described below:

(i) Voluntary Public Exchange Offers

Starting from 25 July of this year, the three public exchange offers on ordinary shares, savings shares and warrants that had been announced on 22 April 2022 took place. The offer period ended on 13 September for savings shares and warrants and on 16 September for ordinary shares. A total of 82.3 million ordinary shares, 1.1 million savings shares and 20.2 million warrants were tendered. In exchange, 63,533,259 "*KME Group S.p.A. 2022–2027*" Bonds were issued as consideration, for a total nominal value of Euro 63.5 million.

(ii) Copper sector

In this area, in the course of 2021 and the early months of 2022, significant transactions were carried out in order to implement the KME SE group's strategy of concentrating on copper and copper alloy rolled products, in which the group is the European leader and in which it intends to focus its energy and expansion in the future, given the attractive growth rates expected for the main reference markets:

- in January 2022, the agreement was executed with Paragon Partners GmbH ("**Paragon**"), a German private equity fund, for the transfer of control of the Special Products business. The agreement called for the creation of a company 55% held by Paragon and 45% by KME SE, to which the above-mentioned business was transferred. This transaction enabled KME SE to cash in around Euro 200 million, plus the repayment of around Euro 20 million in intragroup loans, relating to working capital, and after a Euro 32 million loan was granted to the newly-established company;
- an additional disposal was completed in February 2022 with the sale of the Wires business, which entered the KME portfolio with the acquisition of MKM. This transaction allowed to cash approximately Euro 20 million, plus the value of inventory;
- in July 2022, the acquisition of part of the flat rolled products production segment of Aurubis AG was completed. The scope of the transaction includes the FRP plant in Zutphen (Netherlands) and the slitting centres in Birmingham (United Kingdom), Dolný Kubín (Slovakia) and Mortara (Italy);

The cash proceeds of the extraordinary transactions enabled a significant improvement in KME SE's net financial position (from Euro 249.5 million as at 31 December 2021 to Euro 59.4 million as at 30 June 2022) and the partial early redemption, for Euro 190 million, of the KME SE Euro 300 million bond maturing in 2023.

Revenues from sales amounted to Euro 951.4 million (+4.7% compared to 2021 on a like-for-like basis), while those net of the value of raw materials totalled Euro 212.7 million (+27.1% compared to 2021, again on a like-for-like basis). This performance enabled a notable improvement in EBITDA, up to Euro 45.6 million (+78.1% compared to 2021, again on a like-for-like basis).

(iii) Culti Milano SpA

Also in the first half of 2022, Culti Milano and its subsidiaries recorded significant commercial growth, confirming their differentiation and complementary channel strategy.

In the first half of 2022, the Culti Milano Group recorded revenues of Euro 10.7 million and EBITDA of Euro 2.3 million compared to the same indicators in the first half of 2021 (on a like-for-like basis) of Euro 9.1 million and Euro 1.7 million, respectively, therefore marking a considerable increase in sales supported by significant profitability performances.

Public Exchange Offers on Ordinary Shares, Savings Shares and Warrants

On 22 April 2022, the Company's Board of Directors announced the promotion of three separate public exchange offers on the Company's ordinary shares, savings shares and warrants (the "Exchange Offers"). These offers are the result of the fact that the new configuration of the Group, even with the expected increased cash generation capacity, requires a lower level of capital endowment. The purpose of the Exchange Offers was to allow the holders of the financial instruments covered by the offers themselves to benefit from the possibility of transforming their investment, represented by ordinary shares, savings shares and/or warrants, into a financial instrument characterised by a lower degree of risk and a value that incorporates a premium compared to the average prices of said securities in the last few months.

The Exchange Offers related in particular to:

- up to 133,674,937 of the Intek Group S.p.A. ordinary shares in circulation;
- all of the 16,325,063 Intek Group S.p.A. savings shares in circulation;
- up to 72,000,000 of the "Intek Group S.p.A. 2021-2024 Warrants" in circulation.

The consideration for the Exchange Offers was represented by newly issued "KME Group SpA 2022-2027" bonds (the "2022 Bonds"), with a nominal value of Euro 1.00, with a duration of 5 years and with a nominal gross annual fixed rate at least equal to 4%. This rate was then set at 5%. After their issue, the 2022 Bonds are listed on the MOT (Electronic Bond and Securities Market), are not secured by collateral or personal guarantees and are not expected to be assigned a rating.

The expected payments were initially equal to a total of Euro 107.7 million, determined as follows:

- 3 2022 Bonds for every 5 ordinary shares tendered for a maximum value of approximately Euro 80.2 million;
- 4 2022 Bonds for every 5 savings shares tendered for a maximum value of approximately Euro 13.1 million;
- 1 2022 Bond for every 5 warrants tendered for a maximum value of approximately Euro 14.4 million.

The Ordinary Shares Exchange Offer could have been increased up to a maximum of 179,441,687 Ordinary Shares, corresponding to a value of Euro 107.7 million, in consideration of a potential reduced level of participation in the Exchange Offer on the Saving Shares and the Exchange Offer on the Warrants.

The considerations for the ordinary shares and the warrants were increased during the execution of the Exchange Offers becoming equal to:

- 7 2022 Bonds for every 10 ordinary shares tendered for a maximum value of approximately Euro 93.6 million;
- 1 2022 Bond for every 4 warrants tendered for a maximum value of roughly Euro 18.0 million.

Following these increases, the total considerations could be equal to Euro 124.7 million.

The 2022 Bonds were approved by the Board of Directors on 9 May 2022 for a total amount of a maximum of Euro 130.0 million. Also on that date, the Board of Directors approved a condensed separate interim financial report at 30 April 2022, prepared pursuant to art. 2357, paragraph 1 of the Italian Civil Code, to highlight the available reserves and called the ordinary and extraordinary shareholders' meeting of the Company regarding: the authorisation to purchase and subsequently cancel own ordinary shares, own savings shares and warrants; amendments to the articles of association subject to the possible purchase and cancellation of all savings shares, where tendered to the relative offer; the change of company name and of other statutory clauses; the reduction of the share capital through allocation to the available reserve of Euro 135 million.

The Shareholders’ Meeting of the Company was held on 16 June 2022, and on the same date the Company promoted the three Offers pursuant to Article 102 of the Consolidated Law on Finance (TUF). On 20 June the Offer Document pursuant to Article 102 of the TUF was presented to Consob, which approved it together with the Information Prospectus on the 2022 Bonds on 20 July. On the same date, Borsa Italiana instead admitted the 2022 Bonds to listing.

The period for carrying out the Exchange Offers was initially scheduled from 25 July until 6 September for savings shares and warrants and until 9 September for ordinary shares. This period was then extended until 13 September and 16 September respectively, as a result of the changes in the fees for which the Company filed a supplement to the Information Prospectus with Consob, which was approved by Consob on 6 September 2022.

As a result of the Exchange Offers, the following were tendered:

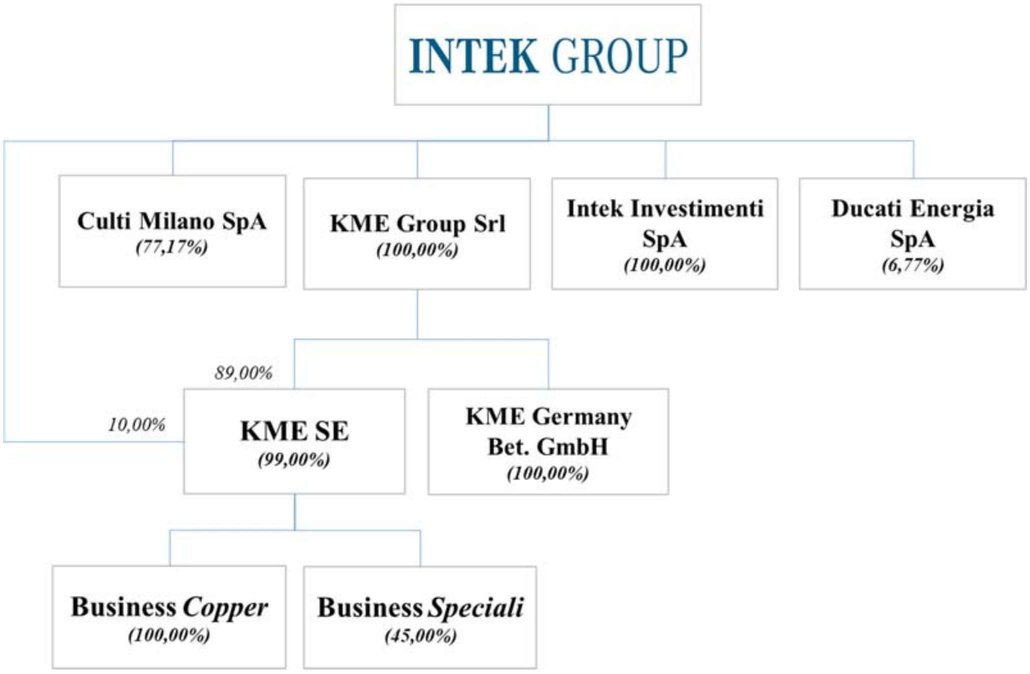
- 82,302,194 ordinary shares representing 61.6% of the ordinary shares initially subject of the relative offer (48.5% considering the ordinary shares deriving from the claw-back mechanism) for a value of Euro 57.6 million;
- 1,078,558 savings shares representing 6.6% of the savings shares subject of the relative offer for a value of Euro 0.9 million;
- 20,235,530 warrants representing 28.1% of the warrants involved in the relative offer and 11.7% of the outstanding warrants for a value of Euro 5.1 million;

for a total consideration consisting of 63,533,259 bonds for a value of Euro 63.5 million.

Starting from 23 September 2022, the payment date of the consideration, the 2022 Bonds are listed on the MOT; on the same date, the Company cancelled the ordinary shares, savings shares and warrants tendered.

Summary of the Group's corporate structure as at 30 June 2022

The Group structure at 30 June 2022 can be represented as follows:



During the half year 2022, in addition to the transfer by KME SE of 55% of the Special Products business, a newco was set up, KME Group Srl, wholly-owned by the Company, to which were transferred – partly through contribution and partly through sale – 89% of the stake in KME SE and 100% of the stake in KME Germany Bet. GmbH.

In particular, 82.17% of the investment in KME SE was transferred to KME Group Srl, against a capital increase for a total of Euro 480 million, including the share premium. The transfer took place at the fair value as at 31 December 2021, in view of continuity of values since it is a corporate rationalisation operation (under common control) and, therefore, has no economic impact on the Company's financial statements. The additional stake in KME SE, equal to 6.83%, was instead sold by the Company to KME Group Srl at a price of Euro 39.9 million, while the sale of KME Germany Bet. GmbH was completed on 9 June 2022 for a consideration of Euro 1.7 million. The sale transactions also took place at book values.

It should be remembered that KME SE is the parent of a global leading group in the production and marketing of semi-finished copper and copper alloys products focused on the rolled sector, following the transfer of control of the special products business of which it retains 45%. KME Germany Bet. GmbH acts as general partner/administrator of KME Real Estate GmbH & Co. KG, the company that owns the Osnabrück plant (Germany), the historic production site of KME SE.

On the other hand, there were no changes regarding the equity investments in:

- *Culti Milano SpA*: listed on the EGM market, increasingly geared towards personal well-being, in addition to the consolidation of its traditional business in the environmental fragrance segment;
- *Intek Investimenti SpA*: corporate vehicle in which the investment and private equity activities of the Company have been concentrated in the last few years;
- *Ducati Energia SpA:* a non-controlling equity investment (6.77% of the share capital through all special shares) active in a number of attractive business segments (condensers, industrial power factor correction, railway signalling, measurement tools, sustainable mobility, Intelligent Transportation Systems).

Impacts of the situation in Ukraine

Within an economic framework still grappling with the complex repercussions of the pandemic crisis, at the beginning of February 2022, a Russian military operation was launched in Ukraine, which triggered a conflict whose outcomes are uncertain.

The worsening of the situation in Ukraine risks significantly changing the global macroeconomic scenario with profound consequences. Russia, in fact, plays a central role in the global energy supply (it produces about 18% of natural gas and 12% of oil) and is also a primary supplier of many industrial metals and agricultural raw materials.

The extent of the impact will undoubtedly depend on the way the conflict evolves, the severity of sanctions by Western countries and Russia's possible retaliatory actions: the economies of developed countries are still managing the complex fallout from the pandemic crisis, and Europe is structurally vulnerable to energy price shocks. The situation of the conflict is uncertain and at present it is difficult to predict the evolution of the geopolitical framework and also to quantify the impacts of the crisis in Ukraine.

The persistence of conditions of instability and tension on commodity prices could intensify the increase in inflationary pressures and damage growth by eroding consumers' purchasing power.

Indeed, rising inflation, largely driven by sharp increases in energy and food prices, is causing great hardship for lower-income individuals and serious risks to food security in poorer countries. As indicated in June 2022 by the OECD in the Economic Outlook, global GDP is expected to increase by 3.0% in 2022 and 2.8% in 2023, with forecasts clearly down on those of December 2021. Prior to this war, the global economy was on the path to a vigorous recovery which the conflict in Ukraine and the resulting supply chain disruptions are clearly holding back.

With regard to the Eurozone, according to the data published in May by the European Commission, the European Union economy should grow by 2.7% in 2022 and 2.3% in 2023, a clear worsening compared to the forecasts at the end of 2021 (+4.0% and +2.8% respectively) due to problems in the supply of raw materials and a rise in prices linked to the war between Russia and Ukraine.

The Group is not directly exposed to countries affected by the conflict, as it does not have significant commercial relations with Russia and Ukraine. In any case, the Group is carefully monitoring developments of the situation.

Financial position and results of operations of the Parent Company

The Parent Company's financial highlights as at 30 June 2022, compared to 31 December 2021, are summarised below:[1]

Condensed separate statement of financial position				
(in thousands of Euro)	*30 Jun 2022*		*31 Dec 2021*	
KME SE investment	*58,410*		*578,300*	
KME Group Srl investment	*480,000*		-	
Receivables from KME Group Srl	*41,835*		-	
KME Germany Bet. GmbH investment	-		*1,700*	
Other	*1,469*		*1,546*	
Total KME	581,714	89.32%	581,546	90.43%
Culti Milano	37,990	5.83%	28,904	4.49%
Ducati Energia	16,700	2.56%	16,700	2.60%
Intek Investimenti	12,159	1.87%	11,984	1.86%
Other investments	1,877	0.29%	1,995	0.31%
Other assets/liabilities	855	0.13%	1,990	0.31%
Net investments	**651,295**	**100.00%**	**643,119**	**100.00%**
Outstanding bonds (*)	93,938		95,988	
Net cash	(1,590)		(4,572)	
Holding company net financial debt	**92,348**	**14.18%**	**91,416**	**14.21%**
Total shareholders' equity	**558,947**	**85.82%**	**551,703**	**85.79%**

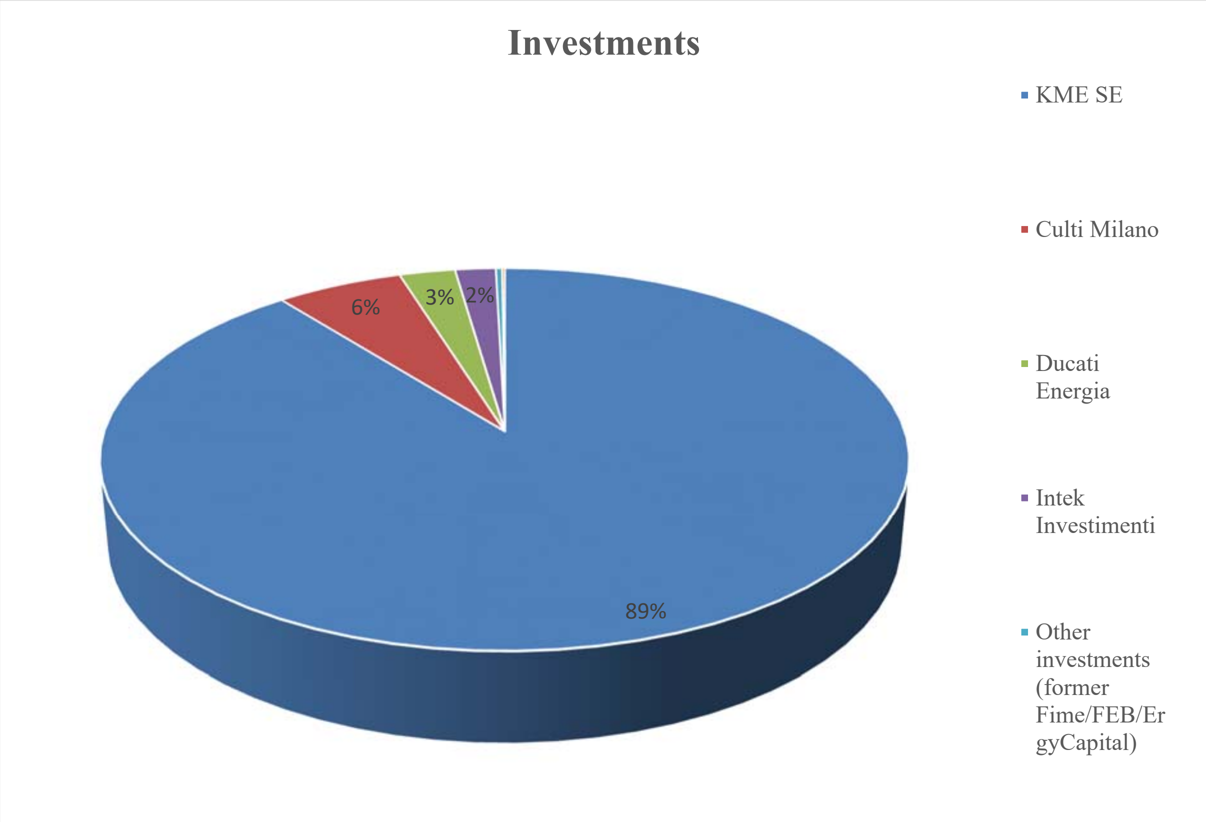
Notes:

- *Investments are expressed net of any financial receivable/payable transactions outstanding with the Company.*
- *(*) Including accruing interest.*
- *It should be noted that the values of the equity investments held by the Company until 22 April 2022, based on the Company's qualification of investment entity, represented equity investments determined according to the fair value method; as a result of the change of status of "investment entity", the fair value method was replaced by the cost method.*

[1] *The interim report on operations uses certain indicators identified as "Alternative Performance Indicators" ("APIs") pursuant to the Consob communication of 3 December 2015, which incorporated the "ESMA" ("European Securities and Markets Authority") guidelines of 5 October 2015. APIs are financial indicators of financial performance, financial position or historical or future cash flows other than the financial indicators defined or specified in the applicable rules on financial reporting. APIs are calculated by adding or subtracting amounts from the data presented in the financial statements drafted in compliance with the rules applicable to financial reporting. The APIs have been consistent over time and were not redefined compared to preceding years.*

Net investments

Net investments pertaining to the Company amounted to Euro 651.3 million at 30 June 2022 (Euro 643.1 million at the end of 2021), of which approximately 89%, as stated above, directly or indirectly concentrated in the copper sector (KME SE) and the residual amount in the perfume and cosmetics sector.



Shareholders' Equity

The holding company's shareholders' equity amounted to Euro 558.9 million, compared to Euro 551.7 million as at 31 December 2021; the change was attributable solely to the result for the period.

At 30 June 2022, the share capital amounted to Euro 335,069,758.93 and was divided into a total of 405,531,454 shares, of which 389,206,391 were ordinary shares and 16,325,063 savings shares. The balance under analysis rose by Euro 548.03 compared to 31 December 2021 owing to the exercise of 54,803 warrants and the subsequent issuing of as many ordinary shares.

