ANNUAL FINANCIAL REPORT
YEAR 2023

Board of Directors
of April 9, 2024

KME Group S.p.A.
Registered and Administrative Office:
Foro Buonaparte, 44 - 20121 Milan - Italy
Share Capital Euro 200,114,023.16 (fully paid up)
Tax Code and Milan Business
Register no. 00931330583
www.itkgroup.it

Contents

Social commitment

Dynamo Camp has been working for 17 years to guarantee the Right to Happiness for children and young people with serious or chronic illnesses and their families. The programmes offered by the Foundation are entirely free and structured according to the **Dynamo® Recreational Therapy** model, based on fun and discovery. The objective of this method is to promote everyone's ability to renew **self-confidence and hope**, with **real and long-term benefits on the quality of life**.

Also in 2023, in response to the need of families to have "Dynamo vicino a casa" (Dynamo close to home), the Foundation **is committed to taking the programmes outside the Camp,** involving children and young people with illnesses in numerous cities across the country through the Dynamo City Camp project, visits to hospitals and hotel facilities in the **Dynamo Holidays.**

**A father and his daughter in Misurina, during a "Dynamo Holiday"*

In 2023, the **City Camp** project was carried out in Rome, Florence, Milan, Genoa and Naples.

The **Dynamo Holidays** were held in Misurina, Riva degli Etruschi, Brindisi and Jesolo.

**A Dynamo volunteer and a child at the City Camp in Milan*

This is the impact of Dynamo Camp since 2007: A total of 69,721 children and young people with serious illnesses and their families have benefited from the **Dynamo® Recreational Therapy** programmes, with a total of 212,000 experiences delivered. The programmes are designed to be fun and entertaining, but also focus on restoring confidence and hope. The Dynamo Camp network comprises 97 hospitals and 85 parent or illness associations throughout Italy, and is able to accommodate more than 75 illnesses.

In addition to its mission, the Foundation aims to foster employment, and now it has 71 full-time employees and 277 seasonal staff. Furthermore, 1,600 volunteers contributed their time, intelligence and commitment to make the project a success in 2023.

The Dynamo community currently comprises 69,721 children and families, 10,533 volunteers, 180,000 donors and 236,000 database contacts.

Company Bodies

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

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

A. Independent Director

B. Executive Director

C. Member of the Control, Risk and Sustainability Committee (Chairman: Luca Ricciardi)

D. Co-opted on January 12, 2024, to replace Alberto Previtali, who resigned with effect from September 25, 2023

***Board of Statutory Auditors** (appointed by the shareholders' meeting of June 8, 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 May 31, 2016)*	Deloitte & Touche S.p.A.
Common Representative of Savings Shareholders *(appointed by the special shareholders' meeting of June 8, 2021)*	Andrea Santarelli
Common Representative of the "KME Group S.p.A. 2020/2025 Bonds" Holders	Rossano Bortolotti
Common Representative of the "KME Group S.p.A. 2022/2027 Bonds" Holders	Rossano Bortolotti

2023 Report on operations

Dear Shareholders,

The 2023 financial year for KME Group SpA (hereinafter also “KME” or the “Company” or the “Parent Company”) was characterised by the project aimed at delisting ordinary and savings shares and warrants from the market.

The delisting is considered by the Company functional to the objective of concentrating its activities in the industrial management of the KME SE Group and of offering the Company greater flexibility in the pursuit of strategies aimed at strengthening its market position, also through external growth, taking into account that the market listing does not allow the KME Group to be adequately valued.

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 (“Copper”).

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.

Furthermore, the Company believes that the delisting, in addition to representing a corporate simplification with related cost savings, may make it possible to implement, with greater effectiveness, any opportunities for reorganisation of the KME Group aimed at further strengthening it, more easily pursued as an unlisted company.

The financial resources necessary for the delisting derive from the signing of an investment agreement with investment funds managed by JP Morgan Asset Management (UK) Limited (hereinafter also “JPM” or the “Investor”), which provides for the issue of bonds (for maximum Euro 135.1 million), and a share capital increase (for a maximum of Euro 70.0 million) approved by the (at the time wholly-owned) subsidiary KMH SpA ("KMH") and to be subscribed by JPM for a total maximum amount of Euro 205.1 million. As a result of the transactions illustrated below, Investor subscribed Euro 110.8 million in bonds and Euro 54.3 million as a share capital increase, reaching a 15.92% interest in KMH.

The first transactions instrumental to the delisting were the Voluntary Total Public Tender Offers on KME Ordinary Shares, KME Savings Shares and “2021-2024 KME Group SpA” Warrants (the “Warrants”) issued by the Company (the “IPOs”). The IPOs were held from July 31 to September 25, 2023, and, for ordinary shares only, a reopening period was scheduled from October 5 to October 11, 2023.

At the end of the IPOs, 124,701,128 Ordinary Shares, 1,035,243 Savings Shares and 65,331,392 Warrants were purchased, corresponding respectively to 79.58%, 7.49% and 83.58% of the instruments subject to offer. Also taking into account 145,778,198 Ordinary Shares held by Quattroduedue, at the Payment Date following the Reopening of the Terms, KME held a total of 277,416,637 Ordinary Shares, equal to 89.66% of the capital in this category. This percentage fell to 88.71% following the results of the Warrant PEO and the exercise of Warrants subsequent to the IPOs.

From February 19 to March 8, 2024, a Public Exchange Offer was carried out on the Warrants (“Warrant PEO”), which made it possible to purchase a total of 76,545,610 Warrants, of which 73,680,892 owned by the majority shareholder Quattroduedue SpA. As a result of the Warrant PEO and the exercise of Warrants in March 2024, there are 6,256,550 outstanding Warrants with expiry date on June 28, 2024.

The Company announced that, following the IPOs, the delisting would also be pursued through its reverse merger into KMH (the “Merger for delisting”), in any case postponing the passing of related resolutions after the financial data for the financial year ended as at December 31, 2023, is available, for a more complete understanding of recent market trends.

Therefore, the timing of the transaction is currently being assessed, also in light of the extraordinary transactions involving KME SE and, therefore, its effectiveness will in any case apply after June 28, 2024, the deadline for the exercise of the Warrants, after which they will lose all rights and will have no value for any purpose.

With regard to the current performance of KME SE's business, the signs of a slowdown in orders, which have been evident since the fourth quarter of 2022 and have gradually become more pronounced in the course of 2023, continued in the second half of the 2023 financial year. There appears to be a clear destocking strategy being implemented by customers in almost all industrial sectors, aimed at disposing of the high levels of inventory accumulated during 2022 to counteract the supply chain disruption suffered post-lockdown. In order to counteract this trend and until a turnaround is achieved, all the flexibilization/cost-cutting actions available in the various countries were arranged, in order to minimise the negative impact on profitability and the generation of financial resources of the Group.

The 2023 financial year of the copper segment controlled by KME SE closed with revenues from sales of Euro 1,858.00 million (-10.8% compared to 2022 on a like-for-like basis), while those net of the value of raw materials totalled Euro 585.6 million (+20.6% compared to 2022, again on a like-for-like basis). EBITDA increased from Euro 112.6 million to Euro 135.5 million (+20.3%), due to the effects of the interventions on sales price policies implemented as from the second half of 2022 and the cost containment measures.

During the financial year, KME SE continued to implement its strategy of focusing on copper and copper alloy rolled products and its deleveraging.

It is worth noting that, in February 2024, a Business Combination Agreement ("BCA") was signed jointly with Paragon and SDCL EDGE Acquisition Corporation ("SEDA"), a special purpose acquisition company ("SPAC") with securities listed on the NYSE, which involves the special products business of cunova GmbH ("cunova"), in which KME SE currently holds an indirect equity investment of 45%. This BCA follows a non-binding letter of intent signed in August 2023 and envisages that cunova will be acquired indirectly by a listed entity, taking over from SEDA. KME SE will also further increase its equity investment in the Combined Company due to the transfer of its *aerospace business* ("KME Aerospace"), a leading engineering business operator providing high tolerance copper alloys components to the main operators in the aerospace industry. Upon completion of the transaction, KME SE will hold a controlling interest in the share capital of the Combined Company listed on the NYSE and will receive liquidity of USD 20 million. On the other hand, Paragon will completely exit the cunova investment against a cash price and a vendor loan. The completion of the Business Combination, expected in the second quarter of 2024, is subject to various conditions precedent which include, among others, the attainment of all the necessary regulatory approvals, the approval by the shareholders' meeting of SEDA, the presence of minimum liquidity at closing of USD 140 million, the refinancing of cunova's current debt as well as the presentation of F-4 Form to the U.S. Securities and Exchange Commission ("SEC") and the subsequent declaration of effectiveness of the Business Combination by the SEC.

In 2023, the cosmetics and environmental fragrances sector related to CULTI Milano SpA saw a marginal reduction in consolidated revenues (-2.1%), mainly linked to a negative sales performance in China, both due to the effects of the lockdown policies of the first part of the year and to a substantial slowdown in on-line sales made by T-Mall (Alibaba Group), which constituted the predominant part of turnover on that market. Going from Euro 5.1 million to Euro 4.1 million, EBITDA was influenced by the sales performance and the effect of investments in human resources and marketing in terms of "brand awareness".

In February 2023, Culti Milano acquired all of the shares of Scent Company, of which it already held 51%.

Extraordinary finance transactions and delisting

KME's choice, resolved by the Board of Directors on April 22, 2022 (the "New Strategy"), to concentrate its activities in the industrial management of KME SE, based on the growth expectations of the copper laminates sector and the strengthening of the overall competitive position following the extraordinary transactions carried out in the last few years, indicated that the new structure of the KME Group needed a lower level of capital.

In this regard, the partial voluntary public exchange offers on ordinary and savings shares and on warrants, which had as consideration the "KME Group SpA 2022-2027" Bonds, were launched and concluded in 2022.

Continuing on this path, KME announced on February 28, 2023, an additional transaction that provided for:

- the promotion, subject to obtaining the necessary Shareholders' Meeting authorisation, of a partial voluntary public purchase and exchange offer on up to 100,000,000 ordinary shares of KME Group S.p.A., equal to 32.6% of the capital in this category and 31.0% of the share capital at a unit price of Euro 0.90;
- after the conclusion of the ordinary shares transaction, the promotion of a voluntary public exchange offer on the warrants outstanding at the date of promotion of the same, based on a ratio of 1 Ordinary Share for every 2.3 Warrants tendered.

The financial resources supporting the transaction would have come from the direct subsidiary KMH S.p.A., with Goldman Sachs Bank Europe SE signing a bank loan agreement for a total maximum amount of Euro 90 million.

The unit price of the offer on ordinary shares would have been composed of:

- Euro 0.50 for each KME Ordinary Share, for a total value of Euro 50.0 million;
- 0.0174 Culti Milano S.p.A. shares for every 1 KME Ordinary Share, for a total maximum amount of 1,740,000 Culti Milano Shares ("Culti Shares Offered").

KME also specified that, as negotiations are underway for the sale of its entire investment in Culti Milano, if, before the conclusion of the Offer subscription period, it had signed a binding preliminary share purchase agreement or finalised the sale of the Culti Milano shares, the consideration in Culti Milano shares would have been converted into cash for an amount equal to the portion of the consideration attributable to the Culti Shares Offered collected as part of the sale of the Culti Milano Shares, it being understood that: (i) in the event that, as part of the sale of the Culti Milano Shares, the Culti Shares Offered were valued at a higher price than the monetary value of the consideration in shares attributed for the purposes of the Offer, this higher value would have been reflected at the time of conversion of the consideration into Shares in consideration in cash, increasing the equivalent value of the unit monetary value of the consideration; (ii) if, as part of the sale of the Culti Milano Shares, the Culti Shares Offered had been valued at a value lower than the monetary value of the consideration in shares allocated for the purposes of the Offer, the consideration would not have been, in any case, lower than the unit monetary value, i.e. Euro 0.90 for each KME Ordinary Share.

In order to obtain the necessary authorisations, the Ordinary and Extraordinary Shareholders' Meeting of the Company was called for April 3 and 4.

On March 28, 2023, the Company's Board of Directors accepted a binding offer from investment funds managed by JP Morgan Asset Management (UK) Limited, aimed at financing a transaction that envisaged, among other things, subject to obtaining the necessary authorisations and subject to the occurrence of certain conditions indicated below, the promotion by KME of public tender offers on KME ordinary shares, savings shares and warrants (the "Offers" or the "PTOs"), to be settled with consideration in cash, as part of a project aimed at the delisting of the aforementioned financial instruments, if the conditions are met and in particular:

- a total or partial, as indicated below, public tender offer on ordinary shares of KME at a unit price of Euro 1.00 (the "Ordinary Share PTO");

- a total public tender offer on KME savings shares at a unit price of Euro 1.20 (cum dividend of Euro 0.21723) (the “Saving Share PTO”);

- a total public tender offer on “KME Group SpA 2021 - 2024” warrants (the “Warrants”) at a unit price of Euro 0.45 (the “Warrant PTO”).

The Public Tender Offer on Ordinary Shares could have been promoted:

- in total form ("Total Public Tender Offer on Ordinary Shares"), where the necessary consents have been received in good time from the lending banks of the KME Group pursuant to the existing loan agreements ("Waiver"); or

- in partial form on 130,000,000 ordinary shares of KME Group S.p.A. (the "Partial Public Tender Offer on Ordinary Shares"), if the necessary Waivers have not been received in due time.

The Offers were considered significantly improved by the Board of Directors compared to those proposed at the end of February, as they all provided for a consideration to be paid in cash, were also extended to savings shareholders and warrant holders, and for ordinary shares, they provided for an increase in consideration and a higher number of securities to be included in the offer.

The transaction and the Offers were conditional on the achievement of an amount of subscriptions of no less than a total value of Euro 120.0 million.

To cover the financial requirements deriving from the payment obligations connected to the Offers, the Company mainly used amounts deriving from an intercompany loan (the "Intercompany Loan") disbursed by the subsidiary KMH.

The financial resources necessary for the delisting derive from the signing of an investment agreement with investment funds managed by JPM, which provides for the issue of bonds (for maximum Euro 135.1 million), and a share capital increase (for a maximum of Euro 70.0 million) approved by KMH and to be subscribed by JPM for a total maximum amount of Euro 205.1 million.

The transaction provides for the signing of an investment agreement aimed at regulating relations between KME and JPM in relation to the project, in which Quattroduedue SpA (“Quattroduedue”), the Company's controlling shareholder, will also participate in relation to certain specific agreements relating to KME. Quattroduedue, as an additional recipient of the binding offer, accepted the same in order to support the Company in the overall transaction.

Furthermore, in relation to the project, an agreement was signed containing some shareholders' agreements, typical of similar transactions, between KME and JPM in relation to KMH.

Taking into account that the transaction is characterised by an overall coherence and is developed in an interconnected series of components, which are mutually dependent, and that the contractual structure also provides for the involvement of controlling shareholder Quattroduedue, the Company has prudently followed the procedures outlined in CONSOB Regulation 17221/2010, as well as the “*Procedure on Related Party Transactions*” adopted by KME.

Subject to the favourable binding opinion provided by the Independent Directors of KME as Related Party Transactions Committee, on May 10, 2023, the Board of Directors approved the signing of the investment agreement with JPM and increased the fees envisaged for the Savings Shares (from Euro 1.20 to Euro 1.30, cum dividend of Euro 0.21723) and for the Warrants (from Euro 0.45 to Euro 0.60).

On June 12, 2023, the Ordinary and Extraordinary Shareholders' Meeting of the Company was held on second call, which approved the resolutions in preparation for the promotion of the Offers and on the same date, the Board of Directors of KME, on the basis of what was resolved at the meeting, therefore took the decision to promote the Offers and sent to CONSOB the relevant communication pursuant to art. 102 of the Consolidated Law on Finance (TUF), with the simultaneous dissemination to the market of the press release pursuant to art. 37 of the Issuers' Regulation. Having received all the necessary Waivers from the lenders, the Public Offer on Ordinary Shares was promoted in full.

On June 20, 2023, KME, pursuant to art. 102, paragraph 3, of the Consolidated Law on Finance, filed the Offer Document at CONSOB for carrying out the related investigation, which was approved by CONSOB with resolution no. 22779 of July 19, 2023.

The main characteristics of the Offers were as follows:

- the Public Tender Offer on Ordinary Shares concerned a maximum of 154,441,260 Ordinary Shares (equal to 50.28% of the ordinary share capital of KME), equivalent to all outstanding Ordinary Shares, minus the 145,778,198 Ordinary Shares (equal to 47.46% of the ordinary share capital of KME) held by Quattroduedue and the 6,937,311 ordinary treasury shares in the portfolio (equal to 2.26% of the ordinary share capital of KME), at a unit price of Euro 1.00, which can be increased by a further maximum of 78,626,511 Ordinary Shares which may result from the exercise of a maximum of 78,626,511 outstanding Warrants;
- the Public Tender Offer on Savings Shares concerned a maximum of 13,822,473 Savings Shares (equal to 90.66% of the capital in this category), corresponding to all outstanding Savings Shares, minus the 1,424,032 Savings Shares held by Quattroduedue (equal to 9.34% of the capital in this category), at a unit price of Euro 1.08277 (ex-dividend of Euro 0.217230 approved by the Ordinary Shareholders' Meeting of KME on May 3, 2023, and with payment made as at May 24, 2023);
- The Public Tender Offer on Warrants concerned a maximum of 78,626,511 Warrants (equal to 51.62% of outstanding Warrants), equivalent to all outstanding Warrants, minus 73,680,892 Warrants held by Quattroduedue (equal to 48.38% of the outstanding Warrants), at a unit price of Euro 0.60.

On August 7 and August 30, 2023, the authorisations pursuant to the “Golden Power” regulations were received from the Italian and German authorities, respectively.

The Subscription Period occurred from July 31 to September 25, 2023, inclusive, and therefore, equal to 40 trading days and the consideration Payment Date was October 4, 2023. Subsequently, the Subscription Period for the Public Tender Offer on Ordinary Shares was reopened for five trading days starting from the trading day following the Payment Date and thus from October 5 to 11, 2023. The payment date for the Ordinary Shares subscribed as part of the Public Tender Offer on Ordinary Shares during the Reopening of the Terms was October 18, 2023.

Therefore, as a result of the PTOs (including the Reopening of the Terms), the following were subscribed:

- in the Public Tender Offer on Ordinary Shares, 118,259,645 Ordinary Shares for a value of Euro 118,259,645.00, representing 76.34% of the Ordinary Shares subject to the relevant Offer, 38.44% of the capital in this category and 36.63% of the Issuer share capital at the closing date of the Offer, increased, following the Reopening of the Terms, by 6,441,483 Ordinary Shares for a value of Euro 6,441,483.00, representing 4.11% of the Ordinary Shares subject to the relevant Offer, 2.08% of the capital in this category and 1.98% of the Issuer share capital at the closing date of the Offer;
- in the Public Tender Offer on Savings Shares, 1,035,243 Savings Shares for a value of Euro 1,120,930.06, representing 7.49% of the Savings Shares included in the Offer, 6.79% of the capital in this category and 0.32% of the Issuer share capital at the closing date of the Offer;
- in the Public Tender Offer on Warrants, 65,331,392 Warrants for a value of Euro 39,198,835.20, representing 83.58% of the Warrants included in the Offer and 43.03% of the Warrants outstanding at the closing date of the Offer.

On the Payment Date as a result of the Reopening of the Terms, KME therefore held:

- a total of 131,638,439 Ordinary Shares, representing 42.54% of the capital in this category and 40.55% of the share capital;
- a total of 1,035,243 Savings Shares, representing 6.79% of the capital in this category and 0.32% of the Issuer share capital as at today's date;
- a total of 65,331,392 Warrants, representing 43.54% of the Warrants outstanding as at today's date.

Also taking into account 145,778,198 Ordinary Shares held by Quattroduedue, at the Payment Date following the Reopening of the Terms, KME held a total of 277,416,637 Ordinary Shares, equal to 89.66% of the capital in this category and 85.45% of the share capital as at today's date.

As envisaged by the investment agreement with JPM, on June 19, 2023, the Board of Directors of KMH resolved the issue of the bond loan "*KMH SpA Up to Euro 135,100,000.00 Senior Guaranteed and Secured Fixed Rate Notes due December 31, 20*25" (resolution subsequently amended on July 21, 2023) and, on July 10, 2023, the Shareholders' Meeting of KMH approved the share capital increase with special shares.

Following the conclusion of the PTOs, pursuant to the investment agreement, the following took place:

- the partial subscription of the share capital increase of KMH by Lynstone SSF E Holdings II S.à r.l., for an amount corresponding to 15.92% of KMH's share capital;
- the issue of KMH bonds subscribed by Lynstone SSF Holdings II S.à.rl in the amount of Euro 110,800,000.00;
- the signing of a shareholders' agreement between KME, Lynstone SSF and Quattroduedue.

On January 12, 2024, as previously announced, the Company launched a partial voluntary Public Exchange Offer concerning a maximum of 78,635,148 outstanding Warrants, with consideration of 10 Ordinary Shares, in the portfolio of the Issuer, for every 23 Warrants tendered and, therefore, 1 Ordinary Share, in the portfolio of the Issuer, for every 2.3 Warrants tendered (the "Warrant PEO Consideration"), for a maximum total number of 34,189,630 Ordinary Shares pursuant to the resolution of the Ordinary and Extraordinary Shareholders' Meeting of June 12, 2023, (the "Maximum Total Price" and, in aggregate, the "Warrant PEO" or the "Offer"). The Warrants subject to the Public Exchange Offer on Warrants represented 94.42% of the 83,286,883 outstanding Warrants as at the Document Date of the Offer. The Warrant PEO was partial in nature, taking into account the limits imposed by the resolution of the Ordinary and Extraordinary Shareholders' Meeting of June 12, 2023, compared to the total number of outstanding Warrants.

On June 16, 2024, the Company, pursuant to art. 102, paragraph 3, of the Consolidated Law on Finance, filed the Offer Document at CONSOB for carrying out the related investigation, which ended with CONSOB's approval of the Offer Document with resolution no. 23002 of February 14, 2024.

With reference to the Warrant PEO Consideration, consisting of Ordinary Shares offered in exchange to the Warrant holders who had subscribed to the Offer, KME, by virtue of the provisions of art. 1, paragraph 4, let. f) of Regulation (EU) 2017/1129 (the "Prospectus Regulation") was exempt from the obligation to publish a prospectus for the offer of the Ordinary Shares set forth in art. 3, paragraph 1, of the Prospectus Regulation, having prepared and published the Exemption Document together with the Offer Document, pursuant to Articles 34-ter, paragraph 02, let. a, and 36, paragraph 3 of the Issuers' Regulation, in accordance with the Prospectus Regulation itself, as subsequently supplemented by Commission Delegated Regulation (EU) no. 2021/528 of December 16, 2020.

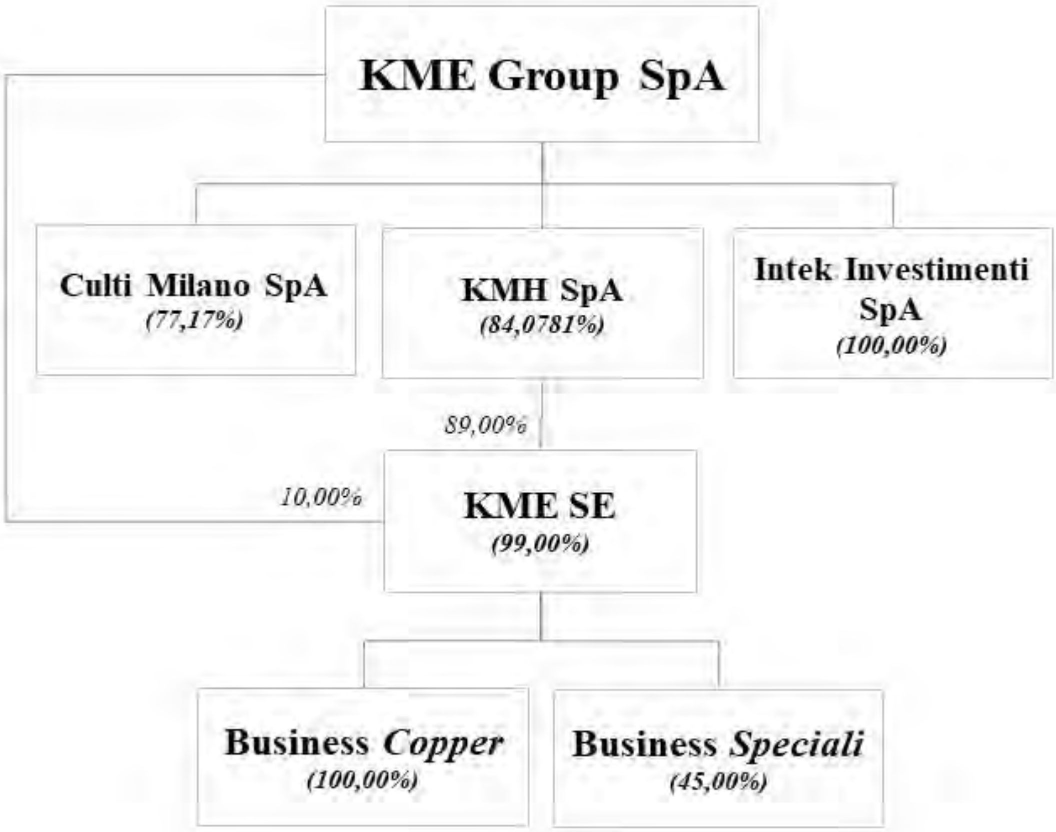
The Warrant PEO was held from February 19 to March 8, 2024. At the end of the offer period, a total of 76,545,610 Warrants were tendered, representing 97.34% of the Warrants subject to the Warrant PEO and 92.07% of the outstanding Warrants at the closing date of the Offer. Quattroduedue, in accordance with its commitments under the investment agreement and shareholders' agreement with JPM, tendered the Warrant PEO on all 73,680,892 Warrants it owns.

The delivery of the Ordinary Shares to be offered as Warrant PEO Consideration took place on March 15, 2024. A total of 33,280,700 Ordinary Shares (of which 32,035,170 in favour of Quattroduedue), representing 10.70% of the ordinary share capital of KME at that date, were credited to the subscribers.

For more details on the transaction and the Offers, please refer to the Offer Documents and the Press Releases available on the Company's website.

Summary of the Group's corporate structure

The Group structure as at December 31, 2023, can be represented as follows:



In August 2023, the merger of KME Germany Bet. GmbH into KME SE, previously wholly owned by KMH SpA, became effective. KME Germany Bet. GmbH acted 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.

KME SE is the head of a global leading group in the production and marketing of semi-finished products in copper and its alloys focused on the Copper sector, following the transfer of control of the special products business (now headed up by the company Cunova GmbH), in which it retains a 45% interest. From 2023, as part of the agreements for the sale of its shares in the Chinese joint venture KMD, KME SE took control of the activities of KMD Connectors Stolberg GmbH.

Culti Milano S.p.A.: company whose shares are 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. In February 2023, Culti Milano acquired all of the shares of Scent Company, of which it already held 51%.

Intek Investimenti S.p.A.: is the corporate vehicle in which the investment and private equity activities of the Company have been concentrated in the last few years.

On November 24, 2023, the Company sold its non-controlling interest held in *Ducati Energia SpA*, represented by 443,000 special class B shares, equal to 6.77% of its share capital and 100% of the class capital, to the same Ducati Energia, for a consideration of Euro 7.0 million already collected at the closing date. The sale agreements provide for an earn-out of Euro 3.0 million if, by December 31, 2024, (i) the financial instruments issued by Ducati Energia are admitted to multilateral electronic trading on regulated markets, or (ii) the control of the company is sold to third parties, by any means, but with the exclusion of transfer through inheritance.

Macroeconomic framework

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. Sadly, all the indicators are that this war will continue until 2024 and beyond. As a result, it will continue to pose a threat to macro and microeconomic stability for the foreseeable future.

The recent Arab-Israeli conflict in the Middle East, which could also have significant economic and trade consequences for Western countries, and other international tensions, including political and military tensions between China and the US, have added to the climate of uncertainty.

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.

The IMF's most recent estimates for the world economy indicate growth of 2.9% for 2023 and 3.1% in 2024. The estimated growth rate for 2023 is lower than the reported growth rate of 3.4% for 2022, and the growth rate for 2022 was lower than the reported growth rate of 6.0% for 2021.

It is clear that the ongoing war in Ukraine, higher interest rates and expected lower growth rates in advanced economies are the main drivers of this global economic slowdown.

The marked reduction in the impact of inflation in the second half of 2023 eased the pressure on economic activity, but the overall annual performance was undoubtedly affected by the very high levels of inflation in earlier periods.

The IMF also expects the global inflation rate to fall from 8.7% in 2022 to 6.9% in 2023, to 5.7% in 2024 and to 4.4% in 2025, mainly due to expected lower raw material prices and restrictive monetary policies of central banks.

Another positive aspect is the tendency of several central banks to stop raising interest rates in the second half of 2023. The central banks' approach for 2024 is still being defined. The very optimistic expectations of an interest rate reduction as early as the beginning of 2024 have unfortunately not materialised; some economists predict that the first reductions could be seen around June/July 2024.

With regard to the Eurozone, the IMF's most recent estimate of the growth rate was revised downwards to an estimated level of 0.6% in 2023, much lower than the 3.3% increase in 2022. However, it is expected to grow by 0.9 % in 2024 and 1.5 % in 2025.

In terms of growth expectations of individual countries for 2023, the IMF estimates GDP growth for Germany of negative 0.5% (positive 0.9% in 2024), for Italy 0.7% (unchanged in 2024), for France 1.0% (1.3% in 2024) and for Spain 2.5% (1.7% in 2024).

With reference to commodity prices, the average price of crude oil (WTI) in 2023 was USD 76.54 per barrel compared to USD 94.53 per barrel in 2022. It reached an annual low of USD 67.9 per barrel in June and a high of USD 91.3 per barrel in September. The average price in 2023 was almost 11% lower than in 2022.

For natural gas, the Dutch TTF indicator continued to decrease compared to the first quarter and became rather stable in the second and third quarter. It reached 37.10 Euro/MWh at the end of the second quarter, 41.86 Euro/MWh at the end of the third quarter and 32.35 Euro/MWh at the end of the year. This was well below the previously planned level of 50.55 Euro/MWh. This positive development laid a good foundation for the price development in 2024. As always, this trend had a similar impact on the price of electricity in Europe.

Copper has maintained its stable position on the LME throughout 2023. After averaging approximately 8,822 USD/t on the LME in 2022, it increased slightly to 8,944 USD/t in the first quarter of 2023. However, during the second quarter, it fell slightly to 8,396 USD/t at the end of June. As expected, the third quarter was not much different, closing at 8,230.5 USD/t at the end of September. Like some other commodities, copper was stable for most of the year, closing 2023 at 8,530 USD/t on the LME.

The general downward trend in inflationary pressures in all the world's major economies continued until the end of 2023. The inflation rate of the Eurozone reached 10.4% in 2022 but gradually decreased to an average rate of 5.4% in 2023. The downward trend in the inflation rate accelerated in the second half of the year, reaching 3.4% in December.

Inflation is expected to average 2.7% in 2024, a marked improvement over the past two years but still above the 2% target.

As a result of this positive trend towards the end of last year, there were no further increases in interest rates in the developed economies.

Effect of climate change

The industrial sector is not generally perceived as being particularly vulnerable to climate change; on the contrary, the opportunities that the actions required for ecological transition can offer to certain production chains are often emphasised. From this point of view, the copper industry – whose products are essential for the energy transition (renewable energies, energy efficiency, electric mobility etc.) and closely connected to the development of new technologies and new markets – is certainly one of the industries best placed to seize the development opportunities related to the ecological and digital transition.

No less important, considering the durability and recyclability characteristics of copper, are the opportunities related to the transition to a circular economy, which is a necessary condition for achieving the goal of climate neutrality but also a factor of greater efficiency and economic competitiveness. With reference to these scenarios, KME Group has further focused its strategy on the copper sector.

But even for this sector of the metal-working industry, as for the whole industrial system in general, climate change poses many potential risks. These are risks of a financial nature, related to higher costs that can affect the company's economic results and competitiveness.

But these are first and foremost physical risks related to the increase in the frequency and intensity of extreme weather events (violent rainfall, floods and landslides, droughts and fires) that can affect industrial activities and infrastructures located in the most vulnerable areas. Global warming will intensify the hydrological cycle and increase the frequency of flood events in a large part of Europe, although uncertainties remain in quantitative estimates of the frequency and magnitude of events. This is what happened, for example, at the KME plant in Stolberg, which was damaged by flooding in this German region in 2021. Therefore, also for the copper industries, the strategy of adaptation to climate change must be based on a set of complementary approaches and measures for the management of the greater risks associated with the increase in extreme weather events. The companies of KME Group that manage the production plants work to define possible prevention interventions, after verifying the risks to which they are potentially exposed, in line with the adaptation plans prepared by public bodies. By way of example, it should be noted that KME Italy carried out some works along an embankment of the Serchio river near the plant and the town of Fornaci di Barga.

KME assesses the opportunities and risks related to climate change and defines the measures to be taken, also by relating risk management to energy and environmental strategy. The definition of the Group's strategies is accompanied by an analysis of risks and opportunities, including aspects related to climate change and ecological transition.

The disclosure of risks and opportunities will be progressively expanded and deepened from year to year in consideration of the changed operating environment resulting from climate change (which also requires changes in established management decisions) and its impact on cost structure, financial decisions and creation of corporate value.

In line with the recommendations of the Task Force on climate-related financial disclosure, which focuses on the risks and opportunities of climate change for companies and the actions to be taken as a result, the main types of risks and opportunities and their impact on the company's business are grouped into two categories:

- risks and opportunities arising from changing physical variables (acute risks related to extreme weather events, and chronic risks related to gradual but structural changes in climate);
- risks and opportunities deriving from the evolution of ecological transition scenarios (related to regulatory changes, limits on emissions and carbon pricing, energy and raw material costs, carbon-free technological development trends, investments for innovative activities and new markets, sustainable finance measures to support ecological transition, etc.).

Also in consideration of the increasing use of copper in the energy transition, KME Group adopts strategies aimed at fully seizing the opportunities and combining them with operational best practices. The strategic objective of KME, in relation to the risks and opportunities deriving from climate change, is to mitigate the risks and maximise the opportunities with a positioning that takes into account the medium- and long-term outlook.

Group results

With reference to the comparative data of 2022, it should be noted that the new strategic process announced by the Company on April 22, 2022, has rendered 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.