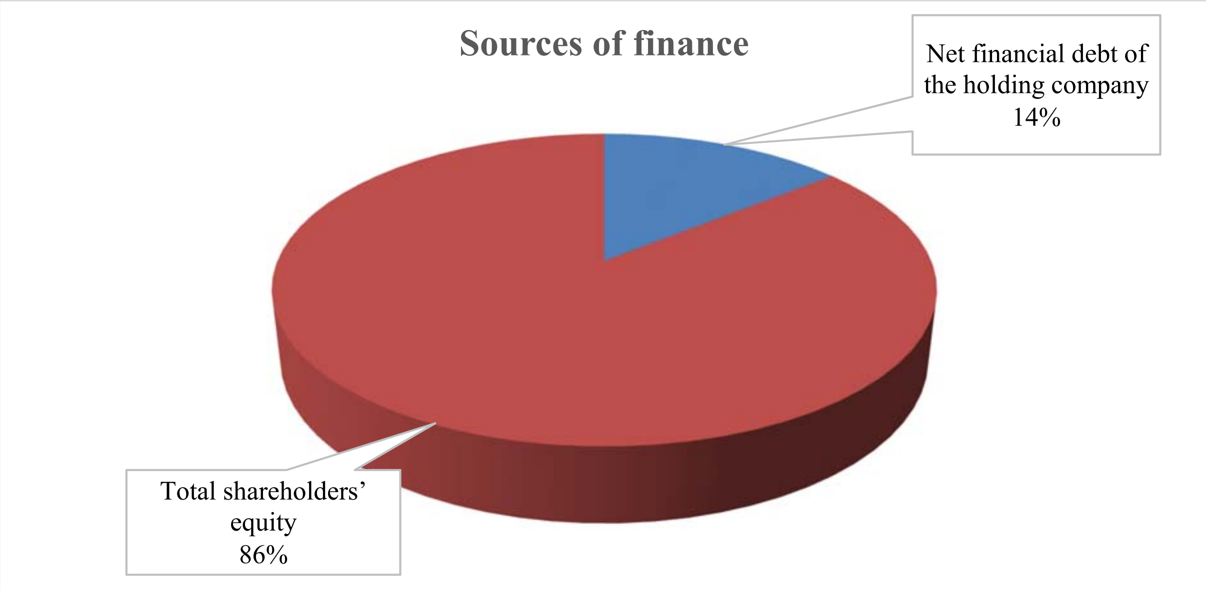
As at 30 June 2022, the Company held 6,937,311 own ordinary shares (equal to 1.78% of the shares in said category).

Following the close of the first half, a total of 83,380,752 shares were cancelled, of which 82,302,194 ordinary shares and 1,078,558 savings shares, tendered to the respective Public Exchange Offers. The cancellation did not have any effects on share capital.

As a result of the exercise of an additional 20,851 warrants, 20,851 ordinary shares were also issued, with an increase of Euro 208.51 in share capital.

As at the date of preparation of this report, the share capital is composed of 322,171,553 shares, of which 306,925,048 ordinary shares and 15,246,505 savings shares; the 6,937,311 own ordinary shares held in the portfolio account for 2.26% of the ordinary capital and 2.15% of total capital.

The structure of the Parent Company's sources of finance can be summarised as follows:



Financial management

Net financial debt of the holding company (excluding intra-group loans and leasing liabilities) totalled Euro 92.3 million as at 30 June 2022. The balance as at 31 December 2021 was Euro 91.4 million. The increase is a result of the use of financial resources to cover financial expenses and management costs.

The Parent Company's financial debt as at 30 June 2022, compared to 31 December 2021, can instead be broken down as follows:

Financial debt of the Parent Company(*)

	(in thousands of Euro)	*30 Jun 2022*	*31 Dec 2021*
A	Cash and cash equivalents	1,010	4,698
B	Cash equivalents	-	-
C	Other financial assets	63,266	1,067
D	**Cash and cash equivalents (A+B+C)**	**64,276**	**5,765**
E	Current financial debt	1,767	3,954
F	Current portion of non-current financial debt	644	603
G	**Current financial debt (E+F)**	**2,411**	**4,557**
H	**Net current financial debt (G-D)**	**(61,865)**	**(1,208)**
I	Non-current financial debt	22,193	2,441
J	Debt instruments	92,427	92,372
K	Trade payables and other non-current payables	-	-
L	**Non-current financial debt (I + J + K)**	**114,620**	**94,813**
M	**Total financial debt (H + L)**	**52,755**	**93,605**

(*) Determined in compliance with the provisions of ESMA Document 32-382-1138 of 4 March 2021 – Guidelines regarding disclosure obligations pursuant to the prospectus regulation, as highlighted in CONSOB warning notice 5/21 of 29 April 2021.

During the period, a bank loan of Euro 25.0 million was rescheduled, previously guaranteed by a lien on liquidity of the same amount and whose two components were clearly reported; the current loan has a duration of 18 months starting from 1 June 2022, for an amount of Euro 20.0 million and is guaranteed by a pledge on the Culti Milano shares owned by the Company. The liquidity obtained from the rescheduling of the loan went to support group companies.

Financial assets also include the short-term receivable of Euro 41.6 million from KME Group Srl which arose following the sale of the equity investments in KME SE and in KME Germany Bet. GmbH.

The income statement shows, in a format including sub-totals, the formation of the net profit for the period by indicating the figures commonly used to provide a summary representation of business results.

Reclassified separate income statement		
(in thousands of Euro)	*1st half 2022*	*1st half 2021(*)*
Income from equity investments and other expenses/income from investment management	10,129	35,959
Investment management costs	(65)	(119)
Gross profit/(loss) from investments	**10,064**	**35,840**
Guarantee fees assets (a)	431	433
Net operating costs (b)	(2,700)	(2,405)
Overheads (a) - (b)	*(2,269)*	*(1,972)*
Reclassified operating profit/(loss)	**7,795**	**33,868**
Net finance expense	**(2,428)**	**(1,711)**
Profit/(loss) before taxes and non-recurring items	**5,367**	**32,157**
Non-recurring income/(expenses)	1,176	(710)
Profit/(loss) before taxes	**6,543**	**31,447**
Taxes for the year	148	186
Net profit (loss) for the period	**6,691**	**31,633**

(*) Certain data relating to the first half of 2021 were restated to retroactively consider the effects of an update of the "Fair value measurement policy" applied to "Investments in equity interests and fund units". Specifically, this amendment relates to the elimination of the provision according to which no changes in the carrying amount of investments are recognised when the result of their valuation in the interim financial statements differs, in absolute value, from the pre-valuation carrying amount by less than 10%. In addition, some forecasts for the determination of fair value have been remodelled to take into account the availability of fewer items of information during the interim period. This change resulted in an increase of Euro 35.5 million on the originally published result for the first half of 2021. For more details, please refer to the press release of 18 February.

"Non-recurring income/(expenses)" include the depreciation of rights of use relating to leases from subsidiaries and are linked primarily to the Milan property at Foro Buonaparte 44, the registered office of the Company and of other investees. With regard to the first half of 2022, it also includes Euro 2.5 million in commissions accrued on the extraordinary transactions of KME SE.

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 cash flows for the period under review and for the comparative period can be summarised as follows:

Separate statement of cash flows – indirect method			
(in thousands of Euro)		*1st half 2022*	*1st half 2021(*)*
(A) Cash and cash equivalents at the beginning of the year		**4,698**	**15,286**
Profit/(loss) before taxes		6,545	31,447
Amortisation and depreciation		325	325
Impairment/(Reversal of impairment) of current and non-current financial assets		(9,077)	(35,996)
Changes in pension funds, post-employment benefits (TFR) and stock options		509	157
(Increase)/decrease in equity investments		-	768
Increase/(decrease) in financial payables to associates		178	(1,244)
(Increase)/decrease in financial receivables from associates		(20,413)	(6,586)
(Increase)/decrease in current receivables		(847)	(767)
Increase/(decrease) in current payables		2,008	192
(B) Total cash flows from/(used in) operating activities		**(20,772)**	**(11,704)**
(Increase) in non-current intangible assets and property, plant and equipment		(206)	(225)
Decrease in non-current intangible assets and property, plant and equipment		-	13
Increase/decrease in other non-current assets/liabilities		-	(152)
(C) Cash flows from/(used in) investing activities		**(206)**	**(364)**
Increase in share capital		17	-
(Purchase)/sale of treasury shares		-	(128)
Increase/(decrease) in current and non-current financial payables		17,782	(2,083)
(Increase)/decrease in current and non-current financial receivables		(509)	(268)
(D) Cash flows from/(used in) financing activities		**17,290**	**(2,479)**
(E) Change in cash and cash equivalents	**(B) + (C) + (D)**	**(3,688)**	**(14,547)**
(F) Cash and cash equivalents at the end of the period	**(A) + (E)**	**1,010**	**739**

(*) Please refer to what is already indicated for the reclassified individual income statement.

* * *

Trend in equity investments

The trend in investments in place as at 30 June 2022 is outlined hereunder, represented specifically by KME SE and Culti Milano.

* * *

KME SE

The investment in KME SE, which is the holding company of a group that is a global leader in the production and marketing of semi-finished products in copper and copper alloys, has for years now, as detailed previously, represented the Group's biggest industrial investment.

(in thousands of Euro)	*30 Jun 2022*	*31 Dec 2021*
KME SE investment	58,410	578,300
KME Group Srl investment	480,000	-
Receivables from KME Group Srl	41,835	-
KME Germany Bet. GmbH investment	-	1,700
Other	1,469	1,546
Total KME SE	**581,714**	**581,546**

Shown below are the effects of the transfer and sale transactions which involved the transfer of 89% of the investment in KME SE and 100% of KME Germany Bet GmbH to the newly established wholly-owned subsidiary KME Group Srl. Receivables of Euro 41.8 million relate to the deferred payment granted until 30 June 2023 on the occasion of the sale transactions and on which interest accrues at 7%.

The KME group boasts a vast range of copper and copper-alloy products, as well as a highly structured and complex global organisational and production structure.

In the course of 2021, the KME SE Group was committed to several strategic transactions with the objective of both creating and consolidating several businesses in a sector which for some years now has been affected by a process of rationalisation and concentration of the various markets undertaken by major global players.

In particular, the KME group's strategy is to concentrate on copper and copper-alloy rolled products, in which the group is the European leader and intends to focus its energy and future expansion, given the appealing growth rates expected for the main reference markets. Another fundamental objective of the group is progressive deleveraging.

The main events that characterised the first half of 2022 are outlined below:

- the transfer of control of the Special Products business to Paragon Partners GmbH ("*Paragon*"), a German private equity fund which manages roughly Euro 1.2 billion in assets, the closing of which took place in January 2022. This agreement, which resulted in the creation of a company, 55% owned by Paragon and 45% by KME SE, to which the aforementioned business was transferred, allowed KME to collect around Euro 200 million, plus the reimbursement of approximately Euro 20 million in intragroup loans, relating to working capital, and after a Euro 32 million loan was granted to the newly-established company. KME's Special Products business had produced revenues of approximately Euro 282 million in 2021 and EBITDA of approximately Euro 48 million. The transaction with Paragon also substantially contributes to pursuing the group's progressive deleveraging target, while enabling it to share pro rata in the future value creation of the Special Products business;
- the disposal of the Wires business, completed in February 2022, which entered the portfolio of KME following the acquisition of MKM. This transaction, which followed the signing of a contractual agreement in November 2021, allowed to cash in around Euro 20 million plus the value of inventory. The Wires business recorded a turnover of approximately Euro 87 million in 2021 and employs approximately 190 people in the Hettstedt plant;

- in July 2022, completion of the purchase of part of the flat rolled production segment of Aurubis AG. The scope of the transaction includes the FRP plant in Zutphen (Netherlands) and the slitting centres in Birmingham (United Kingdom), Dolný Kubín (Slovakia) and Mortara (Italy), for total turnover of roughly Euro 280 million and 360 employees. The consideration for the transaction was approximately Euro 12 million and includes Euro 4 million of estimated cash from the target companies at the closing date; therefore the equity value of the transaction is equal to Euro 8 million. At the closing, KME also repaid an intragroup loan of Euro 63 million to Aurubis, corresponding to an equal amount of working capital present in the target companies at the closing date.

Operating performance

The Eurozone is KME's main outlet market, followed by the United States, the Middle East and other parts of the world. The strong performance recorded in 2021 continued in the first half of this year. The war in Ukraine and other macroeconomic developments did not affect the reference markets, as KME has virtually no exposure to Russia, Ukraine and Belarus.

During the first half of 2022, most of KME's reference markets and sectors recorded growth or remained stable. Only in the third quarter was there a slowdown in the automotive sector. The demand and the performance of the reference markets is expected to remain strong this year as well. In any case, even though, as already pointed out, KME has no exposure to Russia, Ukraine, and Belarus, it is difficult to assess any potential indirect macroeconomic impact of the war in Ukraine.

In order to offset the financial effects of the high prices of raw materials, KME has taken various organisational and strategic measures, including a review of the policies to offset the cost of raw materials and determining the prices of products.

Copper price trends

The average commodity price of copper increased by 8.50% in US$ in the second quarter of 2022 compared to the same period of the previous year (from US$ 8,768/tonne to US$ 9,513/tonne) and by 16.60% in Euro (from Euro 7,468/tonne to Euro 8,933/tonne). In trend terms, average copper prices decreased by 4.85% in US$ compared to the first quarter of 2022 (from US$ 9,998/tonne to US$ 9,513/tonne), and by 0.20% in Euro (from Euro 8,918/tonne to Euro 8,933/tonne). Compared to the 2021 average, there was an increase of 2.09% in US$ (from US$ 9,318/tonne to US$ 9,513/tonne) and of 13.30% in Euro (from Euro 7,885/tonne to Euro 8,933/tonne).

The main results of KME SE for the first half of 2022, 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 2022*		*1st half 2021*		*Change*
Revenue	1,025.3		1,106.2		-7.3%
Revenue (net of raw materials)	229.0	100.0%	264.7	100.0%	-13.5%
EBITDA	45.6	19.9%	47.6	18.0%	-4.2%
EBIT	30.0	13.1%	26.4	10.0%	13.6%
Profit/(loss) before non-recurring items	12.2	5.3%	6.4	2.4%	90.6%
Non-recurring income/(expenses)	106.5		(13.3)		
Effect of IFRS measurement of inventories net of taxes	(0.2)		21.5		
Share of profit/(loss) of equity-accounted investees	1.0		(4.0)		
Profit/(loss) from assets held for sale	(17.4)		(2.0)		
Consolidated net profit/(loss)	98.9		6.7		
Comprehensive income items	29.4		5.0		
Comprehensive income	128.3		11.6		
Net debt *	59.5		249.4		
Shareholders’ equity attributable to owners of the Parent*	281.3		160.6		

** comparative data referring to 31 December 2021*

Consolidated revenues at 30 June 2022 totalled Euro 1,025.3 million, down by 7.3% compared to the first half of 2021 (Euro 1,106.2 million). Net of the value of raw materials, revenue was down by 13.5%, from Euro 264.7 million to Euro 229.0 million.

An analysis of said balance on a like-for-like basis, i.e. considering the disposal of the special products and wires businesses, shows that total revenues increased by 4.7%, from Euro 908.9 million to Euro 951.4 million, while revenues net of the value of raw materials recorded a significant increase of +27.1%, up from Euro 167.4 million to Euro 212.7 million.

Gross operating income (**EBITDA**) as at 30 June 2022 is equal to Euro 45.6 million, slightly lower than the figures in 2021 (Euro 47.6 million), which also included the contribution of the businesses disposed. EBITDA in the first half of 2022, thanks to the improvement in the margins driven by the revision of the product price policies, also to face the increasing cost of material, recorded a significant increase (+78.1%) compared to that of the previous year on a like-for-like basis, amounting to Euro 25.6 million.

Net operating income (**EBIT**) stood at Euro 30.0 million (Euro 26.4 million in 2021).

Profit before non-recurring items was Euro 12.2 million (Euro 6.4 million in 2021).

During the half under review, non-recurring items had a positive impact of Euro 106.5 million, of which Euro 114.0 million deriving from the capital gain from the disposal of the special products and wires businesses.

The valuation of inventories and forward agreements net of taxes had a negative impact of Euro 0.2 million compared to a positive impact of Euro 21.5 million recorded in 2021.

Net consolidated profit of Euro 98.9 million (profit of Euro 6.7 million in 2021) was recorded.

The components of the comprehensive income statement were positive for Euro 29.4 million (Euro 5.0 million in the first half of 2021).

The **comprehensive income statement** is positive for Euro 128.3 million (Euro 11.6 million in 2021).

Financial management

The **net financial position** as at 30 June 2022 showed a clear improvement, up from Euro 249.4 million to Euro 59.5 million. The reduction is mainly due to the income from the disposal of the special products and wires businesses.

In the first half of 2022, three partial early redemptions were carried out for a total of Euro 190 million on the Bond issued in 2018 by KME SE. The current amount of the bond, maturing in February 2023, stands at Euro 110 million.

In February 2022, the duration of the syndicated bank facility coordinated by Deutsche Bank was extended until November 2022, on the basis of the option previously granted. The syndicated bank facility was used through letters of credit for Euro 319.9 million (Euro 394.9 million as at 31 December 2021) as a means of payment to metal suppliers. The relative supplier liabilities are recognised under trade payables or other payables.

At the start of March 2022, KME Italy SpA and Serravalle Copper Tubes Italy Srl (the Italian operating companies of KME), entered into a 6-year loan agreement, guaranteed by SACE, for a total amount of Euro 75 million with a pool of Italian banks. The amortisation of the loan is expected in equal instalments starting from the first quarter of 2023 until the end of 2027. In July 2022, KME Italy SpA signed an additional 6-year loan agreement, guaranteed by SACE, for a total amount of Euro 15 million. The amortisation of the loan is also expected in equal instalments starting from the first quarter of 2023 until the end of 2027.

The aforementioned credit facilities contain similar financial covenants, subject to quarterly review, except for the bond, which is subject to an "at incurrence covenant test" according to the standards for high-yield bond.

As at 30 June 2022, the KME SE Group had fully respected all covenants.

As at 30 June 2022, **equity** was Euro 281.3 million.

Total **Investments** amounted to Euro 8.5 million (Euro 10.8 million in 2021).

The number of **Employees** at 30 June 2022 was 2,537 after the exit of the special products and wires *businesses* (3,959 at the end of 2021).

* * *

Culti Milano SpA

(in thousands of Euro)	*30 Jun 2022*	*31 Dec 2021*
Equity investment Culti Milano SpA	37,990	28,904
Total Culti	**37,990**	**28,904**

The Company holds 77.17% of the share capital of Culti Milano SpA, a company whose shares have been traded on the EGM Italia market managed by Borsa Italiana/Euronext since July 2017. The equity investment has not changed compared to last year.

The business of Culti Milano, which traditionally operated at domestic and international level in the manufacture and distribution of high-end environmental fragrances, a specific luxury market segment, has recently extended to the perfumes and cosmetics sector, evolving from a fragrance company to a personal well-being business: from fragrance for spaces (home, car, boat, etc.) to personal products (perfume, personal hygiene, cosmetics).

The openings of Culti Houses (single-brand shops present in prime positions in major Italian cities), of which there are currently 6, played a dual role: 1) the strengthening of brand awareness in the domestic market by covering areas of greatest commercial interest, and 2) the possibility of introducing the new personal and cosmetics collections, thus creating a link with the "personal well-being" market segment. Particular attention was dedicated to the international sales network which covers the main markets and is present in more than 60 countries.

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

The acquisition of 50.01% of Bakel was finalised in July 2019 with a maximum investment of Euro 2.5 million, of which Euro 2 million was paid at closing. The remaining maximum Euro 500 thousand was subject to an incentive mechanism, calculated on the income component of the company, which ended with reference to the results of the 2021 financial statements, which led to a total outlay of Euro 437 thousand.

The acquisition of 51.00% of Scent Company 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 million and Euro 2.7 million.

Also in the course of 2020, a joint venture was 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 East, thus laying the foundations for greater penetration of Scent Company as well, in addition to launching Bakel's commercial activities in those geographical areas. The joint venture began operating in the early months of 2021. The company relies on highly structured commercial know-how and is ready to intercept domestic growth in the Chinese and Hong Kong markets with a view to intensifying the efforts made in recent years at distribution level, with the aim of being increasingly recognised as a leading brand in environmental fragrances.

The main consolidated indicators can be summarised as follows:

- **total sales**: Euro 10.7 million (+18.2% compared to the first half of 2021, when they stood at Euro 9.1 million). The increase in sales was registered by all Group companies, the Parent Company Culti Milano in particular;
- **sales completed on the domestic market**: Euro 3.9 million (+15% compared to the first half of 2021, when they came to Euro 3.4 million);
- **sales achieved on international markets** (equal to 63% of total turnover): Euro 6.8 million (+20% compared to the first half of 2021, when they came to Euro 5.7 million);
- **EBITDA** of Euro 2.3 million (+34.5% compared to the first half of 2021, when it amounted to Euro 1.7 million);
- **EBIT** of Euro 2.1 million (+33.4% compared to the first half of 2021, when it amounted to Euro 1.5 million);
- **Net profit** of Euro 0.9 million (+15.9% compared to the first half of 2021, when it amounted to Euro 0.8 million);
- **positive net financial position** of Euro 3.6 million (down by 29.7% compared to Euro 5.1 million as at 31 December 2021).

With regard to Culti Milano, the Italian retail sector recorded significant growth compared to 2021, especially with the stores in Milan, Rome and Forte dei Marmi. Pre-pandemic turnover levels have been reached and exceeded. With regard to wholesale activities, a slight decline was recorded on domestic territory, due to the current economic situation; in the international wholesale sector, the presence in some territories was strengthened, in particular through the opening on the North African market, with a partner in Egypt, and in the Middle East, with a new distributor for Saudi Arabia. Note should be taken of the opening of a Culti Milano SpA counter at F1rster shopping mall in Thailand (part of King Power Group) as well as the development recorded on the Indian market, recently acquired. On the collections front, positive results have been achieved since the introduction of the "persona" line, which was the subject of an expansion of the soap and cream range. *Personal care* will therefore be one of the development hubs on which creative and distributive attention will be focussed in the next year.

Bakel continues the path towards the multi-channel approach, with results in line with expectations in digital channels. Growth in brick & mortar continues with better results in regions where the brand has already gained popularity; on the collections front, the company launched JALU-3D, the first cosmetic in the world made with 3D technology. This technology, covered by five world patents, was presented exclusively in May within the setting of the first edition of the Milan Beauty Week, attracting significant interest and approval from the community of cosmetics professionals and arousing the curiosity of the broader public of end consumers. The subsequent positioning in the sales channels was successful, generating immediate positive feedback from a commercial perspective. The end of June saw the unveiling of the digital sales platform of JALU-3D, specific to the American market.

For Scent, distribution synergies were established with Culti Milano, especially on the Japanese market with the partner ACTUS, increasing the number of the stores served; with regard to business with existing customers, the contract with SKP Xi'an was renewed in addition to that of Beijing in China.

* * *

Intek Investimenti SpA

(in thousands of Euro)	*30 Jun 2022*	*31 Dec 2021*
Intek Investimenti investment	11,200	11,200
Financial receivables/payables from/to Intek Investimenti	959	784
Total Intek Investimenti	**12,159**	**11,984**

Intek Investimenti is a sub-holding company into which the previous private equity investments of the Company were transferred by means of transfers and contributions of shareholdings, and which makes primarily non-controlling investments.

The financial statements of Intek Investimenti are drawn up in accordance with Italian accounting principles and the equity investments are recognised at cost, thus not reflecting any unexpressed capital gains.

Intek Investimenti holds an investment worth Euro 2.1 million, equal to 8.81% of the share capital, of Natural Capital Italia SpA Benefit Company (formerly Immobiliare Agricola Limestre Srl), which was received by Intek Investimenti following the contribution in the same shareholding in Oasi Dynamo Agricola Srl, of which Intek Investimenti held 42.86% (the remaining stake was already held by Natural Capital Italia SpA). The acquisition of total control of Oasi Dynamo Agricola Srl will allow Natural Capital Italia SpA to better pursue its development activity in the hospitality sector, for the management of prestigious hotels surrounded by nature, and agriculture and conservation, concentrated on the carrying out of agricultural activities with traditional methods and on the conservation of natural heritage.

Another investment of Intek Investimenti is represented by the 60.72% stake in Isno 3 Srl in liquidation (with a book value of Euro 1.5 million), a company in which the residual assets of the I2 Capital Partners fund have been concentrated and which include:

- *Festival Crociere Procedure*

  The Court of Cassation ruling resulted in a negative outcome for the challenge of the appeal ruling which had confirmed the decisions of the Court of Genoa, rejecting the main demands submitted by Isno 3 Srl in liquidation; however, there were no negative impacts for Isno3 as the provisions recognised in the financial statements more than covered the relative liabilities.

- *Nuovi Investimenti SIM SpA*

  For this investment, there is still a residual receivable for a nominal amount of Euro 1.2 million (the carrying amount of which was adjusted to Euro 0.5 million) due from several of the purchasers of Nuovi Investimenti SIM SpA for which a dispute is under way, and ownership of several properties of limited value located in Biella.

- *Benten Srl*

  As at 31 December 2021, 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.

Intek Investimenti is also the owner, for a value of Euro 0.3 million, of a 31.13% stake in the capital of Il Post Srl, the Italian online newspaper.

* * *

Ducati Energia SpA

(in thousands of Euro)	*30 Jun 2022*	*31 Dec 2021*
Ducati Energia investment	16,700	16,700
Total Ducati Energia	**16,700**	**16,700**

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

The Ducati Energia Group closed its consolidated financial statements for 2021 with an EBITDA of approximately Euro 26.5 million.

Ducati Energia and its subsidiaries have roughly 1,400 employees distributed at 9 plants all over the world and operate in various business segments with applications that are currently particularly interesting, such as: condensers, industrial power factor correction and power electronics, alternators and ignition systems for endothermic engines, electric vehicles and recharging stations, energy analysers, systems for the remote control of electricity grids, railway signalling, motorway and public transport systems and equipment, and wind power generators.

In 2021, the Ducati Energia Group achieved consolidated revenues of Euro 241.7 million (Euro 218.7 million in 2020), of which Euro 176.4 million in Italy (Euro 170.7 million in 2020) and the remainder abroad. The Energy Division contributed Euro 184.9 million to revenues, compared to Euro 156.6 million in 2020. The Systems Division contributed Euro 49.7 million to revenues (Euro 57.1 million in 2020).

EBITDA for the year 2021 amounted to Euro 26.8 million, compared to Euro 27.1 million in the previous year, while EBIT totalled Euro 20.4 million compared to Euro 20.1 million in 2020.

Net consolidated profit totalled Euro 20.7 million in 2021, higher than 2020, when the figure was Euro 12.7 million, benefiting from lower financial expense and a reduced incidence of taxes.

In relation to the individual business sectors, it should be noted that the Condensers sector recorded a significant increase in sales compared to the previous year (+42%) thanks to an overall increase in demand and the acquisition of new market shares. Expectations for 2022 are for stabilisation of growth resulting from the common policy of many customers to anticipate orders at the end of 2021 to avoid the risk of stock outages, production halts and price increases in the event that supply problems persist and get worse on the commodity market during the course of 2022.

The restrictions and uncertainties that have characterised the last two years as a result of the COVID-19 pandemic have instead had a negative impact on the power factor correction sector, which recorded a drop in sales revenues of about 10% compared to 2021 and for which a similar trend is expected in 2022.

The Generators division recorded a 30% increase in sales compared to 2020, returning to the sales volumes of the periods prior to the health emergency, especially in the recreational sector as well as in two-wheeled vehicles and diesel engines. Thanks to the marketing of new recreational products on all vehicle platforms and the acquisition of new market shares, a confirmation of the sector’s growth trend is expected also in 2022.

The Electric Vehicles sector recorded a notable reduction in sales due to many customers’ postponement of the orders initially planned for delivery in 2021. Thanks to already defined supply contracts, it is believed that 2022 could be characterised by the return of sales volumes to the levels of 2020.

As far as the Motorway sector is concerned, 2021 was characterised by an extension of the delivery times of the works mainly due to requests from clients, which led to a significant decrease in turnover. The first signs of 2022 indicate a gradual resumption of work that will allow the sector in question to return to its usual sales levels thanks also to the acquisition of new orders both in Italy and abroad.

The Energy sector in 2021 was characterised by different trends in the sales of the various products that make it up. An increase of about 35% in revenues for energy distribution products was offset by a significant reduction in sales in the transmission and recharging tools sector, due to delays in the start-up of new projects and the unavailability of some electronic components on the market. Expectations for 2022 are currently conflicting as, on the one hand, a sales boost is expected thanks to the availability of funds from the National Recovery and Resilience Plan while, on the other hand, it is believed that the conflict that has broken out in Ukraine may aggravate problems related to the availability of raw materials and energy and their cost.

The Meters sector has substantially confirmed the volumes of previous years which are expected to be maintained also in the next few years thanks to the award of new contracts.

In 2021, the railway sector recorded a decrease in revenues of about 10% compared to the previous year; also with regard to this sector, it is believed that the impetus injected by National Recovery and Resilience Plan funds may produce positive effects, in terms of turnover increases, as early as 2022.

In 2021, the Ducati Energia Group continued to make investments in development, in part already completed, with the other part due to be completed in 2022, which will help to expand and modernise the range of new products and the entry into new markets, with healthy prospects for an increase in revenue in the coming three years.

In 2022, the order portfolio recorded in the first four months a billable amount in the current year of roughly Euro 159 million with options and deliveries for the subsequent four-year period for a further roughly Euro 240 million, thanks primarily to the continuation of the production of electricity consumption measurement instruments.

As regards the traditional components sectors (condensers, power factor correction and generators), the analysis of the expected revenues for the year 2022 shows a forecast increase compared to the levels reached in 2021, while in the meters sector revenues are expected to be substantially in line with the previous year.

* * *

Group results

The new strategic process announced by the Company on 22 April makes the exception to the consolidation set forth in IFRS 10 for investment entities no longer applicable, with the subsequent obligation of line-by-line consolidation of controlling interests, to be carried out prospectively from the date on which the change of status is verified.

The resulting consolidated half-year financial statements which, at income statement and cash flows level, include solely two months of activities of the consolidated subsidiaries, are not only comparable to a limited extent with the values reported in previous financial statements, but also only partially representative of the operating results of the Parent Company and the consolidated subsidiaries.

The main figures in the consolidated financial statements as at 30 June 2022, for details of which reference should be made to the explanatory notes, are:

- **total assets**: Euro 1,972.3 million (Euro 685.3 million at 31 December 2021);
- **total shareholders' equity** (including minority interests): Euro 603.5 million (Euro 551.7 million at 31 December 2021);
- **profit for the period**: Euro 6.7 million (Euro 31.6 million in the first half of 2021);
- **net financial debt**: Euro 152.1 million (Euro 71.7 million at 30 June 2021, when it related to the Parent Company alone).

The Group's financial debt as at 30 June 2022, compared to 31 December 2021, can instead be broken down as follows:

Consolidated financial debt(*)			
	(in thousands of Euro)	*30 Jun 2022*	*31 Dec 2021*
A	Cash and cash equivalents	85,793	4,698
B	Cash equivalents	-	-
C	Other financial assets	162,074	1,067
D	**Cash and cash equivalents (A+B+C)**	**247,867**	**5,765**
E	Current financial debt	87,509	3,954
F	Current portion of non-current financial debt	111,324	603
G	**Current financial debt (E+F)**	**198,833**	**4,557**
H	**Net current financial debt (G-D)**	**(49,034)**	**(1,208)**
I	Non-current financial debt	108,721	2,441
J	Debt instruments	92,427	92,372
K	Trade payables and other non-current payables	-	-
L	**Non-current financial debt (I + J + K)**	**201,148**	**94,813**
M	**Total financial debt (H + L)**	**152,114**	**93,605**

(*) Determined in compliance with the provisions of ESMA Document 32-382-1138 of 4 March 2021 – Guidelines regarding disclosure obligations pursuant to the prospectus regulation, as highlighted in CONSOB warning notice 5/21 of 29 April 2021.

* * *

Business outlook

The business outlook will be correlated to the trend of the demand of the reference sectors of KME SE which is expected to be positive also in the second part of the year. This despite the continuing uncertainty linked to COVID-19, but even more so to the conflict in Ukraine.

The Company is monitoring the evolution of the situation in order to verify the potential negative effects on the development prospects of KME SE both in terms of profitability and the generation of financial resources, on its own business and that of its subsidiaries. These effects could stem from a worsening of the economic situation, which could lead to a reduction in expected growth rates and an increase in inflation levels.

The Parent Company could also benefit from the increase in value of the other equity investments through disposal which, in the event realised, will have a positive impact on debt.

* * *

Governance Updates

Shareholders' Meeting

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.

The Shareholders' Meeting of 9 May 2022 approved the Board of Directors' report on operations and the financial statements closed as at 31 December 2021 as well as the proposed allocation of profit for the year of Euro 65,306,021 for 5%, equal to Euro 3,265,301, to the legal reserve, and for the remainder of Euro 62,040,720, to an unavailable reserve, pursuant to art. 6 of Italian Legislative Decree 38/2005, for profits deriving from the application of the fair value approach.

The Shareholders' Meeting also resolved to approve the Remuneration Report drawn up pursuant to art. 123-ter of Legislative Decree 58/98, with reference only to section II on the remuneration paid, in consideration of the fact that section I relating to the Remuneration Policy had already been approved by the shareholders' meeting of 8 June 2021 for the financial years 2021-2023.

Please refer to what has already been illustrated regarding the Exchange Offers for the resolutions of the Shareholders' Meeting of 16 June 2022.

Share capital

In the first six months of 2022, due to the exercise of 54,803 warrants, 54,803 ordinary shares were issued, with an increase in the share capital of Euro 548.03.

After 30 June 2022:

- the 82,302,194 ordinary shares and 1,078,558 savings shares purchased as a result of the respective voluntary public exchange offers were cancelled, for a total of 83,380,752 shares cancelled. The share capital remained unchanged. A total of 20,235,530 warrants acquired as part of the related voluntary public exchange offer were also cancelled;
- 20,851 ordinary shares were issued due to the exercise of the same number of KME Group SpA 2021-2024 *Warrants*. The share capital therefore increased by Euro 208.51.

As a result of these transactions, at the date on which this Report was prepared, the share capital therefore amounted to Euro 335,069,967.44, represented by 322,171,553 shares, with 306,925,048 ordinary shares and 15,246,505 savings shares.

There are also 152,539,124 warrants in circulation.

* * *

Additional information

Treasury shares

During the first half of 2022, the Company did not purchase ordinary or savings shares.

At 30 June 2022, the Company held a total of 6,937,311 ordinary shares (equal to 1.78% of the shares of this category). As a result of the cancellation of the ordinary and savings shares purchased and cancelled in conjunction with the Exchange Offers, the ordinary own shares, at the date of preparation of this Report, are equal to 2.26% of the shares of this category and 2.15% of total shares, respectively.

Parent company and ownership structure

The Company is controlled by Quattroduedue Holding BV, which is based in Amsterdam - Duivendrecht (Netherlands), Entrada 306, 5th Floor, through wholly owned subsidiary Quattroduedue SpA.

As at 30 June 2022, Quattroduedue Holding BV indirectly held 182,778,198 ordinary shares of the Company (47.81% of the Company's voting share capital) and 1,424,032 savings shares (8.72% of the shares in this category). Subsequently, as a result of the Exchange Offers, these percentages of Quattroduedue Holding BV rose to 48.59% and 9.34% respectively.

Due to the increase in voting rights, Quattroduedue held a percentage of voting rights equal to 61.65% at 30 June 2022, which rose to 63.62% after the Exchange Offers.

KME Group SpA holds no shares or units of the parent company and during 2022 it made no purchases or sales of such shares or units.

It should be noted that, in May 2022, the Company received a declaration from Intesa Sanpaolo SpA with reference to the extinction of the financial instruments (mandatory convertible bonds) previously held by the bank.

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 2021 pursuant to art. 123 bis of Legislative Decree 58/98, which is part of the 2021 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 at normal market conditions. In 2022, there were no transactions that could be qualified as of greater importance pursuant to the "Procedure applicable to transactions with related parties".

As at 30 June 2022, the Parent Company had trade receivables from KME SE and its subsidiaries totalling Euro 2.2 million. These were mainly from fees and commissions for guarantees and the provision of services. A running account was also in place, with a debit balance of Euro 0.3 million with Immobiliare Pictea Srl, a subsidiary of KME SE.

The Company holds a receivable of Euro 61.9 million, including interest, from KME Group Srl in relation to the sale of the equity investments in KME SE and in KME Germany Bet. GmbH and loans granted.

With respect to other financial relations, there is a corresponding current account with Intek Investimenti with a positive balance of Euro 0.9 million.

Lastly, due to the application of IFRS 16, financial liabilities with regard to Immobiliare Pictea are recognised in the financial statements for the lease of the Foro Buonaparte properties, for a total of Euro 2.8 million, of which Euro 0.5 million current.

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

Disputes

Below is an update on the most significant litigation involving the Parent Company.

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

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

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

Of the other five cases pending before the Bari Court for the same subject, one was extinguished due to the death of the savings shareholder against whom the judgement was pending. The other four cases have been further postponed and, to date, two have been postponed to 14 June 2023 and two to 5 July 2023 for the specification of the pleadings (due to the excessive burden of the role of the assignee Judge, continuous postponements are taking place, always for specification of the pleadings), the Judge having rejected all the preliminary requests formulated by the counterparties.

The Company, in the certainty that it has always acted in full respect of the rights and prerogatives of the Company and its own shareholders, as well as of its Articles of Association, the law, and the regulations, opposed the initiatives thus started by these savings shareholders, with the intention of taking the most effective measures in order to protect its interests and its reputation.

Finally, a civil suit is pending at the Court of Messina RG 4419/2016, currently in the preliminary phase, introduced by the Bazia Gardens bankruptcy against Futura Funds Sicav PLC, Demetrio Porcino and Fabio Porcino, where the integration of the adversarial process was requested and obtained in respect of the Company and Immobiliare Pictea as parties to a credit transfer that would have been the basis of the sale of the property (of which it is judge) located in Taormina between the defendants Porcino and Futura Funds and of which the Bankruptcy plaintiff asks for annulment by simulation/declaration of ineffectiveness by revocation. In the judgement, no direct questions are formulated against the Company and/or Immobiliare Pictea.

* * *

Personnel

The number of employees of the Group at 30 June 2022, also including the KME SE group, exceeds 2,500.

The Parent Company employed a total of 15 staff at 30 June 2022, of which 3 managers, 11 employees and one blue-collar worker.

* * *

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 the Company:

- with regard to the provisions of article 36 of the Markets' Regulation, 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., 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 Markets' Regulation, insofar as that:
    - has autonomous powers of negotiation with respect to contractual arrangements with customers and suppliers;
    - 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;
- with regard to the provisions of article 38 of the Market Regulation, does not fall within its scope of application, as its corporate purpose does not exclusively envisage equity investment activity in accordance with predetermined limitations.

* * *

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.

* * *

Risk Management

In its position as a dynamic investment holding company, the Parent Company has always been directly exposed to risks connected with investments and disinvestments. The Company's financial results mainly depend on these transactions and on any dividends distributed by its investees, and therefore, ultimately reflect not only the financial performance, but the investment and dividend distribution policies of the latter.

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 liquid nature 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.

The progressive focus on the industrial activity of KME SE will see the Company be more directly subject to the risks of the activity of KME itself.