Therefore, the consolidated financial statements as at December 31, 2022, included eight months of activities of the consolidated subsidiaries. Therefore, the comparison of the 2023 financial year data with that of the previous year is not fully representative of the Group's operating performance.

For comments on the operating performance of 2023, please refer to what is indicated for the individual business sectors and in particular for the copper sector, which represents approximately 90% of the Group's business.

Invested Capital

The **Consolidated net invested capital** was as follows:

Consolidated net invested capital		
(in Euro thousand)	*Dec 31, 2023*	*Dec 31, 2022*
Net non-current assets	1,080,728	1,115,405
Net working capital	(178,949)	(114,067)
Net deferred tax	(24,745)	(29,274)
Provisions	(148,928)	(134,996)
Net invested capital	**728,106**	**837,068**
Total equity	358,815	569,537
Net financial position	369,291	267,531
Sources of finance	**728,106**	**837,068**

"Net invested capital" is a financial indicator which is not defined by IFRS and should not be considered as an alternative to the indicators defined by IFRS. Its components are given here below:

- *"Net non-current assets" consist of the sum of non-current assets except for deferred tax assets.*
- *"Net working capital" consists of the sum of the items "Trade receivables" net of "Trade payables" and "Other current assets/liabilities", except for the items considered in the definition of "Net financial debt".*
- *"Provisions" include the items "Retirement benefits" and "Provisions for risks and charges".*

Income Statement

The **consolidated income statement** can be summarised as follows:

Consolidated income statement		
(in Euro thousand)	*2023*	*2022*
Revenues from sales and services	1,880,532	1,464,736
Change in inventories of finished and semi-finished products	(876)	55,816
Own work capitalised	1,463	375
Other income	25,411	10,775
Purchases and change in raw materials	(1,317,919)	(1,166,514)
Personnel cost	(234,083)	(136,483)
Amortisation, depreciation, impairment and write-downs	(57,562)	(50,252)
Other operating costs	(264,124)	(178,345)
Operating profit/(loss)	**32,842**	**108**
Financial income	14,698	64,634
Financial expense	(85,649)	(48,948)
Net financial expense	*(70,951)*	*15,686*
Result of investments	*(8,388)*	*(195)*
Profit/(loss) before taxes	**(46,497)**	**15,599**
Current taxes	(2,149)	(7,028)
Deferred taxes	2,167	26,887
Total income taxes	**18**	**19,859**
Net profit (loss) for the period	**(46,479)**	**35,458**
Profit (loss) from discontinued operations	-	-
Net profit (loss) for the period	**(46,479)**	**35,458**
- non-controlling interests	(6,667)	2
- shareholders of the parent company	(40,335)	35,456
Comprehensive income items	**(14,341)**	**13,984**
Comprehensive income of the shareholders of the Parent Company	(6,677)	824
Comprehensive income pertaining to non-controlling interests	(54,143)	48,618

Reclassified income statement

In order to provide a more significant representation of the operating results, a reclassified income statement is also presented which uses, at an interim level, economic and financial information taken from the Group's management systems and based on accounting standards that differ from IFRS, mainly in terms of measurement and presentation. The main components are reported below.

1. *In order to eliminate the impact of fluctuations in raw material prices, revenues are also presented net of raw material costs.*
2. *The cost of the base-stock component (i.e., inventories that will not be sold to customers) of year-end inventories in the copper and copper-alloy semi-finished products sector is determined on a LIFO basis. The stock that will be sold, on the other hand, is measured at its contractual selling price, which is deemed to be its realisable value. Under IFRSs, on the other hand, inventories are required to be measured at the lower of cost on a FIFO basis and net realisable value. IFRSs also require forward sales and purchase contracts as well as hedging contracts traded on the LME to be separately identified and reported in the financial statements at their fair values, as if they were financial instruments. By not permitting the LIFO measurement of year-end inventories that is used internally for management control purposes, IFRSs introduced an external component, the variability of which makes a consistent comparison of data for different periods impossible, as well as giving an accurate picture of the results of operations.*
3. *Non-recurring items are reported below EBITDA/EBIT.*

The table below shows the effects of the different methods of measurement and presentation for 2023.

(in Euro million)	*2023 IFRS*	*Reclassifications*	*2023 Reclassified*
Sales revenues	1,880.50	-	1,880.50
Cost of raw material	-	(1,272.40)	(1,272.40)
Revenues, net of raw material cost	**-**		**608.10**
Personnel cost	(234.10)	13.20	(220.90)
Other consumption and costs	(1,556.00)	1,303.30	(252.70)
Gross Operating Income (EBITDA) (*)	**90.40**	**44.10**	**134.50**
Depreciation/Amortisation	(57.60)	2.40	(55.20)
Net Operating Income (EBIT)	**32.80**	**46.50**	**79.30**
Net financial expense	(71.00)	6.30	(64.70)
Profit (loss) before non-recurring items	**(38.20)**	**52.80**	**14.60**
Non-recurring (charges)/income	-	(34.80)	(34.80)
Current taxes	(2.10)	-	(2.10)
Deferred taxes	2.20	(4.40)	(2.20)
Net profit (loss) (IFRS stock)	**(38.10)**	**13.60**	**(24.50)**
IFRS effect on the valuation of inventories and forward contracts	-	(18.00)	(18.00)
Tax effect of the IFRS valuation of inventories and forward contracts	-	4.40	4.40
Profit (loss) from equity-accounted investments	(8.40)	-	(8.40)
Consolidated net profit (loss)	**(46.50)**		**(46.50)**
Profit attributable to non-controlling interests	(6.10)		(6.10)
Net profit attributable to the shareholders of the Parent Company	**(40.40)**	**(0.00)**	**(40.40)**
Comprehensive income items	(14.30)	-	(14.30)
Comprehensive income	**(60.80)**	**(0.00)**	**(60.80)**
of which attributable to the shareholders of the Parent Company	(54.10)		(54.10)
of which attributable to non-controlling interests	(6.70)		(6.70)

The comparison with the previous year is as follows:

Reclassified consolidated income statement				
(in Euro million)	*2023 Reclassified*		*2022 Reclassified*	
Sales revenues	1,880.50		1,464.70	
Cost of raw material	(1,272.40)		(1,058.90)	
Revenues, net of raw material cost	**608.10**	**100.0%**	**405.80**	**100.0%**
Personnel cost	(220.90)		(134.40)	
Other consumption and costs	(252.70)		(195.70)	
Gross Operating Income (EBITDA) (*)	**134.50**	**22.1%**	**75.70**	**18.7%**
Depreciation/Amortisation	(55.20)		(39.80)	
Net Operating Income (EBIT)	**79.30**	**13.0%**	**35.90**	**8.8%**
Net financial expense	(64.70)		(27.00)	
Profit (loss) before non-recurring items	**14.60**	**2.4%**	**8.90**	**2.2%**
Non-recurring (charges)/income	(34.80)		9.80	
Current taxes	(2.10)		(7.00)	
Deferred taxes	(2.20)		28.20	
Net profit (loss) (IFRS stock)	**(24.50)**	**-4.0%**	**39.90**	**9.8%**
IFRS effect on the valuation of inventories and forward contracts	(18.00)		(3.00)	
Tax effect of the IFRS valuation of inventories and forward contracts	4.40		(1.30)	
Profit (loss) from equity-accounted investments	(8.40)		(0.20)	
Consolidated net profit (loss)	**(46.50)**	**-7.6%**	**35.40**	**8.7%**
Profit attributable to non-controlling interests	(6.10)		-	
Net profit attributable to the shareholders of the Parent Company	**(40.40)**	**-6.6%**	**35.40**	**8.7%**
Comprehensive income items	(14.30)		14.00	
Comprehensive income	**(60.80)**	**-10.0%**	**49.40**	**12.2%**
of which attributable to the shareholders of the Parent Company	(54.10)		48.60	
of which attributable to non-controlling interests	(6.70)		0.80	

Financial performance

The ***Reclassified Net Financial Position*** as at December 31, 2023, amounted to Euro 261.4 million compared to Euro 164.0 million as at December 31, 2022, and was affected by the results of the Public Tender Offers carried out in 2023. This balance excludes financial liabilities deriving from the application of IFRS 16 and the sale and lease back transaction on the KME SE property in Osnabrück as well as financial instruments measured at fair value. These components totalled Euro 107.9 million (Euro 103.5 million as at December 31, 2022).

Reconciliation of Reclassified Net Financial Position		
(in Euro thousand)	*Dec 31, 2023*	*Dec 31, 2022*
Reclassified Net Financial Position	**261,358**	**164,040**
Financial liabilities for Sales and Lease Back	94,638	90,000
Financial liabilities pursuant to IFRS 16	12,944	13,806
Financial instruments measured at fair value	351	(315)
	107,933	***103,491***
Net financial debt	**369,291**	**267,531**

The net financial debt (determined in compliance with the provisions of ESMA Document 32-382-1138 of March 4, 2021 − Guidelines regarding disclosure obligations pursuant to the prospectus regulation, as highlighted in CONSOB warning notice 5/21 of April 29, 2021, of the Group as at December 31, 2023) compared to December 31, 2022, can be summarised as follows:

	Net financial debt		
	(in Euro thousand)	*Dec 31, 2023*	*Dec 31, 2022*
A	Cash and cash equivalents	118,609	128,844
B	Cash equivalents	-	-
C	Other financial assets	94,012	109,829
D	**Cash and cash equivalents (A+B+C)**	**212,621**	**238,673**
E	Current financial debt	67,820	45,584
F	Current portion of non-current financial debt	59,466	63,871
G	**Current financial debt (E+F)**	**127,286**	**109,455**
H	**Net current financial debt (G-D)**	**(85,335)**	**(129,218)**
I	Non-current financial debt	223,916	240,758
J	Debt instruments	230,710	155,991
K	Trade payables and other non-current payables	-	-
L	**Non-current financial debt (I + J + K)**	**454,626**	**396,749**
M	**Total financial debt (H + L)**	**369,291**	**267,531**

The Holding KME Group S.p.A.

In the past, KME Group S.p.A. has invested with a medium-term time-frame, combining its entrepreneurial approach with a solid financial structure.

The current allocation of resources involves a strong concentration in the investment in the KME group (90% of total assets). Within this group, for a few years now the most high-performing and promising sectors have been privileged, while instead favouring a departure from segments that have lower growth outlooks. Furthermore, a particularly active role was played in contributing to the phenomenon of progressive concentration carried out in recent years by major Copper sector players.

In light of the strategy defined in April 2022, in the future there will be a further concentration of the activity in the copper sector with the gradual exit, through sale or assignment to shareholders, from other investments.

Financial position and results of operations of the Parent Company

The Parent Company's financial highlights as at December 31, 2023, compared to December 31, 2022, are summarised below:[1]

Condensed separate statement of financial position				
(in Euro thousand)	*Dec 31, 2023*		*Dec 31, 2022*	
KME SE investment	*58,410*		*58,410*	
KMH investment	*480,000*		*480,000*	
Receivables from KMH	*-*		*43,723*	
Other	*(141)*		*2,528*	
Total KME	538,269	91.07%	584,661	89.47%
Culti Milano	37,988	6.43%	37,980	5.81%
Ducati Energia	-	0.00%	16,700	2.56%
Intek Investimenti	13,518	2.29%	12,694	1.94%
Other investments	1,774	0.30%	2,070	0.32%
Other assets/liabilities	(468)	-0.08%	(660)	-0.10%
Net investments	**591,081**	**100.00%**	**653,445**	**100.00%**
Outstanding bonds (*)	160,616		160,469	
Loan for IPOs	115,186		-	
Net cash	17,701		(1,316)	
Holding company net financial debt	**293,503**	**49.66%**	**159,153**	**24.36%**
Total equity	**297,578**	**50.34%**	**494,292**	**75.64%**

Notes:

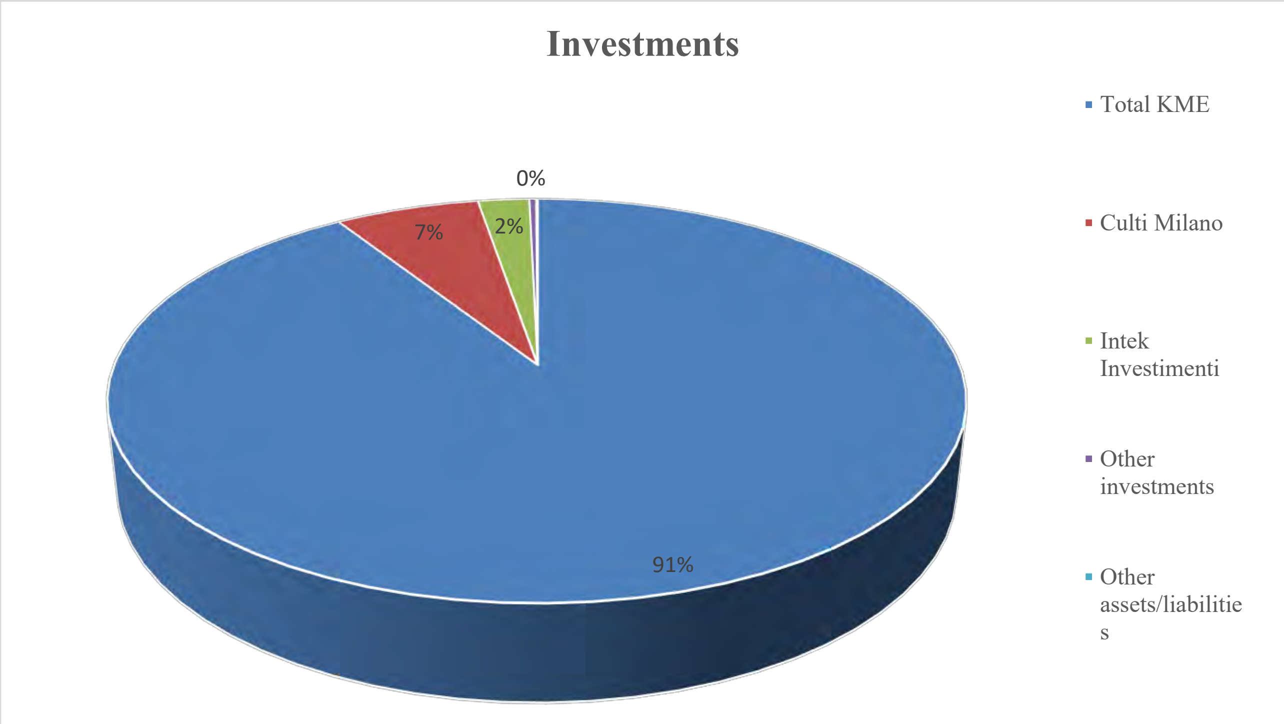
- *Investments are expressed net of any outstanding Company's financial receivables/payables.*

(*) Including accruing interest.

[1] *The report on operations uses certain indicators identified as "Alternative Performance Indicators" ("APIs") pursuant to the CONSOB communication of December 3, 2015, which incorporated the "ESMA" ("European Securities and Markets Authority") guidelines of October 5, 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

The net investments held by the Company amounted to Euro 591.1 million as at December 31, 2023 (Euro 653.4 million at the end of 2022), of which around 90% concentrated in KME SE.



Equity

The holding company's equity amounted to Euro 297.6 million, compared to Euro 494.3 million as at December 31, 2022; the most significant change is related to the effects of the Initial Public Offers (Euro 171.3 million, also including transaction costs).

As at December 31, 2023, the share capital amounted to Euro 200,104,709.20 and was divided into 324,610,486 shares, of which 310,399,224 were ordinary shares and 14,211,262 savings shares. The share capital increased compared to December 31, 2022, by Euro 34,621.53 following the exercise of 3,462,153.00 Warrants. In the first months of 2024, as a result of the exercise of an additional 931,396 Warrants, an equal number of ordinary shares were also issued, with a share capital increase of Euro 9,313.96.

During the 2023 financial year, 1,035,243 savings shares, which were subscribed to the relevant PTO, were cancelled. The cancellation did not have any effects on share capital.

As at the date of preparation of this Report, the share capital is composed of 325,541,882 shares, of which 311,330,620 ordinary shares and 14,211,262 savings shares; the 98,357,739 ordinary treasury shares held in the portfolio account for 31.59% of the ordinary capital. There are also 6,256,550 outstanding Warrants.

Financial management

Net financial debt of the holding company (excluding intra-group loans and lease liabilities) totalled Euro 293.5 million as at December 31, 2023. The balance as at December 31, 2022, was Euro 159.2 million. The increase is due to the Public Tender Offers carried out.

The Parent Company's financial debt (*) as at December 31, 2023, compared to December 31, 2022, can be broken down as follows:

Financial debt			
	(in Euro thousand)	*Dec 31, 2023*	*Dec 31, 2022*
A	Cash and cash equivalents	3,214	508
B	Cash equivalents	-	-
C	Other financial assets	24,803	66,294
D	**Cash and cash equivalents (A+B+C)**	**28,017**	**66,802**
E	Current financial debt	37,749	25,191
F	Current portion of non-current financial debt	10,521	587
G	**Current financial debt (E+F)**	**48,270**	**25,778**
H	**Net current financial debt (G-D)**	**20,253**	**(41,024)**
I	Non-current financial debt	-	2,026
J	Debt instruments	156,139	155,991
K	Trade payables and other non-current payables	117,423	-
L	**Non-current financial debt (I + J + K)**	**273,562**	**158,017**
M	**Total financial debt (H + L)**	**293,815**	**116,993**

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

Cash flows

Cash flows for the years 2023 and 2022 can be summarised as follows:

(in Euro thousand)		*2023*	*2022*
(A) Cash and cash equivalents at the beginning of the year		**508**	**4,698**
Profit before tax		(16,374)	4,333
Depreciation and amortisation		659	671
Impairment/(Reversal of impairment) of current and non-current financial assets		-	(9,078)
Change in pension funds, post-employment benefits (TFR) and stock options		1,079	2,121
Change in provisions for risks and charges		769	(291)
Change in investments		7,000	47
Change in financial payables to related companies		-	716
Change in financial receivables from related companies		-	(23,355)
Change in current receivables		4,162	4,015
Change in current payables		451	(3,014)
(B) Cash flow from operating activities		**(2,254)**	**(23,835)**
Payments on non-current tangible and intangible assets		(426)	(444)
Proceeds from non-current tangible and intangible assets		9	17
Payments on/proceeds from other non-current assets/liabilities		(1)	(113)
(C) Cash flow from investing activities		**(418)**	**(540)**
(Purchase) sale of treasury shares		(171,731)	-
Dividend distribution		(3,312)	-
Exercise of warrants		1,524	32
Payments on/proceeds from current and non-current financial payables		138,082	(28,062)
Payments on/proceeds from current and non-current financial receivables		40,815	25,576
(D) Cash flow from financing activities		**5,378**	**(2,454)**
(E) Change in cash and cash equivalents	**(B) + (C) + (D)**	**2,706**	**(26,829)**
(F) Cash and cash equivalents at the end of the period	**(A) + (E)**	**3,214**	**(22,131)**

Reclassified income statement

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

It should be noted that, following the aforementioned change in strategy in April 2022 and the consequent method of preparing the financial statements with the abandonment of the fair value measurements of equity investments, the results of 2023 are not immediately comparable with those of the previous year.

Reclassified income statement		
(in Euro thousand)	*2023*	*2022*
Fair value changes and other gains/losses from investment management	796	10,290
Investment management costs	(177)	(105)
Gross profit/(loss) from investments	**619**	**10,185**
Guarantee fees assets (a)	859	862
Net operating costs (b)	(5,675)	(5,420)
Overheads (a) - (b)	*(4,816)*	*(4,558)*
Reclassified operating profit	**(4,197)**	**5,627**
Net financial expense	**(8,524)**	**(3,239)**
Profit before tax and non-recurring items	**(12,721)**	**2,388**
Non-recurring income/(expenses)	(3,653)	1,946
Profit before tax	**(16,374)**	**4,334**
Taxes for the year	1,826	840
Net profit (loss) for the period	**(14,548)**	**5,174**

"*Non-recurring income/(expenses)*" include the depreciation of rights of use relating to leases from subsidiaries linked primarily to the Milan property at Foro Buonaparte 44, the registered office of the Company and of other investees. During the year under review, they benefited from commissions received on extraordinary transactions of the subsidiary KME SE.

"*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.

Business outlook

The business outlook will be correlated to the trend in demand of the KME SE's reference sectors and will, therefore, be functional also in terms of the wider macro-economic dynamics.

However, the market economic trend recorded in 2023 does not prejudice the sector performance estimates on which the New Strategy assumptions are based.

There also remains a possibility for the Parent Company and the Group as a whole to benefit from the development of other equity investments or non-core activities in the copper sector, through disposal. If realised, these disposals could have a positive impact on the Group's debt.

Trend in investments and operating segments

In continuity with the previous reports, detailed information is provided below on the main investments of the Company, in particular KME SE and CULTI Milano S.p.A., to which the Copper and Perfumes and Cosmetics operating segments belong, respectively.

* * *

KME SE

KME SE, 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.

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

Over the last few years, the KME SE Group has been involved in various strategic transactions (acquisition of MKM, transfer of control of the special products business, sale of the Wires business, purchase of part of the flat rolled products segment of Aurubis AG and then that of S.A. Eredi Gnutti S.p.A.), 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 SE 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 growth, given the appealing growth rates expected for the main reference markets. Another fundamental objective of the group is progressive deleveraging.

During 2023 and the first few months of 2024, additional transactions were carried out and launched:

- In June 2023, following the fulfilment of the conditions precedent set out in the agreement, KME SE executed the agreement signed with Golden Dragon Precise Copper Tube Group Inc., regarding the sale of its 50% share of the joint venture KMD (HK) Holdings Limited and the purchase of 100% of the shares of KMD Connectors Stolberg GmbH. The execution of the transaction, as provided for in the contract signed in December 2022, allowed the net cash in of approximately USD 53 million, of which approximately USD 43 million related to the purchase and sale of equity investments and the payment of commercial positions, and USD 10 million for the repayment of loans in place (already included in the net financial position);
- in July 2023, KME SE and S.A. Eredi Gnutti Metalli S.p.A. ("EGM") signed and executed a purchase and sale contract for the repurchase by KME SE of the 16% interest of KME Italy S.p.A. ("KI") held by EGM. EGM had actually transferred the rolled business to KI in June 2021, becoming the owner of a minority interest of 16%. The transaction, which involves the total repurchase of the investment for a consideration equal to Euro 22.5 million – of which Euro 8.4 million paid at closing and the remaining part over the following twenty-four months – represents the last step of the process launched in 2021 for the integration of EGM's rolled activities into those of KI;
- in February 2024, a Business Combination Agreement ("BCA") was signed jointly with Paragon and SDCL EDGE Acquisition Corporation ("SEDA"), a special purpose acquisition company ("SPAC") with securities listed on the NYSE, which involves the special products business of cunova GmbH ("cunova"), in which KME SE currently holds an indirect investment of 45%. This BCA follows a non-binding letter of intent signed in August 2023 and envisages that cunova will be acquired indirectly by a listed entity, taking over from SEDA. KME SE will also further increase its equity investment in the Combined Company due to the transfer of its aerospace business ("KME Aerospace"), a leading engineering business operator providing high tolerance copper alloys components to the main operators in the aerospace industry. Upon completion of the transaction, KME SE will hold a controlling interest in the share capital of the Combined Company listed on the NYSE and

will receive liquidity of USD 20 million. On the other hand, Paragon will completely exit the cunova investment against a cash price and a vendor loan. The completion of the Business Combination, expected in the second quarter of 2024, is subject to various conditions precedent which include, among others, the attainment of all the necessary regulatory approvals, the approval by the shareholders' meeting of SEDA, the presence of minimum liquidity at closing of USD 140 million, the refinancing of cunova's current debt as well as the presentation of F-4 Form to the U.S. Securities and Exchange Commission ("SEC") and the subsequent declaration of effectiveness of the Business Combination by the SEC;

- in February 2024, KME SE also signed a contract relating to the acquisition of 100% of the shares of Blackhawk Holding GmbH, a German holding company that holds 100% of Sundwiger Messingwerk GmbH ("Transaction"). Sundwiger Messingwerk GmbH ("SMW") is a European leader in the sector of semi-finished rolled bronze products as well as a manufacturer of semi-finished rolled brass products. With around 320 employees in Hemer (Rheinland), where the headquarters and the main plant are located, in 2022 SMW achieved a turnover of around Euro 245 million and an EBITDA of around Euro 16 million. Historically part of the Diehl Group, SMW was acquired about three years ago by a group of investors gathered in the company Blackhawk Holding GmbH, now acquired by KME SE. The expected acquisition price will be approximately Euro 62 million (including the metal stock) and will be paid for Euro 41 million at closing and for the remainder through a three-year interest-free vendor loan. The Transaction will be financed through own sources as regards the equity and with a third-party loan for the working capital. Scheduled for mid-2024, the Transaction closing is subject to the fulfilment of certain conditions precedent, including the approval by the competent antitrust authorities.

In 2023, as part of its commercial strategy, KME SE also:

- further refined and consolidated the recent actions launched in the second half of 2022 (revision of prices in the rolled products and bars divisions, standardisation of the "metal formula" in KME SE);
- carried out further commercial integration of the assets recently acquired by Aurubis – price adjustment to the rest of the KME SE group completed for all four sites at the end of January and additional initiatives implemented in the first half of 2023;
- the merger of two of the service centres in Poland and Slovakia, which was substantially completed by the end of 2023;
- the Group's focus on achieving unitary EBITDA targets for all products and customers.

Operating performance

The European area and the Eurozone is KME SE's main outlet market, followed by the United States, the Middle East and other parts of the world.

Like all other operators in this market, KME SE has also been affected by the ongoing major macroeconomic, political and commercial developments, which took hold in 2022, continued until the end of the third quarter of 2023 and will most likely continue in 2024.

In addition to these general trends, a decline in demand for semi-finished copper products became apparent at the beginning of 2023, especially in Europe, KME's main market. Since the beginning of the year, a drop in demand was observed in all the main product groups in which KME operates: Rolled Products, Bars and Tubes. This decline accelerated from the middle of the year and continued until December.

Internal estimates point to a reduction in demand of around 25% compared to 2022, although this has not yet been confirmed by independent external sources. This slowdown affected all sectors to varying degrees and was accompanied by a massive inventory reduction process throughout the copper value chain. The inventory reduction process already started in the second quarter of 2023 and continued until the end of the year.

Affected by this trend, KME's volumes continued to be below expectations, although other performance indicators, such as revenues per tonne net of raw material costs, remained above budget expectations until the end of the year.

The main results of KME SE for the year 2023, compared to the previous year, can be summarised as follows:

Key results of the copper sector					
(in Euro million)	*2023*		*2022*		*Change*
Revenues	1,858.0		2,082.5		-10.8%
Revenues (net of raw materials)	585.6	100.0%	485.7	100.0%	20.6%
EBITDA	135.5	23.1%	112.6	23.2%	20.3%
EBIT	86.9	14.8%	73.9	15.2%	17.6%
Profit (loss) before non-recurring items	34.6	5.9%	41.1	8.5%	-15.8%
Non-recurring income/(expenses)	(26.6)		103.9		
Effect of IFRS measurement of inventories	(13.6)		(3.8)		
Result of the investees at equity	(8.4)		(10.8)		
Result from assets held for sale	-		(26.5)		
Consolidated net profit (loss)	(21.6)		121.5		
Comprehensive income items	(4.5)		29.1		
Comprehensive income	(26.1)		150.6		
Net debt *	72.7		102.4		
Group equity *	250.6		303.8		

Consolidated revenues in the year 2023 amounted to a total of Euro 1,858.0 million, a decrease of 10.8% compared to 2022 (Euro 2,082.5 million).

Net of the value of raw materials, revenues rose from Euro 485.7 million to Euro 585.6 million, marking an increase of 20.6%.

An analysis of said item on a like-for-like basis (i.e. considering the consolidation of Trefimetaux and Serravalle Copper Tubes, previously classified as disposal groups, from January 1, 2023, and of the companies acquired by Aurubis on August 1, 2022), shows that revenues decreased by 25.1%, while revenues net of the value of raw materials recorded a decrease of Euro 15.5 million (-2.6%).

Gross operating income (**EBITDA**) amounted to Euro 135.5 million, an improvement of 20.3% compared to 2022 figures (Euro 112.6 million).

EBIT stood at Euro 86.91 million (Euro 73.9 million in 2022).

Result before non-recurring items was Euro 34.6 million (Euro 41.1 million in 2022).

Net group result is negative for Euro 21.6 million (profit of Euro 121.5 million in 2022) was recorded.

The valuation of inventories and forward agreements net of taxes had a negative impact of Euro 13.6 million compared to a negative impact of Euro 3.8 million recorded in 2022.

The result for the year 2023 was negatively affected by Non-recurring expenses of Euro 26.6 million, while the result for the previous year was positively affected by Euro 103.9 million, essentially relating to the net capital gain from the disposal of the Special Products business and the Wires business (Euro 97.7 million). The main non-recurring expenses in 2023 refer to new restructuring projects currently underway (and affecting the Stolberg, Zutphen, Givet and Osnabrück sites) of Euro 11.0 million, consulting costs related to M&A projects of Euro 6.4 million, the write-down of the investment in KME Metal following the liquidation of the company of Euro 3.5 million, the write-down of certain equipment mainly related to the restructuring of Givet of Euro 2.1 million, and charges related to the UK pension fund of Euro 1.0 million.

The **Group Consolidated Loss** was Euro 26.1 million (compared to a profit of Euro 150.6 million in 2022).

Copper price trends

In the fourth quarter of 2023, the average price of copper increased, compared to the same period of the previous year, by 1.96% in US dollars (from 8,002 USD/tonne to 8,159 USD/tonne) and decreased by 3.26% in Euro (from 7,844 Euro/tonne to 7,588 Euro/tonne).

On a year-on-year basis, average copper prices decreased by 2.36% in USD compared to the third quarter of 2023 (from 8,356 USD/tonne to 8,159 USD/tonne), and by 1.16% in Euro (from 7,677 Euro/tonne to 7,588 Euro/tonne).

Compared to the 2022 average, they decreased by -7.26% in US dollars (from 8,798 USD/tonne to 8,159 USD/tonne) and by -8.96% in Euro (from 8,335 Euro/tonne to 7,588 Euro/tonne).

Financial management

The **Reclassified Net Financial Position** as at December 31, 2023, excluding lease liabilities based on IFRS 16, the fair value measurement of financial instruments and the IFRS financial liability originating from the sale & leaseback transaction, carried out in December 2022 with reference to the Osnabrück properties, was positive for Euro 35.2 million compared to Euro 1.1 million at the end of December 2022.

Net Financial Debt is equal to approximately Euro 72.7 million, compared to approximately Euro 102.4 million at the end of 2022.

On November 28, 2023, the credit facility from the banking pool was extended until November 30, 2025, with an option for a further one-year extension with the consent of the lenders, for a total amount of up to Euro 460 million. Sustainability-related provisions have been introduced.

The credit facility was used through letters of credit of Euro 412.5 million (as at December 31, 2022: Euro 324.9 million) for the supply of metal. The relative supplier liabilities are recognised under trade payables.

The following guarantees are in place against the pooled loan:

- a pledge, with reservation of voting rights, of the shares of KME Italy S.p.A.;
- a mortgage on the properties of KME Grundstuecksgesellschaft SE & Co. KG and on part of the plant equipment and machinery of KME Mansfeld GmbH and KM Copper Bars GmbH in Hettstedt;
- a pledge of the inventory and part of the non-factored trade receivables and short-term receivables of the European industrial companies;
- pledge of some factoring and insurance contracts.

Also on November 28, 2023, the credit facilities of Factofrance (non-recourse factoring and, partially, recourse factoring up to Euro 150 million intended for the Group's foreign companies) with automatic extension of one year in the event of banks consortium/other factoring extensions, Intesa Sanpaolo S.p.A, (a non-recourse factoring credit facility and, partially, recourse factoring credit facility of up to approximately Euro 126.5 million to be used mainly by Italian and French companies) and TARGOBANK (non-recourse factoring credit facility of up to approximately Euro 100 million to be used mainly by German companies) were extended until November 2025.

The Factofrance and Targo credit facilities have an embedded option that allows, if need it, to switch the commitments between the two facilities.

The liabilities deriving from recourse factoring vis-à-vis the factoring company amounted to Euro 7.2 million (Euro 0.3 million as at December 31, 2022).

On November 30, 2022, KME Italy S.p.A. signed a 6-year loan agreement for a total amount of Euro 59 million, backed by a SACE guarantee. The loan is expected to be repaid in equal instalments starting from the fourth quarter of 2023 until the end of the third quarter of 2028. At the end of December 2023, the loan amounted to approximately Euro 56 million.

In December 2023, Serravalle Copper Tubes Srl signed an additional 5-year loan agreement for a total amount of Euro 10 million, backed by a SACE guarantee. The loan will be repaid in equal instalments starting from the first quarter of 2024 until the end of the third quarter of 2028.

The loans mentioned above contain similar financial covenants, subject to quarterly verification.

As at December 3+1, 2023, the KME SE group had fully respected all covenants.

As at December 31, 2023, **equity** was Euro 250.6 million.

Total investments, net of disinvestments, amounted to Euro 28.8 million (Euro 17.4 million in 2022).

The number of **Employees** as at December 31, 2023, was 3,356 (2,870 at the end of 2022 and 3,519 on a like-for-like basis).

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<u>CULTI Milano S.p.A.</u>

The Company holds 77.17% of the share capital of CULTI Milano S.p.A. (hereinafter also "**CULTI**"), a company whose shares have been traded on the Euronext Growth Milan (EGM) market since July 2017. The investment has not changed compared to last year. It should be noted that CULTI holds 369,750 treasury shares. The percentage held by KME is 87.64%, net of treasury shares held by CULTI.

CULTI's business is focussed, both domestically and internationally, on the manufacture and distribution of high-end environmental fragrances, a specific luxury market segment, with particular attention to personal well-being: from fragrance for spaces (home, car, boat etc.) to personal products (perfumes, personal hygiene, cosmetics).

The openings of *CULTI Houses* in retail have performed a dual function: 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. Special attention was focussed on the international sales network which covers the main markets and is present in more than 60 countries.

This includes the acquisitions, in 2019 and 2020 respectively, of 50.01% of the share capital of Bakel S.r.l., a company whose business focuses on cosmetics products made from natural active ingredients, and 51% of Scent Company S.r.l., a company active in olfactory branding. In February 2023, the remaining 49% of Scent Company S.r.l. was also acquired through the early exercise of the mandatory call option, with an outlay of Wueo 2.8 million.

In the course of 2020, a joint venture was launched in Hong Kong (CULTI Milano Asia Ltd.), in addition to a subsidiary in Shanghai (CULTI Milano China Ltd.), which have made 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.