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

* * *

Significant events after 30 June 2022

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

KME Group SpA

(Intek Group SpA until 22 September 2022)

Condensed consolidated interim financial statements as at 30 June 2022

KME Group S.p.A.
Registered and Administrative Office:
20121 Milan - Foro Buonaparte, 44
Share capital €335,069,967.44, fully paid-up
Tax Code and Milan Business
Register No. 00931330583
www.itkgroup.it

KME Group SpA – Condensed consolidated interim financial statements as at 30 June 2022

Consolidated Statement of financial position – Assets

(in thousands of Euro)	*Ref. Note*	*30-Jun-22*	*of which related parties*	*31-Dec-21*	*of which related parties*
Property, plant and equipment	4.1	331,269		3,493	
Investment property	4.2	73,043		32	
Intangible assets	4.3	485,670		12	
Equity investments	4.4	141,835	*23,513*	637,123	*620,201*
Other non-current assets	4.5	3,085		3	
Non-current financial assets	4.6	3,119	-	5	*5*
Deferred tax assets	4.21	40,332		2,762	
Total non-current assets		**1,078,353**		**643,430**	
Inventories	4.7	362,537		-	
Trade receivables	4.8	131,221	*33,723*	5,039	*2,052*
Current financial assets	4.9	162,346	*75,551*	26,444	*1,067*
Other current receivables and assets	4.10	31,288	*270*	5,680	*2,495*
Cash and cash equivalents	4.11	85,793		4,698	
Total current assets		**773,185**		**41,861**	
Non-current assets held for sale	4.12	120,724		-	
Total assets		**1,972,262**		**685,291**	

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

Details of related party transactions are disclosed in the descriptions of the relevant explanatory notes.

KME Group SpA – Condensed consolidated interim financial statements as at 30 June 2022

Consolidated Statement of financial position – Liabilities

(in thousands of Euro)	*Ref. Note*	*30-Jun-22*	*of which related parties*	*31-Dec-21*	*of which related parties*
Share capital		335,070		335,069	
Other reserves		165,661		99,644	
Treasury shares		(2,133)		(2,133)	
Retained earnings/(accumulated losses)		53,838		53,840	
Other comprehensive income reserve		14,055		(23)	
Profit/(loss) for the period		6,304		65,306	
Shareholders' equity attributable to shareholders of the Parent Company	**4.13**	**572,795**		**551,703**	
Non-controlling interests		30,722		-	
Total shareholders’ equity attributable to owners of the Parent		**603,517**		**551,703**	
Employee benefits	4.14	133,831		418	
Deferred tax liabilities	4.21	50,535		2,221	
Non-current financial payables and liabilities	4.15	108,721	-	2,445	*2,395*
Bonds	4.16	92,427		92,372	
Other non-current liabilities	4.17	2,182		113	
Provisions for risks and charges	4.18	3,311		291	
Total non-current liabilities		**391,007**		**97,860**	
Current financial payables and liabilities	4.15	198,833	-	29,677	*464*
Trade payables	4.19	538,261	*4,892*	2,238	*538*
Other current liabilities	4.20	162,067	*1,140*	3,813	*1,316*
Provisions for risks and charges	4.18	4,379		-	
Total current liabilities		**903,540**		**35,728**	
Liabilities directly related to assets held for sale	4.12	74,198		-	
Total liabilities and shareholders’ equity		**1,972,262**		**685,291**	

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

Details of related party transactions are disclosed in the descriptions of the relevant explanatory notes.

KME Group SpA – Condensed consolidated interim financial statements as at 30 June 2022

Consolidated statement of profit or loss and other comprehensive income

(in thousands of Euro)	*Ref. Note*	*1st half 2022*	*of which related parties*	*1st half 2021*	*of which related parties*
Revenues from sales and services	5.1	331,628	-	-	-
Change in inventories of finished goods and semi-finished products		1,144		-	
Capitalised internal work		89		-	
Other income	5.2	1,505	32	116	71
Purchases and change in raw materials		(260,853)		-	
Labour costs	5.3	(31,020)	(210)	(926)	-
Amortisation, depreciation, impairment and write-downs		(5,163)		(325)	(239)
Other operating costs	5.4	(32,226)	(1,756)	(2,006)	(1,221)
Operating profit/(loss)		**5,104**		**(3,141)**	
Financial income		1,568	561	641	553
Financial expense		(8,923)	(10)	(1,994)	(94)
Net finance expense	5.5	*(7,355)*		*(1,353)*	
Result of equity investments	5.6	11,573	9,316	35,941	34,420
Profit/(loss) before taxes		**9,322**		**31,447**	
Current taxes		(4,419)		874	
Deferred taxes		3,035		(688)	
Total income taxes	5.7	**(1,384)**		**186**	
Net profit (loss) for the period from operating activities		**7,938**		**31,633**	
Profit/(loss) from discontinued operations		(1,183)		-	
Net profit (loss) for the period		**6,755**		**31,633**	
Other comprehensive income:					
Measurement of employee defined benefits		*16,697*		*11*	
Tax on other comprehensive income		*(3,648)*		-	
Items that cannot be reclassified to profit or loss for the period		13,049		11	
Foreign currency translation gains/(losses)		*1,071*		-	
Net change in cash flow hedge reserve		*(73)*		-	
Taxes on other comprehensive income		*45*		-	
Items that may be reclassified to profit or loss for the period		1,043		-	
Total other comprehensive income, net of tax effect:		**14,092**		**11**	
Total comprehensive income for the period		**20,847**		**31,644**	
Net profit/(loss) for the period attributable to:					
- non-controlling interests		*451*		-	
- owners of the Parent		*6,304*		*31,633*	
Net profit (loss) for the period		**6,755**		**31,633**	
Total comprehensive income attributable to:					
- non-controlling interests		*457*		-	
- owners of the Parent		*20,390*		31,644	
Total comprehensive income for the period		**20,847**		**31,644**	
Earnings per share *(in Euro)*					
Basic earnings/(loss) per share		0.0143		0.0689	
Diluted earnings/(loss) per share		0.0096		0.0685	

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

Details of related party transactions are disclosed in the descriptions of the relevant explanatory notes.

In application of the accounting standard IAS 8, paragraph 42, some book values relating to the first half of 2021 have been restated; for details, please see explanatory note 2.2.

Consolidated statement of changes in equity as at 30 June 2021

(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 the shareholders of the Parent Company***	*Non-controlling interests*	***Total shareholders' equity attributable to owners of the Parent***
Shareholders' equity as at 31 December 2020	**335,069**	**98,469**	**(2,012)**	**71,143**	**(12)**	**1,273**	**503,930**	**-**	**503,930**
Allocation of Parent company's profit/(loss)	-	3,289	-	-	-	(3,289)	-	-	-
Allocation of subsidiaries' profit/(loss)	-	(2,016)	-	-	-	2,016	-	-	-
Purchase of treasury shares	-	-	(128)	-	-	-	(128)	-	(128)
Other	-	-	-	(1)	-	-	(1)	-	(1)
Comprehensive income items	-	-	-	-	11	-	11	-	11
Profit/(loss) for the period	-	-	-	-	-	31,633	31,633	-	31,633
Total comprehensive income	**-**	**-**	**-**	**-**	**11**	**31,633**	**31,644**	**-**	**31,644**
Shareholders' equity as at 30 June 2021	**335,069**	**99,742**	**(2,140)**	**71,142**	**(1)**	**31,633**	**535,445**	**-**	**535,445**
Reclassification of treasury shares	(2,140)	-	2,140	-	-	-	-	-	-
Shareholders' equity as at 30 June 2021	**332,929**	**99,742**	**-**	**71,142**	**(1)**	**31,633**	**535,445**	**-**	**535,445**

As at 30 June 2021, the Parent Company directly held 6,937,311 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.

At 30 June 2021, there are no differences between the shareholders' equity and the result for the period of the Parent Company and the respective consolidated values.

In application of the accounting standard IAS 8, paragraph 42, some book values as at 30 June 2021 have been restated; for details, please see explanatory note 2.2.

Consolidated statement of changes in equity as at 30 June 2022

(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 the shareholders of the Parent Company***	*Non-controlling interests*	***Total shareholders' equity attributable to owners of the Parent***
Shareholders' equity as at 31 December 2021	**335,069**	**99,644**	**(2,133)**	**53,840**	**(23)**	**65,306**	**551,703**	**-**	**551,703**
Allocation of Parent company's profit/(loss)	-	65,306	-	-	-	(65,306)	-	-	-
Allocation of consolidated companies' profit/(loss)	-	-	-	-	-	-	-	-	-
Consolidation adjustments		193					193	30,265	30,458
Exercise of Parent Company Warrants	1	27	-	-	-		28	-	28
Warrant management		481					481		481
Fair value of financial instruments	-	-	-	-	*(73)*	-	*(73)*	-	*(73)*
Deferred taxes recognised in equity	-	-	-	-	*(3,603)*	-	*(3,603)*	-	*(3,603)*
Foreign exchange effect	-	*10*	-	*(2)*	*1,057*	-	*1,065*	*6*	*1,071*
Actuarial gains/losses on pension funds	-	-	-	-	*16,697*	-	*16,697*	-	*16,697*
Comprehensive income items	-	10	-	(2)	14,078	-	14,086	6	14,092
Profit/(loss) for the period	-	-	-	-	-	6,304	6,304	451	6,755
Total comprehensive income	-	10	-	(2)	14,078	6,304	20,390	457	20,847
Shareholders' equity as at 30 June 2022	**335,070**	**165,661**	**(2,133)**	**53,838**	**14,055**	**6,304**	**572,795**	**30,722**	**603,517**
Reclassification of treasury shares	(2,133)	-	2,133	-	-	-	-	-	-
Shareholders' equity as at 30 June 2022	**332,937**	**165,661**	**-**	**53,838**	**14,055**	**6,304**	**572,795**	**30,722**	**603,517**

At 30 June 2022, the Parent Company directly held 6,937,311 ordinary shares. 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.

KME Group SpA – Condensed consolidated interim financial statements as at 30 June 2022

Consolidated statement of cash flows – indirect method

(in thousands of Euro)		*1st half 2022*	*1st half 2021*
(A) Cash and cash equivalents at the beginning of the period		**4,698**	**15,286**
Profit/(loss) before taxes		9,322	31,447
Amortisation and depreciation		5,163	325
Impairment of current assets		-	-
Change in inventories		(854)	-
Changes in pension funds, post-employment benefits (TFR) and stock options		(5,059)	157
Changes in provisions for risks and charges		(1,980)	-
Increase/(decrease) in current and non-current financial payables to associates		178	-
(Increase)/decrease in current and non-current financial receivables from associates		-	-
Dividends received		-	-
(Increase)/decrease in current receivables		12,901	(767)
Increase/(decrease) in current payables		10,120	192
(B) Total cash flows from/(used in) operating activities		**29,791**	**31,354**
(Increase) in non-current intangible assets and property, plant and equipment		(206)	(225)
Decrease in non-current intangible assets and property, plant and equipment		(6,359)	13
Increase/decrease in other non-current assets/liabilities		353	(152)
(Increase)/decrease in investments		(10,377)	(35,228)
(C) Cash flows from/(used in) investing activities		**(16,589)**	**(35,592)**
Changes in equity for a fee		17	-
(Purchase) sale of treasury shares and similar securities		-	(128)
Increase/(decrease) in current and non-current financial payables		(359)	(3,327)
(Increase)/decrease in current and non-current financial receivables		(27,423)	(6,854)
(D) Cash flows from/(used in) financing activities		**(27,765)**	**(10,309)**
(E) Change in cash and cash equivalents	**(B) + (C) + (D)**	**(14,563)**	**(14,547)**
(F) Change in scope of consolidation		**95,658**	**-**
(G) Cash and cash equivalents at the end of the period	**(A) + (E) + (F)**	**85,793**	**739**

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

In application of the accounting standard IAS 8, paragraph 42, some book values as at 30 June 2021 have been restated; for details, please see explanatory note 2.2.

KME Group SpA – Condensed consolidated interim financial statements as at 30 June 2022

Notes to the Condensed consolidated interim financial statements as at 30 June 2022

1. General information

KME Group SpA (called "Intek Group SpA" until 22 September 2022, hereinafter also the "Company" or the "Parent Company") has long been set up as a holding company for diversified investments through active and dynamic management of investments and assets in the portfolio in order to increase their value.

Milan, 22 April 2022 - The Company's Board of Directors resolved to focus its activities on the industrial management of KME SE, an equity investment with strategic and long-lasting value, making provision for the progressive increase in value of additional assets in the portfolio (the "New Strategy"), in the time and manner required to achieve the best results for the Company.

The New Strategy undertaken means the Company is no longer a holding company focussed on the achievement of returns deriving from the active management of the investments in the portfolio, with a view to improving their value, but rather a holding company focussed on the industrial management of its main investment, KME SE.

The Parent Company 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 Euronext Milan regulated market organised and managed by Borsa Italiana SpA.

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

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 (2 out of 10) 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 2022, hereinafter also "the financial statements", were approved by the Board of Directors on 28 September 2022 and will be published in accordance with the legal requirements.

2. Accounting policies

2.1. Qualification of investment entity

The aforementioned announcement of a change in strategy, which will result in the focus of the activity in the industrial management of the investment in KME SE, has nullified the commercial purpose of the Company aimed at obtaining returns for shareholders exclusively from the capital appreciation and from investment income; this, however, means that fair value is no longer a basis for the calculation and internal evaluation of investments.

These amendments meant the Company no longer satisfied the requisites, set forth in paragraphs 27 and 28 of IFRS 10, to qualify as an investment entity, on the basis of which the previous financial statements of the Company and of the Group had been drawn up starting from those as at 31 December 2014.

Therefore, with effect from the date on which the "change of status" occurred and therefore from 22 April 2022, the Company ceased to be an "investment entity".

These financial statements therefore represent, after several years, the first financial statements of the Group in which the Parent Company does not qualify as an investment entity. Therefore, in preparing these Financial Statements, starting from the date of the "change of status", the provisions of IFRS 10 relating to investment entities are not applied, which entailed for the Company the non-consolidation of investments held in non-instrumental subsidiaries and their measurement at fair value through profit or loss pursuant to IFRS 9, as required by paragraph 31 of IFRS 10.

It should be noted that, pursuant to paragraph 30 of IFRS 10, the change in status is accounted for prospectively starting from the date on which this change occurred and therefore it was not necessary to recalculate the comparative balances.

The condensed consolidated interim financial statements as at 30 June 2022 therefore provide for the line-by-line consolidation of the controlling interests; these financial statements are the first consolidated financial statements that reflect the accounting effects of the aforementioned “change of status”.

Please refer to the paragraph “Consolidation principles” for further information on the consolidation area at 30 June 2022, different from that at 31 December 2021.

2.2. Basis of presentation

The Condensed consolidated interim financial statements as at 30 June 2022 were drafted pursuant to art. 154-*ter* of Italian Legislative Decree 58/1998 and conform to the International Financial Reporting Standards (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 Italian Legislative Decree 38/2005, and were prepared according to IAS 34 Interim financial reporting.

The Financial Statements are composed of the consolidated statement of financial position, the consolidated statement of profit or loss for the half and other comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity, as well as the Notes thereto.

The Condensed consolidated interim financial statements and the notes thereto include, besides the amounts relating to the reference period, the corresponding comparative data relating to the previous year.

It should be noted that the comparative balances of 2021 are not comparable with those as of 30 June 2022 as the latter reflect the expansion of the full consolidation area following the loss of the qualification of investment entity, accounted for, pursuant to paragraph 30 of IFRS 10, prospectively starting from the date on which this change occurred without restating the comparatives.

From an accounting point of view, the expansion of the consolidation area was carried out as at 30 April 2022, thus providing for the consolidation of the equity balances as at 30 June 2022 for all the companies included in the consolidation area for the purposes of these financial statements, and of the income and cash flows relating to the months of May and June 2022 for the entities that joined the Group’s consolidation area during the six-month period in question.

For the composition of the Group as at 30 June 2022, reference should be made to the paragraph “Consolidation principles”.

In addition, it should be noted that some 2021 income statement balances were restated to retroactively consider the effects of an update of the “*Fair value measurement policy*” applied to the balance sheet item “Investments in equity interests and fund units” (balance sheet item prior to “change of status”). Specifically, this amendment relates to the elimination of the provision according to which, in interim financial statements, in the absence of objective events and approval of the business plans of the companies valued, no changes in the carrying amount of investments are recognised when the result of their valuation differs from the pre-valuation carrying amount by less than 10%. Compared to the data originally published, this elimination resulted in an increase of Euro 35.5 million on the result for the period of the first half of 2021. For more details, please refer to what is reported further on in this paragraph, in the section “Restatement of the comparative amounts relating to the first half of 2021”.

The comparative income statement figures included in the explanatory notes to the financial statements represent the aforementioned restated balances.

With reference to the consolidated financial statements, it should be noted that, compared to those presented in the 2021 annual financial report, they have been adjusted (please refer to what is indicated in the paragraph “Basis of presentation”) to include the typical items of an industrial company that previously were not represented in the financial statements of the Group (nor of the Parent Company) as they are not applicable.

These financial statements have been prepared in the assumption of the company as a going concern, in accordance with the provisions of accounting standard IAS 1; in this regard, considerations were made in relation to the effects of the ongoing conflict between Russia and Ukraine, which is having significant impacts on the global economic context, as well as the persistence of the health situation due to Covid-19.

In preparing these Financial Statements, the Directors have applied the concepts of accruals, clarity, significance, materiality, reliability, neutrality, prudence and comparability and applied accounting policies consistent with those used for the consolidated financial statements as at 31 December 2021, except for the standards effective as from 1 January 2022 laid out below, whose application in any event had no effects. It should be noted that the loss of the qualification of the investment entity does not represent a change in the accounting principle.

The Group has not yet applied the accounting standards listed below which, although already issued by the IASB, will become effective after the reference date of these consolidated interim financial statements or have not yet completed the process of endorsement 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 Interim report on operations disclose the content and meaning of the non-IFRS alternative performance indicators, where applicable, in line with ESMA guidelines (ESMA/2015/1415).

For the preparation of the Financial Statements, the Company also took into consideration some guidelines of the Authorities and international organisations. As a result of the war on the East-European front involving Russia and Ukraine, the European Securities and Markets Authority ("ESMA") actually published a first Public Statement on 14 March 2022, the subject of Consob's warning notice of 18 March 2022, which focused on privileged information and financial reporting; subsequently, on 13 May 2022, it published a second Public Statement whose contents were taken from the Consob warning notice of 19 May 2022, which focused specifically on the information contained in the 2022 half-yearly financial reports drawn up in accordance with IAS 34, giving particular emphasis to the possible subjecting of non-financial assets to the impairment test pursuant to IAS 36.

On 29 June 2022, the Italian Assessment Body ("OIV") published the document Discussion paper no. 1/2022 "*Impairment test of non-financial assets (IAS 36) following the war in Ukraine*", which incorporates the ESMA contents and provides operational indications for identifying and assessing the conditions for the possible performance of theimpairment test when preparing the half-yearly financial report, providing evidence of the elements to be considered if the test is carried out to deal with the uncertainty of the current context.

These condensed consolidated interim financial statements are presented in Euro, the functional currency of the Parent Company. The tables and data in the notes are in thousands of Euro, unless otherwise indicated.

This Report is not prepared in accordance with the XHTML format required by the Delegated Regulation (EU) 2019/815 (the "ESEF Regulation") as these provisions are applicable only to the consolidated annual financial reports.

*

Restatement of the comparative amounts for the first half of 2021

It should be noted that the Company has restated some comparative amounts for the first half of 2021.

In the financial statements as at 30 June 2021, in the valuation of the item "Investments in equity investments and fund units", the Company had applied the "*Policy for the methods of determining fair value*", which included the definition of a percentage interval within which the differences in fair value with respect to the book value were deemed insignificant and therefore did not give rise to changes in the previously recognised book value. In applying this interval, reference was made to the general principles of significance of financial reporting, considering that the preparation of interim financial statements is inevitably based on input data that present a higher degree of approximation than that used for year-end valuations and that the input data, however, may be influenced by seasonal phenomena, and therefore, changes in the value of the equity investments within the identified threshold were not relevant to the user of the financial statements.

Consob, as part of its supervisory activity, has deemed that the aforementioned fair value threshold of 10% (as well as that 1.5% applicable to annual valuations) entailed the introduction of elements of arbitrariness in the determination of fair value, with consequent non-compliance with international accounting standard IFRS 13 “Fair value measurement”, which does not require the application of corrective factors once the fair value has been determined in application of the methods established and regulated by the same accounting principle or in the rules envisaged by IFRS 9.

In relation to the findings of Consob with reference to what is applicable to the annual financial statements, prior to preparing the financial statements as at 31 December 2021, the Company updated the “*Policy for the methods of determining fair value*” by eliminating the significance threshold of 1.5% and had restated some amounts relating to the year 2020, pursuant to IAS 8 paragraph 42, letter a), as represented in the 2021 annual financial report.

With reference to what is applicable to interim financial statements, the Company carried out a further update of the “*Policy for the methods of determining fair value*”, eliminating the 10% significance threshold and making provision for the corrective effects of the approximation phenomena on which an intra-annual valuation is inevitably based. In this regard, specifically for unlisted investments, in the event that a mere update of existing plans is available, rather than the approval of new ones, greater importance is attached, compared to what was carried out in the year-end assessments, to the control methods (multiples), with respect to the main method (discounted cash flow or DCF).

Therefore, in order to retroactively consider the effects of the aforementioned considerations on the valuations of equity investments outstanding at 30 June 2021, the Company has restated, pursuant to IAS 8 paragraph 42, letter a), some amounts relating to 30 June 2021.

The restatement of the amounts referring to 30 June 2021 involved an increase:

- of Euro 32,706 thousand for the asset item “Investments in equity interests and fund units” and of Euro 392 thousand for the liability item “Deferred tax liabilities” with respect to the data originally published;
- of Euro 35,996 thousand for the item in the income statement “Net income from management of equity investments”, valuation difference with respect to the fair value of the investments at 31 December 2020 as modified by the restatement of the balances represented in the 2021 annual financial report, and of Euro 432 thousand of costs recognised in the item “Deferred taxes”.

Given these changes, the consolidated shareholders’ equity and the consolidated result for the period as at 30 June 2021 are higher than the values originally published in the half-year financial report as at 30 June 2021; the effects can be detailed as follows:

Statement of financial position – Assets

(in thousands of Euro)	*30/06/2021 Restated amounts*		*30/06/2021 Original amounts*		*Difference*
		of which related parties		*of which related parties*	
Investments in equity interests and fund units	600,152	*582,466*	567,446	*551,199*	*32,706*
Total non-current assets	**607,434**		**574,728**		**32,706**
Total current assets	**44,333**		**44,333**		**-**
Total assets	**651,767**		**619,061**		***32,706***

Statement of financial position – Liabilities					
(in thousands of Euro)	*30/06/2021 Restated amounts*	*of which related parties*	*30/06/2021 Original amounts*	*of which related parties*	*Difference*
Profit/(loss) for the period	31,633		(3,931)		*35,564*
Shareholders' equity attributable to owners of the Parent	**535,445**		**503,131**		**32,314**
Total shareholders' equity	**535,445**		**503,131**		**32,314**
Deferred tax liabilities	2,459	-	2,067	-	*392*
Total non-current liabilities	**82,323**		**81,931**		**392**
Total current liabilities	**33,999**		**33,999**		**-**
Total liabilities and shareholders' equity	**651,767**		**619,061**		**32,706**

Statement of profit or loss and other comprehensive income					
(in thousands of Euro)	*1st half of 2021 Restated amounts*	*of which related parties*	*1st half of 2021 Original amounts*	*of which related parties*	*Difference*
Net income from management of equity investments	35,941	31,212	(55)	(55)	*35,996*
Operating profit/(loss)	**33,233**		**(2,763)**		**35,996**
Profit/(loss) before taxes	**31,447**		**(4,549)**		**35,996**
Deferred taxes	(688)		(256)		*(432)*
Total income taxes	**186**		**618**		**(432)**
Net profit (loss) for the period	**31,633**		**(3,931)**		**35,564**
Total comprehensive income for the period	**31,644**		**(3,920)**		**-**
Earnings per share *(in Euro)*					
Basic earnings/(loss) per share	0.0689		(0.0091)		
Diluted earnings/(loss) per share	0.0685		(0.0091)		

For a better understanding of the aforementioned effects, it should also be noted that the restatement of the amounts referring to 31 December 2020 represented in the 2021 annual financial statements had resulted in a reduction:

- of Euro 3,289 thousand for the asset item "Investments in equity investments and fund units" and of Euro 39 thousand for the liability item "Deferred tax liabilities";
- of Euro 3,289 thousand for the income statement item "Net income from management of equity investments" and of Euro 39 thousand of costs recognised in the item "Deferred taxes".

Based on these changes, the shareholders' equity and the result for the year as at 31 December 2020 were Euro 3,250 thousand lower than the originally published values relating to 31 December 2020.

2.3. *Basis of presentation*

It should be noted that for the purposes of preparing these financial statements, the consolidated accounting statements have been adjusted in order to:

- reflect the "change of status" of investment entity and therefore the industrial holding structure: the main balance sheet items typical of the Parent Company's operations, "Investments in equity interests and fund units" for the balance sheet and "Net income from management of equity investments" for the income statement, have been renamed respectively "Equity investments" and "Result of equity investments" and include the items relating to equity investments not consolidated on a line-by-line basis including equity-accounted investments.

  With reference to the income statement, the item "Result of equity investments" — which does not contribute to the formation of the Operating Profit in the financial statements — was reclassified, as was the item "Commissions on guarantees given" of the Parent Company which was merged into "Financial income".

  The consolidated statement of cash flows also reflects the aforementioned approach and reflects the reclassification of the balances of the items relating to equity investments and those relating to flows of financial payables/receivables from related companies which are now part of the "Cash flows from investing activities";

- include the balance sheet components of the consolidated subsidiaries not present in the Parent Company's financial statements and in the previous consolidated financial statements. New accounting items were represented: "Inventories" and the related income statement items, "Changes in inventories of finished and semi-finished products", "Capitalised internal work", "Purchase and change of raw materials" as well as" Revenues from sales and services".

  "Inventories" are measured at the lower of cost according to the "*First in First out*" (FiFo) principle and the net realisable value. The net realisable value is the estimated sales price, i.e. the estimated sales price in the normal course of business, and therefore, the official price recorded on the LME (London Metal Exchange) market at the balance sheet date, net of estimated completion costs as well as estimated costs required to carry out the sale. In addition to the directly attributable costs, the general production costs, including depreciation linked to production, are reflected in the production costs; costs are generally assigned on the basis of the monthly moving average method; in some cases, the method of specific identification is applied.

  Contract work in progress is valued on the basis of the progress of the work and the price of the contractual consideration net of contractual costs.

  Supplies and consumables are measured at weighted average cost.

  The items in the financial statements relating to assets and liabilities held for sale pursuant to IFRS 5 were also measured (consolidated financial statements items "Non-current assets held for sale", "Liabilities directly associated with assets held for sale" and "Profit from discontinued operations").

2.4. *Basis of consolidation*

The condensed consolidated interim financial statements at 30 June 2022 reflect the consolidation of the Parent Company and the companies directly and indirectly controlled, jointly controlled or associated companies.

The assets and liabilities which are expected to be disposed of are reclassified under the assets and liabilities items intended to highlight these cases.

a) Subsidiaries

Subsidiaries are all those companies over which the Parent Company 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 consolidated 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 the asset item "Goodwill"; if negative, in the income statement. The portion of equity and profit (loss) attributable to non-controlling interests is recognised under the relevant items. After initial recognition, "goodwill" is measured according to the provisions of *IAS 36 – Impairment of Assets.*

Insignificant subsidiaries and companies whose consolidation does not produce substantial effects are excluded from the consolidation area. However, the effects of these exclusions are immaterial and therefore their omission does not influence the economic decisions of the users of these financial statements.

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.

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 for the period, 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.

If the Parent Company qualifies as an "investment entity", investments in non-instrumental subsidiaries are measured at fair value, including investments in the consolidated financial statements.

In the event of loss of the status of "investment entity", the financial statements are drawn up on the basis of the provisions of paragraphs 19-24 of the IFRS, i.e. proceeding with the line-by-line consolidation of the investments in subsidiaries.

On the first application of these provisions, in order to carry out the line-by-line consolidation of the investments in subsidiaries previously measured at fair value, the provisions contained in IFRS 3 – Business combinations are applied in accordance with paragraph B100 of IFRS 10, pursuant to which each business combination must be accounted for by applying the acquisition method, i.e. among other things, (i) by determining the acquisition date, and (ii) recognising and measuring goodwill or profit deriving from a purchase at favourable prices.

In the event of loss of the qualification as an investment entity, the application of IFRS 3 provides that the date of the change of status (i.e. the date on which the Company loses its qualification as an investment entity) is considered as the presumed acquisition date of the investment and that the fair value of the subsidiary at the presumed acquisition date represents the presumed consideration transferred for the purposes of identifying the assets and liabilities on which to allocate the "price" of the acquisition with the determination of the goodwill or profit resulting from a purchase under favourable terms following the presumed acquisition.

Consolidation area

At 31 December 2021, and over the course of the 2021 financial year there were no instrumental subsidiaries included in the Company's consolidation area, as on 31 March 2021 the liquidation of the subsidiary I2 Capital Partners SGR SpA, fully consolidated up to the financial statements, had been completed as of 31 December 2020. Given the irrelevance of the income statement flows of this subsidiary, it was deconsolidated on 1 January 2021. At 31 December 2021, the consolidation area included exclusively the Parent Company.

The New Strategy entailed the non-application, in the preparation of the Company's financial statements, of IFRS 10 relating to investment entities with the consequent expansion of the Group's consolidation area, which also includes controlling investments not instrumental to the investment activity, including, in particular, KME SE and any other controlling interests held at the reference dates for which an exception to consolidation, such as that provided for by IFRS 5, is not applicable.

Specifically, for the purposes of preparing the half-yearly financial report as at 30 June 2022, this entailed consolidation on a line-by-line basis, starting from the date of the "change of status" of the investment entity (22 April 2022). 30 April 2022, the accounting date closest to that of the "change of status" was therefore identified as the date of first consolidation of the subsidiaries represented below, to which the information reported in the Financial Statements refers where "Change in consolidation area" is shown.

The following table lists the companies consolidated on a line-by-line basis as at 30 June 2022:

Name	**Registered office**	**Currency**	**% ownership**	
			direct	**indirect**
KME Group SpA (formerly Intek Group SpA)	Italy	Euro	Parent company	
KME SE	Germany	Euro	10.00%	89%
KME Group Srl	Italy	Euro	100.00%	
Culti Milano SpA	Italy	Euro	77.17%	
BERTRAM'S GmbH	Germany	Euro		99.00%
Immobiliare Pictea S.r.l.	Italy	Euro		99.00%
Ilnor S.r.l.	Italy	Euro		83.16%
KME Germany GmbH	Germany	Euro		99.00%
KME Special Holding GmbH	Germany	Euro		99.00%
KME Special Products GmbH & Co. KG	Germany	Euro		99.00%
KME Grundstücksgesellschaft SE & Co. KG	Germany	Euro		99.00%
KME Real Estate GmbH & Co. KG	Germany	Euro		99.00%
KME Mansfeld GmbH	Germany	Euro		99.00%
KME Italy S.p.A.	Italy	Euro		83.16%
KME Recycle S.r.l. in liquidation	Italy	Euro		99.00%
KME S.r.l.	Italy	Euro		99.00%
KMETAL S.p.A.	Italy	Euro		99.00%
KME Rolled France S.A.S.	France	Euro		83.16%
KME Yorkshire Ltd.	United Kingdom	GBP		99.00%
KME Spain S.A.U.	Spain	Euro		99.00%
KME AssetCo GmbH	Germany	Euro		99.00%
Natural Capital Italia S.p.A. Benefit Company	Italy	Euro		82.64%
Valika S.A.S.	France	Euro		50.49%
Bakel Srl	Italy	Euro		38.59%
Bakel Inc	United States	USD		38.59%
Scent Company Srl	Italy	Euro		39.36%
Culti Milano Asia Ltd	China	HKD		46.30%
Culti Milano China Ltd	China	RMB		46.30%

The 2022 book value of these half-yearly consolidated financial statements therefore includes the balances of the aforementioned companies and specifically the equity balance as at 30 June 2022 of all the companies and, for the entities – other than the Parent Company – that have merged into the consolidation area of the Group during the six-month period in question, exclusively the income statement and cash flows subsequent to the date of first consolidation (and therefore in the months May and June 2022).

In terms of significance, the main subsidiary is KME SE based in Germany, parent company of the KME group, a European industrial group that is a global leader in the production and marketing of copper and copper alloy products. The KME group is composed of several production sites in Germany, Italy, France, Spain, the United States and China and is also represented worldwide by a rich network of commercial companies, agents and service centres to meet the needs of customers in the main industrial sectors.

Some subsidiaries are not included in the consolidation area as the effect in the financial statements would not be significant for financial reporting[1]; in particular, the most significant is Intek Investimenti SpA whose assets, equal to approximately 0.6% of the "Total Assets" of the financial statements as at 30 June 2022, are mostly represented by non-controlling interests that would have been merged – also in presence of line-by-line consolidation – in the item "Equity investments" and whose financial statements do not present any further significant items.

The subsidiaries included in the scope of IFRS 5 (assets and liabilities held for sale) as at 30 June 2022 are outlined below:

Name	**Registered office**	**Currency**	**% ownership**	
			direct	**indirect**
Serravalle Copper Tubes Italy S.r.l.	Italy	Euro		99.00%
Trefimetaux SAS	France	Euro		99.00%

After the date of first consolidation, up to the reference date of these financial statements, there have been no changes in ownership within the Group that have affected the consolidation area. The consolidated interim financial statements as at 30 June 2022 therefore include the balances of the aforementioned companies and specifically the equity balances as at 30 June 2022 and the income statement and cash flows subsequent to the date of first consolidation (and therefore for the months May and June 2022).

b) Associated companies

Associated companies are all companies over which the Company exercises significant influence but not control. Significant influence is presumed when the Company holds, directly or indirectly through subsidiaries, 20% or a greater share of the votes in the shareholders' meeting of the investee. Investments in associated companies are consolidated using the equity method. With the equity method, the investment is initially recognised at cost and subsequently adjusted to record the share due to the parent company in the profits or losses accrued after the acquisition date. The dividends received reduce the book value of the investment.

c) Joint Ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity subject to joint control. Joint control is the contractually agreed sharing of control over an economic activity. Joint ventures are consolidated using the equity method as required by IFRS 11 paragraph 24.

* * *

In the preparation of these Financial Statements, the equity investments held for investment by the Parent Company, which until the "change of status" were measured at fair value also in the consolidated financial statements, were subject to line-by-line consolidation (refer to "Change by Investment Entity" shown in the tables of the explanatory notes); at the same time, the balances of the entities included in the consolidation area were consolidated with an increase in the equity balances ("Change in the consolidation area" shown in the tables of the explanatory notes).

[1] *The accounting principles do not establish any lower quantitative limits for non-consolidation; however, the "Conceptual Framework" outlines the concept of relevance and significance for the purposes of financial reporting in the context of the correct presentation of the financial statements required by paragraph 15 of IAS 1.*

The consolidation was carried out starting from the sub-consolidated financial statements of KME SE and Culti Milano, whose data in these financial statements are represented as the KME SE group and the Culti group.

2.5. *Foreign currency transactions*

Functional currency of the Group

As already specified above, all amounts are expressed in Euro which also represents the functional currency of the Parent Company.

Conversion of financial statements into non-Euro currencies

The financial statements of the consolidated entities that are expressed in foreign currencies have been converted into Euro by applying the average exchange rates for the period to the individual items of the income statement and the prevailing exchange rates at the closing date of said financial statements to those of the balance sheet.

The exchange rates used for the conversion of foreign currencies are as follows:

	30/06/2022 *Exact exchange rate*	*01/06/2022* *Average exchange rate*
GBP - Pound Sterling	0.8581	0.8519
RMB - Chinese Yuan	6.9657	7.0047
HKD - Hong Kong dollar	8.1531	8.4292
USD - US dollar	1.0392	1.0755

The difference between the profit for the period as resulting from the conversion of the average exchange rates for the period and that resulting from the conversion based on the exchange rates at the end of June, pertaining to these Financial Statements, is included in “Other reserves” and in “Minority interests” respectively for the part pertaining to the Group and third parties.

2.6. *Use of estimates*

The preparation of these 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 equity interests and funds (until the date of the “change of status”), investment property, the useful lives of non-current assets and the related recoverable amount, allocations for credit risks, provisions for impairment, the cost of employee benefits, the estimated current and deferred tax charges, the estimated indefinite useful lives of intangible assets and other allocations and provisions.

For the purposes of these Financial Statements, an impairment test was carried out on the goodwill relating to the Cash Generating Units (“CGUs”) identified; to this end, the valuations made in the previous financial statements were used and updated for the purpose of determining the fair value of the equity investments to which the CGUs belong. 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.

2.7. 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 2022:

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 the standard.
- ***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 the depreciation on the machinery used for the performance of the contract).
- Annual Improvements 2018-2020: 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.

The adoption of these amendments did not impact the Group's consolidated financial statements.

2.8. Accounting standards not yet applied

The following accounting standards, amendments and interpretations were endorsed by the European Union, are not yet applicable on a compulsory basis and were not adopted early by the Group as at 30 June 2022.

- 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.

  The new standard also provides for presentation and disclosure requirements to improve comparability between entities belonging to this sector; this standard measures an insurance contract based on a General Model or a simplified version of this, called the Premium Allocation Approach ("PAA"). The entity shall apply the new standard to insurance contracts issued, including reinsurance contracts issued, to reinsurance contracts held and also to investment contracts with a discretionary participation feature (DPF). The standard is applied from 1 January 2023 but early application is permitted only for entities that apply IFRS 9 – *Financial Instruments* and IFRS 15 – *Revenue from Contracts with Customers*. The directors do not expect the adoption of this standard to have any effects on the Group's consolidated financial statements.

- *On 12 February 2021, the IASB published two amendments named* "Disclosure of Accounting Policies—Amendments to IAS 1 and IFRS Practice Statement 2*" and* "Definition of Accounting Estimates—Amendments to IAS 8*". The amendments are intended to improve the disclosure on accounting policies so as to provide more useful information to investors and other primary users of financial statements as well as help companies to distinguish changes in accounting estimates from changes in accounting policies.* These amendments will be effective for periods beginning on or after 1 January 2023, but early application is permitted. The directors are currently evaluating the possible effects of the introduction of these amendments on the Group's consolidated financial statements.

As at the reference date of this document, 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 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 on 1 January 2023; however, early application is permitted.
- The directors are currently evaluating the possible effects of the introduction of this amendment on the Group's consolidated financial statements.
- On 7 May 2021, the IASB published an amendment named "Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction". The document clarifies how to account for deferred tax liabilities on certain transactions that could generate assets and liabilities of equal amounts, such as leases and decommissioning obligations. These amendments will be effective for periods beginning on or after 1 January 2023. Earlier application is permitted. The directors are currently evaluating the possible effects of the introduction of this amendment on the Group's consolidated financial statements.
- On 9 December 2021, the IASB published an amendment called "". The amendment is a transition option relating to comparative information on financial assets presented at the date of initial application of IFRS 17. The amendment is aimed at avoiding temporary accounting mismatches between financial assets and liabilities of insurance contracts, and therefore at improving the usefulness of comparative information for readers of the financial statements. The amendments will apply from 1 January 2023, together with the application of IFRS 17. The directors do not expect t he adoption of said amendment to have any 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.

2.9. Impacts of the situation in Ukraine

With reference to the ongoing Russian-Ukrainian war, which triggered a series of macroeconomic issues with a potential impact on operating activities (increase in inflation, difficulty in sourcing certain raw materials, sharp increase in the cost of gas and energy and issues relating to supply chains due to a halting of relations with Russia and/or sanctioned entities), it should be noted that the Group is not directly exposed to these contingencies, as it does not have significant commercial relations with Russia and Ukraine.

2.10. Segment reporting

The activities in which the Group operates and which constitute the segment reporting required by IFRS 8 relate to the Copper Sector (KME SE group) and the Perfumes & Cosmetics Sector (Culti Milano group).

The management and organisational structure of the Group reflects the segment reporting for the business activities described above. The operating segments are identified on the basis of the elements that the highest decision-making level of the Group uses to make their own decisions regarding the allocation of resources and the evaluation of results.

The segment data relating to revenues and income and results as at 30 June 2022 are reported in the Interim Management Report.