To promote the distribution of Bakel products, and in particular the innovative 3D product, in May 2022 the wholly-owned subsidiary BAKEL Inc. was established in New York (USA).

With reference to the performance in 2023, at Group level, there was a marginal decrease in consolidated revenues (-2.1%), mainly related to a negative sales trend in China. In this area, in addition to the negative impact in the first half of the year related to the lockdown imposed by the health authorities to contain serious COVID-19 phenomena, CULTI Milano Asia experienced a substantial slowdown in online sales made by T-Mall (Alibaba Group), which constituted the predominant part of turnover on that market. Corrective measures were put immediately in place, but they will not take effect until the current 2024 financial year.

On the other hand, in terms of sales in other markets, the Group was able to compensate for the loss of sales in war zones (particularly in Israel and Lebanon) with an equal growth in other business areas.

In 2023, CULTI Milano SpA launched an investment plan in sales and marketing, which the management decided to continue despite the less than positive signals coming from China. These investments have made it possible to stimulate business with important department stores in Europe and the Middle East (e.g. Harrods, Le Bon Marchè, La Rinascente, etc.), with business expected to develop as early as 2024.

With regard to the subsidiary BAKEL Srl, activities were intensified in 2023 to find the best partnership in order to enhance the substantial investment in the new 3D product. To this end, preliminary collaborations were started with important groups in the pharmaceutical and dermocosmetic sectors.

The combined effect of the trend in development investments, which were not capitalised, and the unforeseeable slowdown in Chinese turnover, was reflected in EBITDA at the end of 2023, which amounted to Euro 4.1 million, compared to Euro 5.1 million in 2022.

As a result, 2024 will be the best time to bring the Group's business back on track after the impressive expansion of recent years. The Group will continue to pursue its long-term commercial and income development strategy, without neglecting opportunities to increase global brand awareness.

The main consolidated indicators can be summarised as follows:

- total consolidated sales: Euro 22.6 million (Euro 23.1 million as at December 31, 2022), down 2.1% year-on-year, mainly due to the sharp slowdown in the Chinese market in early 2023 as a result of the known pandemic problems. Domestic sales of Euro 8.3 million were in line with the previous year (Euro 8.4 million);
- Consolidated EBITDA amounted to Euro 4.1 million (Euro 5.1 million in 2022), down 20.9% compared to the previous year due to investments in human resources and marketing in "brand awareness";
- EBIT of Euro 3.2 million (Euro 4.3 million in 2022) also decreased due to the aforementioned investments;
- Consolidated net profit: Euro 1.0 million (Euro 2.3 million in 2022);
- Net financial position: negative for Euro 3.2 million (negative for Euro 2.0 million as at December 31, 2022), reflecting the impact of the acquisition of the remaining 49% of SCENT Company Srl for a consideration of Euro 2.8 million.

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Intek Investimenti S.p.A.

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 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 S.p.A. Benefit Company (formerly Immobiliare Agricola Limestre S.r.l. and hereinafter, also referred to as "NCI"), which was received by Intek Investimenti following the contribution in the same shareholding in Oasi Dynamo Società Agricola S.r.l., of which Intek Investimenti held 42.86% (the remaining stake was already held by NCI). The acquisition of total control on Oasi Dynamo Società Agricola S.r.l. will allow NCI 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% share of 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 they now include almost exclusively the assets of Benten Srl (30% held) still to be realised, which consist solely of tax receivables subject to disputes with the Revenue Agency, for a total amount of Euro 13.7 million.

Intek Investimenti is also the owner, for a book value of Euro 0.3 million, of a 28.01% stake in the capital of Il Post S.r.l., an Italian online newspaper.

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Additional information

Related party transactions

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

In 2023, the controls envisaged by the "Procedure applicable to related party transactions" for transactions of greater importance were prudently applied to the entire transaction aimed at delisting.

KME's most significant debt to Group companies is the outstanding debt of Euro 115.2 million due to KMH, maturing on December 31, 2026, resulting from the transfer to KME of the amounts raised by KMH through the share capital increase and the issue of Notes. There is also a current account with KMH with a balance of Euro 33.2 million as at December 31, 2023.

With regard to financial relationships, please note three other current accounts: two with a credit balance of Euro 22.0 million and Euro 2.3 million respectively with Newint Srl and Intek Investimenti and a third one with a negative balance of Euro 0.1 million with Immobiliare Pictea Srl ("Pictea").

Lastly, due to the application of IFRS 16, financial liabilities with regard to Pictea are recognised in the financial statements for the lease of the Foro Buonaparte - Milan properties, for a total of Euro 2.2 million, of which Euro 0.6 million is current.

The breakdown of transactions with subsidiaries and parent companies, and with related parties in general, is included in the Notes to the separate and consolidated financial statements.

Disputes

Below is an update on the most significant litigation involving KME Group.

As part of the civil disputes dating back to the first half of 2016 with some savings shareholders, the litigation against only one of the said shareholders remains, while all the other cases were settled with rulings that upheld the arguments of KME, which, 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, firmly and successfully 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.

It should be noted that even when some shareholders appealed against the rulings in first instance in favour of KME, for a total of three appeals, the Courts of Appeal of Rome and Bari also confirmed the decisions in the first instance and therefore against the appellant savings shareholders, who were also ordered to pay KME Group's legal costs. These rulings became final and the related costs were collected.

Therefore, to date, only the opposition to the court order for payments (RG 18730/2016) and the negative declaratory action (RG 8669/2016) on the same claim brought by the court order for payments and against the same savings shareholder remain, both of which were already subject to a deferred decision by the same judge of the Court of Bari and therefore awaiting ruling.

Finally, a civil suit is pending at the Court of Messina (RG 4419/2016), currently in the process of specification of the pleadings at the next hearing on November 12, 2024, 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 KME Group 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 KME Group and/or Immobiliare Pictea.

At Group level, there are no pending disputes that could have significant effects on the Group's equity and economic results.

Parent company and ownership structure

The Company is controlled by Quattroduedue S.p.A., with registered office in Milan - Foro Buonaparte, 44. During the first half of 2023, the cross-border merger by reverse incorporation of Quattroduedue Holding BV (former parent company) into Quattroduedue S.p.A., already holder of the direct investment in KME Group S.p.A., was carried out.

As at December 31, 2023, Quattroduedue therefore held 145,778,198 ordinary shares of the Company (46.91% of the Company’s ordinary share capital) and 1,424,032 savings shares (9.34% of the capital in this category). Due to the increase in voting rights, Quattroduedue held a percentage of voting rights equal to 63.86% as at December 31, 2023.

Quattroduedue SpA also held, again as at December 31, 2023, 73,680,892 Warrants. As mentioned above, these Warrants were tendered for the Warrant PEO that ended on March 8, 2024 and, as consideration, 32,035,170 ordinary shares were received. As a result of the Warrant PEO and the Warrants exercised in 2024, Quattroduedue holds a total of 177,813,368 ordinary shares amounting to 57.11% of the category capital and corresponding to 323,591,560 voting rights or 70.79% of the total voting rights.

KME Group S.p.A. holds no shares or units of the parent company and during 2023 it made no purchases or sales of such shares or units.

For any other information regarding the ownership structures, the Company's governance and the fulfilment of any other obligations, including compliance with title VI of the market regulations, refer to the specific report prepared pursuant to article 123 bis of Italian Legislative Decree 58/98, which is an integral part of this Annual Financial Report.

Treasury shares

As at December 31, 2022, the Company held 6,937,311 ordinary treasury shares (equal to 1.78% of the shares in said category). During the year, the Company purchased, following the PTOs, a total of 124,701,128 ordinary shares and 1,035,243 savings shares. The latter were subsequently cancelled.

As a result of the purchases made through the PTO, as at December 31, 2023, the total number of ordinary shares held became 131,638,439, representing 42.36% of the shares in this category.

In March 2024, as a result of the Warrant PEO, a total of 33,280,700 ordinary treasury shares were sold as consideration (of which 32,035,170 in favour of Quattroduedue); therefore, as at the date of preparation of this Report, the number of ordinary treasury shares amounted to 98,357,739.

Governance Updates

As in previous years, we believe it is advisable to update the corporate governance information provided with the financial statements as at December 31, 2022, and the half-year financial statements as at June 30, 2023, with additional and specific details in the Report on corporate governance and ownership structures.

* * *

The Shareholders' Meeting of May 3, 2023, approved the report on operations of the Board of Directors and the financial statements for the year ended December 31, 2022, resolving to allocate the profit for the year of Euro 5,173,722: (i) for 5%, equal to Euro 258,686, to the legal reserve, (ii) through distribution, pursuant to art. 8 of the Articles of Association, a dividend of Euro 0.21723 for each of the 15,246,505 savings shares, for a total of Euro 3,311,998, and (iii) by carrying forward the residual amount of the profit, equal to Euro 1,603,038. The dividend was paid on May 24, 2023, with ex-dividend date of May 22, 2023, and record date of May 23, 2023.

The Shareholders' Meeting also resolved to approve the Report on Remuneration drawn up pursuant to art. 123-ter of Italian 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 June 8, 2021, for the financial years 2021-2023.

Please refer to what has already been illustrated regarding the Offers for the resolutions of the Shareholders’ Meeting of June 12, 2023.

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As regards the share capital, in the course of 2023:

- the 1,035,243 savings shares acquired as a result of the related PTO were cancelled without reducing the share capital;
- 3,462,153 ordinary shares were issued as a result of the exercise of the same number of Warrants, thus bringing the total ordinary shares issued to 324,610,486. The share capital therefore increased by Euro 34.621,53.

As a result of these transactions, as at December 31, 2023, the share capital amounted to Euro 200,104,709.20, represented by 324,610,486 shares, of which 310,399,224 were ordinary shares and 14,211,262 savings shares.

After December 31, 2023, and up to the date of this Report, against the exercise of a further 931,396 warrants, the same number of ordinary shares were issued, which resulted in a share capital increase of a further Euro 9,313.96.

As at the date on which this Report, the share capital therefore amounted to Euro 200,114,023.16, represented by 325,541,882 shares, with 311,330,620 ordinary shares and 14,211,262 savings shares.

* * *

We would remind you that the Transparency Directive (Italian Legislative Decree 25/2016) came into effect on March 18, 2016. Among other things, it amended paragraph 5 of article 154-ter of the Consolidated Law on Finance (TUF), eliminating the obligation to publish interim reports, thereby granting a longer period of time for approval of the consolidated half-year report. Since 2016, and in consideration of its specific businesses, the Company has opted not to publish interim financial statements as at March 31 and September 30.

The Company's Board of Directors, at its meeting of September 14, 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.

The Company has adopted the Organisational Model required by Italian Legislative Decree 231/01 and the related Code of Ethics, most recently updated during January 2024 following the implementation of whistle-blowing regulations.

<u>Compliance with Section VI of the Market Regulation - CONSOB Regulation no. 16191/2007</u>

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

- with regard to the provisions of Article 36, the KME Group does not hold relevant investments, pursuant to Article 151 of CONSOB Issuers' Regulation, in non-EU Countries;

- the Company, although a subsidiary of Quattroduedue S.p.A., considers itself not to be subject to management and coordination as defined in articles 2497 et seq. of the Italian Civil Code and article 37 of the Market Regulation, insofar as that:
  - it has autonomous powers of negotiation with respect to contractual arrangements with customers and suppliers;
  - it does not participate in any centralised treasury arrangements operated by the parent Quattroduedue or any other company under the parent’s control;
- with regard to the provisions of article 38, the Company does not fall within its scope of application, as its corporate purpose does not exclusively envisage investment activity in accordance with predetermined limits.

Non-financial information (pursuant to Italian Legislative Decree 254/2016)

The Company, exceeding in 2022 due to the expansion of the scope of consolidation, the size parameters envisaged by the regulation with reference to the number of employees and the volume of revenues, has prepared the Non-Financial Statement of this document, which will be made public in accordance with the law and regulations.

Research and development activities

Research and development activities are concentrated in the Group's industrial companies, with a focus on product improvement and sustainability.

Total Investments of the Group amounted to Euro 28.8 million (Euro 17.4 million in 2022).

Personnel

As at December 31, 2023, the KME Group had 13 employees, of whom 3 were executives and 10 were office workers and middle managers.

On the other hand, at the consolidated level the total number was 3,382, of which 62 were executives, 1,097 were office workers and middle managers, and 2,223 were workers.

* * *

As for the economic treatment and all other aspects of the remuneration of Key management personnel, reference should be made to the specific Report on the remuneration policy and on the remuneration paid, prepared in compliance with the specific provisions issued by CONSOB and which will be published within the legal and regulatory terms.

Main risks and uncertainties to which KME Group S.p.A. is exposed and financial risk management

KME Group, as a holding company, is indirectly exposed to the risks of the companies in which it has ownership interests and, therefore, in particular to those of KME SE, considering its decision to concentrate its business on the copper semi-finished products sector.

The Company's financial results depend on the dividends distributed by its subsidiaries, and therefore, in addition to the financial performance, they also reflect the investment and dividend distribution policies of the subsidiaries.

This Report contains some data and forecasts regarding the objectives set by the KME Group and some assumptions regarding the financial, equity and economic development of the Parent Company and of the subsidiaries.

The data and the forecasts on the activities and expected results of the Company and of the subsidiaries are based on the Company's estimates and assumptions regarding future and uncertain events, including the economic trend in the main European countries where the Group operates, the occurrence of which could lead, also with reference to the particular situation of economic activity caused by the developments related to the situation in Ukraine and the Middle-East, to potentially significant discrepancies with the forecasts made. It is not possible to guarantee that what has been forecast and is expected to happen will in fact happen. The KME Group is furthermore exposed to market fluctuations insofar as the shares held in its portfolio. The final results of the KME Group could be different from those forecasts owing to known and unknown risks, uncertainty and other factors.

Types of risk:

a) credit risk: there are no significant geographical concentrations of credit. Existing guidelines guarantee adequate assessment of customers' creditworthiness. This is achieved by selecting customers on the basis of historical experience and equity and/or financial position;

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

c) currency risk: the Group is exposed to the risk that the fair value of the investments outside the Euro area will fluctuate with changes in the exchange rates;

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

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

* * *

Significant events after December 31, 2023

Please refer to the body of the present Report on operations.

Proposal to approve the 2023 financial statements

Approval of the Financial Statements for the year ended December 31, 2023; Directors' Report on the Company's situation and operating performance, also including the Report on Corporate Governance and Ownership Structures; Report of the Board of Statutory Auditors; Independent Auditors' Report. Presentation of the consolidated financial statements as at December 31, 2023, and the Consolidated Non-Financial Statement for 2023:

"*The Ordinary Shareholders' Meeting of KME Group S.p.A. in its ordinary meeting, having acknowledged the Reports of the Board of Statutory Auditors and the Independent Auditors, and after having heard and approved the report of the Board of Directors*

resolves

to approve the Report on operations by the Board of Directors for the year ended at December 31, 2023, and the financial statements as a whole, and the individual entries and records with the provisions and uses proposed, which show a loss for the year of Euro 14,547,728".

* * *

Allocation of profit for the year; inherent and consequent resolutions:

"*The Ordinary Shareholders' Meeting of KME Group S.p.A. in its ordinary meeting, having regard to the results for the year as at December 31, 2023,*

resolves

1. *to cover the loss for the year of Euro 14,547,728 through partial use of the same amount of the Extraordinary Reserve;*
2. *to authorise the Chairman and each of the Deputy Chairpersons, separately from each other, to implement this resolution.*

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURES

PURSUANT TO ARTICLE 123-BIS OF ITALIAN LEGISLATIVE DECREE NO. 58 OF FEBRUARY 24, 1998

YEAR 2023

Board of Directors

of April 9, 2024

KME Group S.p.A.

Registered and Administrative Office:
Foro Buonaparte, 44 - 20121 Milan - Italy
Share Capital Euro 200,114,023.16 (fully paid up)
Tax Code and Milan Business
Register no. 00931330583
www.itkgroup.it

Tables:

Glossary

Corporate Governance Code/Code:	The new Corporate Governance Code approved on a definitive basis by the Committee and published on its website (*https://www.borsaitaliana.it/comitato-corporate-governance/codice/2020.pdf*) on January 31, 2020 and in force as of the first financial year after December 31, 2020.
Civil Code/C.C.:	The Italian Civil Code approved by Royal Decree no. 262 of March 16, 1942 – XX as amended.
Committee:	The Corporate Governance Committee, the composition of which was defined in June 2011 by the Business associations (ABI, ANIA, Assonime, Confindustria) and the association of professional investors (Assogestioni), as well as Borsa Italiana S.p.A.
Issuer/Company/KME Group:	KME Group S.p.A.
Financial Year:	The financial year ended December 31, 2023, to which this Report refers.
Model:	The organisation and management model adopted by the Company pursuant to Italian Legislative Decree no. 231 of 2001.
Issuers' Regulation:	The Regulation issued by CONSOB with its resolution no. 11971 of 1999 (as subsequently amended) regarding issuers.
Market Regulation:	The Regulation issued by CONSOB with its resolution no. 16191 of 2007 (as subsequently amended) regarding markets.
Related Parties Regulation:	The Regulation issued by CONSOB with its resolution no. 17221 of 2010 (as subsequently

	amended) regarding related party transactions.
Report:	The Report on corporate governance and ownership structures that the companies are required to prepare pursuant to Article 123-*bis* of the Consolidated Law on Finance.
Report on Remuneration:	The Report on the remuneration policy and compensation paid that companies are required to prepare pursuant to Article 123-*ter* of the Consolidated Law on Finance.
Consolidated Law on finance/TUF:	Italian Legislative Decree no. 58 dated February, 24 1998 as amended.

Foreword

The Board of Directors of KME Group S.p.A. ("**KME Group**", or the "**Company**") in its meeting held on April 9, 2024, approved the report on corporate governance and ownership structures for 2023 financial year (the "**Financial Year**"), together with the draft financial statements for said Financial Year (the "**Report**").

This Report has been drafted in compliance with the provisions of Article 123-bis of Italian Legislative Decree no. 58 of February 24, 1998 (hereinafter the "**TUF**") as amended by Italian Legislative Decree no. 254 of December 30, 2016 and the other criteria set forth in Article 89-*bis* of the Issuers' Regulation, as well as the instructions in the Market Regulation issued by Borsa Italiana S.p.A.

The Report shall be understood as referring to the requirements of the Corporate Governance Code approved on a definitive basis and published on the website (https://www.borsaitaliana.it/comitato-corporate-governance/codice/2020.pdf) of the Committee on January 31, 2020 and in force as of the first financial year beginning subsequent to December 31, 2020 (hereinafter also the "**Code**").

The structure of this Report complies with the Format (ninth edition of January 2022, which may be consulted on the website of Borsa Italiana at https://www.borsaitaliana.it/comitato-corporate-governance/documenti/format2022.pdf), prepared by Borsa Italiana to verify the nature and content of the information to be included in the Report on corporate governance and ownership structures and/or for the controls under the responsibility of the board of statutory auditors (Article 149, paragraph 1, letter c-bis of the TUF).

In any event, please recall that the use of the Format (the first edition of which dates back to 2008) is in no manner compulsory for the purpose of meeting the above-mentioned obligations.

To this end, it is specified that pursuant to the second paragraph of Article 123-*bis* of the TUF, the requested information which is contained in this Report is disclosed to the public both by attaching this Report to the financial statements for the Year and through publication on the Company's website (www.itkgroup.it).

In compliance with the provisions set forth in Article 89-*bis* of the Issuers' Regulation, the Report provides specific information regarding the criteria of "comply or explain":

i. compliance with each Code provision;

ii. the reasons for any failure to comply with the Code's provisions;

iii. any conduct adopted other than as provided in the Code.

In regard to the latter, considering that the companies with shares listed on regulated markets are required to present to the shareholders' meeting called for the approval of the financial statements a Report on Remuneration containing the items required by the Issuers' Regulation, and in order to avoid providing redundant information, the pertinent information (see Sec. 9) will be provided by referring to the relevant parts of the Report on Remuneration, as it was done for the Report presented for past financial years.

This Report aims to illustrate the corporate governance model that KME adopted in 2023, taking into account the specificities of the Company, which aims to obtain its essential alignment with the principles contained in the Code which, since its introduction, the Company has declared it will comply with introduction of the previous Corporate Governance Code, as well as the Control Authority's relative recommendations, in relation to the small dimension and corporate structure of the KME Group.

The Company has continually improved the quality and quantity of the information it has been providing on corporate governance every year ever since the presentation of the financial statements as at June 30, 2000.

The individual Reports of previous financial years are available on the Company's website at https://www.itkgroup.it/it/relazionigovernance, starting with the report for the year ended December 31, 2005.

Finally, this Report takes into account the contents of the letter dated December 14, 2023 (the "**Letter**"), addressed by the Chairman of the Committee to the Chairpersons of the Boards of Directors (and for information to the Managing Directors and the Chairpersons of the Control Bodies) of Italian listed companies, which contains the Committee's recommendations for 2024 (the "**Recommendations**") in conjunction with the Eleventh Annual Report on the Application of the Code (the "**Report**") for 2023.

In this regard, please refer to Chapter 16.

1. Issuer Profile

Starting from the second four-month period of the Financial Year (see the press release of April 22, 2022), the Company, closing its previous path as an investment entity and holding company with diversified interests, has decided (i) to focus on the industrial management of the investment in KME SE, in the light of the growth expectations of the copper laminates sector and the strengthening of the overall competitive position resulting from the extraordinary operation carried out in the previous year, and (ii) to initiate a process for the enhancement of other investments through disposal to third parties or assignment to the Company's shareholders.

Governance Model adopted by the Issuer

The Company has maintained its corporate governance structure over time, based on the traditional model pursuant to Articles 2380-bis et seq. of the Civil Code, composed of the Shareholders' Meeting, Board of Directors and Board of Statutory Auditors.

Legally-required audit activities are performed by the independent auditors.

The attributions and rules of functioning of the corporate bodies are governed by provisions of law and regulations in force over time as well as the Articles of Association and a series of principles and procedures, which are periodically updated as regulations, case law and legal theory and the orientations and guidelines of the Board evolve.

In its meeting of June 8, 2021, which was held immediately after the Shareholders' Meeting that determined its duration for the years 2021-2023, the Board of Directors resolved to establish only the Control, Risk and Sustainability Committee, the members of which are three Directors, two of whom are Independent Directors.

Indeed, as has already taken place in previous years, the Company decided not to establish the Appointments Committee or the Remuneration Committee.

For the reasons that led to this decision and for the remedies that are provided, please see chapter 8 of this Report and the Report on Remuneration.

With regard to the subsidiaries, it should be noted that the governance of KME SE, a German company, the main investment of KME Group, is organised according to the one-tier system since September 15, 2021 and therefore the company is now governed by a Board of Directors.

In order to guarantee an effective and transparent breakdown of the roles and responsibilities of its corporate bodies and, in particular, the proper balance between the management and control functions, the Issuer has adopted a corporate governance system that, aside from being constantly aligned with the continuous evolution of regulations and national and international best practices, is inspired by the principles and application criteria recommended by the Code.

Statement on the Issuer's classification as an SME

At the date of this Report, the Issuer is qualified as an SME pursuant to Article 1, paragraph 1, letter w-quater.1) of the TUF and Article 2-ter of the CONSOB Issuers' Regulation, considering the values of revenues set forth in the draft consolidated financial statements, equal to Euro 1,881 million, and its average market capitalisation in the course of 2023, of Euro 259.4 million.

In particular, the above-mentioned TUF rule establishes that an issuer is an SME when at least one of the following requirements is met, to be calculated on the basis of the instructions provided by Article 2-ter of the Issuers' Regulation: (i) turnover, even prior to the admission to listing of shares, lower than Euro 300 million; (ii) market capitalisation below Euro 500 million. Moreover, the Company would no longer be categorised as an SME, for the purposes of the provisions referred to above, if both of the above-mentioned limits (regarding turnover and average market cap) are surpassed for three consecutive financial or calendar years.

Indeed, the Company is included on the list (January 2024) published by CONSOB (http://www.consob.it/web/area-pubblica/emittenti-quotati-pmi) amongst those businesses which are SMEs, on the basis of the capitalisation and turnover data in CONSOB's possession, pursuant to Article 2-ter of CONSOB Regulation no. 11971/1999, as amended by CONSOB Resolution no. 20621 of October 10, 2018.

In light of the foregoing, the relevant threshold for the disclosure obligations pursuant to Article 120 of the TUF is 5% of the share capital.

2. INFORMATION ON OWNERSHIP STRUCTURE AS AT APRIL 9, 2024

a) Share capital structure (pursuant to Article 123-bis, paragraph 1, letter a), TUF)

At the date of approval of this Report, the share capital of KME Group was Euro 200,114,023.16, and consisted of 325,541,882 shares, of which 311,330,620 were ordinary shares, equal to 95.63% of the share capital, and 14,211,262 were savings shares, equal to 4.37% of the share capital, all of which with no par value.

It should be noted that, with respect to December 31, 2023, the following changes have occurred:

- issue of 580,657 ordinary shares as a result of the exercise of an additional total of 580,657 KME Group 2021-2024 Warrants.

Again at the date of approval of this Report, the Issuer has 98,357,739 ordinary treasury shares in its portfolio.

The total 311,330,620 existing ordinary shares do not attribute rights different or additional to those envisaged by the legislation and the Articles of Association.

Each share carries unrestricted voting rights (one vote per share) unless otherwise provided by law.

Votes may also be cast by mail in accordance with the dedicated procedure set forth in Article 11 of the Articles of Association.

In 2015, as mentioned in another part of this Report, the Company amended the Articles of Association to include the increase of the voting right for shareholders who possess the requirements set by the law and so expressly request by registration in the appropriate special register.

Similarly, the overall 14,211,262 existing savings shares do not entail rights different or additional to those envisaged by legislation and the Articles of Association.

The rights of the Holders of Savings Shares are listed in Articles 145 et seq. of the TUF and Articles 5, 8 and 28 of the Articles of Association.

The Common Representative of the savings shareholders, who can participate with the right to participate in the Meetings of shareholders holding ordinary shares and whose rights are indicated in Article 26 of the Articles of Association, is Andrea Santarelli, appointed for the 2021/2023 financial years by the Special Meeting of Savings Shareholders held on June 8, 2021.

The savings shares confer the following privileges:

- the right to a preferential dividend up to a maximum of Euro 0.07241 per share per annum subject to the right to other dividends increased by Euro 0.020722 per share compared to ordinary shares. This, however, is without prejudice to the prorated increase in the preferential dividend in each of the two years following the payment of a preferential dividend of less than Euro 0.07241 per share per annum;

- in the event the Company is wound up, a preferred right to the liquidation proceeds of Euro 1.001 per share.

* * * * * *

The Board of Directors of KME on April 22, 2022, resolved to focus on the industrial management of the investment in KME SE, in the light of the growth expectations of the copper laminates sector and the strengthening of the overall competitive position resulting from the extraordinary operation carried out in the last few years, and to carry out accordingly the enhancement of other investments in the portfolio.

As a result of this new strategy, it was considered that the new structure of the Group required a lower level of capital endowment and, to this end, on June 16, 2022, following the resolutions of the Ordinary and Extraordinary Shareholders' Meetings held on the same date, it was decided to promote:

- an exchange offer on ordinary shares for a maximum of 133,674,937 ordinary shares, which can be increased up to a maximum of 179,441,687 ordinary shares, in consideration of a potential reduced level of subscription to the Exchange Offer on Savings Shares and to the Exchange Offer on Warrants (the "**Exchange Offer on Ordinary Shares**");
- a voluntary total public exchange offer concerning all the savings shares outstanding at the time, i.e. 16,325,063 savings shares (the "**Exchange Offer on Savings Shares**");
- a public exchange offer on the "KME Group S.p.A. 2021-2024" Warrants (the "**Warrants**") (the "**Exchange Offer on Warrants**" and, together with the Exchange Offer on Ordinary Shares and the Exchange Offer on Savings Shares, the "**Exchange Offers**"),

with consideration consisting of a maximum of 107.7 million bonds with a unit value of Euro 1.00, deriving from a newly issued Bond Loan called "KME Group SpA 2022-2027".

The Exchange Offers began on July 25, 2022, and were initially scheduled to end on September 6, 2022, with reference to the Exchange Offer on Savings Shares and the Exchange Offer on Warrants, and on September 9, 2022, with reference to the Exchange Offer on Ordinary Shares.

On September 5, 2022, the Board of Directors resolved to increase the consideration for the Exchange Offer on Ordinary Shares and for the Exchange Offer on the Warrants and consequently extended the subscription period for the Exchange Offer on Savings Shares and the Exchange Offer on Warrants until September 13, 2022, and the subscription period for the Exchange Offer on Ordinary Shares until September 16, 2022.

Upon completion of the Exchange Offers, a total of (i) 82,302,194 Ordinary Shares, (ii) 1,078,558 Savings Shares and (iii) 20,235,530 Warrants were tendered, resulting in the issue of a total of 63,533,259 KME Group SpA 2022-2027 Bonds for a total value of Euro 63.5 million.

In the light of the fact that the Exchange Offer on Ordinary Shares and the Exchange Offer on Warrants were only partially subscribed, the Company considered it appropriate to continue to pursue an arrangement characterised by a lower capital endowment, which is considered more appropriate in the context of the new strategy adopted and the extraordinary transactions carried out in 2022.

Therefore, as part of the broader path taken by the Issuer with the adoption of the new strategy, the Board of Directors of KME, on February 28, 2023, resolved on the guidelines of a transaction that involved:

(i) the promotion, subject to obtaining the necessary Shareholders' Meeting authorisation, of a voluntary partial public exchange and tender offer on a maximum of 100,000,000 ordinary shares of KME Group S.p.A., equal to 32.6% of the category capital and 31.0% of the share capital at a unit price of Euro 0.90 (the “**PETO**”);

(ii) after the completion of the PETO, the promotion of a voluntary partial public exchange offer on Warrants that would have been outstanding at its date of promotion, at a ratio of 1 KME ordinary share every 2.3 Warrants tendered (the "**PEO on Warrants**").

Taking into account current stock market prices, the new offers would have allowed shareholders who intended to subscribe to benefit, with equal treatment for all, from the temporary possibility of liquidating all or part of their investment at a certain price, at a premium with respect to the security average prices of the last few months.

The PETO provided for a unit total consideration consisting of:

- Euro 0.50 for each KME Ordinary Share (the “**Cash Consideration**”), for a total value of Euro 50 million;

- 0.0174 Culti Milano SpA shares ("**Culti Milano**" and with reference to its shares, the "**Culti Milano Shares**") for each KME ordinary share (the "**Consideration in Shares**" and, together with the Cash Consideration, the "**Consideration**"), for a maximum aggregate amount equal to 1,740,000 Culti Milano Shares (the "**Culti Shares Offered**"), or, alternatively, with payment in cash on the terms set out in the press release issued on February 28, 2023.

The PEO on Warrants, which would have been promoted by KME pursuant to Art. 102 et seq. of the Consolidated Law on Finance after the completion of the PETO, according to the terms and timing to be determined by the Board of Directors, concerned all Warrants outstanding at that date.

To each member of the PEO on Warrants, the Offeror would have recognised 1 ordinary share for each 2.3 Warrants tendered and purchased (il “**Consideration for Warrants**”).

It should be noted that, in order to attribute a “monetary” value to the Consideration for Warrants, each ordinary share was valued by referring to the weighted average of the official prices in the period 1 month prior to February 27, 2023, and that, by applying this criteria, the implicit monetary value of the Consideration for Warrants would have been Euro 0.6925 for every 2.30 Warrants (the “**Monetary Value of the Consideration for Warrants**”).

The ordinary shares offered as Consideration for Warrants were the ordinary shares purchased through the PETO.

The total or partial nature of the PEO would therefore depend on the number of ordinary shares actually tendered and purchased in the PETO.

The PETO and the PEO on Warrants were subject to terms and conditions in line with market practice and, upon completion of the Public Exchange Offer on Warrants, the Warrants so purchased would be cancelled together with any remaining ordinary shares purchased under the Public Exchange and Tender Offer.

Moreover, KME intended to propose to the shareholders' meeting that the expiry date for the exercise of the Warrants, currently scheduled for June 28, 2024, be brought forward to December 31, 2023.

The ordinary and extraordinary Shareholders' Meeting of the Company was then convened for April 3 and 4, 2023, in order to implement the transaction described above.

Subsequently, with a resolution dated March 28, 2023, the Board of Directors of KME Group SpA announced that it had received, through JP Morgan Asset Management (UK) Limited ("**JPM**" or the "**Investor**"), a binding offer formulated by Lynstone SSF Holdings II Sàrl ("**Lynstone II**"), a fund managed by JPM itself, aimed at financing a transaction that envisaged, among other things, the promotion by KME, subject to obtaining the necessary authorisations and subject to the occurrence of certain conditions indicated below, of public tender offer on

KME ordinary shares, savings shares and warrants (the "**Offers**"), to be settled with cash consideration, as part of a project aimed at the delisting of the aforementioned financial instruments, if the conditions are met and in particular:

- a voluntary total or partial, as indicated below, public tender offer on ordinary shares of KME Group S.p.A. at a unit price of Euro 1.00 (the "**PTO on Ordinary Shares**");
- a voluntary total public tender offer on KME Group S.p.A. savings shares at a unit price of Euro 1.20 (*cum* dividend of Euro 0.21723) (the "**PTO on Savings Shares**");
- a voluntary total public tender offer on Warrants at a unit price of Euro 0.45 (the "**PTO on Warrants**").

The PTO on Ordinary Shares would have been promoted:

- in total form ("**Total PTO on Ordinary Shares**"), where the necessary consents have been received in due time from the lending banks of the KME Group pursuant to the existing loan agreements ("**Waiver**"); or

- in partial form on 130,000,000 ordinary shares of KME (the "**Partial PTO on Ordinary Shares**"), if the necessary Waivers have not been received in due time.

The Board of Directors of KME, during the meeting of March 28, 2023, accepted the binding offer, deeming the Offers significantly improved compared to the offers proposed in the previous press release of February 28, 2023, as all Offers provided for a consideration to be paid in cash, they were also extended to savings shareholders and warrant holders, and for ordinary shares, they provided for an increase in consideration and a higher number of securities to be included in the offer.

The transaction and the Offers were conditional on the achievement of an amount of subscriptions of no less than a total value of Euro 120.0 million.

In consideration of the total value of the individual Offers (indicated below), the fulfilment of the aforementioned condition would largely depend on the amount of ordinary shares tendered for the PTO on Ordinary Shares.

In addition, the transaction and, consequently, the promotion of the Offers were subject to approval by the Shareholders' Meeting of the Company of the authorisation to purchase treasury shares and Warrants pursuant to Article 2357 of the Italian Civil Code and Article 132 of the TUF, as well as obtaining all necessary authorisations, including regulatory authorisations, including the one related to the obligations pursuant to Italian Law Decree 21/2012 as subsequently supplemented and amended ("*Golden Power*") and related implementing provisions.

Taking into account that delisting was the purpose of the overall transaction, this objective would be achieved through:

(i) in the event of the promotion of the Total PTO on Ordinary Shares, if the conditions were met, the fulfilment of the purchase obligations pursuant to Art. 108 of the TUF and the exercise of the right to purchase pursuant to Art. 111 of the TUF on ordinary shares, by KME as a party acting in concert with Quattroduedue S.p.A. ("");

(ii) in the event of the promotion of the Partial Public Tender Offer on Ordinary Shares, the possible promotion of additional tender offers on ordinary shares, including in full after obtaining the Waivers;

(iii) following the Public Tender Offer on Savings Shares, any proposed conversion of the savings shares into ordinary shares;

(iv) following the Public Tender Offer on Warrants, the promotion of a voluntary public exchange offer on the Warrants still outstanding, at a ratio of one ordinary share for every 2.3 Warrants tendered; and/or

(v) the possible proposal to the Shareholders' Meeting to proceed to a merger, for the purpose of delisting.

To cover the financial requirements deriving from the payment obligations connected to the Offers, equal – in the case of full subscription of the same – to a total maximum of Euro 203.4 million (taking into account the distribution of a dividend to savings shares for a total of Euro 0.3 million) in the event of a Total PTO on Ordinary Shares or a maximum total of Euro 179.0 million (taking into account the aforementioned dividend to savings shares) in the event of a Partial PTO on Ordinary Shares, the Company would have mainly used amounts deriving from an intercompany loan (the "**Intercompany Loan**") to be disbursed by the wholly-owned direct subsidiary KMH S.p.A. (hereinafter also "**KMH**").

In this regard, it should be noted that the financial resources underlying the Intercompany Loan referred in turn to the issue of bonds (for a maximum of Euro 135.1 million) and a capital increase (for a maximum of Euro 70.0 million) to be approved by KMH and fully subscribed, for a total amount of up to Euro 205.1 million, by JPM.

The transaction provided for the signing of an investment agreement aimed at regulating relations between KME and JPM with reference to the project, in which Quattroduedue S.p.A. would also have participated in relation to certain specific agreements relating to KME. Quattroduedue had also accepted the binding offer, as an additional recipient thereof, in order to support the Company in the overall transaction.

In relation to the project, among other things, the signing was envisaged of an agreement containing some shareholders' agreements, typical of similar transactions, between KME and JPM in relation to KMH.

The delisting was considered by the Company functional to the objective of concentrating its activities in the industrial management of the KME Group and of offering the Company greater flexibility in the pursuit of strategies aimed at strengthening its market position, also through external growth, taking into account that the listing does not allow the KME Group to be adequately valued.

Furthermore, the Company believed that the delisting, in addition to representing a corporate simplification with related cost savings, may make it possible to implement, with greater effectiveness, any opportunities for reorganisation of the KME Group aimed at further strengthening it, more easily pursued as an unlisted company.

Taking into account market prices, the Offers would have allowed recipients who intended to subscribe to benefit, with equal treatment for all, from the possibility of liquidating their investment at a certain price, in cash, at a premium with respect to the securities prices average of the last few months.

For further information, including details of the Offers, please refer to the documentation published on the Issuer's website at https://www.itkgroup.it/it/opas-2023.

Therefore, the Board of Directors revoked the Shareholders' Meeting convened for April 3 and 4, 2023, and convened a new ordinary and extraordinary Shareholders' Meeting, within the terms set forth by law (the "**New Shareholders' Meeting**"), to pass the resolutions necessary to implement the transaction.

Taking into account that the transaction – whose purpose, in the last resort, was to carry out the Offers aimed at delisting – is characterised by an overall coherence and is developed in an interconnected series of components, which are mutually dependent, and that the contractual structure also provided for the involvement of the controlling shareholder Quattroduedue, the Company has prudently followed the procedures outlined in CONSOB Regulation 17221/2010 (the "**RPT Regulation**"), as well as the "Procedure on Related Party Transactions" adopted by KME (the "**RPT Procedure**").

Therefore, all the following resolutions of the Board of Directors in this regard were made subject to the favourable binding opinion given by the Independent Directors of KME in their capacity as Related Party Transactions Committee (the "**RPT Committee**").

By decision of May 10, 2023, the Board of Directors of the Company, following the acceptance of the binding offer, approved the terms and conditions of the overall transaction announced on March 28, 2023 and, in particular, the increase to Euro 1.30 (*cum* dividend of Euro 0.21723) of the consideration of the PTO on Savings Share and Euro 0.60 of the consideration of the PTO on Warrants.

As a result of the resolutions thus passed on that date, the transaction envisaged the promotion of:

- the total or partial PTO on Ordinary Shares at a unit price of Euro 1.00;
- the PTO on Savings Shares at a unit price of Euro 1.30 (*cum* dividend of Euro 0.21723), and
- the PTO on Warrants at a unit price of Euro 0.60.

As previously announced, the transaction and the Offers remained conditional on the achievement of an amount of subscriptions of no less than a total value of Euro 120.0 million.

In any case, the ordinary shares, savings shares and warrants held by Quattroduedue and the ordinary treasury shares held by the Company were excluded from the Offers.

In addition, the transaction and, consequently, the promotion of the Offers were subject to approval by the Shareholders' Meeting of the Company of the authorisation to purchase treasury shares and Warrants pursuant to Article 2357 of the Civil Code and Article 132 of the TUF, as well as obtaining the Waivers by the banks and all necessary authorisations, including regulatory authorisations, including the one related to the obligations pursuant to Italian Law Decree 21/2012 as subsequently supplemented and amended ("Golden Power") and related implementing provisions.

On May 10, 2023, KME and the Investor signed an agreement called "**Investment Agreement**" aimed at regulating relations between KME and the Investor (which also involved Quattroduedue with reference to certain specific commitments relating to KME in order to support the latter in carrying out the overall transaction).

The Investment Agreement provided for the participation of the Investor in the overall transaction through:

(a) the subscription in cash of bonds ("**Notes**"), between a minimum of Euro 79 million and a maximum of Euro 135.1 million, issued by KMH Sp.A., maturing on December 31, 2025, and to be repaid in three annual instalments of the same amount on December 31 of each year, on which interest will accrue equal to (i) 10% per year, for the periods expiring on June 30, 2023, September 30, 2023 and December 31, 2023, (ii) 12% per year, for the periods ending March 31, 2024, June 30, 2024, September 30, 2024 and December 31, 2024, (iii) 15% per year for the periods ending March 31, 2025, June 30, 2025, September 30, 2025 and December 31, 2025; and

(b) the subscription in cash of a capital increase of KMH, for between a minimum of Euro 41 million and a maximum of Euro 70 million ("**KMH Share Capital Increase**"), with the issue of special category shares with some specific characteristics depending on the project and representative of between a minimum of 12.0% and a maximum of 20.5% of the relative share capital;

and, therefore, for a total amount (through a mix of equity and debt equal, respectively, to 33%-34% and 66%-67%) of a maximum of Euro 205.1 million, paid by the Investor to KMH, based on subscriptions to the Offers promoted by KME.

The Company would then cover the financial requirements deriving from the payment obligations related to the Offers mainly by making recourse to the amounts deriving from an intercompany loan to be disbursed by KMH using the financial resources deriving from the Investor's investment in KMH.

The transaction envisaged the granting by Quattroduedue and KME of some collateral vis-à-vis the Investor, including the pledge on the ordinary shares of KME held by Quattroduedue to guarantee the obligations assumed by the subsidiary KMH.

The Investment Agreement contains some shareholders' agreements typical of similar transactions mainly relating to (a) the governance of KME and KMH and its subsidiaries, (b) the transfer of the investments of the Group companies.

The New ordinary and extraordinary Shareholders' Meeting held on June 12, 2023, therefore approved:

1. the authorisation, for a period of eighteen months:

(i) to purchase up to 154,432,623 ordinary shares and to purchase up to 78,635,148 additional ordinary shares deriving from the exercise of the Warrants, to be executed through the Total PTO on Ordinary Shares, with a consideration equal to Euro 1.00 for each share purchased, if the necessary Waivers had occurred in due time;

(ii) to purchase up to 130,000,000 ordinary shares and to purchase up to 78,635,148 additional ordinary shares deriving from the exercise of the Warrants, to be executed through the Partial PTO on Ordinary Shares, with a consideration of Euro 1.00 for each share purchased, if the necessary Waivers had not occurred in due time;

(iii) to purchase of up to 13,822,473 savings shares, to be carried out through the PTO on Savings Shares, with a consideration of Euro 1.082770 for each share purchased (*ex* dividend resolved by the Shareholders' Meeting of May 3, 2023);

(iv) to purchase up to 78,635,148 Warrants, to be carried out through the PTO on Warrants, with a consideration of Euro 0.60 for each Warrant purchased, or through the PEO on Warrants promoted on the Warrants not purchased through the PTO on Warrants;

2. the authorisation, pursuant to Art. 2357-ter of the Civil Code, to dispose of ordinary shares in exchange for Warrants, in the ratio of 1 ordinary share for each 2.3 Warrant tendered, through the PEO on Warrants;

3. the cancellation, without a corresponding reduction of the share capital, but only with the cancellation of the reserve used for the relevant purchase, and with consequent amendment of Art. 4 of the Articles of Association:

(i) of all 154,432,623 ordinary shares purchased by the Company through the PTO on Ordinary Shares, with effect from the closing date of the offer, or, alternatively – if the necessary Waivers have not occurred in due time – all the maximum 130,000,000 ordinary shares purchased through the Partial PTO on Ordinary Shares, with effect from the closing date of the offer (making it clear that the ordinary shares purchased through the Total PTO on Ordinary Shares or, as the case may be, through the Partial PTO on Ordinary Shares, and not used as consideration for the PEO on Warrants, would also be subject to cancellation);

(ii) of all 78,635,148 additional ordinary shares, if any, arising from the exercise of the Warrants purchased by the Company through the Total PTO on Ordinary Shares or, as the case may be, through the Partial PTO on Ordinary Shares, effective as at the closing date of such offer;

(iii) of all 13,822,473 savings shares purchased through the PTO on Savings Shares, effective as at the closing date of the Offer;

(iv) of all Warrants purchased by the Company through the PTO on Warrants or, as the case may be, through the PEO on Warrants, effective as at the closing date of such offers;

4. the revocation of the resolution approved by the extraordinary shareholders' meeting held on November 30, 2020, to increase the share capital to service the exercise of the Warrants

(as amended by the extraordinary shareholders' meeting held on June 16, 2022) for the portion reserved for the exercise of the cancelled Warrants, with effect, as the case may be, of the PTO on Warrants or the PEO on Warrants, with the consequent amendment of Article 4 of the Articles of Association.

Also on June 12, 2023, the Board of Directors of the KME Group S.p.A. resolved, having received all the necessary Waivers, to promote the three voluntary total Public Tender Offers on ordinary shares, savings shares and warrants of the KME Group S.p.A., pursuant to Article 102, paragraph 3 of the TUF.

The Offers were addressed, without distinction and on equal terms, to all holders of ordinary shares, savings shares and warrants of KME Group S.p.A., with the exception of Quattroduedue S.p.A., subject to the approval of the relevant Offer Document by CONSOB.

On June 20, 2023, the Company filed the relevant offer document with CONSOB, which, after an initial suspension of the preliminary terms on June 30, 2023, approved said offer document on July 19, 2023, by resolution no. 22779 concerning the Offers with the following final characteristics:

(i) the PTO on Ordinary Shares concerned a maximum of 154,441,260 ordinary shares (equal to 50.28% of the ordinary share capital of KME), corresponding to all outstanding ordinary shares, minus 145,778,198 ordinary shares (equal to 47.46% of the ordinary share capital of KME) held by the controlling shareholder of the Issuer Quattroduedue and 6,937,311 ordinary treasury shares in the portfolio (equal to 2.26% of the ordinary share capital of KME), at a unit price of Euro 1.00 (the "Consideration for the PTO on Ordinary Shares"), which can be increased for a further maximum 78,626,511 Ordinary Shares that may result from the exercise of up to 78,626,511 outstanding Warrants;

(ii) the PTO on Savings Shares concerned a maximum of 13,822,473 savings shares (equal to 90.66% of the category capital), corresponding to all outstanding savings shares, minus the 1,424,032 savings shares held by Quattroduedue (equal to 9.34% of the capital in this category), at a unit price of Euro 1.08277 (*ex* dividend of Euro 0.217230 approved by the Ordinary Shareholders' Meeting of KME on May 3, 2023, and with payment made as from May 24, 2023; the "Consideration for the PTO on Savings Shares");

(iii) the PTO on Warrants concerned a maximum of 78,626,511 Warrants (equal to 51.62% of outstanding Warrants), corresponding to all outstanding Warrants, minus 73,680,892 Warrants held by Quattroduedue (equal to 48.38% of the outstanding Warrants), at a unit price of Euro 0.60 (the "Consideration for the PTO on Warrants" and, together with the Consideration for the PTO on Ordinary Shares and the Consideration for the PTO on Savings shares, the "Consideration for the Offers").

Pursuant to Article 40, paragraph 2, of the Issuers' Regulation, the subscription period for the Offers (the "**Subscription Period**"), agreed with Borsa Italiana, was set to start at 8:30 a.m. on July 31, 2023, and end at 5:30 p.m. on September 25, 2023, inclusive, and therefore amounted to 40 trading days.

Therefore, September 25, 2023, represented the last day to subscribe the Offers, without prejudice to the possible Reopening of the Terms (as defined below), only for the PTO on Ordinary Shares.

On the seventh trading day following the close of the Subscription Period, i.e. October 4, 2023 (the "**Payment Date**"), under the terms and conditions indicated in the Offer Document, the Offeror would have paid the Consideration for the Offers to each Ordinary Share, Savings Share and/or Warrant holder who had validly subscribed the respective Offers.

If the legal requirements had been met, pursuant to Article 40-bis, paragraph 1, let. a), of the Issuers' Regulation, the Subscription Period for the PTO on Ordinary Shares would have been reopened for five trading days (the “**Reopening of the Terms**”) starting from the trading day following the Payment Date, and therefore on October 5, 6, 9, 10 and 11, 2023, from 8:30 a.m. to 5:30 p.m.

The payment date for the ordinary shares tendered as part of the PTO on Ordinary Shares during the Reopening of the Terms (if provided) was October 18, 2023, (the "**Payment Date as a result of the Reopening of the Terms**").

The Offer Document was therefore published on July 28, 2023.

On August 7, 2023, the Presidency of the Council of Ministers announced that it had decided not to exercise the special powers granted to it by Italian Law Decree 21/29012 (known as *Golden Power*).

On August 30, 2023, the *Bundesministerium für Wirtschaft und Klimaschutz* (German Federal Ministry of Economics and Energy) also issued the authorisation under the applicable local regulations on the control of foreign investments.

On September 18, 2023, the Board of Directors resolved to convene the extraordinary shareholders' meeting to resolve on the reverse merger of the Issuer into the subsidiary KMH (the "**Merger**") conferring a mandate on the Chairman Vincenzo Manes and on the Vice Chairwoman Diva Moriani to do so by February 29, 2024.

The Merger proposal was part of the Offers on its ordinary shares, savings shares and Warrants covered by the Offer Document published by the Issuer on July 28, 2023.

As represented in the said Offer Document, the Issuer had started the necessary procedures and the related preparatory activities for the purposes of the Merger, both in the case of delisting following the Offers, and in the event in which, following the Offers themselves, the conditions for the delisting were not satisfied and, therefore, also where they did not materialise and the conditions for the Offers to be effective were waived, resulting in their ineffectiveness.

If the conditions for delisting had not been met following the Offers, the Issuer would have been able to achieve delisting through the Merger, in accordance with the reasons and objectives of the Offers.

Therefore, if the Issuer had not already been delisted following the Offers, the holders of Ordinary Shares and the holders of Savings Shares of the Company who did not participate in the resolution approving the Merger would still have been entitled to withdraw pursuant to Article 2437-quinquies of the Civil Code, since, in such a case, they would have received in exchange shares not listed on a regulated market.

The liquidation values of the Issuer's shares subject to withdrawal would have been determined, pursuant to Art. 2437-ter, third paragraph, of the Civil Code, with reference to the date of publication of the notice convening the extraordinary shareholders' meeting, and announced within the terms and methods required by law.

As represented in the Offer Document (ref. Warning A.13 and Paragraph G.2.2), the liquidation values of the Issuer's shares subject to withdrawal could have differed from the consideration for the related Offers in progress and the shareholders of the Issuer who had decided not to exercise the withdrawal would have become shareholders of an unlisted company, and would have been holders of financial instruments not traded on any regulated market, with consequent difficulty in liquidating their investment in the future.

As a result of the Merger, the holders of Warrants would have become holders of warrants of the company resulting from the Merger with the right, if the conditions were met, to receive unlisted shares of the latter according to the terms, conditions and exercise ratio defined in the context of the Merger.

Consequently, since these warrants no longer had listed shares as underlying, they could not have been admitted to listing pursuant to Article 2.2.16 of the Regulations of the markets organised and managed by Borsa Italiana S.p.A.

In a press release dated September 22, 2023, the Issuer specified that the Merger, which qualified as a related party transaction of "greater importance" pursuant to Art. 8 of the RPT Regulation and Art. 11 of the RPT Procedure, had already been examined by the RPT Committee as part of the opinion issued on May 6, 2023, on the delisting transaction and attached to the information document dated May 17, 2023, on the Issuer's website www.itkgroup.it, in the Governance/Related Parties section, and therefore the exemption provided for transactions with subsidiaries under Article 13 of the RPT Regulation had not been applied.

On September 26, 2023, based on what was announced by Equita SIM S.p.A., as Intermediary in Charge of Coordinating the Collection of Subscriptions, at the end of the Subscription Period of the Offers, the final results of the Offers were then announced, by virtue of which:

- 118,259,645 ordinary shares were tendered in the PTO on Ordinary Shares for a value of Euro 118,259,645.00 representing 76.34% of the ordinary shares included in the Offer, 38.44% of the category capital and 36.63% of the Issuer share capital as at September 26, 2023;
- 1,035,243 savings shares were tendered in the PTO on Savings Shares for a value of Euro 1,120,930.06, representing 7.49% of the savings shares included in the Offer, 6.79% of the category capital and 0.32% of the Issuer share capital as at September 26, 2023;
- 65,331,392 Warrants were tendered in the PTO on Warrants for a value of Euro 39,198,835.20, representing 83.58% of the Warrants included in the Offer and 43.03% of the Warrants outstanding as at September 26, 2023.

Based on the final results, the Issuer was found to hold:

- also taking into account the 6,937,311 ordinary treasury shares, a total of 125,196,956 ordinary shares, representing 40.70% of the category capital and 38.78% of the Issuer share capital as at September 26, 2023;
- a total of 1,035,243 savings shares, representing 6.79% of the category capital and 0.32% of the Issuer share capital as at September 26, 2023;
- a total of 65,331,392 Warrants, representing 43.03% of the Warrants outstanding as at September 26, 2023.

On this occasion, the following was announced:

(i) with reference to the Conditions of the Offers, the fulfilment of the Minimum Disbursement Condition, stating that the effectiveness of the Offers was still subject to the remaining Conditions of the Offers (i.e., the Authorisation Condition and the MAC Condition, as set out in the Offer Document); and

(ii) the Reopening of the Terms for subscribing to the PTO on Ordinary Shares only for a further period of five trading days, namely for the sessions of October 5, October 6, October 9, October 10 and October 11, 2023, (inclusive), from 8:30 a.m. to 5:30 p.m,

also by specifying that

- if, on conclusion of the Reopening of the Terms, the necessary conditions were met, the delisting would be achieved through fulfilment of the Purchase Obligation pursuant to Art. 108, paragraph 2 and/or Art. 108, paragraph 1, of the TUF and exercise of the Right to Purchase pursuant to Art. 111, paragraph 1, of the TUF;
- if, on conclusion of the Reopening of the Terms, the conditions were not met to arrange delisting through fulfilment of the Purchase Obligation pursuant to Art. 108, paragraph 2 and/or Art. 108, paragraph 1, of the TUF and the exercise of the Right to Purchase pursuant to Art. 111, paragraph 1 of the TUF, the Issuer – in line with the reasons and objectives of the Offers represented in the Offer Document – would achieve the

delisting through the Merger, as also announced in the press release issued on September 18, 2023.

On September 29, 2023, Lynstone SSF E Holdings II S.à r.l. ("**Lynstone SSF**") had subscribed the first tranche of the KMH Capital Increase, in an amount corresponding to 15.2943% of KMH's share capital, and Lynstone II had subscribed Notes issued by KMH of Euro 106,500,000.00, as closing fulfilments pursuant to the Investment Agreement signed on May 10, 2023, between KME and Lynstone II, together with Quattroduedue.

The Notes thus issued entailed the rescheduling of the quarterly interest payment terms, as from February 29, 2024, and the principal repayment terms set at May 31, 2024, February 28, 2025 and December 31, 2025.

A shareholders' agreement was also signed between KME, Lynstone SSF and Quattroduedue (the "**Agreement**"), aimed at regulating, initially, the relations between Quattroduedue and Lynstone SSF as shareholders of KMH and, subsequently, the relations between Quattroduedue and Lynstone SSF as shareholders of the company resulting from the Merger.

The essential information of the Agreement, as well as the information concerning the contents of the Investment Agreement, are published on the Issuer's website under the section https://www.itkgroup.it/it/patti-parasociali-kme, where their updates can also be found pursuant to Art. 130 of the Issuers' Regulation.

On October 12, 2023, it was announced that 6,441,483 Ordinary Shares had been tendered at the re-opening of the PTO on Ordinary Shares, for a value of Euro 6,441,483.00, representing 4.11% of the ordinary shares included in the Offer, 2.08% of the category capital and 1.98% of the Issuer share capital as at that date.

On the Payment Date following the Reopening of the Terms (i.e. October 18, 2023), the Issuer therefore held:

- also taking into account the 125,196,956 ordinary shares held as a result of the Subscription Period, a total of 131,638,439 Ordinary Shares, representing 42.54% of the category capital and 40.55% of the Issuer share capital as at that date;
- a total of 1,035,243 savings shares, representing 6.79% of the category capital and 0.32% of the Issuer share capital as at that date;
- a total of 65,331,392 Warrants, representing 43.54% of the Warrants outstanding as at that date.

Therefore, also taking into account 145,778,198 ordinary shares held by Quattroduedue, at the Payment Date following the Reopening of the Terms, KME held a total of 277,416,637 ordinary shares, equal to 89.66% of the category capital and to 85,45% of the Issuer share capital.

It was also clarified that, since conditions were not met to arrange delisting through fulfilment of the Purchase Obligation pursuant to Art. 108, paragraph 2 and/or Art. 108, paragraph 1, of the TUF and the exercise of the Right to Purchase pursuant to Art. 111, paragraph 1 of the TUF, KME, in order to achieve the delisting, it would carry out the Merger procedure already announced.

On October 16, 2023, following the Reopening of the Terms, Lynstone II subscribed additional Notes for an amount equal to Euro 4,300,000.00, and Lynstone SSF subscribed the second tranche of the KMH Share Capital Increase, for an amount corresponding to 0.6276% of the share capital of KMH, thus bringing the overall stake of Lynstone SSF in KMH to 15.9219% of the share capital of KMH.

* * *

An annex to the Report includes two tables (Table 2a and Table 2b), the first showing details of the financial instruments issued by the Company and the second showing their performance on the Stock Exchange during the period, highlighting their market capitalisation.

In this regard, it should be noted that a specific section of the website, on the page https://www.itkgroup.it/it/borsa-italiana is available, which is dedicated to the Company's financial instruments and their listing and is continually updated, thus showing the real-time trend in trading.

b) Restrictions on the transfer of securities (pursuant to Article 123-bis, paragraph 1, letter b), TUF)

The Articles of Association do not contain transfer restrictions pertaining to shares, warrants, the "KME Group S.p.A. 2020-2025" Bonds and the "KME Group S.p.A. 2022-2027" Bonds, such as for example, limitations on the ownership of securities or the need to obtain the approval of the Issuer or other holders of securities.

c) Significant investments (pursuant to Article 123-bis, paragraph 1, letter c), TUF)

The significant reporting threshold as provided by Article 120, paragraph 2 is equal to 5% of the share capital with voting right.

At the date of this Report, the Shareholders that directly or indirectly hold investments of more than 5% of the Issuer's share capital, through pyramid structures or cross-investments, according to what is set forth in the communications made pursuant to Article 120 of the TUF, are those specified in Table 2.3 attached to this Report.

The Company has 19,000 Shareholders, according to the Shareholders Register.

On December 31, 2023, the investment of Quattroduedue SpA in the Company amounted to 145,778,198 ordinary shares, corresponding to 46.96% of the share capital in this category.

Quattroduedue SpA also held 1,424,032 savings shares corresponding to 10.02% of the share capital in this category and 0.44% of the entire share capital as at December 31, 2023.

It should be noted that, as at the date of this Report, as a result of the Public Exchange Offer on Warrants, which ended on March 8, 2024, the investment of Quattroduedue SpA in the Company increased by a further 32,035,170 ordinary shares, thus bringing it to a total of 177,813,368 ordinary shares, corresponding to 57.11% of the share capital in this category.

As per the memorandum issued on July 2, 2022, the content of which was published in the press on that same date and submitted to the Milan Company Register, the shareholders of Quattroduedue Holding B.V. - Vincenzo Manes, through Mapa S.r.l. (Milan), with an equity investment of 35.12%, Ruggero Magnoni, through Likipi Holding S.A. (Luxembourg), with a shareholding of 32.44% and Hanseatic Europe S.a.r.l. (Luxembourg), with an investment of 32.44% are signatories to a shareholders' agreement (the "**Agreement 422**") relative to their investments in the aforementioned Quattroduedue Holding B.V, which will expire on June 30, 2025.

In November 2022, Likipi Holding S.A. (Luxembourg) moved its registered office to Italy and changed its name to RFM & Partners S.p.A.

On April 19, 2023, by virtue of the registration in the Milan Companies Register of the deed of merger dated April 14, 2023, index no. 1026/464, Notary Susanna Schneider of Settimo Milanese, the reverse cross-border merger of the company Quattroduedue Holding B.V. into the wholly-owned subsidiary Quattroduedue SpA became effective.

Therefore, as from that date, the shares representing the entire share capital of Quattroduedue SpA were assigned to the shareholders of Quattroduedue Holding BV, in proportional share swap of the investments held by them in the merged entity (extinguished as a result of the merger); more precisely, 7,000,000 shares representing the entire share capital of Quattroduedue SpA were automatically allocated as follows, unchanged with respect to the investments held in the aforementioned merged entity:

- 2,457,986 shares to Mapa Srl;

- 2,271,007 shares to RFM & Partners SpA; and
- 2,271,007 shares to Hanseatic Europe Sarl.

By a deed of acknowledgement of June 26, 2023, the shareholders of Quattroduedue declared that Agreement 422 remains still in force with reference to the shares representing the entire share capital of Quattroduedue SpA, with respect to which the same provisions of Agreement 422 applicable to the investments of Quattroduedue Holding B.V. and to the relevant company shall apply, *mutatis mutandi*, for the same duration of Agreement 422 set until June 30, 2025.

The extract from Agreement 422 is available on the Company's website at https://www.itkgroup.it/it/patti-parasociali.

The Company, as at December 31, 2023, directly held 131,638,439 ordinary treasury shares, equal to 41.42% of the share capital of this category and 40.55% of the total share capital.

During 2024, as a result of the Public Exchange Offer on Warrants concluded on March 8, 2024, a total of 33,280,700 ordinary treasury shares were credited to the subscribers as a consideration for the total number of 76,545,610 Warrants tendered, and therefore, as at the date of this Report, the Company directly holds 98,357,739 ordinary treasury shares, representing 31.59% of the share capital of this category and 30.21% of the total share capital as at that date.

d) Securities with special control rights (pursuant to Article 123-bis, paragraph 1, letter d), TUF)

No securities have been issued conferring special control rights, except as already indicated in another section of this Report, regarding the statutory rules governing the multiple voting rights.

e) Employee share scheme, mechanism for the exercise of voting rights (pursuant to Article 123-bis, paragraph 1, letter e), TUF)

There is no employee share-option scheme.

f) Restrictions on voting rights (pursuant to Article 123-bis, paragraph 1, letter f), TUF)

Without prejudice to applicable regulations and the provisions of the Articles of Association, there are no restrictions on voting rights.

In that connection, the Shareholders' Meeting of May 19, 2006 resolved to amend Article 4 of the Company's Articles of Association in order to allow the Shareholders' Meeting to authorise a share capital increase of up to 10% of the existing share capital without option rights pursuant to Article 2441, paragraph 4, second sentence, of the Civil Code.

Furthermore, Article 27 of the Articles of Association provides that a resolution to extend the duration of the Company (currently December 31, 2050) gives no withdrawal right pursuant to Article 2437 of the Civil Code.

g) Shareholders' agreements (pursuant to Article 123-bis, paragraph 1, letter g), TUF)

The Company has not been informed of the existence of any shareholders' agreements pursuant to Article 122 of the TUF, except as indicated above, regarding:

- the existing Agreement 422 between the shareholders of Quattroduedue SpA, which expires on June 30, 2025, and is reproduced in extract form on the Company's website at https://www.itkgroup.it/it/patti-parasociali;
- the Agreement, signed on September 28, 2023, between KME and Lynstone SSF, together with Quattroduedue SpA, whose extract and essential contents are reproduced on the Issuer's website in the section https://www.itkgroup.it/it/patti-parasociali-kme,

where the relevant updates pursuant to Article 130 of the Issuers' Regulation are also published;

- the Investment Agreement, for the shareholders' agreements already described in another section of this Report, whose extract and essential contents are reproduced on the Issuer's website in the section https://www.itkgroup.it/it/patti-parasociali-kme, where the relevant updates pursuant to Article 130 of the Issuers' Regulation are also published.

h) "Change of control" clauses (pursuant to Article 123-bis, paragraph 1, letter h), TUF) and provisions of the Articles of Association regarding PTOs (pursuant to Articles 104, paragraph 1-ter, and 104-bis, paragraph 1, TUF)

Neither the Company nor its subsidiaries have entered into arrangements on the effectiveness, amendment or termination of which are conditional to a change in the control of the Company.

The Company did not adopt any provisions in its Articles of Association that depart from the provisions of the passivity rule pursuant to Article 104, paragraphs I and II of the TUF, or provide for application of the neutralisation rules pursuant to the following Article 104-*bis*, paragraphs II and III of the TUF in regard to public tender offers or public exchange offers.

i) Delegated powers regarding share capital increases and the purchase of treasury shares (pursuant to Article 123-bis, paragraph 1, letter m), TUF)

The Board of Directors was not assigned any powers pursuant to Article 2443 of the Civil Code, nor authorisations to purchase treasury shares.

As at the date of this Report, the Company holds 98,357,739 ordinary shares equal to 31.59% of the voting capital and 30.21% of the total share capital.

None of the subsidiaries holds KME shares.

j) Management and coordination activity (pursuant to Articles 2497 et seq. of the Civil Code)

Although a subsidiary of Quattroduedue S.p.A., the Company is not subject to management and coordination, pursuant to Articles 2497 et seq. of the Civil Code and Article 37 of the Market Regulation, insofar as that:

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

b) it does not participate in any centralised treasury arrangements operated by Quattroduedue or other companies controlling Quattroduedue or KME;

c) the number of independent Directors (currently 3 out of 10) is such as to ensure that their opinions have a material influence on board decisions;

d) the Control, Risk and Sustainability Committee consists of 3 Directors, 2 of whom are Independent Directors also pursuant to Article 37, paragraph 1-bis of the Market Regulation.

* * * * *

With reference to the additional information pursuant to Article 123-bis of the TUF, please refer to the following paragraphs of this Report, as specified below:

- the information required by Article 123-bis, paragraph 1, letter i) of the TUF, relating to agreements between companies and directors, which envisage indemnities in the event of resignation or dismissal without just cause, or if their employment contract should terminate as the result of a public tender offer, is contained in the Report on Remuneration relating to the year 2023;

- the information required by Article 123-bis, paragraph 1, letter l) of the TUF relating to the appointment and replacement of directors, as well as amendments to the Articles of Association, is illustrated in chapter 4 of this Report, dedicated to the Board of Directors;
- the information required by Article 123-bis, paragraph 2, letter b) of the TUF relating to the main characteristics of the risk management and internal control systems, is illustrated in chapter 9 of this Report;
- the information required by Article 123-bis, paragraph 2, letter c) of the TUF relating to information on the mechanisms for the functioning of the Shareholders' Meeting, its main powers, Shareholders' rights and procedures for exercising them, is illustrated in Section 13 of this Report dedicated to the Shareholders' Meeting;
- the information required by Article 123-bis, paragraph 2, letter d) of the TUF relating to the composition and functioning of the administration and control bodies and their committees, is illustrated in chapters 4, 6, 7, 8, 9, and 11 of this Report;
- the information required by Article 123-bis, paragraph 2, letter d-bis) of the TUF is contained in Chapters 4, 11 and 13, relating to the description of policies on diversity applied in relation to the composition of the administration, management and control bodies relating to aspects such as the age, gender composition and training and professional background, along with a description of the objectives, implementation methods and results of such policies.

During the self-assessment, the Board deemed that the professional skills present on the Board of its components and as a whole, which are evaluated periodically, are adequate.

3. *COMPLIANCE* (PURSUANT TO ARTICLE 123-BIS, PARAGRAPH 2, LETTER A), TUF)

The KME Group complies with the Code by promoting the introduction of the relative principles in its own governance system, taking into account the peculiarities of its own structure.

If the standards and application criteria of the Code have not been completely adopted, proper information will be provided on the reasons for the failure to apply it or their partial application.

The text of the Code is available at Borsa Italiana S.p.A. and can also be viewed on the Corporate Governance Committee website at http://www.borsaitaliana.it/comitato-corporate-governance/codice/codice.htm.

As required by Article 149, paragraph 1, letter c.-bis of the TUF, the Board of Statutory Auditors monitors the actual implementation of the rules on corporate governance contained in the Code.

Each year, the Company provides information on its governance system and its adherence to the Code through this Report, drafted also pursuant to Article 123-bis of the TUF, which shows the degree of compliance with the principles and the application criteria required by the Code and international best practice.