3. Financial risk management policy

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

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

Furthermore, the disinvestment process could require more time than expected and/or be carried out on the basis of terms and conditions that are not fully satisfactory or remunerative. 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.

The progressive focus of the Company and the Group on the industrial activity of KME SE will see the Company be more directly subject to the risks of the activity of KME SE itself.

With reference to the impacts of the Covid-19 pandemic and the Russia-Ukraine conflict and the relevant associated risks, please refer to the Report on operations.

Credit risk

The Group's exposure to credit risks derives mainly from its operating activities (in particular the Copper sector). Credit risk is defined as an unexpected loss in the value of financial assets, for example in the event that a customer is unable to fulfil his/her obligations within the agreed deadlines.

As part of the operational activity, credits are monitored locally on a continuous basis. Provisions are recorded to reflect credit risks. The maximum exposure to credit risk is reflected in the book value of the financial assets reported in the statement of financial position. The Group counteracts credit risk by constantly monitoring receivables from commercial partners and by means of insurance aimed at minimising the risk of insolvency. The Group uses standard market instruments, such as letters of credit and guarantees.

As regards trade receivables, a large part of the risk is guaranteed by factoring. There are no significant geographical concentrations of credit risk. The concentration of credit risk in the case of trade receivables is limited thanks to the large and heterogeneous customer base. The valuation takes place through customer portfolios on the basis of past experience, shares and/or financial information, as well as credit lines.

The solvency risk deriving from derivative financial instruments is limited by the fact that the related contracts are entered into exclusively with counterparties and/or credit institutions with a reliable rating.

Liquidity risk

Liquidity risk represents the risk of the company not being able to cover its liabilities; it can arise as a result of difficulties in obtaining finance to support operating activities as and when required.

The Parent Company 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, renewed bank borrowings or the issue of new bond loans.

For the entities of the KME group, risk management is entrusted, in a centralised manner, to the treasury of the KME group, which monitors the needs in order to guarantee adequate levels of liquidity and coordinates cash inflows and outflows. The availability of liquidity is guaranteed by the cash flows deriving from the companies of the group and from the banks with which the group has short and long-term credit lines in place.

The risks associated with the Group's debt are closely linked to the liquidity risk: at 30 June 2022 there are two bonds in place within the Group, "KME Group SpA 2020 - 2025" (nominal Euro 92.8 million at 30 June 2022) and that of KME SE (nominal Euro 110 million at 30 June 2022). In addition, contractual clauses, commitments and covenants are applied to some sources of financing obtained by the Group, the non-compliance of which can be considered as a breach of contract, prompting the lenders to request immediate payment and causing difficulties in finding alternative resources.

In managing the risk in question, with a view to guaranteeing the coverage of future financial commitments, both in terms of principal and interest, the Group can make use of the liquidity associated with the operations of the copper sector, as well as the resources stemming from operations to increase the value of the Group's non-strategic assets.

Interest rate risk

The interest rate risk to which the Group is mainly exposed derives from long-term loans with variable interest rates; they expose the Group to a cash flow risk (unlike fixed rate loans which involve the risk of changes in fair value).

The Group uses various forms of financing to support its investments. Therefore, significant changes in interest rate levels could lead to potential increases/decreases in the cost of loans. The Group's financial structure is currently heavily oriented towards fixed rates (see the bonds issued).

Operation and risk management for the KME SE group is coordinated by its treasury which, as part of the KME SE group, if deemed necessary, enters into an IRS (Interest Rate Swap) by exchanging variable interest rates with fixed rates. On the basis of the financing structure in place from time to time, oriented more or less towards the short and medium term, and the trend in market rates, the treasury assesses whether to stipulate an IRS.

Currency risk

The Group operates internationally, primarily through the subsidiaries in the KME SE group and conducts its transactions in various currencies. Under these circumstances, revenues are generated in currencies other than the Group's functional currency (Euro). The Group aims to hedge the aforementioned risks using derivative financial instruments such as cross currency swaps and forward contracts.

Risk of fluctuations in share value

The Group is exposed to market fluctuations in the listed shares it holds in its portfolio and changes in the market parameters used to determine the value of equity investments through valuation techniques. The risk of fluctuations in the values of these equity interests is limited and is not actively managed using financial hedging instruments.

Risk of fluctuation in raw material price (especially copper)

As a result of its commercial activities, the Group, through the activities of the KME group, is exposed to risks associated with the prices of raw materials. This risk appears to be the most significant and strategic risk. The objective is to mitigate or fully hedge this risk through trading of physical goods or forward contracts on the London Metal Exchange (LME). The contracts entered into focus mainly on hedging the copper price. To this end, the incoming and outgoing quantities of metal are netted every day and the remaining open position is netted through transactions in order to cancel, at the end of each day, the business risk associated with fluctuating metal prices. As part of the aforementioned hedging transactions, in order to reduce the related risks, the Group operates with commercial partners of adequate standing.

4. <u>Balance sheet</u>

4.1. Property, plant and equipment

(in thousands of Euro)	*30 Jun 2022*	*31 Dec 2021*	*Change*
Land and buildings	106,885	2,766	104,119
Plant and equipment	188,375	-	188,375
Other assets	24,743	727	24,016
Advances and assets under development	11,266	-	11,266
Property, plant and equipment	**331,269**	**3,493**	**327,776**

The breakdown of owned and leased assets is provided below.

(in thousands of Euro)	*Owned*	*Leased*	*Total*
Land and buildings	102,388	4,497	106,885
Plant and equipment	186,163	2,212	188,375
Other assets	19,119	5,624	24,743
Advances and assets under development	11,266	-	11,266
Property, plant and equipment	**318,936**	**12,333**	**331,269**

The land and buildings recorded in this item are those owned and used by the entities of the Group; these include the production plants in the copper sector (including Osnabrück, Mansfeld and Fornaci di Barga) and the building located in Foro Buonaparte, the headquarters of the Parent Company. The breakdown by geographical area is as follows:

(in thousands of Euro)	*Italy*	*Germany*	*Other foreign countries*	***Total***
Property, plant and equipment	206,613	121,882	2,774	**331,269**

The change in owned assets for the first half of 2022 is shown below:

(in thousands of Euro)	*Land and buildings*	*Plant and equipment*	*Other assets*	*Advances and intangible assets under development*	*Total*
Gross amount	-	-	2,270	-	2,270
Accumulated depreciation	-	-	1,621	-	1,621
Total as at 31 December 2021	**-**	**-**	**649**	**-**	**649**
Gross amount as at 31 December 2021	**-**	**-**	**2,270**	**-**	**2,270**
Purchases in the period	908	666	381	3,162	5,117
Change in scope of consolidation (cost)	166,243	488,511	58,167	8,105	721,026
Increases in cost due to exchange differences	(47)	(105)	(15)	-	(167)
Disposals (cost)	(259)	(29)	(217)	(1)	(505)
Gross amount as at 30 June 2022	**166,845**	**489,044**	**60,586**	**11,266**	**727,741**
Accumulated depreciation as at 31 December 2021	**-**	**-**	**1,621**	**-**	**1,621**
Change in scope of consolidation (accumulated depreciation)	64,014	299,557	39,297	-	402,868
Amortisation, depreciation, impairment and write-downs	739	3,425	749	-	4,913
Increases in depreciation due to exchange differences	(17)	(72)	(8)	-	(97)
Disposals (accumulated depreciation)	(278)	(29)	(192)	-	(499)
Accumulated depreciation as at 30 June 2022	**64,457**	**302,881**	**41,467**	**-**	**408,805**
Gross amount	166,845	489,044	60,586	11,266	727,741
Accumulated depreciation	64,457	302,881	41,467	-	408,805
Total as at 30 June 2022	**102,388**	**186,163**	**19,119**	**11,266**	**318,936**

Property, plant and equipment subject to depreciation are generally depreciated on a straight-line basis; the depreciation recorded is based on the following average useful lives:

	Useful life
Buildings	from 25 to 50 years
Plant and equipment	from 10 to 40 years
Other assets	from 5 to 15 years

Leased assets changed as follows:

(in thousands of Euro)	*Land and buildings*	*Plant and equipment*	*Other assets*	*Total*
Gross amount	4,592	-	130	4,722
Accumulated depreciation	1,826	-	52	1,878
Total as at 31 December 2021	**2,766**	**-**	**78**	**2,844**
Gross amount as at 31 December 2021	**4,592**	**-**	**130**	**4,722**
Purchases in the period	215	-	-	215
Change in scope of consolidation (cost)	4,129	3,230	14,099	21,458
Gross amount as at 30 June 2022	**8,936**	**3,230**	**14,229**	**26,395**
Accumulated depreciation as at 31 December 2021	**1,826**	**-**	**52**	**1,878**
Change in scope of consolidation (accumulated depreciation)	2,415	989	8,308	11,712
Amortisation, depreciation, impairment and write-downs	197	28	246	471
Accumulated depreciation as at 30 June 2022	**4,439**	**1,018**	**8,606**	**14,062**
Gross amount	8,936	3,230	14,229	26,395
Accumulated depreciation	4,439	1,018	8,606	14,062
Total as at 30 June 2022	**4,497**	**2,212**	**5,624**	**12,333**

At 30 June 2022, the sub-item “Plant and machinery” includes Euro 213 thousand relating to financial leases pursuant to IAS 17. It should also be noted that, as at 30 June 2022, the item “Non-current assets held for sale” includes rights of use for Euro 467 thousand.

The amount of leased assets represents the value of the rights of use relating to lease/rental contracts for property, plant and machinery; the corresponding liabilities are entered under the item “financial payables and liabilities”. The effects of the income statement are recorded as interest expense under financial charges and as amortisation and depreciation in the consolidated income statement. Short-term lease/rental contracts are not accounted for in this item but in “Other operating costs”.

4.2. Investment property

(in thousands of Euro)	*30 Jun 2022*	*31 Dec 2021*	*Change*
Investment property	**73,043**	**32**	**73,011**

Compared to 31 December 2021, the item increased significantly due to the change in the consolidation area relating to the KME SE group; these relate to land and buildings owned for the purpose of receiving lease payments or for the appreciation of the invested capital that generate cash flows irrespective of the other assets owned by the entities of the Group; the item is measured at fair value and there was no change in the item’s fair value during the half-year under review. On an annual basis, when preparing the annual financial statements, the Group updates the valuation with the help of independent external experts.

Investment Property	*(in thousands of Euros)*
Total as at 31 December 2021	**32**
Change in consolidation area	71,973
Increases during the period	1,038
Total as at 30 June 2022	**73,043**

The breakdown of revenue by geographic area is as follows:

(in thousands of Euro)	*Italy*	*Germany*	*Other foreign countries*	***Total***
Investment property	65,091	7,952	-	**73,043**

The item includes a series of property complexes mainly related to the Italian subsidiaries active in the real estate sector (Immobiliare Pictea Srl and Natural Capital Italia SB SpA) and includes property complexes in Varedo/Limbiate (Monza and Brianza), Ivrea (Turin) and Limestre (Pistoia), a portion of the industrial complex located in Fornaci di Barga (Lucca), a building located in Florence – encumbered by a mortgage – and an industrial complex located in Serravalle Scrivia (Alessandria).

4.3. Intangible assets

(in thousands of Euro)	*30 Jun 2022*	*31 Dec 2021*	*Change*
Software, patents and licences	15,612	-	15,612
Advances and assets under development	1,132	-	1,132
Other	330	12	318
Goodwill	468,596	-	468,596
Intangible assets	**485,670**	**12**	**485,658**

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

(in thousands of Euro)	*Software, patents and licences*	*Intangible assets under development*	*Other*	*Goodwill*	*Total*
Gross amount	-	-	30	-	30
Accumulated amortisation	-	-	18	-	18
Total as at 31 December 2021	**-**	**-**	**12**	**-**	**12**
Gross amount as at 31 December 2021	**-**	**-**	**30**	**-**	**30**
Purchases in the period	6	70	2	254	332
Reclassifications	-	-	-	-	-
Change in scope of consolidation (cost)	33,560	1,134	655	468,342	503,691
Decreases (cost)	(183)	(72)	-	-	(255)
Gross amount as at 30 June 2022	**33,383**	**1,132**	**687**	**468,596**	**503,798**
Accumulated amortisation as at 31 December 2021	**-**	**-**	**18**	**-**	**18**
Change in consolidation area (provision)	17,525	-	320	-	17,845
Amortisation, depreciation, *impairment* and write-downs	317	-	19	-	336
Decreases (accumulated amortisation)	(71)	-	-	-	(71)
Accumulated amortisation as at 30 June 2022	**17,771**	**-**	**357**	**-**	**18,128**
Gross amount	33,383	1,132	687	468,596	503,798
Accumulated amortisation	17,771	-	357	-	18,128
Total as at 30 June 2022	**15,612**	**1,132**	**330**	**468,596**	**485,670**

The item, almost entirely attributable to goodwill, increased in the six-month period in question following the first-time consolidation of the subsidiaries KME SE and Culti Milano, which took place on 30 April 2022, in application of the provisions of paragraph B100 of IFRS 10 and, therefore, of the requirements of IFRS 3 (Business combinations).

The value of intangible assets, net of goodwill, has a finite useful life and represents the value of the cost net of the amortisation recorded. At 30 June 2022, the item recorded no reductions in value.

The breakdown of revenue by geographic area is as follows:

(in thousands of Euro)	*Italy*	*Germany*	*Other foreign countries*	***Total***
Intangible assets (excl. Goodwill)	6,138	10,926	10	**17,074**

Goodwill

(in thousands of Euro)	*30 Jun 2022*	*31 Dec 2021*	*Change*
Copper Cash Generating Unit	436,384	-	436,384
Perfumes and Cosmetics Cash Generating Unit	32,212	-	32,212
Goodwill	**468,596**	**-**	**468,596**

The table above shows the allocation of goodwill by Cash Generating Unit, in line with the Group's operating segment; the useful life of goodwill is indefinite.

The amount of goodwill recognised at 30 June 2022 derives from business combinations and, specifically, from the consolidation of the KME group, active in the copper sector, and of the Culti Milano group, operating in the perfume and cosmetics sector.

From an accounting perspective (par. B100 of IFRS 10), in fact, the date of the change of status is considered as the presumed acquisition date. The fair value of the subsidiary at the presumed acquisition date represents the presumed consideration for the purposes of determining goodwill. The change of status is actually considered as an acquisition, i.e. an operation through which the exchange of company assets (whose value is that of the consolidated shareholders' equity) for consideration (fair value of the investment) is carried out; hence the application of IFRS 3 "Business combinations" and the implementation of the "Purchase Price Allocation" process as illustrated below.

Specifically, the date of change of status and therefore the presumed acquisition date is 22 April 2022 (referred to 30 April 2022 as the closest accounting reference date).

As it does not produce cash flows autonomously, the goodwill recognised is allocated to two cash-generating business units (CGU) into which the business combination is separated: copper segment and perfume and cosmetics segment. The identification of the CGUs was carried out consistently with the information relating to the operating segments of the Company, in accordance with the international accounting standard IFRS 8, as well as taking into account the lower level at which the Company, for management purposes, monitors the performance of the investee companies.

More specifically, the goodwill recognised as at 30 June 2022 includes the difference, equal to Euro 365,260 thousand, between the theoretical consideration at the date of first-time consolidation of the investments in KME SE and in Culti Milano, and the relative shareholders' equity at the aforementioned date, taking account of the interests attributable to the Parent Company.

This consolidation deficit was fully allocated to the item "Intangible assets".

The allocation of the value may vary according to the fair value of the assets and liabilities on which to allocate the acquisition "price" as part of the Purchase Price Allocation process to be carried out pursuant to IFRS 3; in this regard, it should be noted that paragraph 45 of IFRS 3 provides for a "valuation period", in any case of a maximum of 12 months from the date of acquisition, during which the Company must carry out a valuation of the net assets acquired and, therefore, the initial accounting.

(in thousands of Euro)	*Original*	*Change in consolidation area Business combinations - IFRS 3*	*Increases during the period*	*Allowance for impairment*	*Total*
Copper Cash Generating Unit	99,684	336,696	4	-	436,384
Perfumes and Cosmetics Cash Generating Unit	3,398	28,564	250	-	32,212
Goodwill	**103,082**	**365,260**	**254**	**-**	**468,596**

Impairment test of the value of goodwill recognised in the financial statements at 30 June 2022

Goodwill acquired under a business combination is allocated to the cash-generating units. Goodwill, recorded as representative of the future income capacities of the CGUs, and therefore of the subsidiaries, is periodically subjected to value verification tests, at the level of the individual CGU, to identify any reductions in value to be identified on the basis of the difference between the recognition of goodwill and the realisable value, equal to the greater of the fair value of the cash-generating unit, net of any costs to sell, and any related value in use.

A loss in value is recorded whenever the carrying amount of an asset – understood individually or as a CGU, or the smallest "revenue centre" to which specific cash flows can be attributed – is greater than the "recoverable amount" of the same.

To this end, goodwill must be allocated to individual or groups of cash-generating units of the acquirer so that these units benefit from the synergies of the combination, regardless of whether other assets or liabilities of the acquiree are assigned to such units or groups of units.

Although no specific impairment indicators emerged on the individual CGUs, either of an internal or external nature, as a consequence of the fact that the Parent Company's stock market prices are lower than the net equity value per share, for each CGU specific impairment tests were conducted on the value of the goodwill at 30 June 2022, also with the help of an external consultant. The methods used for the impairment tests are similar to those used by the Parent Company, for the purposes of the 2021 annual financial report, for the valuation of equity investments measured at fair value.

The aforementioned impairment tests were also carried out by taking into account the provisions of IAS 36 and the ESMA and Consob recommendations, and therefore taking into consideration all the potential external effects on the Group's business stemming from the pandemic and the Russia-Ukraine conflict.

The analyses carried out confirmed that the Group is not exposed to circumstances that require the impairment test to be repeated when preparing this half-yearly financial report. However, in light of the continuing uncertainty that characterises the international macroeconomic scenario and the significant tensions on the financial markets that have also led to a negative fluctuation in the Company's stock market price (which at the end of June showed persistently lower capitalisation than the reported equity), the Group, in accepting the recommended prudence suggested by the aforementioned Regulatory Bodies, nevertheless carried out the impairment test of the intangible assets recorded in the Half-Year Report as at 30 June 2022 and relating to the two Cash Generating Units identified.

In compliance with the international accounting standard IAS 36, the cash flow projections used to determine the recoverable value of intangible assets with an indefinite useful life, and in particular of goodwill, have been reviewed by the Company based on the latest estimates available (indicated in the Business Plans and/or Budgets), appropriately reviewed on the basis of reasonable and demonstrable assumptions in order to reflect the results reported in the meantime, and able to represent, as of today, the best estimate of the expected future economic conditions, and by carrying out sensitivity analyses regarding potential impacts deriving from the current geopolitical and health context on the assumptions underlying the estimates made.

- *Copper CGU*

The impairment test on the copper CGU (as at 30 June 2022, goodwill amounted to Euro 436.4 million), was carried out on the basis of the Unlevered Discounted Cash Flow (UDCF) method, discounting the operating cash flows generated by the assets themselves (net of the tax effect).

The UDCF method was developed by using, as an information base, economic forecasts and changes in some statement of financial position items included in the KME SE 2022-2026 Business Plan (the “Plan”, drafted and approved by the administrative bodies of KME SE on 31 March 2022) starting from the flows of the second half of 2022 and taking into account the data reported as at 30 June 2022.

The terminal value was calculated by assuming the long-term EBITDA equal to the average of the Plan’s EBITDA (explicit period, 1 July 2022 - 31 December 2026), using a long-term growth rate “g” equal to zero, reaching a WACC of 9.61% (rate of 9.35% in the fair value measurements carried out as at 31 December 2021).

In accordance with the methodological indications provided by accounting standard IAS 36 for the purposes of the Financial Statements, a sensitivity analysis is also carried out in order to understand how the recoverable value may vary following changes in the value of EBITDA (decreases of 5% and 10%) on the terminal value; the decrease in EBITDA leads to a margin of over Euro 100 million. Moreover, in order to better appreciate the sensitivity of the results of the impairment test with respect to the changes in the basic assumptions, a sensitivity analysis was carried out for the purpose of calculating the value in use with respect to the overall WACC discount rate and the growth rate used to calculate the terminal value.

The margin deriving from the impairment test, in the base case, amounts to approximately Euro 190 million.

- *Perfumes and Cosmetics CGU*

The impairment test on the Perfumes and Cosmetics CGU (as at 30 June 2022, the goodwill value amounted to Euro 32.2 million), was carried out on the basis of the stock market multiples method and, therefore, through a comparison with similar companies (for example by business, size and margins) in order to determine the fair value of the CGU.

The valuation was developed using the final data as at 30 June 2022 and the forecast data as at 31 December 2022 as an information base; the enterprise value was calculated assuming the forecast EBITDA as at 31 December 2022 and, taking into consideration the value of the net financial position of the parent company Culti Milano and the surplus assets relating to the entities it consolidated, for the purposes of the consolidated financial statements, an equity value of approximately Euro 42 million.

Similarly to what was carried out for the purpose of determining the fair value in the consolidated financial statements drawn up as at 31 December 2021, analyses were also carried out on the volumes traded, both in terms of the number of shares and the monetary value exchanged, also with reference to comparables. These analyses showed that, contrary to what emerged in the analyses as at 31 December 2021, during the last year (1 July 2021 – 30 June 2022), in the various time horizons of 1 month, 3 months, 6 months and one year, the trading volumes of the Culti Milano stock were not in line with those of the comparables and this would therefore suggest that the stock market price method is not a particularly meaningful way of determining the theoretical current value of the company for the purposes of the impairment test.

The results of the impairment tests did not reveal any impairment of the goodwill recorded, both in the reference scenario and in those hypothesised by the sensitivity analyses carried out, with a recoverable amount of the CGU always higher than the carrying amount shown in these financial statements.

4.4. Equity investments

(in thousands of Euro)	*30 Jun 2022*	*31 Dec 2021*	*Change*
Investments in subsidiaries	22,748	620,201	(597,453)
Investments in other companies	17,350	16,922	428
Equity-accounted investments	101,737	-	101,737
Equity investments	**141,835**	**637,123**	**(495,288)**

The amount and composition of the item at 30 June 2022 is greatly different from 31 December 2021; specifically, in the period in question, in relation to the loss of the status of "investment entity" by the Parent Company and the change in the consolidation area, the consolidated financial statements show a decrease of approximately Euro 616 million relating to the consolidation of equity investments for the Parent Company (elimination of the book value of the consolidated investments) and an increase of roughly Euro 109 million relating primarily to the investments belonging to KME SE.

(in thousands of Euro)	*Investments in subsidiaries*	*Investments in other companies*	*Equity-accounted investments*	*Total*
Total as at 31 December 2021	**620,201**	**16,922**	**-**	**637,123**
Increases	10	-	-	10
Fair value measurement of assets	9,078	-	-	9,078
Total at 30 April 2022	**629,289**	**16,922**	**-**	**646,211**
Change by Investment Entity	(616,292)	-	-	(616,292)
Change in consolidation area	9,751	478	98,902	109,131
Foreign exchange effect	-	-	187	187
Share of profits/losses in the income statement	-	(50)	1,502	1,452
Equity-accounted shares	-	-	1,146	1,146
Total as at 30 June 2022	**22,748**	**17,350**	**101,737**	**141,835**

The change in the item shows the effect of the fair value measurement of Culti Milano with the recognition of a positive effect equal to Euro 9,078 thousand; this valuation incorporates the stock market value of the investee at the date of the change of status of "investment entity".

The breakdown of the item as at 30 June 2022 is as follows:

Name	Registered office	% ownership as of 30/06/2022		30/06/2022	31/12/2021
		direct	indirect	*(in thousands of Euro)*	*(in thousands of Euro)*
KME SE	Germany	10.00%	89.00%	-	578,300
Culti Milano SpA	Italy	77.17%		-	28,904
Intek Investimenti SpA	Italy	100.00%		11,200	11,200
KME Germany Bet. GmbH	Germany		100.00%	1,707	1,700
Ergyca Tracker 2 Srl	Italy	51.00%		81	81
Newint Srl	Italy	100.00%		10	10
Nextep Srl Benefit company (società benefit)	Italy	60.00%		6	6
KME America Inc.	USA		99.00%	7	-
KME Chile Limitada (in liquidation)	Chile		99.00%	18	-
KME India Private Ltd. (in liquidation)	India		99.00%	92	-
KME Metals (Shanghai) Trading Ltd.	China		99.00%	81	-
KME Metale Sp. z.o.o.	Poland		99.00%	3,498	-
KME (Suisse) SA	Switzerland		99.00%	1,138	-
Oasi Dynamo Società Agricola Srl	Italy		82.64%	4,910	-
Investments in subsidiaries				**22,748**	**620,201**
Ducati Energia SpA	Italy		6.77%	16,700	16,700
Vita Società Editoriale SpA	Italy		13.22%	222	222
Metal Interconnector ScpA	Italy		0.36%	318	-
Other minor investments			n/a	110	-
Investments in other companies				**17,350**	**16,922**
KMD (HK) Holding Limited	Hong Kong		49.50%	48,514	-
Azienda Metalli Laminati SpA	Italy		24.00%	36	-
Dynamo Academy Srl	Italy		24.75%	765	-
Magnet Joint Venture Gmbh	Germany		44.55%	52,422	-
Equity-accounted investments				**101,737**	**-**
Total investments				**141,835**	**637,123**

The item "Investments in other companies" mainly includes Ducati Energia SpA, an investment held by the Parent Company.

"Equity-accounted investments" include jointly controlled investments, specifically:

- Euro 48,514 thousand relating to the 50% investment by KME SE in KMD (HK) Holding Ltd. established in 2014 together with a partner. KMD is a stand-alone and independently managed company that mainly produces stamping products in the Copper sector;
- Euro 52,422 thousand, the 45% investment by KME SE in Magnet Joint Venture GmbH. Share acquired as part of the agreements with Paragon relating to the transfer of control of the Special Products Business.

These equity investments, on the whole, contributed positively to the Group's result for Euro 1,502 thousand (of which a negative Euro 1.0 million relating to KMD (HK) Holding Ltd and a positive Euro 2.5 million relating to Magnet Joint Venture Gmbh).

4.5. Other non-current assets

(in thousands of Euro)	*30 Jun 2022*	*31 Dec 2021*	*Change*
Other non-current assets	**3,085**	**3**	**3,082**

The item mainly includes receivables deriving from reinsurance on pension plans relating to the German entities of the KME SE group and other deposits.

4.6. *Non-current financial assets*

The item mainly includes the balances deriving from the consolidation of the KME SE group (Euro 2,999 thousand).

(in thousands of Euro)	*30 Jun 2022*	*31 Dec 2021*	*Change*
Non-current financial assets	**3,119**	**5**	**3,114**

4.7. *Inventories*

(in thousands of Euro)	*30 Jun 2022*	*31 Dec 2021*	*Change*
Raw materials, consumables and supplies	324,867		324,867
Work in progress and semi-finished products	18,610	-	18,610
Finished products and goods	19,060	-	19,060
Inventories	**362,537**	**-**	**362.537**

The item mainly includes the balances of the copper sector (Euro 356,603 thousand), relating mainly to copper, stocks of aluminium, nickel, zinc, tin, scrap and other metals (Euro 309,900 thousand); the remainder relates to the Culti group (Euro 5,934 thousand).

4.8. *Trade receivables*

(in thousands of Euro)	*30 Jun 2022*	*31 Dec 2021*	*Change*
Receivables from third party customers	94,588	-	94,588
Receivables from factoring/leases	2,910	2,987	(77)
Receivables due from the parent company	142	89	53
Receivables due from unconsolidated companies	4,924	1,963	2,961
Receivables from equity-accounted entities	28,657	-	28,657
Trade receivables	**131,221**	**5,039**	**126,182**

"*Receivables from third party customers*" refer to the management of the KME SE group for Euro 90,555 thousand; they are generally invoiced in the local currency of the company concerned; in general, receivables in foreign currencies are hedged against exchange rate risk; the remainder, for Euro 4,051 thousand, pertains to the Culti group.

"Receivables from factoring/leases" relate to non-performing loans from the business previously operated by Fime Leasing and Fime Factoring. The change is mainly due to the collections during the period.

4.9. *Current financial assets*

(in thousands of Euro)	*30 Jun 2022*	*31 Dec 2021*	*Change*
Financial receivables from associates	76,400	832	75,568
Receivables due from factoring companies	26,911	-	26,911
Guarantee fees receivable	-	235	(235)
Derivative financial instruments	50,579	-	50,579
Investments in securities	272	257	15
Other current financial assets	8,184	25,120	(16,936)
Current financial assets	**162,346**	**26,444**	**135,902**

"Financial receivables from related parties" essentially refer to equity investments.

The "*Receivables from factoring companies*", pertaining to the KME SE group, include trade receivables for goods and services already sold; the item "Financial receivables from related parties" includes a loan of Euro 32 million in favour of the Joint Venture Magnet.

"Derivative financial instruments", which include commitments to sell and purchase LME contracts and forward foreign exchange contracts, are measured at fair value.

As at 31 December 2021, the item *"Guarantee fees receivable"* represented the amount of fees receivable within 12 months for guarantees issued by the Parent Company on the loans obtained by the subsidiaries of the KME SE Group, in favour of lending credit institutions and in the interest of the aforementioned companies. As part of the consolidation as at 30 June 2022, this item has been eliminated.

The item "*Other current financial assets*" which, at 31 December 2021, related exclusively to the balances of the Parent Company and essentially included a deposit pledged to guarantee the credit line that was in place with Banco BPM and which was remodelled in the half year in question; the previous collateral was replaced by a pledge on the Culti Milano SpA shares owned by the Parent Company.

4.10. Other current receivables and assets

(in thousands of Euro)	*30 Jun 2022*	*31 Dec 2021*	*Change*
Tax assets	22,414	643	21,771
Advances to suppliers	1,027	-	1,027
Accruals and prepayments	2,549	109	2,440
Receivables due from associates	270	2,495	(2,225)
Other receivables	5,028	2,433	2,595
Other current receivables and assets	**31,288**	**5,680**	**25,608**

The *"Tax receivables"* include Euro 6,362 thousand of tax credits for energy relating to the companies of the KME SE group.

Prepayments and accrued income are due to the recognition of costs paid in advance for grants, expenses and services pertaining to subsequent periods.

"Receivables due from related companies" include positions due from subsidiaries, not included in the consolidation area, that arose from the tax consolidation and will be recovered following the submission of the tax returns.

"Other receivables" include Euro 2,447 thousand in deferred costs relating to ongoing projects for consulting performed as part of extraordinary transactions not yet finalised and Euro 637 thousand due from employees and social security institutions.

All the receivables are due within twelve months.

4.11. Cash and cash equivalents

The item consists of bank deposits and cash on hand.

(in thousands of Euro)	*30 Jun 2022*	*31 Dec 2021*	*Change*
Cash and cash equivalents	**85,793**	**4,698**	**81,095**

Please refer to the consolidated cash flow statement for an analysis of the cash flows for the period and details of the components which generated and absorbed liquidity during the half-year.

4.12. Non-current assets held for sale and liabilities directly related to assets held for sale

(in thousands of Euro)	*30 Jun 2022*
Non-current assets held for sale	120,724
Liabilities directly associated to assets held for sale	(74,198)
Net assets held for sale	**46,526**

At the balance sheet date, assets and liabilities held for sale contain:

(in thousands of Euro)	*30 Jun 2022*
Intangible assets	15,092
Property, plant and equipment	43,434
Equity investments	4,274
Non-current financial assets	363
Other non-current assets	42,125
Deferred tax assets	4,682
Current financial assets	6,571
Cash and cash equivalents	4,183
Non-current assets held for sale	**120,724**
Employee benefits	(3,429)
Provisions	(15,503)
Financial liabilities	(15,124)
Other current liabilities	(7,607)
Trade payables	(31,848)
Deferred tax liabilities	(687)
Liabilities directly associated to assets held for sale	**(74,198)**
Net assets held for sale	**46,526**

4.13. Shareholders' equity attributable to owners of the Parent

For an analysis of the changes in consolidated equity, reference should be made to the "*Consolidated statement of changes in equity as at 30 June 2022*".

At 30 June 2022, the share capital amounted to Euro 335,070 thousand, divided into 405,531,454 shares of which 389,206,391 ordinary shares and 16,325,063 savings shares. The share capital increased by Euro 548.03 compared to 31 December 2021 due to the exercise of 54,803 warrants and the consequent issue of 54,803 ordinary shares.

As at 30 June 2022, the Company held 6,937,311 own ordinary shares (equal to 1.78% of the shares in said category).

The "Other reserves" as at 31 December 2021 amounted to Euro 99,644 thousand, and increased during the half-year due to the allocation of the Parent Company's 2021 profit, as proposed by the Board of Directors on 31 March 2022 and resolved by the Shareholders' Meeting on 9 May 2022 (Euro 65,306 thousand of which 5% to the legal reserve and the remainder to the restricted reserve). The "Other reserves" include the Company's Stock Option Reserve which increased due to the costs set aside on Management Warrants deriving from the actuarial calculation carried out in application of the provisions of IFRS 2. These costs are included in the item "Other operating costs".

The aforementioned Management Warrants can be exercised until 28 June 2024 at the strike price of Euro 0.40 per warrant; they were issued in execution of the resolution of the Company's shareholders' meeting on 30 November 2020 and subsequently assigned following the approval, by the ordinary and extraordinary Shareholders' Meeting of 8 June 2021, of the Remuneration Policy for the three-year period 2021-2023 and the Incentive Plan for Executive Directors 2021-2024; a total of 37.5 million Management Warrants were assigned, 25 million of which in July 2021 and 12.5 million in June 2022.

4.14. Employee benefits

This item consists of the following:

(in thousands of Euro)	*30 Jun 2022*	*31 Dec 2021*	*Change*
Employee benefits	**133,831**	**418**	**133,413**

The changes in the item were as follows:

(in thousands of Euro)	*31 Dec 2021*	*Change in consolidation area*	*Increases*	*Decreases / payments*	*Payments*	*30 Jun 2022*
Employee benefits	**418**	**152,954**	**1,613**	**(21,154)**		**133,831**

4.15. Financial payables and liabilities

The details of current and non-current financial payables and liabilities are shown below:

(in thousands of Euro)	*30 Jun 2022*	*31 Dec 2021*	*Change*
Payables for bonds issued	109,946	3,616	106,330
Due to banks	23,732	25,223	(1,491)
Derivative financial instruments	24,713	-	24,713
Payables for factoring	8,299	-	8,299
Lease liabilities	4,932	139	4,793
Lease liabilities - related parties	-	464	(464)
Payables for financial guarantees issued	-	235	(235)
Other financial payables	27,211	-	27,211
Current financial payables and liabilities	**198,833**	**29,677**	**169,156**

(in thousands of Euro)	*30 Jun 2022*	*31 Dec 2021*	*Change*
Due to banks	100,945	-	100,945
Lease liabilities	7,034	46	6,988
Lease liabilities - related parties	-	2,394	(2,394)
Payables for financial guarantees issued	-	5	(5)
Other financial payables	742	-	742
Non-current financial payables and liabilities	**108,721**	**2,445**	**106,276**

Payables for bonds issued

As at 30 June 2022, they include the residual amount of the bond issued by KME SE on 9 February 2018 for an amount of Euro 300 million and maturing in February 2023.

The bond loan has a gross annual nominal rate of 6.75% and was subscribed by institutional investors and listed on The International Stock Exchange (Channel Islands). The bond is guaranteed by a pledge, with reservation of the voting right, consisting of the shares of KME Germany GmbH & Co. KG, and a first-degree mortgage on the industrial buildings and installations of the Osnabrück plant (owned by KME Germany GmbH & Co. KG).

On 22 February 2022, prior to the entry into the consolidation area of these consolidated financial statements, KME SE resolved to proceed with the partial early repayment of the bond loan for a total amount of Euro 190 million, which was carried out in three tranches:

- 4 March 2022 for Euro 87.5 million;
- 31 March 2022 for Euro 87.5 million;

- 22 April 2022 for Euro 15 million.

As at 30 June 2022, the residual nominal value of the KME SE bond loan was therefore equal to Euro 110 million.

The item also includes the amount of interest accruing on the bond loan of the Parent Company “KME Group SpA 2020 - 2025”, whose bonds are listed on the MOT, remunerated at a fixed rate of 4.5% and maturing in 2025 (for further information see note 4.16).

Due to banks

It should be noted that KME SE has a syndicated bank loan coordinated by Deutsche Bank, whose line was extended in February 2022 until November of the same year for a total amount of up to Euro 320 million. These lines were used by means of letters of credit for Euro 319.9 million as a means of payment for metal suppliers, whose liabilities are shown under trade payables or other payables.

The aforementioned syndicated loan is subject to a guarantee from the Parent Company in favour of the pool banks in the interest of KME SE for an amount of Euro 100 million.

The extension of the credit line of the pool of banks benefits from the following guarantees:

- a pledge, subject to voting rights, on the shares of KME Italy SpA;
- a mortgage on the property of KME Grundstuecksgesellschaft SE & Co. KG and part of the equipment and machinery of KME Mansfeld GmbH in Hettstedt;
- a pledge on inventories and on part of trade receivables not subject to factoring and short-term receivables of the European industrial companies of the KME SE group;
- a pledge on some factoring and insurance contracts.

At the start of March 2022, KME Italy S.p.A. and Serravalle Copper Tubes Italy Srl (the Italian operating companies of KME), entered into a 6-year loan agreement for a total of Euro 75 million, with a pool of Italian banks and SACE guarantee. The amortisation of the loan is expected in equal instalments starting from the first quarter of 2023 until the end of 2027. In July 2022, KME Italy SpA signed a further 6-year loan agreement for a total amount of Euro 15 million, with a SACE guarantee. The amortisation of the loan is also expected in equal instalments starting from the first quarter of 2023 until the end of 2027.

As at 30 June 2022, the subsidiary KME Mansfeld GmbH recorded total borrowing of Euro 25 million, maturing in the final quarter of 2024 and a run-off period starting from the fourth quarter of 2022.

The item also includes Euro 19,892 thousand for the Parent Company loan in place with Banco BPM SpA maturing on 1 December 2023.

The *“Current payables to credit institutions”* as at 31 December 2021 referred to a credit line of Euro 25,000 thousand, and related interest, in place with Banco BPM, which was remodelled in June 2022 providing for a financed amount of Euro 20 million with a maturity of 18 months. The collateral that was in place on the previous loan was replaced by a pledge on the Culti Milano SpA shares and financial covenants were introduced, subject to half-yearly verification, linked to the relationship between the Net Financial Position and the Shareholders’ Equity and the amount of the Shareholders’ Equity and cross default clauses.

Payables for factoring

The item includes the payables of the KME SE group relating to existing credit lines Mediocredito Italiano SpA now Intesa Sanpaolo SpA (a non-recourse factoring line and partially with recourse up to Euro 150 million for the French and Italian companies) and Factofrance (a non-recourse factoring line and partially with recourse up to Euro 150 million for the non-Italian companies of the KME SE group); the line of credit with Intesa Sanpaolo expires in February 2023 and amounts to approximately Euro 130 million; the line of credit with Factofrance expires in November 2022.

KME Mansfeld GmbH also has a non-recourse factoring credit line with Targo Commercial Finance AG (a subsidiary of Factofrance) expiring in February 2023, for a total amount of up to Euro 150 million with a built-in option of a one-year extension.

The credit lines with Factofrance and Targo incorporate options that make it possible, if necessary, to balance the commitment between one credit line and another.

Lease liabilities

Lease liabilities are recognised in accordance with IFRS 16; at 31 December 2021, current and non-current lease payables to related parties related to the counterparty Immobiliare Pictea for the leasing of offices in Foro Buonaparte in Milan; at 30 June 2022, by virtue of the full consolidation of the company, these items were fully adjusted.