The Report is made available to the Shareholders with the documentation provided to the Shareholders' Meeting regarding the financial statements and it is also immediately published on the Company's website (www.itkgroup.it) under the section Governance.

The Committees established within the Board of Directors (see chapters 6 and 10 of this Report) pursuant to the Code, meet and perform the functions according to the provisions of this Code.

Examination of the Company's governance structure, as outlined by the Articles of Association, by the procedures adopted and as illustrated in this Report, shows the commitment of the KME Group to comply with commonly shared best practices.

Neither the Company nor its strategically relevant subsidiaries are subject to provisions of laws which are not Italian which influence the structure of the KME Group's corporate governance.

4. BOARD OF DIRECTORS

4.1. Role of the Board of Directors (pursuant to Article 123-bis, paragraph 1, letter l), TUF)

The Board of Directors has the widest powers for the organisation and management as well as the ordinary and extraordinary Company operations for the achievement of its corporate purpose (Article 14 of the Company Articles of Association), it determines the strategic lines and pursues their achievement, guarantees the continuity of operations and provides for the attribution of powers to the Executive Directors (Articles 15 and 16 of the Articles of Association).

The Board of Directors is also vested with the powers set forth under Article 2365, paragraph II of the Civil Code, as provided by Article 14 of the Articles of Association, in relation to the resolutions concerning mergers and demergers.

According to the Code, one of the main objectives of the Board of Directors is to create value over the medium-long term, and places emphasis on its duty to establish the nature and level of risk that is consistent with the Company's strategic objectives.

During the Board meetings, detailed information is traditionally provided on the operations and transactions considered to be the most significant in order to disseminate knowledge to the Directors and Statutory Auditors.

During the meeting of the Board of Directors examining this Report, information is also provided on legislative and regulatory amendments that took place during the period which involved the Company's governance, with special reference to the provisions of Italian Law no. 21 of March 5, 2024 (known as the "Capital Law"), which came into force on March 27, 2024.

The Board of Directors financial reporting responsibilities are to present:

- the separate and consolidated financial statements as at December 31;
- the half-year report as at June 30.

4.2. Appointment and replacement of Directors (pursuant to Article 123-bis, paragraph 1, letter l), TUF)

The requirements for the appointment and replacement of members of the Board of Directors are those pursuant to applicable laws as supplemented by the Company Articles of Association (Article 17). It is hereby noted that the Extraordinary Shareholders' Meeting held on June 11, 2014, which resulted in amendments to the Articles of Association, adjusted Articles 17 and 22 to the discipline regarding balance between genders in the composition of the administration and control bodies as introduced by Italian Law no. 120 of July 12, 2011 and the relative implementing provisions. Additional amendments to the above-mentioned articles were approved by the Extraordinary Shareholders' Meeting on November 30, 2020 to adapt to new regulatory provisions on gender quotas.

Directors' terms may not be longer than three years and they may be re-elected (Article 17 of the Articles of Association).

Upon presentation of a candidate for the position of Director, the candidate's curriculum vitae and a list of the positions held by the candidate at other Companies as director or statutory auditor are provided to the Shareholders' Meeting.

The number of Directors may vary between a minimum of seven and a maximum of eleven.

The appointment procedure pursuant to Article 17 of the Articles of Association requires that:

- the lists of candidates must be filed at the registered office and published in compliance with current legislation;
- the lists must be accompanied by:

(i) information relating to the identity of the holders of voting rights who have submitted the lists, with an indication of the percentage of the total shareholding held;

(ii) a declaration of the Shareholders other than those who hold, even jointly, a controlling interest or relative majority, certifying the absence of relationships of connection envisaged by the applicable provisions;

(iii) exhaustive information on the personal and professional characteristics of the candidates, as well as a declaration in which the individual candidates accept their candidacy and certify, under their own responsibility, that there are no causes for ineligibility or incompatibility, and that they meet the requirements envisaged by current legislation and the Articles of Association for the respective offices, with indication of any suitability to qualify as independent pursuant to Article 148, paragraph 3, of Italian Legislative Decree no. 58/1998;

- lists with a number of candidates equal to or higher than three must be composed of candidates which belong to both genders, so that a number of candidates at least equal to what is set forth by the laws and applicable regulations inherent to gender balance over time belong to the least represented gender;
- a Shareholder may not submit or vote for more than one list, even if through a third party or through trust companies. Those belonging to the same group and those who adhere to a shareholders' agreement concerning the shares of the Company may not submit or vote for more than one list, even if through a third party or through trust companies. A candidate may be present on only one list, under penalty of ineligibility;
- those who, alone or together with others, represent the shareholding in the share capital (expressed in ordinary shares that assign voting rights in the shareholders' meeting resolutions concerning the appointment of the members of the administrative bodies) in an amount equal to the highest percentage identified in accordance with the relevant provisions issued by the CONSOB - National Commission for Companies and Stock Exchange.
- the shareholding for the presentation of the lists must be indicated in the notice of call of the Shareholders' Meeting;
- lists for which the aforementioned requirements are not observed must be considered as not submitted;
- the candidates are appointed as Directors, except for the last one in progressive order, on the list that obtains the highest number of votes (the "Majority List"), as well as the first candidate on the minority list that has obtained the highest number of votes and is not connected in any way, not even indirectly, with those who submitted or voted on the list resulting first in terms of number of votes; without prejudice to the fact that, for the purposes of the allocation of the Directors to be elected, the lists submitted by Shareholders who have not obtained a percentage of votes equal to at least half of the percentage required for the presentation of the lists, as indicated above, are not taken into account;
- in the event of an equal number of votes between two or more lists, the candidates of the list submitted by the holders of the largest shareholding at the time of submission of the list, or secondarily, by the largest number of them, shall be elected Directors;
- if the candidates elected with the methods indicated above do not ensure the appointment of a number of Directors meeting the independence requirements set forth in Article 148, paragraph 3, of Italian Legislative Decree no. 58/1998, equal to the minimum number established by law in relation to the total number of Directors, the non-independent candidate elected last in progressive order on the Majority List will be replaced by the first independent candidate not elected on the same list according to the progressive order, or failing that, by the first independent candidate according to the sequential order

not elected from the other lists, according to the number of votes obtained by each. This replacement procedure will take place until the Board of Directors is composed of a number of members who meet the requirements set out in Article 148, paragraph 3 of Italian Legislative Decree 58/1998 equal to at least the minimum prescribed by law. Finally, if this procedure does not ensure the result indicated above, the replacement will take place by resolution passed by the Shareholders' Meeting by relative majority, subject to the submission of candidates who meet the aforementioned requirements, without prejudice to compliance with the pro tempore regulations in force concerning gender balance;

- if moreover, the composition of the Board of Directors is not in compliance with the pro tempore regulations in force concerning gender balance with the candidates elected with the methods indicated above, the candidate of the most represented gender elected last in progressive order on the Majority List will be replaced by the first candidate of the least represented gender not elected from the same list according to the progressive order. This replacement procedure will take place until the composition of the Board of Directors complies with the pro tempore regulations in force concerning gender balance. Finally, if said procedure does not ensure the result indicated above, the replacement will take place by resolution passed by the Shareholders' Meeting by relative majority, subject to the presentation of candidates belonging to the least represented gender;
- if only one list is submitted or if no list is submitted, or if the Directors are not appointed for any reason pursuant to the above procedure, the Shareholders' Meeting resolves with the majorities by law, without complying with the procedure envisaged above, in order to ensure (i) the presence of independent Directors pursuant to Article 148 of the TUF in the minimum total number required by the pro tempore regulations in force and (ii) compliance with the pro tempore regulations in force concerning gender balance.

If during the year, one or more Directors taken from lists submitted by Shareholders leave the office, for any reason whatsoever, pursuant to Article 2386 of the Italian Civil Code, as indicated below:

a) the Board of Directors proceeds with the replacement from among the members of the same list to which the outgoing Director belonged and the Shareholders' Meeting resolves, with the majorities provided for by law, respecting the same criterion;

b) if there are no unelected candidates remaining on the aforementioned list or candidates with the required requisites, or in any case when, for any reason whatsoever, it is not possible to comply with the provisions set out in letter a), the Board of Directors replaces the vacancy and the Shareholders' Meeting decides by majority of votes set forth by law, without a list vote.

In any case, the Board of Directors and the Shareholders' Meeting will make the appointments so as to ensure (i) that the number of independent Directors is at least at the minimum level required by the pro tempore regulations in force and (ii) compliance with the pro tempore regulations in force concerning gender balance.

The entire procedure for the appointment of Directors is set forth in Article 17 of the Articles of Association and is also available in a dedicated section of the website www.itkgroup.it.

In this regard, it should be noted that, as per the press release issued on September 22, 2023, the non-independent Director Alberto Previtali resigned on the same date, considering that his resignation was the right thing to do towards the Company and the market, after having subscribed to the current Offers with all the financial instruments of the Company held by him and his spouse. The resignation, pursuant to Article 2385 of the Civil Code, was effective as of September 25, 2023.

On January 12, 2024, the Board of Directors of KME co-opted Laura Cattaneo, from the same minority list from which the resigning director Alberto Previtali had been elected.

On this occasion, the Board of Directors also verified the existence of the independence requirement and the absence of incompatibilities.

4.3. Composition of the Board of Directors (pursuant to Article 123-bis, paragraph 2, letter d), TUF)

The current Board of Directors was appointed by the Shareholders' Meeting on June 8, 2021 which decided on ten (10) members of the administrative body (as indicated previously, the Articles of Association provide for a variable number of Directors, the minimum being 7 and the maximum 11).

The term of office is three financial years and therefore up to the date of the Shareholders' Meeting called for the approval of the financial statements as at December 31, 2023.

In compliance with the procedure referred to in Article 17 of the Articles of Association, the following lists were presented:

- Majority List presented by the majority shareholder Quattroduedue S.p.A. (holding 46.97% of the ordinary share capital);

- Minority list jointly presented by the shareholders Alberto Previtali and Daniela Guatterini (owners overall of 4.53% of the ordinary capital).

The Shareholders' Meeting had approved the Quattroduedue S.p.A. proposal by majority vote, with 340,914,306 votes in favour equal to 89.542% of the shares represented at the meeting and 61.673% of the shares with voting rights; the minority list had obtained 39,817,371 equal to 10.458% of the shares represented at the meeting and 7.203% of the shares with voting rights.

As at the date of this Report, 10 Directors, of which 9 were taken from the list presented by Quattroduedue S.p.A. and 1 was taken from the minority list.

With reference to the requirements of professionalism of the members of the Board of Directors: (i) on acceptance of their candidacy, each of the directors declared that they meet the requirements of integrity and professionalism set forth by regulations for the office; and (ii) during the annual self-assessment carried out, the directors also deemed adequate in light of the core business of the Company both the skills, experience and professional characteristics of the individual members of the Board, and the size, composition and functioning of the Board itself and its committees, also with reference to the application of diversity criteria.

In the meetings of March 28, 2023 and January 12, 2024, the Company's Board of Directors also verified that all Directors met regulatory requirements and confirmed that Directors Francesca Marchetti, Luca Ricciardi and Laura Cattaneo continued to meet the independence requirements.

Directors are required to provide prompt notice in the event that they no longer meet the integrity requirements pursuant to Article 147-*quinquies* of the TUF.

During 2023, compliance with this requirement was assessed, also pursuant to the Bank of Italy regulation (Italian Legislative Decree no. 469 of November 11, 1998).

As far as the Company is aware, none of the members of the Board of Directors and/or Group Key management personnel have, in the past five years, been found guilty of fraud nor, in the performance of their duties, been associated with bankruptcy proceedings, extraordinary administration or compulsory administrative liquidation, nor, finally, have been formally indicted and/or sanctioned by public or regulatory authorities (including professional associations) nor prohibited by a court from membership of a Board of Directors, management board or supervisory board of the Company or engaging in the management or administration of any issuer.

The personal and professional characteristics of each Director are presented in their CVs filed at the Company's registered office and available on the Issuer's institutional website in the Governance/Corporate Bodies section (https://www.itkgroup.it/it/organisociali).

For further details, please see Table 4.2 attached to this Report, which includes the names of each member of the Board in office, with a specification of the office held, the year of birth, the length of time in office, the list from which they were taken, whether they are Executive, Non-Executive or Independent Directors, their attendance at Board and Committee meetings during the Financial Year, as well as the number of administration and control offices currently held in other companies listed in regulated markets, in financial companies, banking or insurance companies or companies of significant size.

Since the end of the Financial Year, only the aforementioned co-option of Laura Cattaneo took place, replacing the resigning Director Alberto Previtali.

The names of Directors usually appear at the beginning of the documents prepared for Shareholders' Meetings and in the annual and half-year financial statements.

Diversity criteria and policies

As at the date of this Report, the Company has not applied any specific diversity or gender criteria, nor has it adopted a diversity policy for the Board of Directors, as it deems respect for the requirements laid out by legislation and regulations in force over time as well as the Articles of Association to be sufficient to ensure the adequate composition of the administrative body. Specifically, with reference to the provisions on the "pink quotas", as last amended by Italian Law no. 160 of December 27, 2019, and applicable as of the first re-election of the Issuer's administrative and control bodies subsequent to January 1, 2020, the date of entry into force of the above-mentioned law, please note that:

- pursuant to Article 147-ter, paragraph 1-*ter* of the TUF, directors must be allocated on the basis of a criterion ensuring gender balance; at least two-fifths of the directors elected must belong to the least represented gender;
- pursuant to Article 17 of the Articles of Association, in the composition of the Board of Directors balance between the male and female gender must be ensured in compliance with applicable provisions of law and regulations in force over time.

The Board of Directors in office apply Article 147-*ter*, paragraph 1-*ter* of the TUF, previously in force, according to which at least two-fifths of the elected directors must belong to the least represented gender.

As at the date of this Report and in compliance with the above-mentioned provisions, five of the directors on the Company's Board of Directors out of ten are women, in line with the regulation in force.

This representation is furthermore ensured on the Board of Statutory Auditors by a Standing Auditor and two Alternate Auditors, appointed at the time that the offices were renewed in 2021.

The Issuer did not adopt specific measures during the Financial Year to promote equal treatment and opportunities between the genders within the Company. This being said, the Issuer believes that the current Company's organisation, which is constantly monitored by the Issuer itself, makes it possible to achieve the above-mentioned objectives.

Maximum offices covered in other companies

The Board of Directors considers that it shall not discretionally limit the number of offices that each Director may occupy, without prejudice to the duty of each Director to evaluate the compatibility of the offices of Director and Statutory Auditor held in other companies listed in regulated markets and subject to the rights afforded by the law and regulations, with respect to:

- the personal and professional qualifications of its members;

- the number and significance of the offices listed above;
- the high participation of their own members in the meetings of the Board of Directors.

In the course of the Financial Year, at its meeting held on March 28, 2023, the Board, on the basis of the information received, after the verification of the offices currently held by its Directors in other companies, decided that the number and type of offices held does not interfere and therefore is compatible with an effective performance of the role of Director in the Issuer.

On the basis of the information received from the Directors and in line with the provisions of the Code, please refer to Table 4.2b attached to this Report for the list of administration and control offices held by the Directors in office in joint-stock companies (including those listed in regulated markets, also abroad), partnerships limited by shares and limited liability companies.

Induction Programme

The Company, considering

a) the high level of professionalism of the Directors,

b) the long-term experience gained by nearly all Directors in the sector of activity in which the Issuer operates, as well as

c) the extensive disclosure provided by the Chairman and the Deputy Chairpersons during the Board meetings in relation to any regulatory updates of interest to the Company and based on

d) updates, data and documents periodically provided to the directors themselves in the various Board meetings, where information regarding the performance of the Group's businesses is provided or resolutions of a strategic nature are made,

did not believe it was necessary to promote further *ad hoc* initiatives in the course of the Financial Year to increase the knowledge of the Directors of the Company’s business segment, company trends and their evolution as well as the reference regulatory framework (“induction programme”).

4.4. Functioning of the Board of Directors (pursuant to Article 123-bis, paragraph 2, letter d), TUF)

During 2023, the Board of Directors met 11 times.

The average duration of the meetings of the Board of Directors was approximately one hour.

During the financial year, the Board of Directors met 3 times.

It is normal practice that the documentation relative to the agenda items is provided to the Directors and the Statutory Auditors prior to each meeting, using e-mail and ensuring that the rules and procedures applicable to confidential documents and information are adhered to. In particular, a document sharing system was implemented in 2023.

With reference to Recommendation 12.c), it should be noted that the Secretary and Manager in charge of Financial Reporting, Giuseppe Mazza, who also performs the role of the Company's Administrative Director, constantly attends the Board meetings.

Other Company and/or Group managers or professionals, who have been employed to assist the Company in specific matters or transactions, may participate in certain meetings of the Board, upon invitation of the Chairman.

The schedule of the Board meetings is announced to Borsa Italiana as soon as it becomes available, in any case no later than January 30, and it is also available on the Company's website www.itkgroup.it.

Pursuant to the Articles of Association (Article 20), the Chairman is the legal representative of the Company, including insofar as representation in the courts, and also has corporate signing powers.

The other Directors shall represent the Company to the extent permitted by the powers conferred on them.

With regard to **Recommendation 1.a)** of the Code, the Board is exclusively responsible for examining and approving strategic, business, and financial plans and for the corporate governance system.

The KME Group exercises the management and coordination activities over certain of its subsidiaries and in particular over KMH SpA and Intek Investimenti SpA, as announced, pursuant to Article 2497-bis of the Civil Code, by the directors of those companies.

Moreover, the Board of Directors determines the appointment and the withdrawal of powers delegated to the executive directors.

The Board assesses the general results of operations when it examines the periodic reports, taking into consideration in particular the information received from the authorised bodies.

The Board is reserved for:

- the examination and approval of the Company's transactions prior to implementation, when these transactions referred to investments, companies or business units with a value in excess of Euro 20 million;
- the subscription of bonds, including convertible bonds, issued by companies and/or national or foreign entities of amount in excess of Euro 20 million;
- the examination and approval of the Company transactions prior to implementation, when these are carried out with related parties: (i) which do not fall under transactions which are exempt from application of the specific procedure relative to transactions with related parties and (ii) of an amount in excess of Euro 5 million;
- the signing of contracts involving the exchange, purchase or sale, including through a contribution, of an amount in excess of Euro 30 million, for each individual transaction, involving securities and financial instruments of any type, which are listed and constitute financial assets, contracts for the sale or purchase of options relative to these securities of an amount in excess of Euro 30 million per individual transaction calculated on the principal of said transaction;
- the purchase, sale, exchange or contribution to companies or entities which are established or under establishment, of real estate of any type or nature, wherever located, the value of which exceeds Euro 20 million per each deed.

It is hereby noted that the powers for amounts that are less than required for exclusive competence of the Board to enter into effect are conferred upon the Chairman and the Deputy Chairpersons.

At the end of each six-month period, the Board of Directors examines the report produced by the Control, Risk and Sustainability Committee containing the outcomes of the verifications produced by this committee and its opinion in regard to the adequacy of the Company's internal control system.

On the occasion of its meeting of March 28, 2023, the Board of Directors examined the positive opinion expressed by the aforementioned Committee.

For information on the remuneration policy adopted by the Company and the compensation received by the Directors and the strategic executives, please see the Report on Remuneration available on the Company's website (www.itkgroup.it) pursuant to the terms and conditions required by the law and the regulation.

With regard to conflicts of interests and related party transactions of the Company and the Group it heads, please see what is described in paragraph 10 below.

It is hereby noted that there are no resolutions of Shareholders' Meetings which provide for derogations to the non-competition restriction applicable to Directors pursuant to Article 2390 of the Civil Code.

4.5. Role of the President

Pursuant to Article 20 of the Articles of Association, to which reference should be made for further details, the Chairman is the legal representative of the Company and has full powers to represent the Company in dealings with third parties and in legal proceedings.

Vincenzo Manes was appointed as Chairman of the Board of Directors by the Shareholders' Meeting of June 8, 2021 and the Board of Directors subsequently confirmed the following powers and capacities:

- coordination and guidance of the activities of other Executive Directors in regard of the assigned powers;
- guidance, coordination and control of external communications including communications with Shareholders;
- in particular, including, but not limited to, and consistently with instructions and guidelines decided by the Board of Directors, the Chairman has powers relating to the management of the Company's administrative, financial, control, legal, tax, insurance, human resources and information technology affairs in addition to industrial and commercial matters and services. He has the powers to guide and coordinate all such activities for all Group companies through the relevant operational designees and always within the limits of the strategic policies decided by the Board of Directors.

In exercising such powers, the Chairman may determine rules for the various internal departments, assign responsibilities, appoint attorneys-in-fact as sole or joint signatories in addition to the issue of orders and requirements for the Company organisation and operation. Such powers may be delegated with respect to amounts between Euro 5 million and Euro 30 million.

4.6. Executive Directors

The Board of Directors nominated two Deputy Chairpersons (Diva Moriani and Marcello Gallo), both currently in office.

Pursuant to Art. 16 of the Articles of Association, each Deputy Chairperson may replace the Chairman in his temporary absence and/or impediment.

The Board of Directors assigned to the Deputy Chairwoman Diva Moriani and the Deputy Chairman Marcello Gallo the powers for the management of the Company's administrative, financial, control, legal, tax, insurance and information technology affairs in addition to industrial and commercial matters and services and also human resources and internal communication; the Deputy Chairpersons have the powers to guide and coordinate all such activities for Group companies through the relevant operational designees and always within the limits of the strategic policies decided by the Board of Directors and by the Chairman Vincenzo Manes.

In exercising such powers, the Deputy Chairpersons can determine rules for the various internal departments, assign responsibilities, appoint attorneys-in-fact as sole or joint signatories in addition to the issue of orders and requirements for the Company organisation and operation.

Such powers may be delegated with respect to amounts between Euro 2 million and Euro 15 million.

The Board of Directors did not consider it necessary to establish an Executive Committee, conferring upon the Chairman Vincenzo Manes, the Deputy Chairwoman Diva Moriani and the Deputy Chairman Marcello Gallo the necessary powers.

There are no other directors holding delegated management powers or otherwise were considered executives pursuant to the provisions of the Code.

It is however noted that based on a special power of attorney dated December 19, 2012, which was subsequently supplemented on July 29, 2014, the Chairman attributed to the Administrative Director, Giuseppe Mazza, powers of ordinary administration to be exercised by sole signature for transactions between Euro 100 thousand and Euro 500 thousand.

As specified in further detail in chapter 10 on the section referring to transactions with related parties, the Board of Directors attributed to the Chairman and the Deputy Chairpersons specific powers in this regard.

The Executive Directors inform periodically the Board of Directors and the Board of Statutory Auditors on the general results of operations and the business outlook as well as regarding the significant transactions carried out by the Company and its subsidiaries.

As noted, these reports will help raise the level of awareness of the Directors and the Statutory Auditors of the situation of the Company and its dynamics.

4.7. Independent Directors and Lead Independent Director

Independent Directors

The current KME Group Board of Directors is made up of 3 (three) Independent Directors.

Pursuant to the provisions of **Recommendation 5** of the Code and in compliance with Articles 147-ter, paragraph 4, and 148, paragraph 3 of the TUF and CONSOB communication DEM/9017893 of February 26, 2009, the Directors Francesca Marchetti and Luca Ricciardi confirmed that they continue to qualify as "Independent Directors" pursuant to the aforementioned provisions and both the Board of Directors and the Board Statutory Auditors agreed also for 2023. Similarly, the fulfilment of this requirement was successfully verified for Director Laura Cattaneo.

It is hereby noted that the assessment is made on the date of the respective appointments made by the Shareholders' Meetings and therefore repeated as part of the procedures for approval of the financial statements as at December 31.

It should also be noted that the Company deemed the number of three independent directors sufficient, in consideration of their professionalism, autonomy and the high contribution to the discussion within the Board of Directors.

It is hereby noted that the Independent Directors meet at least once per year to discuss transactions of particular significance whenever necessary, as part of the activities of the Control, Risk and Sustainability Committee, of which two of the three independent directors of the KME Group are members.

Lead Independent Director

Recommendation 14 of the Code underlined the importance of appointing a Lead Independent Director by the Board of Directors given the presence of particular situations relating to the control of the Company and the powers attributed to the Chairman of the Board of Directors.

As for KME Group, pursuant to the agreements within the shareholders of Quattroduedue, which were mentioned previously, Vincenzo Manes is not a controlling shareholder of this company or, therefore, of the KME Group.

Furthermore, the following elements were appropriately assessed:

- the distribution of powers between a Chairman and two Executive Deputy Chairpersons, separately between them;
- the composition of the Control, Risk and Sustainability Committee, which is mainly composed of Independent Directors who can be convened and meet independently including outside the meetings of the Board of Directors.

Due to the above considerations, the Board of Directors did not consider it necessary to appoint a "Lead Independent Director" to coordinate any requests and contributions from Non-Executive Directors.

5. MANAGEMENT OF COMPANY INFORMATION

Procedure for handling Privileged Information

In order to demonstrate that markets must be promptly, fully, adequately and not selectively notified of corporate actions, the Company adopted the "Code of Conduct regarding Information on Important Corporate Actions" in 2002 as recommended by the "Code" and in compliance with the principles of Borsa Italiana's "guidelines for market information".

With this measure, subject to subsequent interventions, the Board decided to develop a procedure for handling privileged information in order to monitor access to and the circulation of privileged information before it is disseminated to the public, ensure respect for the confidentiality requirements set forth by provisions of law and regulations, as well as in order to govern the internal management and external communication of such information.

The subsequent innovations introduced into the section on corporate disclosures of the TUF, as well as by CONSOB at the regulatory level and therefore by Borsa Italiana S.p.A., required a review to be carried out in March and November 2006 and again in November 2007.

In particular, we reiterate the new formulation of Article 114 of the TUF and, pursuant to the subsequent Article 115-bis, the consequent identification of the "relevant parties," who have access to “privileged information” and the establishment of the relative Register beginning from April 1, 2006, in electronic form.

The procedure requires first and foremost that Directors and Statutory Auditors observe the confidentiality of privileged information which is also required of other persons with access to such information due to their functions and ensuring that such information is only processed by persons aware of the nature and need for compliance and who have knowledge of the procedures required by CONSOB and Borsa Italiana S.p.A.

As noted in Article 115-bis of the TUF, its application refers to the entities controlled by the listed issuer, and therefore excludes controlling entities.

The procedure in question is constantly updated based on regulatory and/or legislative amendments introduced over time, in order to make it even more suited to the group's various businesses.

Privileged information is disclosed externally through press releases – or other suitable means pursuant to the law – the content of which is approved by the Chairman.

As a rule, when possible, the text of the releases, approved in draft form, is shared with the Directors and Statutory Auditors during the relative Board meetings.

Once the text of the releases is approved by the competent corporate bodies, it is disclosed without delay by the managers of the administrative functions, in compliance with provisions in force over time, including through timely publication on the Issuer’s website, where it remains available for the minimum period of time established by the above-mentioned provisions.

For the foregoing purposes, the Company may rely on third parties according to the procedures set forth in provisions in force.

The Directors, Statutory Auditors, associates and all employees of the Issuer and the subsidiaries are required to maintain any privileged information obtained in performing their duties confidential.

Such parties are also required to immediately report all information for which they have reasonable doubts with respect to its nature as privileged information, and to observe the confidentiality requirements set forth above, until the information is no longer privileged or its nature as such has been ruled out.

The Chairman evaluates the relevance of the information received and, if he considers it Privileged Information, or he has doubts in that regard, he shall immediately prepare one or more press releases along with the manager of the administrative function.

The Issuer may delay the communication to the public of Privileged Information, including that regarding subsidiaries, when the following conditions are met:

- immediate communication would likely jeopardise the legitimate interests of the Issuer;
- delayed communication would likely not have the effect of misleading the public;
- the Issuer is capable of guaranteeing the confidentiality of such information.

The assessment of the existence of the above-mentioned circumstances is under the responsibility of the Chairman.

The procedure for the processing of privileged information is brought to the awareness of all Directors, Statutory Auditors, associates and employees of the Issuer and the subsidiaries with suitable means.

Register of people with access to privileged information

Particularly with regard to the obligation for listed issuers to establish and manage a register of people with access to Privileged Information pursuant to the provisions of Article 18 of Regulation (EU) no. 596/2014 and the implementing regulations, the procedure for the processing of privileged information adopted by the Issuer calls for the establishment of a register of informed parties (the "**Register**") managed by the Company's Legal and Corporate Affairs Manager or in any event the party covering that function.

For each party with access, on a regular or occasional basis, to privileged information due to their working or professional activities or the functions performed on behalf of the Issuer, the Register contains identifying data and the additional information required by regulations in force over time referring to the Informed Parties listed in the Register.

The Register must be updated if the reason for registration of an informed party changes, or when a new informed party should be registered, or when it is necessary to specify that an informed party no longer has access to privileged information.

The information contained in the Register must be stored for at least 5 (five) years subsequent to the elimination of the circumstances resulting in registration or updating.

The party responsible for managing the Register shall promptly notify the Informed Parties of their inclusion in the Register and all updates of information regarding them, as well as the obligations deriving from having access to privileged information and sanctions relating to (i) the offences of the abuse of privileged information and market manipulation and, more generally, (ii) the unauthorised dissemination of privileged information.

Internal Dealing

As of April 1, 2006 and following the entry into force of the provisions on internal dealing introduced into the legal system by Italian Law no. 62 of April 18, 2005 and the ensuing amendments set forth in the Issuers' Regulation, the Issuer has a specific "Code of Conduct on Internal Dealing" (subsequently referred to as the "**Internal Dealing Procedure**"), governing information obligations concerning transactions on financial instruments issued by the Issuer or other financial instruments linked to them carried out by "relevant parties" and/or people with close ties to them, in order to ensure the necessary transparency and uniform disclosure to the market.

The Internal Dealing Procedure, which has been constantly updated over the years based on subsequent regulations on the matter, also in implementation of the regulations set forth in Article 114, paragraph 7 of the TUF, as well as Article 19 of Regulation (EU) no. 596/2014 and the relative implementing regulations, was most recently amended on January 10, 2022.

Aside from identifying "relevant parties", defining their conduct and information obligations and the "party responsible" for the receipt, management and distribution of the information, the aforementioned Internal Dealing Procedure, available on the Issuer's website at https://www.itkgroup.it/it/internaldealing, establishes the prohibition against carrying out transactions on financial instruments of the Company in the following periods: in the 30 (thirty) days prior to the date scheduled for the approval of the draft financial statements; in the 30 (thirty) days prior to the date scheduled for the approval of the half-yearly financial report ("black out periods"). This prohibition became compulsory for "relevant parties" with the entry into force of European Regulation 596/2014 (the so-called MAR).

Communications relating to the relevant transactions pursuant to the rules on Internal Dealing carried out in the course of the Financial Year were provided to the market in compliance with the Internal Dealing Procedure and are available on the Issuer's institutional website at https://www.itkgroup.it/it/internaldealing.

In accordance with the provisions on remuneration, the investments held in the Company and its subsidiaries by the Directors, Statutory Auditors and also Group and Company Key management personnel are disclosed in the Report on Remuneration, to which reference should be made.

* * * * * *

The 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.

It is hereby noted that, as from March 18, 2016, the new transparency Directive (Italian Legislative Decree 25/2016) entered into effect. Among other things, it amended paragraph 2 of Article 154-ter of the TUF, eliminating the obligation to publish the Interim Report on Operations thereby granting a longer time period for approval of the Consolidated Half-Year Report, which must be provided as soon as possible, and in any case within 3 months from the half-year closing date.

CONSOB has been granted specific powers to establish, through its own regulation, any obligations to publish additional periodic financial information. Pursuant to the results of a public consultation, CONSOB resolved not to implement any additional obligations, allowing the individual issuers to select whether to publish these updates or not.

In consideration thereof, starting from the report for the first quarter of 2016, the Company decided not to publish the subsequent interim reports on operations as at March 31 and September 30. However, price sensitive information is immediately disclosed.

Following the entry into effect of the aforementioned Transparency Directive and the MAR, after careful consideration, the Company decided to update its procedures on internal dealing and privileged information.

6. COMMITTEES WITHIN THE BOARD OF DIRECTORS (PURSUANT TO ARTICLE 123-BIS, PARAGRAPH 2, LETTER D), TUF)

For the reasons set forth above and reiterated again in this Report, the Company has not established Committees with several functions.

The Control, Risk and Sustainability Committee is composed of Directors Luca Ricciardi (Chairman), Francesca Marchetti and Alessandra Pizzuti.

The first two members are Independent Directors with professional experience including in accounting, finance and risk management matters deemed appropriate by the Board of Directors.

The Control, Risk and Sustainability Committee is in charge of assisting, with appropriate investigations, in the assessment and decisions of the Board of Directors with regard to the internal control and risk management system, and also approval of the periodic financial reports.

In addition, it carries out supporting activities relating to compliance of the procedures regarding related party transactions with the applicable legislative and regulatory measures as well as their observance.

Further information regarding the Committee's activities is contained in chapter 10.

Beginning from June 19, 2015, the Company has decided not to establish the Remuneration Committee, putting in place appropriate procedures for determination of the remuneration of the Executive Directors, as better specified in chapter 8 below and in the Report on Remuneration, to which reference is made.

The Control, Risk and Sustainability Committee of the KME Group is responsible for setting the guidelines and verifying the internal control system for the identification and management of the main risks to which the Company is exposed. It consequently:

- supports the Board of Directors in the performance of its duties with respect to internal control and risk management;
- assesses, together with the Manager in charge of Financial Reporting and the Independent Auditors, the correct application of accounting policies and their consistency also for the purposes of preparing the consolidated financial statements;
- expresses its opinion on specific aspects concerning the identification of the main risks to which the Company is exposed in addition to planning, implementing and managing the internal control system;
- examines the work schedule and the periodic reports prepared by the internal audit function;
- monitors the autonomy, adequacy, efficiency and efficacy of the internal audit function;
- may request the internal audit function to carry out periodic verifications on specific operating areas, concurrently informing the Chairman of the Board of Statutory Auditors;
- reports to the Board, at least every six months, when the annual and half-year financial reports are prepared, on the activities carried out and the adequacy of the internal control and risk management system;
- through appropriate investigation activities, supports the assessment and decisions of the Board of Directors regarding the risk management in the event of adverse events which the Board of Directors became aware of.

The Committee has access to the corporate information required for its work.

The Chairman Vincenzo Manes, also in his capacity as the Director in charge, and the entire Board of Statutory Auditors are invited to its meetings.

The Committee met four times in 2023 (as in the previous year), and the participation of its members amounted to 91.6%.

At least one member of the Board of Statutory Auditors always participated in the meetings, at which minutes are taken.

It met twice in the current year; its upcoming meetings are not scheduled.

Specific financial resources were not made available to the Committee to allow it to carry out its duties, and the Committee is entitled to use the structures of the Company or request the support of external consultants that it considers appropriate, to be paid for by the Company, as necessary.

In compliance with the Code, the Board of Directors believes that the Company's internal control system is adequate for the types of risks typical of the Company's business and is sufficient to safeguard the Company's assets, the efficiency and effectiveness of its operations, the reliability of financial disclosure and compliance with laws and regulations.

7. SELF-ASSESSMENT AND SUCCESSION OF DIRECTORS – APPOINTMENTS COMMITTEE

7.1. Self-assessment and succession of directors

Pursuant to Article 147-*ter* paragraph 4 of the TUF and with reference to the provisions to **Recommendation 22** of the Code, the Board of Directors believes that its composition, both with respect to the number of its members and their professional skills, and also to the presence of three Independent Directors is appropriate for the size of the Company and the problems to be handled (with reference to **Principle VI – Recommendation 5** of the Code); the same reasoning is also applicable to its Internal Committees.

The Board of Directors also believes that the organisational, administrative and accounting structure of the Company and its strategically important subsidiaries are appropriate particularly as far as the internal control system and the management of conflicts of interest are concerned.

The presence of Executive Directors with specific, thorough, multidisciplinary professional experience in financial, industrial and administrative subjects means that all of the most important aspects of the Company's affairs are satisfactorily covered.

Non-Executive Directors, in turn, make an important contribution to the Board of Directors and the Control and Risk Committee to which they belong, in terms of their professionalism and experience.

The Company has not adopted succession plans for its Executive Directors, neither has considered it necessary due to the composition of the shareholder base and the structure of the powers granted.

Insofar as the guidelines to the shareholders regarding the professionals that must be present on the Board, it has been considered that the composition, experience and attention of the controlling shareholders of the Company do not require the formulation of said guidelines on aspects which these shareholders are completely aware of.

7.2. Appointments Committee

The Appointments Committee has not been established since, referring to the provisions of Recommendation 5, the Board of Directors has considered that the Independent Directors, equal to more than one fourth of the members of the Board of Directors, have a significant level of autonomy and independence in decisions and have adequate knowledge of the structures of the Company and the Group.

As a result, the Board of Directors is of the opinion that:

- opinions on the size and composition of the Board of Directors;
- proposals for the appointment of candidates to the position of Director if co-opting is necessary when replacing Independent Directors;
- preparation of a plan for the succession of Executive Directors;

can be discussed and decided within the meetings and responsibilities of the Board of Directors.

8. REMUNERATION OF THE DIRECTORS – REMUNERATION COMMITTEE

8.1. Remuneration of the Directors

For information on the remuneration policy adopted by the issuer and the remuneration received by the Directors, please see the Report on Remuneration which will be available on the Company's website www.itkgroup.it within the time required by law.

8.2. Remuneration Committee

The Board of Directors appointed by the Shareholders' Meeting of June 8, 2021, like the Board previously in office, decided not to re-establish the Remuneration Committee.

On taking office, the Board had decided that the previous redefinition by the Company of its strategic mission, its approach to the market and the new governance structure had made management of the remuneration policy simpler than it had been in the past, since it referred only to Executive Directors of the Company, while the remuneration of the Directors and Managers of subsidiaries/investees which are considered to be investments, are handled exclusively by the administrative bodies of the individual subsidiaries/investees, notwithstanding the involvement of the parent company in relation to the extraordinary remuneration connected to the disposal of investments.

The incentive criteria for Executive Directors were more and more connected to reaching specific asset valuation objectives and portfolio of investment results (dividends and capital gains) – and, therefore will be based on creating "value" for the Company – rather than on performance and/or profitability of the individual subsidiaries, as it had been in the past.

In this framework, a Remuneration Committee would have an extremely limited operating area, so that it would no longer be functional.

In fact, it was believed that in its entirety, the Board of Directors was an entity that could adequately and efficiently identify and define the incentive criteria (which are connected to the valuation of the assets, as indicated above), based on which to determine the variable component of the remuneration of Executive Directors and Key management personnel and for monitoring that the fixed objectives were indeed reached.

The duties established by the Code insofar as the Remuneration Committee is concerned (see Recommendation 16), can therefore be carried out by the Board of Directors in the case of the KME Group.

In order to allow the administrative body to make an assessment that is as informed and cognizant as possible, the Board of Directors can, as necessary, request the expertise of at least two Independent Directors to be contacted from time to time, for more in-depth information regarding the fixed and variable remuneration to be paid to the Executive Directors.

The experience and independence of such Directors will ensure that the Board receives appropriate support, thereby rendering the appointment of a Remuneration Committee redundant.

9. CONTROL AND RISK MANAGEMENT SYSTEM

According to the Code, the Control and Risk Management System (hereinafter the "**CRMS**") is a group of rules, procedures, and organisational structures aimed at identification, measurement, management, and monitoring of the major corporate risks.

An effective CRMS contributes to the company management in compliance with the corporate objectives defined by the Board of Directors, promotes knowledgeable decision-making and helps in safeguarding the company assets, the effectiveness and efficacy of the corporate processes, the reliability of the corporate information and compliance with the laws, regulations and internal procedures.

The KME Group administrative-accounting internal control system, focused on the management of risks inherent financial disclosures, must not be considered separately from the CRMS of which it is an integral part, though it is able to stand autonomously, due to reasons of operating efficiency, as part of the programme for compliance with the requirements under Article 154-*bis* of the TUF of the Manager in charge of Financial Reporting.

The purpose of the administrative-accounting internal control system is to assure the reliability, accuracy, transparency and timeliness of financial reporting.

The Company's guidelines for the development, implementation, monitoring and updating of the system over time are based on recognised international best practice and in particular the COSO - Internal Control - Integrated Framework, which defines internal control as a process implemented by the Management of the Company and other associates in order to provide reasonable certainty regarding the achievement of objectives included in three categories (operation, reporting and compliance objectives).[1]

The principles followed, pursuant to COSO - Internal Control - Integrated Framework, aim to ensure:

- efficacy and efficiency of operations (operations objective);
- the preparation and publication of financial and other reports, for internal and external distribution, containing information which is reliable, timely and transparent as well as compliant with the requirements of the various regulatory entities and organisations that define recognised standards or policies (reporting objectives);
- compliance with the laws and the regulations (compliance objectives).

The COSO Report also sets out the essential components of a system with reference to the following areas:

- *control environment*: the basis of the system characterised by the responsive attitude of the Company's top management to defining procedures and structure (formalisation of roles, tasks, responsibilities, internal communication systems and timeliness of information) consistent with corporate strategies and objectives;
- *risk assessment*: management's identification and analysis of relevant risks involved in the achievement of predefined objectives as well as the determination of risk management methods;
- *control activities*: the methods (processes, procedures and practices) used to define and implement the controls in the organisation for the purposes of mitigating risks and ensuring the achievement of targets set by the management;
- *information and communication*: support for all other aspects of control by communicating control responsibilities to personnel and by providing information in the form and at the time required for individuals to continue their work;
- *monitoring*: the activity performed by various parties in the company for the ongoing control of the proper functioning of the system in order to overcome critical contingencies and to provide for the maintenance, updating and improvement of the system.

Following are the main steps of a corporate risk management process:

- identification of risks;
- assessment of risks;
- identification of risk management measures;
- assessment of risk management measures.

Description of the main characteristics of the administrative-accounting internal control system

In order to comply with the provisions set forth in Article 154-bis of Italian Legislative Decree 58/98 relative to certification of adequacy and the actual application of administrative and accounting procedures for the preparation of the separate and consolidated financial statements of the Company during the Financial Year, the Manager in charge of Financial Reporting has prepared and carried out a programme for compliance with the requirements under Article 154-bis of the TUF, with the support of the consulting company Operari S.r.l..

The structuring of the compliance programme refers to the COSO - Internal Control - Integrated Framework which has been supplemented with guidelines and "best practices" such as:

- TUF – Italian Legislative Decree 58/98;
- CONSOB regulations;
- ANDAF Guidelines;
- International Standards of Auditing;
- International Professional Practices Framework of the Institute of Internal Auditors.

The adoption of standards and regulations, domestically and internationally, has made it possible to construct a work programme the purpose of which is to ensure reliability[2], accuracy[3], transparency[4] and timeliness[5] of the financial reporting.

This approach can be summarised as being comprised of the following methodological phases:

- definition of the scope of activity in terms of entities and items which are significant for the purposes of the compliance programme under review (scoping phase);
- analysis and risk assessment of the financial information concerning the items considered to be significant for the purposes of the certification of the 2023 financial statements (risk assessment phase);
- identification and definition of the set of internal controls between the entities which are included in the compliance programme for the Financial Year, through integration of the internal control system of each entity to form a single "internal control system" Model which is uniform and applicable to the parent company and the subsidiaries involved in the project, characterised by monitoring practices, principles and methodologies for maintenance and assessment of the internal control system which are unique and valid for the entities included in the scoping phase (Mapping phase);
- preparation and execution of the compliance test procedures on internal administrative-accounting controls and documentation of the results obtained, as the basis for the opinion regarding their efficacy and actual application by the entities during the reference period and throughout the processes included in the scope of the project (compliance testing phase);
- sharing with the management of any opportunities for improvement as these arise from the tests carried out in order to promote improvements in the internal control system.

Phases of the risk management and internal control systems in relation to the financial reporting process

The compliance programme begins from definition, using quantitative analysis, of the scope of activity and therefore the entities involved and the significant items associated with the business cycles, including the process of closing and preparing the separate and consolidated financial statements, as an active part of the control system.

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2 Reliability (of the reporting): information that is characterised by correctness and compliance with the generally accepted accounting principles and fulfils the requirements set by the laws and the applicable regulations

3 Accuracy (of the reporting): information that is characterised by neutrality and precision. Information is considered neutral if it is free of preconceived distortions which can influence the decision-making process of its users in order to obtain a predetermined result.

4 Transparency (of the reporting): information that is characterised by clarity and completeness so as to assist investors in making informed decisions. Information is considered clear if it facilitates comprehension of complex aspects inherent in the entity, without being excessive or superfluous.

5 Timeliness (of the reporting): information that complies with the deadlines set for its publication.

The process of identifying and assessing the main risks connected to the accounting information was conducted for the Parent Company and the entities involved in the scope of activity, using a "risk-based" approach.

The administrative-accounting risk assessment activity led to identification of the significant accounting item associated with the relative accounting process/flow, for each entity included in the analysis. Each item was subjected to a qualitative evaluation of inherent risk through association and subsequent assessment of financial statement assertions[6] referring to the significant accounting items.

The risks and control activities identified were integrated into a specific framework which was populated by specific control objectives classified using the standard CAVR ([7]) and directly correlated with the aforementioned financial statement assertions.

The controls used in the Group can be classified under two main categories in accordance with international best practices:

- *entity level control*, at Group or individual subsidiary level (assignment of responsibilities, powers and mandates, separation of duties and assignment of privileges and rights to access IT applications);

- *process level control*, at process level (authorisations, reconciliations, verifications of consistency, etc.) with respect to operational processes, closing the books and so-called "cross-segment" controls relating to the Group's IT services.

These controls can be either "preventive" or "detective" in nature, depending on whether they are intended to prevent or detect unintentional or fraudulent irregularities in the financial statements; and either "manual" or "automatic" such as the validations run by software supporting the business systems.

In order to express a professional opinion on the actual execution and efficiency of the administrative-accounting internal controls in the Financial Year and based on the results of the follow-up, the compliance test procedures were updated and implemented, with documentation of the relative results through requests to the company representatives for records relating to the internal controls expected, the data and the transactions carried out and in general their willingness to prove that the controls were actually implemented and/or that no errors occurred with regard to the transactions which were selected. During the compliance tests set forth in the compliance programme described above, the consulting company Operari S.r.l. provided updates on the activity, its progress and the final outcomes to the Manager in charge of Financial Reporting who in turn informed the top management and the Director in charge, the Control and Risk Committee, which in turn reported to the Company's Board of Directors and Board of Statutory Auditors.

Based on the results of this compliance programme, the Chairman and the Manager in charge of Financial Reporting certified the adequacy and efficacy of the internal control system for the Financial Year by the deadlines and in the form required by the CONSOB Issuers' Regulation.

The Internal Control and Risk Management System was further strengthened starting from 2014 with the development of the Internal Audit Plan, which is based on an assessment of the risks relating to KME Group S.p.A., which was carried out by the Internal Auditing Function. Indeed, this risk assessment was in support of the Control and Risk Committee, the Director in charge or the Board of Directors as a whole, and the internal control supervisors to the extent of their responsibilities within the internal control and risk management system, allowing the major risks to be identified, in addition

[6] **Existence and occurrence (E/O)**: the assets and liabilities of the company exist as of a certain date and the transactions recorded represent events that actually took place during a specific period of time;
Completeness (C): all the transactions, assets and liabilities to be recognised have actually been included in the financial statements;
Rights and obligations (R/O): the assets and liabilities of the company respectively represent its rights and obligations as of a certain date;
Valuation and accuracy (V/A): the assets, liabilities, equity, revenues and costs are recorded in the financial statements at their correct amounts, pursuant to the reference accounting standards;
Presentation and disclosure (P/D): the items are correctly named, classified and explained.

[7] Completeness, Accuracy, Validity and Restricted access.

to those in the administrative-accounting area and regarding compliance with Italian Legislative Decree 231/2001, setting the basis for the risks to be adequately measured, managed and monitored, determining the compatibility of these risks with the risk profile in place.

After the reference area of the Internal Audit process was defined, it was possible to carry out the risk assessment which the Plan shall be based on in line with the provisions of the mandate to be issued for the Internal Auditing Function and to apply the standards (including ISO 31000 on Risk Management specifically for identification and assessment of risks) and the best practices. The area thus outlined consists of business and support processes existing within KME Group, each of which is characterised by its own specific objectives and the relative uncertainties (risks) that could compromise or, vice versa, facilitate achievement of these objectives.

The risk assessment carried out focused on the objectives (and risks) belonging to the operations and compliance areas, excluding from the latter area the particular portions which are already covered by specific assessment processes and the risk management area in general (e.g. Italian Law 231/2001; 81/08, etc.). Similarly, as indicated above, the administrative-accounting area was excluded from the internal audit process as it is already covered in terms of risk assessment and internal controls through the specific programme supporting the statement of the Manager in charge of Financial Reporting pursuant to Article 154-bis of the TUF.

In accordance with standard ISO 31000, risk assessment is a process and as such the Company has planned its completion and continued updating, also based on the results of the verifications carried out and depending on of the changes in the reference environment.

<u>*Roles and functions involved*</u>

KME Group clearly identifies the roles and functions involved in the design, implementation, monitoring and revision of the CRMS particularly with respect to the officers involved (Manager in charge of Financial Reporting, Head of Internal Audit, Process Owner, Control Owner, Tester) who directly report to the Director in charge.

The Manager in charge of Financial Reporting monitors the risk management and internal control system relating to financial reporting and is responsible for the identification and valuation phases of the financial reporting risks and the identification and valuation of the controls in place for the risks identified.

Each of the phases above corresponds to a specific system output: risk details, assessment thereof in terms of the inherent risk, list of controls and mapping of the risk and item controls (control framework), valuation of the controls, valuation of the residual risk and identification of any improvement actions.

The risk valuation phase and the adequacy and efficacy of the relative controls is carried out by the Manager in charge of Financial Reporting who is supported by the consulting company Operari S.r.l.

Based on the assessment of the inherent risk and the relative controls, the Manager in charge of Financial Reporting assesses the residual risk, carries out any further framework updating activities and solves and monitors any non-compliance.

9.1. *Chief Executive Officer*

The Board has entrusted the Chairman Vincenzo Manes, in his capacity as Chief Executive Officer, with the task of setting up and maintaining the internal control and risk management system (the "**Director In Charge**") - **Recommendation 32.b**) of the Code.

As part of his duties, the Director in charge supervised the identification of the main corporate risks (strategic, operating, financial and compliance) taking into account the characteristics of the activities carried out by the Company and its subsidiaries and periodically submitted them for examination by the Board (Recommendation 34.a).

He furthermore implemented, together with the internal control supervisors, and based on the guidelines defined by the Board, the internal control and risk management system, following its design, realisation and management and constantly verifying its adequacy and efficiency.

He followed the adaptation of the system to the dynamics of the operating conditions and the legislative and regulatory scenario.

As part of the mandate conferred upon him, the Director in charge is entitled to request the Head of Internal Audit to carry out verifications on specific operating areas and on the compliance with the rules and internal procedures in the execution of corporate operations, concurrently reporting to the Chairman of the Control, Risk and Sustainability Committee and the Chairman of the Board of Statutory Auditors.

Finally, where this became necessary, he immediately reported to the Control and Risk Committee and the Board of Directors regarding any problems or critical areas which arose during the execution of his work or which he became aware of, so that the Committee (or the Board) could take the appropriate actions.

9.2. Control, Risk and Sustainability Committee

The Control, Risk and Sustainability Committee is composed of Non-Executive Directors Luca Ricciardi (Chairman), Francesca Marchetti and Alessandra Pizzuti.

For further details, please refer to chapter 6 above.

In compliance with the Code, the Board of Directors believes that the Company's internal control system is adequate for the types of risks typical of the Company's business and is sufficient to safeguard the Company's assets, the efficiency and effectiveness of its operations, the reliability of financial disclosure and compliance with laws and regulations.

9.3. Head of Internal Audit

The Head of Internal Audit is responsible for internal control.

The Head of Internal Audit is appointed by the Board of Directors upon proposal of the Chairman, to whom the Head reports on a constant basis without any established schedule. Organisationally, the Head of Internal Audit is independent of all operational units and, in turn, has no operational responsibilities. He also reports to the Internal Control Committee and to the Board of Statutory Auditors.

His activity is an "internal audit" activity, thus complying with the relative provision contained in the new Code text.

The Head of Internal Audit has direct access to all information required for the performance of his duties which are the verification and assessment of the adequacy and effectiveness of the Company's internal control system and the compliance of the various corporate functions' operations with procedures, corporate policies, laws and regulations as may be in force from time to time, particularly with respect to the reliability and integrity of information processed, the safeguard of the Company's equity and the adequacy and consistency of accounting standards for the purposes of presenting financial statements, to be carried out together with the Manager in charge of Financial Reporting.

As required under Article 6, Recommendation 33, letter a) of the Code, the Board of Directors defines the guidelines for the internal control and risk management system, in such a manner as to ensure that the main risks to which the Company and its subsidiaries are exposed are correctly identified and monitored in accordance with sound management practices.

Due to the changed size and structure of KME Group and the emphasis on the holding of the investments, the internal control function underwent reorganisation which was concluded with the outsourcing of that task, entrusted to a party with adequate professionalism and experience.

On June 8, 2021, the Board of Directors, with the favourable opinion of the Control and Risk Committee and after consulting with the Board of Statutory Auditors, assigned the Internal Audit engagement for the years 2021-2023 to Operari S.r.l., which already supports the Company in audits of the procedures set forth under Italian Law 262/2005.

The head of this function is Vittorio Gennaro, Partner and Managing Director of Operari S.r.l., already appointed as the third member of the Supervisory Board pursuant to Italian Legislative Decree 231/2001 as well.

9.4. Organisational Model pursuant to Italian Legislative Decree 231/2001

The Company has adopted an "Organisation and management model pursuant to Legislative Decree 231/01" (the "**Model**"), which is updated in accordance with the amendments made over time to the reference law, taking into account the prevention of crime risks in the sensitive areas of the Company's operation (referring in particular to corporate crimes and market abuse).

The Model was most recently updated by the Board of Directors on January 12, 2024, so as to take into account the new regulations introduced since its previous revision.

The Model consists of the following parts:

- "General Part", which illustrates the content of Italian Legislative Decree 231/2001, the function of the organisation, management and control model, the duties of the Supervisory Board, the disciplinary system and, in general, the principles, logics and structure of the Model itself;
- "Special Parts", which refer to the specific types of crime analysed and the sensitive activities identified, in order to prevent the crimes set forth in Italian Legislative Decree 231/2001; these special parts specifically regard: crimes in relations with the Public Administrations; crimes on occupational health and safety; corporate crimes; crimes of corruption between private parties; the crimes of market abuse and manipulation; the crimes of receiving, laundering and using money from unlawful activity; cyber-crimes;
- Code of Ethics;
- the annexes referred to in the individual parts.

The rules set forth in the Model apply to everyone who carries out, even de facto, management, administration, direction or control functions in KME Group, their subordinates, both employees and associates, as well as all consultants, agents, attorneys-in-fact and, more generally, third parties who act even de facto on behalf of the Company, within the limits of the powers assigned to them and relating to the scope of activities identified as "at risk".

The Board of Directors also appointed a Supervisory Board with autonomous powers of initiative and control with the function of supervising the effectiveness and updating of the model and/or its constituent elements.

The Supervisory Board should in particular:

- verify the effectiveness, consistency and adequacy of the Model adopted, proposing to the responsible company functions any necessary amendments and additions;
- report to the Board of Directors on an annual basis concerning the status of the Model's implementation and functioning;
- promote, in concert with the responsible company functions, training/information and internal communications programmes with reference to the Model, standards of conduct and the procedures adopted pursuant to Italian Legislative Decree 231/2001;
- establish internal reporting mechanisms which systematically make information from the various company functions available to perform the model validity monitoring function;
- adequately respond to demonstrations of bad conduct, proposing to the responsible corporate functions the application of internal disciplinary systems.

At the date of this Report, the Supervisory Board, appointed by the Board of Directors at its meeting on June 8, 2021, is in office for the years 2021, 2022, and 2023 and consists of two external professionals, Fabio Ambrosiani (Chairman) and Elena Pagliarani and of the Head of Internal Audit, Vittorio Gennaro.

The Issuer did not take advantage of the right to assign the functions of the Supervisory Board to the Board of Statutory Auditors. Specifically, also considering the current control system implemented by KME Group and best practices on the matter, it is deemed that the duties assigned by law to the Supervisory Board may be more effectively pursued through an ad hoc supervisory board with multiple members with a range of different skills and professional backgrounds, thus making the activities of the Supervisory Board more effective and incisive.

An extract of the Model can be viewed on the website www.itkgroup.it in the Profile section.

9.5. Independent Auditors

Deloitte & Touche S.p.A. (hereinafter referred to as "**Deloitte**") has been appointed to perform the audit, pursuant to Articles 155 et seq. of the TUF, of the consolidated and separate financial statements as well as the condensed consolidated half-year report of KME Group S.p.A.

Deloitte is the "Primary Auditor". The current mandate was approved by the Shareholders' Meeting on May 31, 2016 at the recommendation of and for the reasons cited by the Board of Statutory Auditors, and will end with the financial statements as at and for the year ending December 31, 2024.

The person in charge of the mandate for the Independent Auditors is Maurizio Ferrero. Article 17, paragraph IV of Italian Legislative Decree no. 39 of January 27, 2010 (the "**Consolidated Audit Law**") sets the maximum duration for such an office at 6 financial years.

The total fees paid by the Company in 2023 amounted to Euro 203 thousand.

Also in 2023, the total fees paid at the level of the subsidiaries were Euro 1,651 thousand.

During the Financial Year the Independent Auditors and firms belonging to the same network were assigned further mandates by KME and its subsidiaries, amounting to Euro 122 thousand.

Please refer to the notes to the separate financial statements relating to the Financial Year in question for further information.

As part of its supervisory duties, the Board of Statutory Auditors is also responsible for monitoring the independence of the Independent Auditors.

9.6. Manager in charge of Financial Reporting and other corporate roles and functions

In its meeting on May 14, 2013, the Board of Directors, based on the favourable opinion of the Board of Statutory Auditors, appointed the Administrative Director Giuseppe Mazza in consideration of the professional requirements, characteristics and skills he offers, granting him the appropriate powers and means to exercise the duties assigned to him as the new Manager in charge of Financial Reporting.

In its meeting of June 8, 2021, the Board of Directors renewed the term of office of Giuseppe Mazza.

The term of office is the same as that for the Board of Directors, in other words until the date of the Shareholders' Meeting called to approve the financial statements as at December 31, 2023.

The Manager in charge of Financial Reporting provides periodic reports to the Director in charge, the Control, Risk and Sustainability Committee and the Board of Statutory Auditors on his work and has an ongoing relationship with the Independent Auditors.

9.7. Coordination between the individuals involved in the internal control and risk management system

The sharing of information generated in the various areas of activity is ensured through a structured information flow which all individuals with duties within the internal control system and the risk management system can actively participate in, including insofar as the functions carried out by the Control, Risk and Sustainability Committee, the Board of Statutory Auditors and the Director in charge.

This information flow will be coordinated on the occasion of the meetings of the Control, Risk and Sustainability Committee, which all involved corporate functions participate in.

To this end, we note the activity of the Manager in charge of Financial Reporting who, together with the Chairman, provides the certification required by paragraph 5 of Article 154-bis of the TUF.

10. INTERESTS OF DIRECTORS AND TRANSACTIONS WITH RELATED PARTIES

The Directors with powers report to the Board of Directors and the Board of Statutory Auditors on transactions with reference to which they have a personal interest, not necessarily in conflict with the interests of the Company.

The Procedure applicable to related party transactions (hereinafter the "**Procedure**"), adopted in March 2003, was updated several times over the years, the last time being on July 1, 2021.

This procedure takes CONSOB recommendations into account, implements the statutory regulation and is compliant with the relevant Regulation adopted by CONSOB with its resolution no. 17221 of March 12, 2010 (hereinafter the "**Related Parties Regulation**") which requires, in particular, that related party transactions, whether carried out directly or through subsidiaries, must take place in compliance with the principles of:

- transparency;
- correctness in substance;
- correctness in procedures.

The Board of Directors believes that these procedures are sufficient to manage any conflicts of interest.

Here below are the most important provisions of the Procedure whose unabridged version is available in the specific section of the Company's website https://www.itkgroup.it/assets/files/tb/file/particorrelate/proc_parti_corr_300621.pdf.

The related parties are those which are defined and indicated by CONSOB.

The Directors and the Statutory Auditors of the Company and its subsidiaries, as identified above, where they have an interest in a transaction, either on their own behalf or on that of third parties, shall inform the Board of Directors, in the person of its Chairman, detailing its nature, terms, origin and extent. Those Directors who have such an interest are also obliged to abstain from voting on the issue and they shall not participate in the related discussion, except in the case where a different and unanimous resolution is passed by the Board of Directors on the issue.

An internal procedure is envisaged to draw up, manage and maintain the list of related parties which is updated every six months taking into account the information received from the Directors and the Statutory Auditors, as well as from the other key management personnel.

Group subsidiaries are required to comply with the Procedure, where applicable, and ensure the flow of information to the Company.

"Related party transactions" mean any transfers of resources, services or obligations between related parties, regardless of the fact that the action has been carried out for a consideration.

This includes:

- merger, demerger or strictly non-proportional demerger transactions, if carried out with related parties;
- any decision on the allocation of remuneration and economic benefits, in whatever form, for members of the administrative and control bodies and key management personnel.

In compliance with the CONSOB Regulation and its annexes, transactions are divided into:

- transactions of greater importance;
- transactions of lesser importance;
- regulations-exempt transactions.

The Control, Risk and Sustainability Committee, to which the functions of the related parties committee are assigned:

- oversees that the procedures regarding related party transactions comply with the applicable legislative and regulatory measures as well as their observance;
- provides the Board of Directors with its opinion regarding the Company's interest in undertaking related party transactions as well as regarding the cost-effectiveness and correctness in substance of the related conditions.

Regarding transactions of greater importance, the Committee must be involved already in the negotiation and examination stages through the complete and prompt receipt of all the related information.

The Committee has the discretionary power of requiring information and making its comments to the delegated bodies and the parties assigned to carry out the related negotiations, as well as being assisted by its own independent experts, at the Company's expense, for the purpose of evaluating the characteristics of the transaction.

The resolutions of the Committee are validly passed by majority and specific alternative procedures are envisaged for transactions in which members of the Committee are related parties.

The minutes of the Committee meetings are taken by the Secretary to the Board of Directors and, where applicable, shall contain the reasons of the Company's interest in carrying out the transaction, as well on the basic appropriateness and correctness of the related conditions.

Transactions of a greater importance are submitted for the prior approval of the Board of Directors that passes resolutions on the issue in compliance with the procedures laid down by Article 19 of the Articles of Association, after having heard the reasoned opinion of the Control, Risk and Sustainability Committee on the Company's interest in carrying out the transaction, as well as on the basic appropriateness and correctness of the related conditions.

The Committee's opinion is binding, i.e. transactions of a greater importance that have not had prior approval from the Committee cannot be carried out by the Board of Directors.

If the Board of Directors intends to carry out such a transaction without prior approval, it shall convene an ordinary Shareholders' Meeting, without delay, putting the approval of said transaction on the meeting agenda. The Shareholders' Meeting passes valid resolutions on the issue with the majorities laid down by the Articles of Association.

The transaction is held to be not approved and, therefore, cannot be carried out, only if the majority of the voting non-related shareholders cast their votes against the transaction and if the non-related shareholders present at the Shareholders' Meeting represent at least 10% of the share capital with voting rights.

The transactions of lesser importance referred to in Article 11 of the Internal Regulation are examined and resolved upon by the competent corporate body in accordance with the related procedures currently in force.

According to the Procedure, the Chairman and, in the case of his absence or impediment, or as a matter of urgency, each Deputy Chairperson and as long as they, individually, have no conflict of interest regarding the transaction in question, have the power to approve related party transactions of the Company and its subsidiaries for an amount not exceeding Euro 5 million.

Furthermore, the corresponding transactions of an amount in excess of Euro 5 million as well as those of a lesser amount for which a conflict of interest situation exists involving both the Chairman and the Deputy Chairpersons concurrently, must be submitted for the prior approval of the Company's Board of Directors.

In both cases, transactions must be submitted for the prior, non-binding and reasoned opinion of the Control, Risk and Sustainability Committee regarding the interest in carrying out the transaction, as well as regarding the basic appropriateness and correctness of the related conditions.

For transactions that require decisions that can be made only by the Chairman (or the Deputy Chairpersons) on which the Committee has expressed a justified negative opinion, the Chairman will inform the other members of the Board of Directors without delay. Each one of the non-executive members of the Board of Directors, excluding the members of the Control, Risk and Sustainability Committee, has the faculty to call a meeting of the Board, within three days, for the purpose of passing a resolution regarding the approval of this type of transactions.

The Internal Regulation is not applicable to the following:

1. resolutions regarding the compensation of those Directors vested with special duties, which fall within the total amount approved, in advance, by the Shareholders' Meeting pursuant to Article 2389, paragraph 3, of the Civil Code;

2. other transactions lower than Euro 100,000.00 with natural persons and no higher than Euro 500,000.00 (in both cases the amounts are understood to be on an annual basis and therefore can be cumulative) with other entities;

3. the so called "Remuneration plans", based on financial instruments approved by the Shareholders' Meeting pursuant to Article 114-bis of the TUF and the related executive transactions;

4. resolutions regarding the remuneration of Directors vested with special duties, other from those in point 1 above, but only in the case where the conditions laid down by the measures regarding this issue as set out in Article 13, paragraph 3, letters a) and b) of the Related Parties Regulation are observed;

5. ordinary transactions finalised at conditions equivalent to normal market conditions, or standard practice;

6. transactions with, or between, subsidiaries, as well as transactions with associates as long as, within such subsidiaries or associates there are no interests, qualified as significant pursuant to the Internal Regulation, of other related parties of the Company.

Since transactions of greater importance are not subject to preparation of the "Information Document" pursuant to the applicable provisions, the Company shall:

1. communicate to CONSOB, within the timeframes laid down by the applicable measures, the name of the party involved, the subject and the amount of the transactions;

2. show in the Interim and Annual Reports on Operations which transactions, subject to disclosure obligations, have been finalised while taking advantage of the exclusion condition.

In order to assess the non-applicability of the Internal Regulation, the following shall not be considered to be "significant interests":

1. the mere sharing of one or more directors, or key management personnel, between the Company and its subsidiaries and associates;

2. the existence of relations of an equity nature, excluding those referred to in the following point 3 and, in general, those arising from the remuneration of key management personnel that is no

greater than Euro 200,000.00, calculated also cumulatively on a yearly basis, between subsidiaries and associates, on the one hand, and other related parties of the Company, on the other hand, and that, in any case, impact, or are impacted by, the transaction in question;

3. the existence of Incentive Plans based on financial instruments or, in any case, on variable remuneration, which depend upon the results achieved by the subsidiaries or associates with which the transaction has been carried out and whose beneficiaries are Directors or key management personnel, also of the Company, and when the transaction in question is less than 5% of the results achieved by the subsidiaries and associates, on which the incentives are calculated;

4. when the party that controls the Company holds investments in the subsidiary or associate, if the effective weight of that investment is not higher than the effective weight of the investment owned by the same party in the Company.

Should a series of similar transactions be carried out with specific categories of related parties within the same year, they can all be authorised by the Board of Directors by means of a "Framework Resolution".

The Company supplies information, in its Interim and Annual Reports on Operations, as required by Article 154-ter of the TUF, regarding the following issues:

- on the individual transactions of greater importance finalised during the reporting period;
- on any other individual related party transactions, as defined pursuant to Article 2427, paragraph 2, of the Civil Code, also finalised during the accounting period, which have had a relevant impact on the financial position or on the results of operations of the Company;
- on any change or development regarding related party transactions, which were described in the last Annual Report and that have had a relevant impact on the financial position or on the results of operations of the Company, during the accounting period.

In the case of a negative opinion by the Committee regarding a transaction of lesser importance, the Company shall make publicly available, within 15 days from the closing date of each quarter of the financial year and in compliance with the conditions, terms and methodologies of the CONSOB Regulation, a "Document" containing the description of the aforesaid transaction.

On a quarterly basis both the Board of Directors and the Board of Statutory Auditors shall receive from the Executive Directors of the Company a specific information report regarding related party transactions that are not subject to the prior approval of the Board of Directors.

The information report must explain the nature of the relationship, the conditions, specifically the economic conditions, the methodologies and the timeframes for the completion of the transaction, the evaluation procedure followed, the interest and the reasons underlying it.

Furthermore, a specific information document regarding performance of those transactions that have had the prior approval of the Board of Directors, also through "Framework Resolutions", shall also be supplied.

When transactions of greater importance take place, also when carried out by Italian and foreign subsidiaries, pursuant to Article 114, paragraph 5, of the TUF, an "Information Document" is drawn up in compliance with Annex 4 of the Related Parties Regulation, and is attached to the Internal Regulation as letter c) forming an integral part of such Regulation.