Financial debt

The amount of financial debt with details of its main components pursuant to Consob Communication no. 6064293, Consob Warning Notice no. 5/21 of 29 April 2021 and the ESMA Guidelines on disclosure requirements under the prospectus regulation (ESMA 32-382-1138) is specified in the "Interim report on operations".

As of 30 June 2022, there are no financial payables and liabilities to related parties.

4.16. Bonds

(in thousands of Euro)	*30 Jun 2022*	*31 Dec 2021*	*Change*
"KME Group SpA 2020 – 2025" Bonds	92,427	92,372	55
Bonds	**92,427**	**92,372**	**55**

The balance of the item includes the "KME Group SpA 2020 - 2025" bond loan (formerly *Intek Group SpA 2020 - 2025")* with a duration of 5 years and remunerated at a fixed rate of 4.5%.

The par value of the issue as at 30 June 2022 is Euro 92.8 million. The book value is determined net of the issue costs, which are deferred over the duration of the security so as to determine a constant effective interest rate.

4.17. Other non-current liabilities

(in thousands of Euro)	*30 Jun 2022*	*31 Dec 2021*	*Change*
Liabilities for "special situations"	95	95	-
Other liabilities	2,087	18	2,069
Other non-current liabilities	**2,182**	**113**	**2,069**

"Liabilities for special situations" originated as part of agreements with creditors and refer to advances linked to former Fime Leasing positions.

4.18. Provisions for risks and charges

(in thousands of Euro)	*30 Jun 2022*	*31 Dec 2021*	*Change*
Provisions for non-current risks and charges	3,311	291	3,020
Provisions for current risks and charges	4,379	-	4,379
Provisions for risks and charges	**7,690**	**291**	**7,399**

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

(in thousands of Euro)	*Provisions for risks for tax disputes*	*Provisions for restructuring*	*Provisions for guarantee risks*	*Other provisions*	*Total*
Balance 01/01/2022	**291**	**-**	**-**	**-**	**291**
Change in consolidation area	-	4,387	1,107	3,886	9,380
Uses	-	(2,086)	-	(28)	(2,114)
Releases	-	-	-	-	-
Allocations	-	-	-	133	133
Reclassifications - IFRS 5	-	-	-	-	-
Balance 30/06/2022	**291**	**2,301**	**1,107**	**3,991**	**7,690**
Of which non-current portion	***291***	***-***	***882***	***2,138***	***3,311***
Of which current portion	***-***	***2,301***	***225***	***1,853***	***4,379***

4.19. Trade payables

(in thousands of Euro)	*30 Jun 2022*	*31 Dec 2021*	*Change*
Trade payables - third parties	533,369	1,700	531,669
Trade payables - parent company	-	-	-
Trade payables - unconsolidated group entities	259	447	(188)
Trade payables - equity-accounted entities	4,489	-	4,489
Trade payables - other related parties	144	91	53
Trade payables	**538,261**	**2,238**	**536,023**

With reference to payables to third party suppliers, at the closing date of these financial statements, Euro 319.9 million is guaranteed by letters of credit; these payables refer to the purchase of metal.

Payables to other related parties relate to payables to directors and statutory auditors.

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

4.20. Other current liabilities

(in thousands of Euro)	*30 Jun 2022*	*31 Dec 2021*	*Change*
Due to personnel and employees	21,488	221	21,267
Due to social security institutions	3,991	91	3,900
Tax liabilities	28,443	126	28,317
Due to directors for end of office indemnity (TFM)	781	769	12
Due to associates	359	547	(188)
Due to customers	92,381		92,381
Other liabilities	14,624	2,059	12,565
Other current liabilities	**162,067**	**3,813**	**158,254**

"Payables to personnel and employees" mainly include liabilities relating to the salaries and wages of the Group's personnel.

The "Tax payables" mainly refer to the companies of the Group that are not part of the tax consolidation of the Parent Company.

"Due to directors for end of office indemnity (TFM)" refer to the residual amount due to the Chairman for the end of office indemnity (TFM) accrued to 31 December 2012, the date on which the office ended. The amount in question has been accruing interest of 5% since 2014. The Chairman has allowed the payment due date to be extended to 31 December 2022.

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

"*Due to customers*" mainly includes the balances of the KME SE group and specifically the advance payments of customers, bonuses credited to customers and credit balances due to overpayments. The increase is mainly due to the new policy of advance payment by customers of the cost of the raw material, as a sale condition.

4.21. Deferred tax assets and liabilities

(in thousands of Euro)	*30 Jun 2022*	*31 Dec 2021*	*Change*
Deferred tax assets	40,332	2,762	37,570
Deferred tax liabilities	(50,535)	(2,221)	(48,314)
Deferred tax assets and liabilities	**(10,203)**	**541**	**(10,744)**

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 2022	*31 Dec 2021*	*30 Jun 2022*	*31 Dec 2021*
Temporary differences				
Property, plant and equipment	83	-	(26,596)	-
Investment property	3,619	9	(7,346)	-
Intangible assets	1,272	-	(9,687)	-
Equity investments	469	-	(533)	(1,602)
Non-current financial assets	-	-	(29)	-
Inventories	1,008	-	(20,864)	-
Trade receivables	2,009	1,370	(912)	(619)
Current financial assets	7	34	(7,836)	-
Other current receivables and assets	1	-	(150)	-
Cash and cash equivalents	-	-	(5)	-
Employee benefits	2,381	-	-	-
Non-current financial payables and liabilities	1,151	-	(374)	-
Other non-current liabilities	6	-	(7)	-
Provisions for risks and charges	901	-	(255)	-
Current financial payables and liabilities	2,263	-	-	-
Trade payables	854	-	(3)	-
Other current liabilities	2,320	515	(171)	-
Deferred taxes on equity components	-	130	-	-
Deferred taxes on tax losses carried forward	46,221	704	-	-
Total	**64,565**	**2,762**	**(74,768)**	**(2,221)**
Adjustments	(24,233)	-	24,233	-
Total	**40,332**	**2,762**	**(50,535)**	**(2,221)**

5. ***Income Statement***

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

It should be noted that the New Strategy adopted by the Parent Company starting from 22 April 2022 resulted in the loss of the status of “investment entity” and the consequent expansion of the Group’s consolidation area which, from 30 April 2022, also includes subsidiaries that were previously equity investments (KME SE and Culti Milano).

Given the above, it should be noted that the 2022 income statement balances, which include the income statement flows relating to the months of May and June 2022 of the fully consolidated companies, other than the Parent Company, are not comparable with the related balances of 2021 which included exclusively the Parent Company in the consolidation area.

5.1. Revenue from sales and services

The breakdown of the item is as follows:

(in thousands of Euro)	*1st half 2022*	*1st half 2021*
Europe	290,553	-
Asia	15,495	-
America	22,372	-
Other countries	3,208	-
Revenues from sales and services	**331,628**	**-**

The revenues of the KME SE group included in the income statement balances of these consolidated interim financial statements amount to Euro 327,442 thousand and mainly derive from the sale of copper products and copper alloys.

5.2. Other income

(in thousands of Euro)	*1st half 2022*	*1st half 2021*
Lease income	416	-
Other	1,089	116
Other income	**1,505**	**116**

The item ‘other’ includes services rendered to related entities which include Euro 8 thousand to the parent company and Euro 32 thousand to subsidiaries for which, in consideration of the consolidation period (two months out of the half-year), no consolidation eliminations were carried out.

5.3. Labour costs

(in thousands of Euro)	*1st half 2022*	*1st half 2021*
Wages and salaries	(24,385)	(467)
Social security charges	(5,528)	(161)
Other personnel expense	(1,107)	(298)
Labour costs	**(31,020)**	**(926)**

5.4. *Other operating costs*

(in thousands of Euro)	*1st half 2022*	*1st half 2021*
Directors' and Statutory Auditors' fees	(885)	(600)
Professional services	(2,064)	(514)
Transportation	(6,804)	(146)
Other personnel expense	(121)	(34)
Legal and company disclosure	(313)	(57)
Electricity, heating, postal and telephone costs	(9,043)	(19)
Insurance premiums	(201)	(44)
Property leases	(699)	(78)
Maintenance	(3,881)	(7)
Leases and rentals	(8)	(8)
Other tax charges	(646)	(306)
Membership fees	(124)	(110)
Other net costs	(2,865)	(70)
Donations	(13)	(10)
Bank charges	(116)	(3)
Capital losses on property disposals	(1,391)	-
	(29,174)	*(2,006)*
Commissions	(901)	-
Provision for risks	(75)	-
Production and sales costs	(1,473)	-
Charges on management warrants	(603)	-
Other operating costs	**(32,226)**	**(2,006)**

Property leases include Euro 268 thousand to related parties relating to property leasing costs incurred by the Parent Company and not eliminated in the consolidation.

The "Charges on management warrants", attributable to the Parent Company, include the effects of the actuarial calculation in application of the provisions of IFRS 2 and have as a counter-entry an increase in shareholders' equity (for more details regarding the assignment of management warrants, please refer to note 4.13).

5.5. *Net finance expense*

(in thousands of Euro)	*1st half 2022*	*1st half 2021*
Interest income from related parties	*261*	*120*
Interest income	*665*	*-*
Commissions on guarantees granted (related parties)	*300*	*433*
Income on foreign exchange and derivatives	*219*	*-*
Other income receivable	*123*	*88*
Total financial income	**1,568**	**641**
Interest expense to related parties	*(10)*	*(82)*
Interest expense	*(844)*	*(138)*
Interest expense on securities issued	*(3,415)*	*(1,756)*
Commissions payable on guarantees and loans	*(2,233)*	*-*
Losses on foreign exchange and derivatives	*(2,372)*	*-*
Other finance expense	*(49)*	*(18)*
Total financial expense	**(8,923)**	**(1,994)**
Total net finance expense	**(7,355)**	**(1,353)**

With reference to the interest relating to the bonds issued, it should be noted that they include the amount pertaining to the Parent Company for the bond loan “KME Group SpA 2020 - 2025” at the nominal rate of 4.5% and KME SE for the outstanding bond remunerated at the 6.75% rate which, as at 30 April 2022, the date of consolidation, amounted to a nominal Euro 110 million.

5.6. Result of equity investments

(in thousands of Euro)	*1st half 2022*	*1st half 2021*
Share of profit/(loss) of equity-accounted investees	1,502	-
Value adjustments on equity investments and securities	-	(55)
Measurement of investments at fair value	9,078	35,996
Dividends	993	-
Result of equity investments	**11,573**	**35,941**

The profit on equity investments of Euro 1,502 thousand relates to the investments belonging to the KME SE group and is made up of a negative Euro 1.0 million relating to KMD (HK) Holding Ltd and a positive Euro 2.5 million relating to Magnet Joint Venture GmbH.

The item “Valuation of equity investments at fair value” reflects the effect of the fair value measurement of the controlling interests held by the Parent Company, which applied, until 22 April 2022, the exception to consolidation set forth in paragraph 31 of IFRS 10 as it holds the qualification of “investment entity”. Specifically, the amount of the item as at 30 June 2022 relates to the increase in the value of the controlling interest in Culti Milano (at the stock market price as of 22 April 2022, the date of change of status of the investment entity) compared to 31 December 2021. The amount of the comparison period, which incorporates the restatement of the amounts pursuant to IAS 8 as described in paragraph 2.2. of the Financial Statements, mainly relates to the valuation of the 99% investment in KME SE which, on said date, was held directly by the Parent Company. In the period of comparison, the balance of value adjustments on equity investments and securities relates to I2 Capital Partners SGR SpA, whose liquidation was concluded on 31 March 2021.

Dividends relate to the subsidiary Culti Milano for Euro 238 thousand, with the remainder relating to the subsidiary Ducati Energia SpA.

5.7. Current and deferred taxes

(in thousands of Euro)	*1st half 2022*	*1st half 2021*
Current taxes	(4,419)	874
Deferred taxes	3,035	(688)
Current and deferred taxes	**(1,384)**	**186**

Since 2007, the Company, as Parent Company, and most of its Italian subsidiaries have elected to apply the Italian domestic tax consolidation regime, determining IRES (Italian corporate income tax) on a taxable base that corresponds to the algebraic sum of the taxable income and losses of each of the participating entities. The financial relationships, responsibilities and mutual obligations are set out in the domestic tax consolidation regime agreement and regulations, according to which taxable losses of the Parent and/or subsidiaries can be offset against the tax savings realised by the Parent and/or subsidiaries with taxable income.

It should be noted that the 2022 balances reflect the change in the consolidation area that took place during the six-month period in question, and therefore include the accounting items of various Group entities that are not part of the aforementioned national tax consolidation.

6. ***Related party disclosures***

Related party transactions, including intra-group transactions, were neither atypical nor unusual, in that they were part of the Group companies' day-to-day business and were all conducted on an arm's length basis or according to standard criteria or at normal market conditions. In 2022, there were no transactions that could be qualified as of greater importance pursuant to the "Procedure applicable to transactions with related parties".

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

7. ***Additional information***

7.1. *Financial instruments by category*

(in thousands of Euro)	*30-Jun-22*	*31-Dec-21*	*Change*
Financial assets at fair value through profit or loss	90,969	*637,620*	(546,651)
Amortised cost	342,313	*40,729*	301,584
Total financial assets	**433,282**	**678,349**	***(245,067)***
Financial liabilities at fair value through profit or loss	(24,713)	(240)	(24,473)
Financial payables and liabilities at amortised cost	(917,811)	(130,292)	(787,519)
Total financial liabilities	**(942,524)**	**(130,532)**	***(811,992)***

7.2. *Financial instruments by financial statement item*

A summary of financial instruments is provided below along with a reconciliation with financial statement items as at 30 June 2022:

(in thousands of Euro) *Values as at 30 June 2022*	Carrying amount	*Measurement method*			Fair Value
		Amortised cost	*Fair value*	*Outside the scope of IFRS 7*	
Equity investments	141,835	-	*40,098*	*101,737*	40,098
Other non-current assets	3,085	*3,085*	-	-	3,085
Non-current financial assets	3,119	*2,999*	*120*	-	3,119
Trade receivables	131,221	*131,221*	-	-	131,221
Current financial assets	162,346	*111,595*	*50,751*	-	162,346
Other current receivables and assets	22,131	*7,620*	-	*14,511*	7,620
Cash and cash equivalents	85,793	*85,793*	-	-	85,793
Total financial assets	**549,530**	***342,313***	***90,969***	***116,248***	**433,282**
Non-current financial payables and liabilities	(108,721)	*(108,721)*	-	-	(108,721)
Bonds	(92,427)	*(92,427)*	-	-	(92,427)
Other non-current liabilities	(95)	*(95)*	-	-	(95)
Current financial payables and liabilities	(198,833)	*(174,120)*	*(24,713)*	-	(198,833)
Trade payables	(538,261)	*(538,261)*	-	-	(538,261)
Other current liabilities	(69,686)	*(4,187)*	-	*(65,499)*	(4,187)
Total financial liabilities	**(1,008,023)**	***(917,811)***	***(24,713)***	***(65,499)***	**(942,524)**

The carrying amount of the financial assets and liabilities recognised in these financial statements does not diverge from their fair value.

There are three levels of fair value:

- Level 1 – quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 – inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices);

- Level 3 – unobservable market inputs for the asset or liability.

The analysis of financial assets and liabilities by fair value level is as follows:

(in thousands of Euro)	*Fair Value as at 30/06/2022*	*Fair Value Levels*		
		1	*2*	*3*
Equity investments	40,098	-	-	40,098
Non-current financial assets	-	-	-	-
Current financial assets	50,871	-	50,871	-
Total financial assets	**90,969**	**-**	**50,871**	**40,098**
Non-current financial payables and liabilities	-	-	-	-
Current financial payables and liabilities	(24,713)	-	(24,713)	-
Total financial liabilities	**(24,713)**	**-**	**(24,713)**	**-**

The data for the comparison period are set out below:

(in thousands of Euro)	*Fair Value as at 31/12/2021*	*Fair Value Levels*		
		1	*2*	*3*
Equity investments	637,123	*28,904*	-	*608,219*
Non-current financial assets	5	-	-	*5*
Current financial assets	492	-	-	*492*
Total financial assets	**637,620**	***28,904***	**-**	***608,716***
Non-current financial payables and liabilities	(5)	-	-	*(5)*
Current financial payables and liabilities	(235)	-	-	*(235)*
Total financial liabilities	**(240)**	**-**	**-**	***(240)***

At 30 June 2022 there were no transfers between the aforementioned levels; the changes compared to the comparative period are attributable to the loss of the status of investment entity of the Parent Company with the consequent expansion of the consolidation area and line-by-line consolidation of the interests held for investment, which as at 31 December were measured at fair value and were not consolidated line by line from an accounting perspective.

7.3. Notional value of financial instruments and derivatives

The Group uses a series of derivative financial instruments to manage its exposure to interest rate and exchange rate risk. Such instruments include forward foreign exchange transactions, currency swaps, interest rate swaps and interest rate caps.

7.4. Credit risk exposure and impairment losses

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

7.5. Liquidity risk exposure

Liquidity risk can arise from difficulties in raising finance to support operating activities as and when required.

7.6. Currency risk exposure

The Group holds assets and liabilities in foreign currency for which hedging transactions are carried out.

7.7. Exposure to the risk of fluctuations in share value

At 30 June 2022, there are no listed investments.

8. ***Commitments and guarantees given by the Parent Company in favour of Group companies and third parties***

The Parent Company is the guarantor for KME SE and its main subsidiaries for Euro 100 million for the loan obtained from a pool of banks and for additional bank credit facilities for Euro 14.9 million. A loan disbursed to Tecno Servizi Srl (a company merged into Immobiliare Pictea in 2017) is also subject to a guarantee from Mediocredito originally for Euro 7.8 million, with a residual value of Euro 4.5 million. In December 2015, the Company indicated its willingness to issue a guarantee of up to Euro 5.0 million for Associazione Dynamo for the granting of a mortgage loan for the renovation of certain buildings located in Limestre. This mortgage is also secured by other collateral; as at 30 June 2022, it amounted to Euro 1.5 million.

Annexes to the notes:

Statement of reconciliation of the profit/(loss) and equity of the Parent Company KME Group SpA and the consolidated profit/(loss) and equity for the first half of 2022

(in thousands of Euro)	*30 Jun 2022*
Parent company's equity (including profit/(loss) for the period)	**558,948**
Recognition of the shareholders' equity of consolidated shareholdings	749,583
Elimination of carrying amount of fully consolidated equity investments	(1,096,350)
Difference between the consolidated companies' equity and their carrying amount	365,260
Share of shareholders' equity of consolidated companies to be attributed to third parties	(5,227)
Consolidation adjustments	581
Shareholders' equity pertaining to shareholders of the Parent Company (including profit/(loss) for the period)	**572,795**

(in thousands of Euro)	*30 Jun 2022*
Result of the separate financial statements of the Parent Company	**6,692**
Profit/(loss) of consolidated companies	(325)
Cancellation of effect of IFRS 16 on intra-group transactions	8
Cancellation of effect of IFRS 9 on intra-group transactions	429
Reclassification of property to tangible fixed assets	(49)
Consolidated net profit/(loss)	**6,755**
of which profit/(loss) for the period attributable to third parties	*451*
of which Result for the period attributable to the shareholders of the parent company	*6,304*

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 KME Group S.p.A., hereby certify:
   - the adequacy with respect to the characteristics of the Company and
   - the effective application

   of the administrative and accounting procedures for the preparation of the condensed consolidated interim financial statements in the period from 1 January 2022 to 30 June 2022.

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;

   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 2022

The Chairman	The Manager in charge of Financial Reporting
Signed Mr. Vincenzo Manes	*Signed Mr. Giuseppe Mazza*

Deloitte & Touche S.p.A.
Via Tortona, 25
20144 Milano
Italia

Tel: +39 02 83322111
Fax: +39 02 83322112
www.deloitte.it

REPORT ON REVIEW OF THE HALF-YEARLY CONSOLIDATED FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying half-yearly consolidated financial statements of KME Group S.p.A. and subsidiaries (the "KME 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 June 30th, 2022. 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 31st, 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 KME Group S.p.A. as at June 30th, 2022 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
Giuseppe Avolio
Partner

Milan, Italy
September 30th, 2022

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.