The Board of Directors will periodically check the effectiveness of the procedure that has been put in place and, in any case, is charged with reviewing it together with the Board of Statutory Auditors every three years, without prejudice to the possibility of promptly making amendments, for the purpose of ensuring the highest possible level of efficiency of such Regulation.

Articles 10 (Calling Shareholders' Meetings) and 14 (Management of the Company) of the Articles of Association allow the Board of Directors to carry out related party transactions immediately, in accordance with the terms provided in the Related Parties Regulation, if it is urgent and does not require submission to the Shareholders' Meeting for approval.

If the transaction is then carried out by a subsidiary, the Board of Directors must be informed at its next meeting following the transaction under review. In addition, in case of transactions of an urgent nature and which are connected to critical situations in the Company requiring submission to the Shareholders' Meeting for approval, the transaction may be carried out by the Board of Directors by way of exception to the relevant provisions, provided that, at the subsequent Shareholders' Meeting called to pass resolutions on this issue, the provisions for such situations of the Related Parties Regulation are applied.

11. BOARD OF STATUTORY AUDITORS

11.1. Appointment of Statutory Auditors

The Board of Statutory Auditors oversees compliance with the law and the Company Articles of Association with respect to good governance and, particularly, the adequacy of the organisational, administrative and accounting structure of the Company and as it actually functions.

Article 22 of the Articles of Association, which is entirely dedicated to the Board of Statutory Auditors, sets out the requirements of personal integrity and professionalism for its members as well as the procedure for their appointment which includes:

- the submission of a list for the appointment and the *curriculum vitae* of each candidate at least 25 days before the Shareholders’ Meeting on first call and so made available at least 21 days before at the Company offices, on the Company website and through Borsa Italiana S.p.A. The list must be accompanied by information on the identity of the shareholders that submitted it, the overall relevant proportion held and a declaration by shareholders other than those who hold, including jointly, controlling interest or plurality interest, confirming the absence of connected relations. It must furthermore contain exhaustive information on their personal and professional characteristics, together with a declaration that they accept the candidacy;

- if only one list or lists that are linked in accordance with current regulations have been submitted within this deadline, other lists may be filed up to the third day after the deadline for submission at the registered office. In this case, the threshold is reduced by one half;

- the presence in the list of one Alternate Auditor designated by minority Shareholders as a substitute, if required, for the Auditor also selected from a non-controlling shareholder list, should the latter no longer be in office;

- in the event that two or more lists obtain the same number of votes, the auditors in the list submitted by the Shareholder with the largest shareholding or, subordinately, the highest number of Shareholders, shall be deemed elected;

- shareholders who, alone or together with others, hold an investment, in ordinary shares, equal to the highest percentage identified in Article 147-ter, paragraph 1 of the TUF, in respect of the provisions issued by CONSOB, can submit lists. Based on Article 144-quater, paragraph 2 of the TUF, the applicable percentage is 2.5% of the ordinary capital pursuant to the provisions set forth by CONSOB with its determination no. 92 of January 31, 2024;

- lists with a total number of candidates equal to or higher than three must be composed of candidates which belong to both genders, so that a number of candidates at least equal to what is set forth by laws and regulations applicable over time belong to the least represented gender (rounded up). This applies to Standing as well as Alternate auditors;

- in the event of the replacement of an Auditor, the replacing Alternate Auditor must belong to the same list as the departing Auditor, pursuant to the gender balance laws applicable from time to time.

In particular, it is noted that in accordance with Articles 148-*bis* of the TUF and 144-terdecies of the Regulation, Statutory Auditors may not hold more than five positions as Statutory Auditor in issuers.

The provisions of the Articles of Association relative to the appointment of the Board of Statutory Auditors are available in the specific section of the website https://www.itkgroup.it/it/statuto and we reiterate that the procedure has been updated and made compliant with the new applicable provisions, the latest based on the resolution of the extraordinary Shareholders' Meeting held on November 30, 2020.

11.2. Composition and operation of the Board of Statutory Auditors (pursuant to Article 123-bis, paragraph 2, letters d) and d-bis), TUF)

The current Board of Statutory Auditors was appointed by the Shareholders' Meeting of June 8, 2021 for the financial years 2021, 2022, and 2023 and will therefore expire at the Shareholders' Meeting called to approve the financial statements as at December 31, 2023.

In compliance with the procedure referred to in Article 22 of the Articles of Association, the following lists were presented:

- Majority List presented by the majority shareholder Quattroduedue S.p.A. (holding 46.97% of the ordinary share capital);

- Minority list presented by the shareholders Alberto Previtali and Daniela Guatterini (owners overall of 4.53% of the ordinary capital).

The Shareholders' Meeting had approved the Quattroduedue S.p.A. proposal by majority vote, with 340,845,692 votes in favour, equal to 89.524% of the shares represented at the meeting and 61.661% of the shares with voting rights; the minority list obtained 39,885,985 votes in favour, equal to 10.476% of the shares represented at the meeting and 7.216% of the shares with voting rights.

It should be noted that the following were appointed from the list submitted by a non-controlling Shareholder (which, pursuant to Article 22 of the Articles of Association, would be the highest in accordance with Articles 147-ter, paragraph 1 of the TUF and 144-quater of the Issuers' Regulation), the Chairman of the Board of Statutory Auditors, Silvano Crescini and the Alternate Auditor, Cristina Sorrentino.

It is hereby noted that this composition is compliant with the provisions regarding the "gender quotas" due to the presence of the Standing Auditor, Giovanna Villa and the Alternate Auditors, Elena Beretta and Cristina Sorrentino.

The names of all the members of the Board of Statutory Auditors in office during 2023 are listed in the attached Table 14a, with a brief *curriculum vitae* of each of them, which is also available in the dedicated section of the website https://www.itkgroup.it/it/organisociali.

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As far as the Company is aware, none of the members of the Board of Statutory Auditors has, in the past five years, been found guilty of fraud nor, in the performance of their duties, has been associated with bankruptcy proceedings, extraordinary administration or compulsory administrative liquidation, nor, finally, has he/she been formally indicted or sanctioned by public or regulatory authorities (including professional associations) nor has he/she been prohibited by a court from membership of a Board of Directors, management board or supervisory board of the Company or engaging in the management or administration of any issuer.

On appointment to the Board of Statutory Auditors, each member stated that he/she is in possession of the professionalism and integrity requirements required by regulations and the Articles of Association and that he/she is not subject to any of the impediments listed in Article 148 of the TUF and undertakes to notify the Company within 30 days of any changes.

The Board of Directors and the Board of Statutory Auditors verify every year that each of their members still qualifies as independent in accordance with the law and Article 2, Recommendations 6 and 9 of the Code.

These verifications in 2023 involved the position of Statutory Auditors Marco Lombardi and Elena Beretta as they sit, as Standing Auditors, on other Boards of Statutory Auditors belonging to other Group companies and investees as listed below.

To this end, it is considered that these situations do not limit their independence due to their personal characteristics and as such do not represent "significant" professional relations in the overall context of their activities.

The Board of Statutory Auditors announced the findings of the verification that was also conducted for the purposes of Article 149, paragraph 1, letter c.-bis of the TUF requiring supervision of the actual implementation of the Code.

Other positions as Board Directors and Statutory Auditors held by the Company's Statutory Auditors at other companies and in the Group are shown in Table 14b, attached to this Report, and were provided to the Shareholders' Meeting when the Statutory Auditors were appointed.

Their current number and relevance for each Auditor are below the thresholds envisaged by CONSOB and the aforementioned ethical conventions.

The Board of Statutory Auditors carries out functions and responsibilities according to the Civil Code.

Pursuant to Article 2402, paragraph 1, of the Civil Code, the Board of Statutory Auditors oversees compliance with the law and the Articles of Association with respect to good governance and, particularly, the adequacy of the organisational, administrative and accounting structure of the Company and as it actually functions.

The Board of Statutory Auditors regularly carries out its activities and constantly takes part in the meetings of the Board of Directors and the other Committees, coordinating its activities with the internal audit function in particular, and with the Control, Risk and Sustainability Committee. Furthermore, the Board of Statutory Auditors has over time acquired, developed and maintained on the occasion of the changes in its membership, the possibility of constantly being in contact with the offices of the Company which it contacts directly and in full independence.

Its relationship with the Independent Auditors is collaborative and entails the exchange of data and information.

Furthermore, in this context, the Board of Statutory Auditors monitors the independence of the Independent Auditors.

In accordance with the provisions on remuneration, payments made to the Statutory Auditors are shown in the table drawn up in accordance with CONSOB provisions (or "Model 1" of Annex 3C of the Issuers' Regulation) contained in the Report on Remuneration; they have been deemed to be commensurate with the commitment required, the relevance of the role held, the size of the Company and the sector in which it operates.

During the Financial Year, the Board of Statutory Auditors met 7 times (11 in 2022); participation in the meetings by the members was 100% (as in the previous year). The average duration of the meetings of the Statutory Auditors was approximately one hour and thirty minutes.

During this year, the Board of Statutory Auditors met 2 times.

During the Financial Year, at least two members of the Board of Statutory Auditors participated in all the meetings of the Control, Risk and Sustainability Committee.

Participation in these meetings also provides the opportunity for coordinating information flows to the extent of the respective functions and activities of the Board itself, the Head of Internal Audit, the Director in charge, the Independent Auditors and the Executive Managers of the Company.

As mentioned elsewhere in this Report, the Company has not adopted policies to ensure diversity of the composition of its control bodies, as each individual chosen to fulfil these roles is assessed at nomination in relation to their education and experience.

12. INVESTOR RELATIONS

The relative documentation is provided to all those entitled to it at all the Shareholders' Meetings. The quality and timeliness of public announcements, which are fundamental for the provision of information to Shareholders and the market, have been assured also through the development and use of the website https://www.itkgroup.it/it.

Up to November 30, 2012, the company's website www.kme.com contained legal and financial information about the company (KME Group S.p.A.) as well as information on the business and products of the Group's industrial companies.

On December 1, 2012, following the change of the name to Intek Group, the company adopted a new website https://www.itkgroup.it/it, to which visitors to the website www.kme.com, which to date contains only information about the industrial operations of the investee company KME SE, and the website www.itk.it, are directed.

Access to the site is unrestricted and all information can be easily found, with the most recent pieces of news being highlighted. In particular, the reference to the web page containing the information is properly specified.

The site is updated as and when information is released through the electronic system which, up to May 28, 2012, consisted of the NIS (Network Information System) managed by Borsa Italiana S.p.A., and then by the "SDIR/NIS".

From that date, following the implementation of Directive 2004/109/EC (the "Transparency Directive"), CONSOB, with resolution no. 18159 of April 4, 2012, amended the previous situation, authorising the operation of the system for the disclosure of regulated information now named "eMarketSDIR". The use of this service is stated on the homepage of the Company website.

The system allows disclosure to the public of press releases issued by the Company by sending them to the press agencies connected to the system, as well as to Borsa Italiana S.p.A., which in turn publishes a notice containing them, and to CONSOB.

The site reports historical, documentary, accounting and financial information (annual, half-year and quarterly financial statements, and other statements and documents produced over time) as well as information on corporate events (e.g., annual calendar of corporate events, corporate governance and remuneration reports, terms and conditions for the exercise of rights, details regarding the calling of meetings and how to participate in them, the procedures for the appointment of the Board of Directors and the Board of Statutory Auditors).

There is a section on the website dedicated to stock market information, displaying the real-time market prices of all the financial instruments issued by the Company, together with the relevant charts.

A large section of the website is dedicated to corporate governance (corporate bodies, characteristics of securities issued, Regulations for bonds, Internal Codes and Procedures, minutes of the Shareholders' Meetings), with specific areas dedicated to any extraordinary transactions underway.

A considerable amount of information is also available in English, particularly press releases, financial statements and interim reports.

During 2023, the website www.itkgroup.it, which is available in Italian as well as in English, had over 112 thousand hits by over 102 thousand visitors with over 266 thousand pages viewed. The peak of access to the site is concentrated in March and April 2023.

It is possible to send requests to the Company by e-mail at investor.relations@itk.it.

The information role of investor relations is performed by the individual company units for their respective areas of expertise.

This decision takes account of the current internal resources and structures of the Company and ensures that information is provided as and when required.

For each Shareholders' Meeting, the website includes a specific section where it is possible to find all the documentation on the items on the Agenda as well as on how ordinary Shareholders can participate in the relevant Meetings, as required also by Article 125 quater of the TUF.

A similar initiative was taken for the holders of saving shares, as well as holders of bonds.

The Board of Directors believes that a website accessible without restrictions and updated in a timely way improves and enhances the quality and quantity of information about the Company and the Group, thereby providing the Shareholders, as well as the holders of other financial instruments issued by the Company and the market, with a crucial instrument for assessing the company and its initiatives.

The speed and procedures with which the information regarding the transactions that took place during 2023 were made available confirmed the soundness of this choice and the intention to increasingly focus in the future on communication, as well as organising and updating the Company's website, an element that is becoming more and more and strategic, in order to allow everyone, without any restrictions, to find information about the Company as broadly and fast as possible.

By virtue of the measures thus adopted which makes it possible to provide easily accessible information and the contained size of the Company, a special structure in charge of managing shareholder relations has not been established, as the information provided by the administrative offices of the Company which are from time to time put in charge of requests from the shareholders has been effective to this end.

13. MEETINGS (PURSUANT TO ARTICLE 123-BIS, PARAGRAPH 2, LETTER C), TUF)

The Shareholders' Meeting's powers and responsibilities are those set out in the Civil Code and the TUF.

The implementation of EU Directive no. 36/2007, commonly known as the "Shareholders' rights directive", has profoundly changed the provisions regarding the involvement of Shareholders in the activities of listed companies. Additional changes were introduced by Italian Legislative Decree no. 91 of June 18, 2012, as subsequently amended.

The Shareholders' Meeting now consists of those who have voting rights and whose communication, sent by authorised intermediaries, has reached the Company, pursuant to the provisions in force, on the basis of the accounting records relating to the end of the accounting day on the seventh day of trading prior to the date set for the Shareholders' Meeting on first call, and which has reached the Company within the legal deadlines.

The resulting changes have already been introduced in the Articles of Association and internal procedures, and are aimed at confirming and ensuring equality of treatment to all the Shareholders in the same position as regards their participation and the exercise of the right to vote at Shareholders' Meetings.

The Articles of Association (Articles 2 and 14) empower the Board of Directors to determine the registered and any secondary offices, to approve mergers and demergers of subsidiaries, to reduce share capital in the event of a withdrawal by a Shareholder and to comply with new regulatory provisions and to retain authority over particular cases regarding related party transactions, naturally in compliance with the exceptions allowed by the laws in force.

It should be noted that according to Article 10 of the Articles of Association, the Shareholders' Meeting shall be convened through specific notice published on the Company's website, and in the Official Journal when required, but that it has also been decided to still publish the related notice in a newspaper (currently: "Il Sole 24 Ore" - "MF/Milano Finanza" - "Italia Oggi"), also in an abridged form.

During 2012, as part of the aforementioned provisions, the provisions of Article 125-bis of the TUF regarding the preparation of Shareholders' Meetings notices were further amended.

In any case, it should be noted that the website www.itkgroup.it contains a specific area dedicated to corporate governance, which is constantly renewed and updated. For the Shareholders' Meetings, part of the website has been dedicated to the related documentation, including not only the documentation on the items on the Agenda but also that for the exercise of Shareholders' rights as envisaged by Article 125-quater of the TUF, such as, for example, the form for proxy voting, the documentation for the appointment of the Appointed Representative, and that for voting by correspondence. The procedures to ask questions during a Shareholders' Meeting and how to ask for additions to be made to the Agenda are shown in the same area.

With respect to provisions relating to the submission of shares for participation in the Shareholders' Meeting, Article 11 (Attendance and representation at Shareholders' Meeting) of the Articles of Association implements the "record date" for all; in practice participation in the Shareholders' Meetings is now connected to the accounting entries as at the seventh day of trading prior to the date set for the Shareholders' Meeting on first call.

Pursuant to the new rules regarding the Shareholders' Meetings, the provisions were extended also to the Special Meetings of holders of other financial instruments issued by the Company which are traded on a regulated market, and therefore to holders of savings shares and bonds.

The provisions regarding the issue of proxies and their electronic notification which are also contained in Article 11 of the Articles of Association are also worth noting. The above-mentioned article in the Articles of Association also includes the provisions on how to exercise the vote by correspondence.

The other methods of participating in Shareholders' Meetings are contained in Article 10 (Calling of Shareholders' Meetings) of the Articles of Association, particularly with reference to the protection of minority shareholders with respect to the appointment of Directors and Statutory Auditors.

As a departure from the Code, the Company has decided to do without specific "Shareholders' Meeting Regulation" due to the existence of the provisions of Chapter III of the Articles of Association, available on the Company's website https://www.itkgroup.it/it in the Profile – Articles of Association section.

Greater details on participation at the specific meeting and the right to ask questions can be found in the Governance/Shareholders' Meetings section with reference to upcoming Shareholders' Meetings.

Within this framework, Article 12 (Chairmanship of the Shareholders' Meeting) of the Articles of Association expressly requires the Chairman of the Shareholders' Meeting to ensure the correctness of the proceedings by directing and regulating discussions and limiting the length of individual contributions.

Owners of saving shares or bonds are not entitled to participate in the meetings of the holders of ordinary shares.

Each share carries unrestricted voting rights (one vote per share) unless otherwise provided by law.

The extraordinary Shareholders' Meeting of June 19, 2015 introduced Articles 11-bis, 11-ter and 11-quater, establishing the increased voting right for Shareholders that are eligible pursuant to the requirements set by the law that so request by registering the in the special register that the Company has established. One shareholder is currently registered.

During the 2023 financial year, the following shareholders' meetings were held:

- on May 3, 2023, the Ordinary Shareholders' Meeting to approve the financial statements as at December 31, 2022, and the Report on Remuneration relating to that year;
- on June 12, 2023, the Ordinary and Extraordinary Shareholders' Meeting to approve the resolutions functional to the aforementioned Offers.

In 2024, at the date of this Report, no meeting has been held yet.

Unless otherwise provided by the applicable legislative provisions, the Articles of Association shall not be amended unless approved by the Shareholders' Meeting in the manner, quorums and with the majority prescribed by law.

The Articles of Association contain provisions for the protection of the non-controlling Shareholders in regard to the convening of the Shareholders' Meeting and additions to its Agenda (Article 10), appointment of the Board of Directors (Article 17) and the Board of Statutory Auditors (Article 22), in relation to the possibility of collecting voting proxies and the right to vote by correspondence (Article 11) and the disclosure obligations of the Executive Directors to the other directors and the Board of Statutory Auditors (Articles 14 and 18) and the Common Representative of Savings Shareholders (Article 26).

In particular, Articles 17 (Appointment and composition of the Board of Directors, and duration of the office of its members) and 22 (Board of Statutory Auditors) were amended in 2007, with the introduction of the voting list method for minorities and in 2014 and 2020, by adaptation thereof to the regulations on gender balance insofar as the composition of the administration and control bodies, as introduced by Italian Law 120/2011.

Furthermore, Articles 5 and 13 of the Articles of Association which respectively establish the right to request the identification of shareholders (Art. 83-duodecies of the TUF) and entitle shareholders to submit questions prior to the Shareholders' Meetings (Article 125-bis, para. 4. b), no. 1) of the TUF) are to be noted.

It should be noted that the provisions which became effective in 2012 require that the notice indicate the deadline by which questions can be put forward prior to the meeting, and that this deadline cannot be earlier than three days prior to the Shareholders' Meeting on the first or single call or five days if the notice provides for that the Company will give a response prior to the meeting. In this case, the answers must be provided at least two days prior to the meeting, including through publication in the special section of the Company's website.

Legitimacy of asking questions is the responsibility of the individuals with the voting rights and not the shareholders.

Additions to the Agenda and presentation of new resolution proposals

Article 10 of the Articles of Association highlights, in compliance with Article 126-*bis* of the TUF, that Shareholders who represent at least one fortieth of the share capital may ask, within 10 days of publication of the Shareholders’ Meeting notice, for an addition to the list of items to be addressed. The request must be presented in writing and must contain an indication of the items to be addressed.

Agenda items may not be added with respect to issues on which Shareholders resolve as per the law, upon proposal by Directors or based on a project or report put forward by Directors, other than those specified in Article 125-*ter*, paragraph 1 of the TUF.

Following the 2012 amendments, this provision was extended in order to allow Shareholders with a similar stake, again within 10 days of publication of the notice and according to a procedure similar to that provided for the addition to the Agenda items, to put forward resolution proposals on issues already on the Agenda.

In any case, any persons with voting rights can individually put forward resolution proposals to the Shareholders' Meeting.

Pursuant to the law, the requests for additions and/or submission of a new resolution proposal shall be made using that same procedures as provided for the convening of the Shareholders' Meeting at least fifteen days prior to the date set for the meeting, making the Report available to the shareholders, accompanied by any assessments by the Board of Directors.

Request to call Shareholders' Meeting

Article 10 of the Articles of Association, in accordance with the provisions of Article 2367 of the Civil Code, provides that Shareholders who represent at least one twentieth of the share capital in terms of ordinary shares can ask the Chairman of the Board of Directors to call a Shareholders' Meeting.

The request shall be made by registered letter and shall contain the list of the items to be included in the Agenda and the detailed list of those requesting the meeting, together with a copy of the suitable communication issued by the authorised intermediaries who certify ownership of the shares and their number.

14. OTHER CORPORATE GOVERNANCE ISSUES

The Issuer, aside from the Organisational Model pursuant to Italian Legislative Decree 231/2001 and the accounting control procedures illustrated in chapter 9 of the Report, does not adopt corporate governance practices other than those set forth in legislative and regulatory standards.

15. CHANGES AFTER THE YEAR END

As of the end of the Financial Year, there were no changes in the corporate governance structure other than those indicated in the specific sections.

16. CONSIDERATIONS ON THE LETTER FROM THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE OF DECEMBER 14, 2023

During the meeting of April 9, 2024, the aforementioned Letter from the Chairman of the Committee containing the aforementioned Recommendations was brought to the attention of the Board of Directors.

In this regard, the Company notes

(i) an overall involvement of the Board of Directors in the analysis of issues relevant to the **generation of long-term value**, as the Board of Directors is constantly able to analyse and evaluate the performance of the Company and the Group, also in terms of investments, reorganisation of the internal organisational structure, corporate acquisition strategies and, more generally, the Group's long-term organic expansion activities;

(ii) an overall compliance with the deadlines required for the submission of the **pre-meeting disclosure**, except in cases where it is unavoidable to make exceptions to the timeliness of such disclosure for reasons of confidentiality related to extraordinary finance transactions;

(iii) the advisability, as recommended by the Corporate Governance Committee, of the Board of Directors defining, on the occasion of its own renewal, an orientation for the **shareholders on the composition considered optimal**, in quantitative and qualitative terms, by the outgoing board of directors, and has deemed it appropriate to include, in the illustrative report prepared pursuant to Article 125-ter, of the TUF, relating to the appointment of the Board of Directors by the Shareholders' Meeting convened to approve the financial statements as at December 31, 2023, the guidance formulated by the Board of Directors on the occasion of its own renewal, scheduled on the occasion of the aforesaid Shareholders' Meeting. In fact, since Recommendation 23 of the Corporate Governance Code, which requires companies other than those with "concentrated ownership" to publish the aforesaid guidance in good time before the notice of call, does not apply to the KME Group, the Company has considered it appropriate to publish it 40 days before the date of the Shareholders' Meeting, in order to allow shareholders submitting lists of candidates to study it adequately.

* * *

Table 2a: INFORMATION ON THE STRUCTURE OF SHARE CAPITAL AND ON FINANCIAL INSTRUMENTS

SHARE CAPITAL STRUCTURE			
Shares issued	ISIN Code	No. of outstanding shares	% of total share capital
Ordinary shares	IT0004552359	311,330,620	95.63%
Unregistered savings shares	IT0004552367	14,211,262	4.37%
Registered savings shares	IT0004552375		
Total shares		325,541,882	100.00%

OTHER FINANCIAL INSTRUMENTS		
	ISIN Code	No. of outstanding instruments
"*KME Group S.p.A. 2021-2024*" Warrants	IT0005432668	6,256,550
"*KME Group S.p.A. 2020-2025*" non-convertible bonds	IT0005394884	4,297,158
"*KME Group S.p.A. 2022-2027*" non-convertible bonds	IT0005503393	63,533,259

* * * * * *

Table 2b: SHARE PERFORMANCE IN 2023

	Maximum value		***Minimum value***	
	Month	***Price***	***Month***	***Price***
Ordinary shares	October	1.1620	January	0.5440
Savings shares	May	1.4300	January	0.7740
KME Group S.p.A. 2021-2024 Warrants	October	0.6504	January	0.1721
KME Group SpA 2020-2025 Bonds	February	100.4300	October	98.1500
KME Group SpA 2022-2027 Bonds	December	101.2600	October	97.8000

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<u>Table 2.3</u> SIGNIFICANT INVESTMENTS

Declarant	Direct shareholder	% share of ordinary capital	% share of voting capital
Quattroduedue S.p.A.	Quattroduedue S.p.A.	57.114%	70.791%

Table 4.2 *Structure of the Board of Directors and its Committees*

BOARD OF DIRECTORS													CONTROL RISK AND SUSTAINABILITY COMMITTEE		REMUNERATION COMMITTEE (***)	
Office	Members	Year of birth	Date of first appointment *	Serving from	Serving until	List **	Executive	Non-Executive	Independent as per Code	Independent as per TUF	Attendance (*)	Number of other positions ***	(**)	Attendance (*)	(**)	% (*)
Chairman	Vincenzo Manes	1960	02.14.2005	06.08.2021	12.31.2023	M	X				11/11	5		n/a	n/a	n/a
Deputy Chairperson	Diva Moriani	1968	04.27.2005	06.08.2021	12.31.2023	M	X				11/11	6		n/a	n/a	n/a
Deputy Chairperson	Marcello Gallo	1958	02.14.2005	06.08.2021	12.31.2023	M	X				10/11	1		n/a	n/a	n/a
Director	James Macdonald	1951	04.30.2013	06.08.2021	12.31.2023	M		X			11/11	4		n/a	n/a	n/a
Director	Ruggero Magnoni	1951	05.31.2016	06.08.2021	12.31.2023	M		X			11/11	4		n/a	n/a	n/a
Director	Francesca Marchetti	1963	05.08.2018	06.08.2021	12.31.2023	M		X	X	X	11/11	-	M	4/4	n/a	n/a
Director	Alessandra Pizzuti	1962	06.19.2015	06.08.2021	12.31.2023	M		X			11/11	1	M	3/4	n/a	n/a
Director	Maria Serena Porcari	1971	06.08.2021	06.08.2021	12.31.2023	M		X			10/11	2		n/a	n/a	n/a
Director	Luca Ricciardi	1973	04.30.2013	06.08.2021	12.31.2023	M		X	X	X	11/11	-	M/C	4/4	n/a	n/a
Director	Laura Cattaneo	1972	01.12.2024	01.12.2024	12.31.2023	m		X	X	X	n/a	1		n/a	n/a	n/a

DIRECTORS WHO CEASED TO HOLD OFFICE DURING THE YEAR																
Director	**Alberto Previtali**	**1959**	**06.08.2021**	**06.08.2021**	**09.25.2023**	**m**		**X**			**11/11**	**2**		**n/a**	**n/a**	**n/a**

Number of meetings held during the Financial Year	***BoD: 11***	***CRC: 4***	***RC: N/A***
Indicate the *quorum* required for submission of lists by the minority shareholders for election of one or more members (pursuant to Article 147-ter of the TUF): 2.5%			

Notes

Attendance at meetings for which minutes were taken is reported in the table. It should be remembered that all the member of the Committees and those invited at the meetings, regardless of whether or not they actually attend, receive documentation and information regarding items on the Agenda with due notice, and take part in their discussion in preparation for the passing of resolutions.

* Date of first appointment for each Director means the date on which the Director was appointed for the first time (in an absolute sense) by the Issuer's BoD.

** This column indicates the list from which each Director was selected ("M" majority list; "m" minority list; "BoD" list submitted by the BoD).

*** This column indicates the number of positions as Director or Statutory Auditor held by the person concerned in other companies listed on regulated markets, in Italy or abroad, as well as in financial, banking, insurance or other companies of considerable size. Table 4.2b includes the list of these companies with reference to each Director, specifying whether or not the company in which the position is held is part of the Group of which the Issuer is the parent or part.

(*) This column indicates the attendance of directors at the meetings of the Board and the committees, respectively (no. of attendances/no. of meetings held during the effective term of office of the person concerned).

(**) This column indicates the position of the Director within the Committee: "C" if Chairman; "M" if a member.

(***) The committee is no longer established pursuant to the resolutions of the BoD of June 19, 2015, May 8, 2018 and June 8, 2021.

Table 4.2b ***Administration and control offices held by the Directors***

A table showing positions as Director or Statutory Auditor held by each Director as at December 31, 2023, in other joint-stock companies, partnerships limited by shares and private limited companies, as well as foundations and associations, is set out below.

Name	Company	Office
Vincenzo Manes		
	Nextep S.r.l. Benefit Company (1)	Chairman of the Board of Directors
	KME SE (1)	Executive Chairman
	KMH SpA (1)	Chairman of the Board of Directors
	Tod's Group (2)	Member of the Board of Directors and the Remuneration and CO/Risk Committees
	Compagnia Immobiliare Azionaria (CIA) S.p.A. (2)	Member of the Board of Directors
	Class Editori S.p.A. (2)	Member of the Board of Directors
	Fondazione Dynamo Camp ETS	Chairman of the Board of Directors
	Dynamo Academy S.r.l. Social Company (1)	Member of the Board of Directors
	Fondazione Adriano Olivetti	Member of the Board of Directors
	Fondazione Italia Sociale	Chairman
	Lotteria Filantropica Italia Philanthropic Entity	Chairman
	Fondo Filantropico Italiano	Member of the Board of Directors
	Robert Kennedy Human Rights Foundation	Member of the Board of Directors
Diva Moriani		
	Nextep S.r.l. Benefit Company (1)	Managing Director
	Dynamo Academy S.r.l. Social Company (1)	Member of the Board of Directors
	KME SE (1)	Executive Deputy Chairwoman of the Board of Directors and Chief Transformation Officer (CTO)
	KME Italy S.p.A. (1)	Member of the Board of Directors
	KME Germany GmbH (1)	Chairwoman of the Supervisory Board
	KME Mansfeld GmbH (1)	Chairwoman of the Supervisory Board
	KME S.r.l. (1)	Member of the Board of Directors
	KME Netherlands BV	Chairwoman of the Supervisory Board
	KMH SpA (1)	Managing Director
	Cunova (Paragon Group)	Member of the Board of Directors
	Moncler S.p.A. (2)	Independent member of the Board of Directors, Chairwoman of the Remuneration and Appointments Committee and member of the Related Party Committee

	Assicurazioni Generali (2)	Independent member of the Board of Directors, Chairwoman of the Remuneration and Appointments Committee and member of the Related Party Committee
	CULTI Milano S.p.A. (1)	Member of the Board of Directors
	Fondazione Arte Dynamo	Chairwoman
	Fondazione Dynamo Camp ETS	Member of the Board of Directors

Marcello Gallo		
	Intek Investimenti S.p.A. (1)	Managing Director
	Immobiliare Pictea S.r.l. (1)	Chairman of the Board of Directors
	ISNO 3 S.r.l. in liquidation (1)	Liquidator
	Benten S.r.l.	Member of the Board of Directors
	Lexcapital S.r.l. Benefit Company	Member of the Board of Directors
	KME SE (1)	Member of the Board of Directors
	KME Italy S.p.A. (1)	Member of the Board of Directors
	Dynamo Academy S.r.l. Social Company (1)	Member of the Board of Directors
	Fondazione Vita	Chairman of the Board of Directors
	Fondazione Dynamo Camp ETS	Member of the Board of Directors
	Fondo Filantropico Italiano ETS	Chairman
	Vita Società Editoriale S.p.A.	Senior Deputy Chairman of the Board of Directors
	Fondazione Valore ETS	Member of the Board of Directors

James Macdonald		
	Hanseatic Americas Ltd	Director
	Hanseatic Europe Sarl	Manager
	Hansabay Pty. Ltd.	Director
	Abolango Stiftung	Director

Ruggero Magnoni		
	IMMSI S.p.A. (2)	Member of the Board of Directors
	M&M Capital Ltd.	Chairman
	IFM Investors	Senior Advisor to IFM Global Infrastructure Fund
	RFM & Partners S.p.A.	Chairman
	Società di Progetto Brebemi S.p.A.	Member of the Board of Directors
	Fondazione Giuliano e Maria Carmen Magnoni Onlus	Founding Member and Chairman
	Fondazione Laureus Sport for Good Italia Onlus	Founding Member and Chairman
	Fondazione Cologni dei Mestieri d'Arte	Member of the Board of Directors
	Trilantic Capital Partners Europe	Senior Advisor and Member of the Advisory Council
	Lehman Brothers Foundation Europe	Trustee
	Fondazione Dynamo Camp ETS	Member of the Board of Directors

Alessandra Pizzuti		
	KME SE (1)	Member of the Board of Directors
	KME Germany GmbH (1)	Member of the Supervisory Board
	KME Mansfeld GmbH (1)	Member of the Supervisory Board
	KME Netherlands BV (1)	Member of the Management Board

Luca Ricciardi	-	-

Francesca Marchetti		
	KME SE (1)	Member of the Board of Directors
	Riantima Immobiliare S.r.l.	Single Auditor

Laura Cattaneo		
	Bystronic Italia Srl	Sole Auditor

Maria Serena Porcari		
	Fondazione Dynamo Camp ETS	Managing Director
	Dynamo Academy S.r.l. Social Company (1)	Chairwoman and Managing Director
	CIR SpA (2)	Independent member of the Board of Directors
	CP Energy Crispiano S.r.l.	Member of the Board of Directors
	CP Energy & Finance S.r.l.	Member of the Board of Directors
	Seriousfun Children Network USA	Member of the Board of Directors
	Fondazione Cassa di Risparmio di Pistoia e Pescia	Member of the General Council
	Fondazione Hospice Isabella Seragnoli	Member of the Board of Directors
	Università Commerciale Luigi Bocconi	Member of the Board of Directors
	Natural Capital Italia S.p.A. Benefit Company (1)	Member of the Board of Directors

Alberto Previtali		
	Gum SpA	Member of the Board of Directors
	Boomers Srl	Member of the Board of Directors
	Start Here Srl	Member of the Board of Directors
	Diurno S.r.l.	Sole Director

(1) company controlled by KME Group S.p.A.;
(2) company listed in a regulated market.

* * * * * *

TABLE 14a ***Structure of the Board of Statutory Auditors***

BOARD OF STATUTORY AUDITORS

Office	Members	Year of birth	Date of first appointment *	Serving from	Serving until	List **	Independence as per Code	Attendance ***	Number of other positions ****
Chairman	**Silvano Crescini**	**1958**	**06.08.2021**	**06.08.2021**	**12.31.2023**	**m**	**x**	**7/7**	**9**
Standing Auditor	**Giovanna Villa**	**1966**	**05.08.2018**	**06.08.2021**	**12.31.2023**	**M**	**x**	**7/7**	**3**
Standing Auditor	**Marco Lombardi**	**1959**	**09.01.2008**	**06.08.2021**	**12.31.2023**	**M**	**x**	**7/7**	**6**
Alternate Auditor	**Elena Beretta**	**1969**	**06.19.2015**	**06.08.2021**	**12.31.2023**	**M**	**x**	**n/a**	**3**
Alternate Auditor	**Cristina Sorrentino**	**1969**	**06.08.2021**	**06.08.2021**	**12.31.2023**	**m**	**x**	**n/a**	**6**

Number of meetings held during the Financial Year: *7*
Indicate the *quorum* required for submission of lists by the minority shareholders for election of one or more members (pursuant to Article 148 of the TUF): 2.5%

Notes

* Date of first appointment for each Statutory Auditor means the date on which the Statutory Auditor was appointed for the first time (in an absolute sense) by the Issuer's Board of Statutory Auditors.

** This column indicates the list from which each Statutory Auditor was selected ("M" majority list; "m" minority list).

*** This column indicates the participation of the statutory auditors in the meetings of the Board of Statutory Auditors (no. of attendances in the period during which the individual was in office)

**** This column indicates the number of positions as director or statutory auditor held by the person concerned which are relevant under Article 148-*bis* of the TUF and the relative implementing provisions contained in the CONSOB Issuers' Regulation. The complete list of offices is published by CONSOB on its own website pursuant to Article 144-quinquiesdecies of the CONSOB Issuers' Regulation.

Table 14b ***Administration and control offices held by the Statutory Auditors***

Below is a table showing the Director or Statutory Auditor positions held by each Statutory Auditor as at December 31, 2023, in other joint-stock companies, partnerships limited by shares and limited liability companies.

Name	Company	Office
Silvano Crescini		
	Altachiara S.r.l.	Chairman of the Board of Statutory Auditors
	De Gasperi S.r.l.	Sole Auditor
	Evolution Srl	Single Auditor
	Sial S.r.l.	Sole Auditor
	Calise S.r.l.	Sole Auditor
	Bracca S.p.A.	Standing Auditor
	Fonti Pineta S.p.A.	Standing Auditor
	Hera Società Fiduciaria e di Revisione S.p.A.	Standing Auditor
	Il Quadrifoglio Srl	Single Auditor
	La Cogefin Srl	Sole Director
	Rondo Schio S.r.l.	Standing Auditor
Giovanna Villa		
	Lenovo Italy S.r.l.	Sole Auditor and Member of the SB
	Lenovo Global Technology S.r.l.	Sole Auditor and Member of the SB
	ENI SpA	Alternate Auditor
	Elfit S.p.A.	Member of the SB
	Cortem S.p.A.	Member of the SB
	Italian Gasket S.p.A.	Member of the SB
	BFF Bank S.p.A.	Independent Member of the Board of Directors – Chairwoman of the Remuneration Committee and Member of the Related Party Committee
Marco Lombardi		
	Brandini S.p.A.	Chairman of the Board of Statutory Auditors
	KME Italy S.p.A. (1)	Chairman of the Board of Statutory Auditors
	Natural Capital Italia S.p.A. SB (1)	Chairman of the Board of Statutory Auditors
	First Capital S.p.A.	Chairwoman of the Board of Statutory Auditors
	Value First Sicaf S.p.A.	Chairwoman of the Board of Statutory Auditors
	Palomar S.p.A.	Standing Auditor
	Fondazione Angeli del Bello	Member of the Board of Auditors
	Klab Kids	Auditor

Elena Beretta		
	Carcano Antonio S.p.A.	Alternate Auditor
	EB Neuro S.p.A.	Alternate Auditor
	Fratelli Consolandi S.r.l.	Standing Auditor
	Impresa Costruzioni Grassi e Crespi S.r.l.	Alternate Auditor
	Intek Investimenti S.p.A. (1)	Standing Auditor
	KMH SpA (1)	Alternate Auditor
	Quattroduedue SpA	Standing Auditor
	Romeo Maestri & Figli S.p.A.	Alternate Auditor

Cristina Sorrentino		
	MG Equity Securities S.p.A.	Chairwoman of the Board of Statutory Auditors
	Simplex Rapid S.r.l.	Chairwoman of the Board of Statutory Auditors
	Imbo S.p.A.	Chairwoman of the Board of Statutory Auditors
	Cortec S.p.A.	Chairwoman of the Board of Statutory Auditors
	Tecma S.p.A.	Standing Auditor
	Tecnutensil S.r.l.	Chairwoman of the Board of Statutory Auditors
	Daq-lan S.r.l. unipersonale	Auditor
	Satem Srl	Auditor
	Satem Servizi Srl	Auditor
	G E PI Srl	Auditor
	H.T.P. High Tech Products Srl	Auditor
	Utensil Meccanica 2000 Srl	Auditor
	Autotrasporti Dolci Sergio Srl	Auditor
	Oscar Utumenti Srl	Auditor
	Impresa di Pulizie L'Artigiana Srl	Auditor

(1) company controlled by KME Group S.p.A.;
(2) company listed in a regulated market.

REPORT ON THE REMUNERATION POLICY
YEAR 2024
AND ON THE COMPENSATION PAID FOR THE 2023 FINANCIAL YEAR

Prepared pursuant to Article 123-ter of the TUF and Article 84-quater of CONSOB Resolution no. 11971 of May 14, 1999 as amended

Board of Directors
of April 22, 2024

KME Group S.p.A.
Registered and Administrative Office:
20121 Milan - Foro Buonaparte, 44
Share Capital Euro 200,114,023.16 (fully paid up)
Tax Code and Milan Business
Register no. 00931330583
www.itkgroup.it

Dear Shareholders,

The **first Section** of this document describes the 2024 Remuneration Policy (the "**Policy**") applicable to the members of the Board of Directors and the Board of Statutory Auditors of the company KME Group SpA (hereinafter referred to as "**KME Group**" or the "**Company**") and to the Key Management Personnel. The **second Section** instead illustrates the implementation of the pay policies in force and therefore of compensation paid in the year 2023 (the "**Report on compensation**" or only the "**Report**"). In particular:

The Policy

The Policy described in the first section refers to a year-long time period, also in consideration of the initiated delisting programme of the Company, and was prepared in line with the recommendations on remuneration of the Corporate Governance Code approved by the Corporate Governance Committee of Borsa Italiana SpA most recently in January 2020 (the "**Code**"). Specifically, the Policy is valid from the date of its approval until the approval of the Annual Financial Report relating to the year ending December 31, 2024. The Policy is defined to such an extent so as to attract, motivate and retain resources with the professional skills (both management and technical) required to successfully manage the Company and its strategies, as defined by the Board of Directors, as well as to support the pursuit of the Company's long-term interests and sustainability. The Policy is drafted in light of the recommendations set forth in Article 5 of the Code and takes into account the provisions laid out in Article 123-*ter* of Italian Legislative Decree no. 58 of February 24, 1998, as subsequently amended (the "**TUF**"), Article 84-*quater* of the CONSOB Regulation approved with resolution no. 11971 of May 14, 1999, as subsequently amended (the "**Issuers' Regulation**") and Annex 3A, Scheme 7-*bis*, to the Issuers' Regulation; as well as the provisions set forth in the procedure for transactions with related parties, approved by the Company's Board of Directors on November 11, 2010, in the version updated on June 30, 2021, pursuant to the regulation adopted by CONSOB with resolution no. 17221 of March 12, 2010, as subsequently amended and supplemented.

The Report on the compensation paid

The Report on Compensation shall be approved by the Board of Directors, prepared in accordance with Annex 3A, Scheme no. 7-*bis*, Section II, of the Issuers' Regulation, filed with the Company's registered offices and published on its website at least 21 days prior to the Shareholders' Meeting called to approve the annual financial statements. The Report refers to the year 2023 and in particular is focused, including through the use of specific tables, on the analytical presentation of the remuneration paid to Directors, Statutory Auditors, General Managers and Key management personnel in the course of that year.

In continuity with recent years and following guidelines provided in the *layout* document issued by Borsa Italiana S.p.A. concerning the "Report on corporate governance and ownership structures" ("**Report on Governance**"), disclosure required by the Code was included in this Report in order to avoid providing duplicate information. Mention has been given in the aforementioned Report on Governance as well.

Again, in accordance with the aforementioned indications, the Report on Governance and this Report are available also from the registered office of the Company and the governance section of the website www.itkgroup.it. Due to their respective contents and the numerous reciprocal overlapping, it is recommended that they be read and examined jointly.

The Remuneration Policy and the Report on Compensation were approved by the Board of Directors in the meeting held on April 22, 2024.

1 Section I – The Remuneration Policy

1.1 Introduction and purpose

The KME Group is an industrial holding company whose strategic plan has evolved over time from a holding company to an investment company under IFRS 10 and at last to an industrial holding company focused on the copper world.

In particular, the Company has invested with a medium-term time-frame in the past, combining its entrepreneurial approach with a solid financial structure. The current allocation of resources involves a strong concentration in the investment in the KME group (90% of total assets). Within this Group, for a few years now the most high-performing and promising sectors have been privileged, while instead favouring a departure from segments that have lower growth outlooks. Furthermore, a particularly active role was played in contributing to the phenomenon of progressive concentration carried out in recent years by major players in the rolled sector ("*Copper*"). In light of the strategy defined in April 2022, there was a further concentration of the activity in the copper sector with the gradual exit from other investments.

The new strategic process announced by the Company on April 22, 2022, had rendered 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.

In line with the focus on the copper world, in the first few months of 2023, KME Group SpA started the project to delist its ordinary and savings shares and warrants from the market. The delisting is considered by the Company functional to the objective of concentrating its activities in the industrial management of the KME SE Group and of offering the Company greater flexibility in the pursuit of strategies aimed at strengthening its market position, also through external growth, taking into account that the market listing does not allow the KME Group to be adequately valued.

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 Copper segment. 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. Furthermore, the Company believed that the delisting, in addition to representing a corporate simplification with related cost savings, may make it possible to implement, with greater effectiveness, any opportunities for reorganisation of the KME Group aimed at further strengthening it, more easily pursued as an unlisted company.

In line with this new strategic definition, the management believes that, in evaluating the Company's overall performance, it is necessary to consider above all the economic results for the period, rather than the appreciation over time of the individual assets owned and their potential for creating shareholder value, which was the approach in the past.

Therefore, the 2024 Policy takes into account both the common strategic approach and the prospect of the Group's delisting.

2 *Governance* of the KME Group in relation to the Policy

2.1 The corporate bodies involved in the preparation of the Remuneration Policy and relevant procedures

The mandate of the Remuneration Committee expired since the Shareholders' Meeting held on June 19, 2015, which approved the financial statements for the year ended December 31, 2014. The Company's Board of Directors, appointed by this Shareholders' Meeting, decided not to re-establish the Remuneration Committee pursuant to, at the time, Art. 6 of the Borsa Italiana Corporate Governance Code and now Art. 5 of the Code, which considered that specifically for the Company, the duties incumbent upon the Remuneration Committee as required by the Code then in force could be satisfactorily carried out directly by the Board of Directors. The administrative body appointed by the Shareholders' Meeting on May 8, 2018, which met on the same date, also decided not to re-establish that Committee, in line with the previous three-year period. The same decision was taken by the administrative body appointed by the Shareholders' Meeting of June 8, 2021.

Also for the year 2024, as already in previous years, the Board of Directors, despite the fact that its term of office is expiring, deemed that it, in its entirety, is an entity that can adequately and efficiently define and set the incentive criteria, based on which to determine the variable component of the remuneration of Executive Directors and Key Management Personnel and for monitoring that the fixed objectives were indeed reached.

The Board continues to believe that the current definition of its strategic mission, its approach to the market and its governance structure make it easier to manage the remuneration policy, as it refers solely to the Executive Directors of the Company and any Key Management Personnel.

The Policy is valid from the date of its approval until the approval of the Annual Financial Report relating to the year ending December 31, 2024.

The Remuneration Policy applicable to the Executive Directors and the remuneration criteria of the Key Management Personnel was approved by the Board of Directors, with the favourable opinion of the Control, Risk and Sustainability Committee, after being examined by the Board of Statutory Auditors.

The Board of Directors also sought the assistance of two Independent Directors to compare the technical and substantive aspects of the Policy. Furthermore, should specific questions arise during the year or should issues concerning the remuneration of the Executive Directors need to be analysed, the Board of Directors will be assisted by at least two Independent Directors. Moreover, the positive opinion of at least two Independent Directors is necessary to check for the existence of exceptional circumstances that allow for temporary derogations to the Remuneration Policy. At Board meetings where the remuneration of the Executive Directors is discussed, they shall attend the relevant discussions only if expressly authorised by the other members of the Board and shall not take part in the related votes in order to avoid any apparent conflict of interest.

The Policy thus approved by the Board of Directors is submitted to the Shareholders' Meeting for approval with a binding vote, according to Article 123 ter, paragraph 3-bis of the TUF, when the resolution is passed on the Annual Financial Report.

Pursuant to Article 123 ter, paragraph 3 ter, if the Shareholders' Meeting does not approve the Policy, or its amendments, subject to the vote of the Shareholders' Meeting itself, the remuneration set forth in the most recent Policy approved by the Shareholders' Meeting or, lacking this, practices in force, would continue to apply.

The Board of Directors is responsible for overseeing the correct implementation of the Policy adopted.

2.2 Amendments and derogations to the Policy

This Remuneration Policy is valid and binding for the period specified above, without prejudice to any amendments approved by the Shareholders' Meeting, according to the procedure specified in paragraph 2.1.

The derogations may be approved only in exceptional circumstances, meaning situations in which the derogations are necessary in order to pursue the long-term interests and sustainability of the Company as a whole or, also, to ensure its staying capacity in the market.

Any derogations must obtain the positive opinion of at least two Independent Directors and be approved by the Board of Directors. The approval of the derogations must be preceded by the verification of i) the existence of exceptional conditions, meaning situations, not expected when the Policy was approved, the occurrence of which does not enable to the Company to stay in the market with respect to the benchmarks that the market offers at that time, and ii) the consistency of derogations with the conditions set forth in this Policy. The Independent Directors and the Board of Directors may rely on the internal consulting of the company functions involved as well as any other company function deemed useful for the assessment.

The only elements of the Policy that may be subject to exceptions relate to the variable component of remuneration.

The derogation proposals are discussed and possibly approved with the favourable opinion of at least two Independent Directors, having consulted with the Board of Statutory Auditors, by resolution of the Company's Board of Directors, which discloses the information to the public as privileged information. The derogations and relative justifications are also disclosed at the first shareholders' meeting subsequent to their approval.

Disclosures to the public relating to derogations of this Policy concern, for each derogation:

i. the specific elements derogated and the specific disclosure that they were included amongst the elements specified above;
ii. information about the nature of the exceptional circumstances and justifications based on which the derogation is necessary in order to pursue the long-term interests and sustainability of the Company as a whole or to ensure its staying capacity in the market;
iii. information on the procedure followed and the confirmation of the compliance of that procedure with the procedural conditions laid out in this Policy;
iv. information relating to the remuneration paid in exceptional circumstances.

2.3 General Remuneration Policy Principles

2.3.1 The objectives of the remuneration policy and its changes

The Policy is an important tool to create sustainable corporate value.

It contributes to attracting and maintaining high-level professional skills and to aligning individual targets and conduct to the Group's medium to long-term strategies and plans.

The overall remuneration structure is based on the following principles:

- a balanced formulation;
- adequate balance between fixed and variable components of remuneration. The variable component shall not be predominant and shall envisage maximum limits. Particular attention shall be paid to the fixed component of remuneration, in order to retain professional skills, in line with the role covered, the responsibilities assumed and in order to maintain positive results in the future; it is sufficient for remuneration of the service even if the variable component has not been provided;

- appropriate variable remuneration, based on medium- to long-term goals and not simply on short-term initiatives. The connection between remuneration and performance shall be based on pre-set, measurable parameters linked to both quantitative and qualitative assessments, taking under consideration the risk management policy adopted by the Company;
- focusing on the creation of value for Shareholders over the medium- to long-term period.

Generally, the remuneration of the Directors and Key management personnel is set at a level to attract, maintain and motivate the persons with the professional skills required to successfully manage the Company.

Furthermore, the incentive policies for Executive Directors and Key management personnel are linked to a mix of performance and/or profitability targets on the one hand and "value creation" on the other.

Compared to the 2023 Policy, the 2024 Policy contains a reformulation of the remuneration criteria for Executive Directors based on the following criteria:

i. a fixed remuneration;

ii. options relating to shares of the parent company KME Group reserved for the Executive Directors Vincenzo Manes and Diva Moriani and that of KME SE Claudio Pinassi;

iii. medium- to long-term incentive plan based on the performance of the investee KME SE.

For the sake of completeness, it should be noted that, with regard to the Warrant Management assigned in 2021 and 2022, a settlement agreement has been defined that envisages the repurchase by the Company of the Warrant Management (as better described below) that will allow the Executive Directors to choose, by June 28, 2024, the formulation of the payment (entirely in cash, entirely in kind in ordinary shares of KME Group, or with a mixed in cash and in kind solution).

The Board of Directors will specifically implement the principles included in this Policy when determining the remuneration of Executive Directors and Key management personnel.

The Company's choice of incentives for Executive Directors and Key Management Personnel was also driven by the desire to encourage management to work on medium- to long-term plans which, among other things, allow for the interests of all stakeholders to be taken into account, and to increase staff motivation and, as a result, create a calmer and, ultimately, better working environment. Therefore, the Company believes that its 2024 Policy is designed to respect the working conditions and well-being, employment and employability, of its employees.

In preparing this 2024 Policy, the Company was not able to take into consideration any comments or requests from shareholders on the issues involved, as the shareholders' meeting for the approval of the 2021 Policy did not provide any insights that needed to be considered, nor have any requests or communications from shareholders been received by the Company since the date of that meeting to date. Should this occur in the future, the Company will take these elements into consideration when drafting and approving future Remuneration Policies.

2.3.2 The Remuneration Policies for Directors and Key management personnel

2.3.2.1 Members of the Board of Directors

The KME Group 2024 Policy defines the guidelines which the Board of Directors complies with in order to determine both the fixed and variable remuneration of the Board members, specifically Directors with specific mandates and Key Management Personnel.

Based on Article 8 of the Company's Articles of Association, all Directors, whether executive or not, shall receive 2% of net profits for the year after allocation of the portion to the legal reserve has been made.

In the event that payment pursuant to Article 8 of the Articles of Association is granted, the amounts received as fixed fees are considered as an advance of the aforementioned payment.

Article 21 of the Articles of Association allows the Shareholders' Meeting the possibility to provide Directors with a fixed fee.

With reference to the three-year period from 2024 to 2026, the outgoing Board of Directors suggests that the Shareholders' Meeting pay a compensation of Euro 16,500 per annum for each director, plus 50% for directors who serve on the Committees established by the Company, in line with the similar remuneration paid for the previous three-year period. These amounts are unchanged from the previous three-year period.

The Company also signed a "Directors & Officers' Liability" insurance policy (hereinafter the "D&O") which provides liability insurance coverage for Directors and Managers of the Company and the Group; the policy also covers legal expenses in case of preventive and urgent orders.

2.3.2.2 Executive Directors

Fixed component

Executive Directors receive a fixed amount based on the responsibilities and skills required for their office. The amount is set by the Board of Directors, after it has heard the opinion of the Board of Statutory Auditors.

As in the past, this Policy provides for a fixed annual remuneration of Euro 700,000 to be paid to Vincenzo Manes and of Euro 100,000 to be paid to each of the current Deputy Chairpersons, if they are reappointed as executive directors, for the period from their appointment, to be determined by the Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2023, until the date of the Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2026.

Variable components

A. With reference to the 2024 financial year, the variable component of the remuneration of the Chairman and the Executive Director Diva Moriani is determined on the basis of KME SE's variable incentive plan, which is based on KME SE's operating results.

B. With reference to the Executive Directors, they hold Warrant Management as follows:

(i) in 2021, Warrant Management were assigned as follows:

- o 11,250,000 Warrant to the Chairman Vincenzo Manes;
- o 10,000,000 Warrant to the Deputy Chairwoman Diva Moriani;
- o 3,750,000 Warrant to the Deputy Chairman Marcello Gallo.

(ii) during 2022, as part of the "*KME 2021-2024 Executive Directors Incentive Plan*" approved by the Ordinary Shareholders' Meeting of June 8, 2021, a total of 12,500,000 Warrant Management were freely attributed, as follows:

- o 5,000,000 Warrant to the Chairman Vincenzo Manes;

- 6,000,000 Warrant to the Deputy Chairwoman Diva Moriani;
- 1,500,000 Warrant to the Deputy Chairman Marcello Gallo.

The total number of Warrant Management issued to the Executive Directors is 37,500,000. The right to exercise the Warrant Management expires on June 28, 2024.

The Warrant Management included a claw back clause pursuant to which the Board of Directors reserves the unilateral right to obtain the partial or full revocation of the Warrants assigned and not yet exercised in cases where, by June 28, 2024, it is ascertained that the beneficiary has put in place: (i) fraudulent or seriously wrongful conduct to the detriment of the Company; (ii) behaviour contrary to the law and/or company rules; (iii) breaches of the duties of loyalty and proper management; (iv) behaviour that results in a significant financial or asset loss to the Company.

The variable component thus determined was assigned to ensure the alignment of the personal interests of the Executive Directors – figures on which the strategic management of the Company is based – with the medium-term interests of the shareholders, given the condition of the allocation of the Warrants, which can be exercised (and therefore "converted" into ordinary shares) until June 28, 2024, with a view to pursuing its continuous increase in value.

In consideration i) of the delisting of the Company, ii) of the fact that the Warrant holders other than the Executive Directors had the opportunity to sell their Warrants to the Company for cash in order to avoid a dilutive effect on the share capital of the Company upon delisting; and iii) of the fact that the Warrants Management would have a strong dilutive effect on the other shareholders of the Company, the Board of Directors, at the meeting held on April 22, 2024, having received a favourable opinion from the Company's Related Parties Committee issued on April 18, 2024, resolved to carry out the following transaction between the Company and the Executive Directors: the sale of all the 37.5 million Warrants Management held by the Executive Directors to the Company at a unit price of Euro 0.60 per Warrant Management for a total consideration of Euro 22.5 million, with the option for the Warrant Management holders to determine the method of payment (whether all in cash or all in ordinary shares of the Company or in a mixed manner) by June 28, 2024.

This consideration will be paid by December 31, 2024, in the following alternative methods, based on the information provided by each beneficiary:

- payment of this amount by the Company in cash by December 31, 2024;
- transfer to the Executive Directors of up to 22.5 million KME ordinary shares held by the Company;
- or again partly in cash and partly in KME ordinary shares held by the Company.

C. With reference to the Executive Directors, Vincenzo Manes and Diva Moriani, and to the Director of KME SE, Claudio Pinassi, assignment of three-year options giving the right to purchase a total of 12.5 million ordinary shares of the Company at Euro 1.00. These ordinary shares are currently held by the Company.

The options will be assigned as follows:

- Vincenzo Manes 5,000,000
- Diva Moriani 5,000,000
- Claudio Pinassi 2,500,000

The options will be assigned against payment, with a price calculated on the fair market value at the time of delivery; conversion into shares, on the basis of one share for each option, may be requested by each beneficiary, also in several tranches, by June 30, 2027, after which date the options will be cancelled if not exercised.

The options will be freely exercisable during the term of the option.

This variable component is suitable to strengthen the retention of the specified directors and to enhance their work in creating value for the Group.

With reference to all the elements of the variable remuneration for Executive Directors, there are no criteria for recognising or varying this component in cases of overperformance or underperformance. The Company reserves the right to forfeit the options in the event that the options have not yet been exercised but the beneficiary engages in (i) fraudulent or severely wrongful conduct to the detriment of the Company; (ii) behaviour contrary to the law, articles of association and/or company rules; (iii) breaches of loyalty and proper management obligations; (iv) behaviour that results in a significant financial or asset loss to the Company.

The Board of Directors, when deciding on the allocation, will determine cases in which the Executive Directors lose the right to receive the variable component, which is recognised by the Company, but not yet disbursed, in the event that the Director is no longer in office or is no longer connected with the Company.

The possibility of assigning the options is subject to the condition precedent of the approval of this 2024 Policy and of the KME Group 2024-2027 Share Incentive Plan by the shareholders' meeting to be held on May 22-23, 2024.

The detailed conditions are set out in the documents made available at the Shareholders' Meeting to be held on May 22-23, 2024.

Non-monetary benefits

The Company continued to provide Vincenzo Manes, as a benefit, with a residence for an amount of up to Euro 150,000 per annum, as well as an accident policy with maximum coverage of Euro 5,000,000.

Directors' Termination benefits and indemnities in case of resignation, dismissal or termination of employment after a public tender offer

With reference to the 2024 financial year, in line with the past, there is no end of office indemnity in favour of Directors. Moreover, no compensation/indemnity is paid pursuant to "non-competition agreements" nor are any non-monetary benefits assigned or maintained or consultancy contracts concluded following the termination of the relationship.

Non-financial performance objectives

With reference to non-financial performance objectives, sustainability, understood as the economic and financial sustainability of the Company, is taken into account by 2024 Policy, as mentioned above, by incentivising directors and managers to choose investments with medium- to long-term returns, rather than short-term monetisation for beneficiaries.

With regard to sustainability, understood as the environmental and social profile (known as Corporate Social Responsibility), the Company has started a process of analysis of these issues which, in the coming years, will take the form of concrete Corporate Social Responsibility objectives to which part of the variable remuneration of management may be linked.

2.4 Components of the Remuneration Package for Key Management Personnel

For Key Management Personnel, an appropriate balance is confirmed between a fixed component commensurate with the responsibilities assigned and, where appropriate, a variable component, within maximum limits, designed to link remuneration to performance.

Fixed remuneration

The fixed remuneration for Key Management Personnel is determined according to the role and responsibilities assigned, taking into account the level of remuneration in the reference market and, in some cases, the experience and career path of the individual. In the light of these factors, the fixed remuneration of Key Management Personnel can be adjusted periodically.

Variable remuneration

The variable remuneration is divided into a short-term component and a long-term share-based component with a view to the sustainability of the results and the creation of value for shareholders in the medium to long term. The assessment of the assigned performance objectives is carried out net of the effects of external variables resulting from the evolution of the reference scenario, in order to enhance the actual individual contribution to the achievement of the assigned performance objectives.

2.5 Additional information

In the preparation of the remuneration policy, the Company:

i. was not assisted by any consulting company or sector specialist;

ii. did not use as a reference the remuneration policies of other companies, whether Italian or foreign.

2.6 Board of Statutory Auditors

The remuneration of the Board of Statutory Auditors is approved by the shareholders' meeting on appointment on the basis of professional rates (if applicable) and/or normal market practice. In this regard, please note that Shareholders' Meeting of June 8, 2021, determined the above-mentioned annual remuneration to the extent of Euro 46,000 for the Chairman and Euro 31,000 for each other Standing Auditor. There is no variable remuneration for members of the Board of Statutory Auditors.

The Board of Statutory Auditors, whose term of office expires with the approval of the financial statements for the year ending December 31, 2023, did not provide the Company with any details on the quantification of the commitment required, pursuant to rule Q.1.6 of the rules of conduct of the Board of Statutory Auditors of listed companies issued by the Italian National Council of Chartered Accountants and Accounting Experts (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili).

3 Section II – Report on the compensation paid in the financial year 2023

3.1 Part one: Information on the remuneration items

This Section II illustrates, with reference to the 2023 financial year, the third year of application of the 2021-2023 Policy, the compensation received by the members of the management and control bodies (with specific indication of names for the Executive Directors).

3.1.1 The Board of Directors

3.1.1.1 Compensation as per the Company Articles of Association and following decision by the Shareholders' Meeting.

Based on Article 8 of the Company Articles of Association, all Directors, whether executive or not, shall receive 2% of profits for the year after allocation to the legal reserve has been made.

Article 21 of the Articles of Association allows the Shareholders' Meeting the possibility to provide Directors with a fixed fee.

The shareholders' meeting of June 8, 2021 determined, for the 2021-2023 three-year period, compensation of Euro 16,500 per annum for each Director, plus 50% for Directors who serve on the Committees established by the Company.

3.1.1.2 Compensation of Directors with specific powers.

Article 21 of the Articles of Associations foresees that the compensation of Executive Directors is decided by the Board of Directors, after hearing the Board of Statutory Auditors; Executive Directors are the Chairman Vincenzo Manes, the Deputy Chairwoman Diva Moriani and the Deputy Chairman Marcello Gallo.

In its meeting of June 8, 2021, the Board of Directors resolved to allocate to the Chairman Vincenzo Manes a fixed remuneration of Euro 700,000 per annum for the period from June 8, 2021 until the Shareholder's Meeting date called for the approval of the financial statements for the period ended 31 December 2023. The Deputy Chairpersons Diva Moriani and Marcello Gallo were attributed a fixed remuneration of Euro 100,000 each per annum for the same period.

The Executive Directors did not receive any variable remuneration in 2023.

Therefore, the total remuneration paid during the 2023 financial year to the Executive Directors including the statutory compensation approved by the shareholders' meeting on June 8, 2021, was as follows:

- to the Chairman, **Vincenzo Manes**: Euro 716,500, only as a fixed amount;
- to the Deputy Chairwoman **Diva Moriani**: Euro 116,500, only as a fixed amount;
- to the Deputy Chairman **Marcello Gallo**: Euro 116,500, only as a fixed amount.

For calculation details, see Table 1 of this Section II.

During 2022, as part of the "KME 2021-2024 Executive Directors Incentive Plan" approved by the Ordinary Shareholders' Meeting of June 8, 2021, a total of 12,500,000 Warrants Management were freely attributed, as follows:

- 5,000,000 Warrants to the Chairman Vincenzo Manes;
- 6,000,000 Warrants to Deputy Chairwoman Diva Moriani;
- 1,500,000 Warrants to the Deputy Chairman Marcello Gallo.

These Warrants Management were in addition to 25,000,000 already assigned in 2021 as follows:

- 11,250,000 Warrants to the Chairman Vincenzo Manes;
- 10,000,000 Warrants to Deputy Chairwoman Diva Moriani;

- 3,750,000 Warrants to the Deputy Chairman Marcello Gallo.

In this regard, see paragraph 2.3.2.2. letter B.

3.1.1.3 Compensation of Non-Executive Directors within Committees.

The remuneration of Non-Executive Directors is supplemented due to their involvement in the Committees (increased by 50%).

The compensation attributed to them and other Directors pursuant to the Articles of Association, is subject to the year positive results and allows them to participate, albeit not significantly, in the Company's financial results.

3.1.2 Stock option plan

It should be noted that at the moment only the "KME 2021-2024 Executive Directors Incentive Plan" is in place, which provides for the assignment of Warrants Management.

3.1.3 The Board of Statutory Auditors

The remuneration of the Chairman of the Board of Statutory Auditors and the two Standing Auditors was determined on an annual basis and for the entire term of office (2021-2022-2023 financial years) by the Shareholders' Meeting upon appointment.

For the sake of completeness, it should be noted that regarding fulfilment of the independence requirement for the members of the Board of Statutory Auditors, the "substantial situations" of the individual relations between the Statutory Auditors and the Group (the overall existing economic relations) are taken into consideration; to this end, reference should be made to the paragraph on the Board of Statutory Auditors in the Report on Corporate Governance.

3.1.4 Information in the event of termination of the office of Directors

During the 2023 financial year, Director Alberto Previtali resigned with effect from September 25, 2023. This director was paid the compensation due on a pro-quota basis from January 1, 2023, until the end of his term of office. Laura Cattaneo was then co-opted in his place on January 12, 2024.

With reference to the financial years 2021-2023, there are also no end of office indemnity in favour of Directors.

Moreover, no compensation/indemnity is paid pursuant to "non-competition agreements" nor are any non-monetary benefits assigned or maintained or consultancy contracts concluded following the termination of the relationship.

3.1.5 Information relating to exceptions in the application of the 2021-2023 Policy in the 2022 financial year

There were no cases in the 2023 financial year.

3.1.6 Information relating to the application of ex post correction mechanisms for variable components

There were no cases in the 2023 financial year.

3.1.7 Additional information on 2019, 2020, 2021, 2022 and 2023 financial years

Further information relating to the financial years 2019, 2020, 2021, 2022 and 2023 is provided below, with reference to:

a) remuneration of the Executive Directors:

(in Euro)	**Reporting company**			**Total compensation**		
Executive Director	**Vincenzo Manes**	**Diva Moriani**	**Marcello Gallo**	**Vincenzo Manes**	**Diva Moriani**	**Marcello Gallo**
FY 2019	736,899	116,500	116,500	1,141,899	551,942	491,200
FY 2020	736,899	116,500	116,500	1,152,241	555,222	541,340
FY 2021	736,899	116,500	307,090	1,144,694	607,856	517,612
FY 2022	736,899	116,500	370,763	1,591,899	1,189,070	503,683
FY 2023	736,899	116,500	364,471	1,473,166	909,313	499,471

b) Company results

Equity per share

FY 2019	1.15
FY 2020	1.17
FY 2021	1.38
FY 2022	1.57
FY 2023	1.54

c) average gross annual remuneration based on the full-time employees of the KME Group, other than subjects whose remuneration is indicated by name in this Section II.

Gross annual remuneration

FY 2019	Euro 62,401
FY 2020	Euro 63,674
FY 2021	Euro 62,927
FY 2022	Euro 61,660
FY 2023	Euro 71,034

As is well known, the Company has been, since 2014, configured as a holding company of diversified investments through active and dynamic management of investments and assets in the portfolio, aiming at their best valorisation, and qualified as an investment company under IFRS 10.

On April 22, 2022, the Board of Directors resolved to focus its activities on the industrial management of KME SE, an investment with strategic and long-lasting value, making provision for the progressive increase in value of additional assets in the portfolio, in the time and manner required to achieve the best results for the same Company. As a result of this, the investments are no longer consolidated at fair value, based on IFRS 10 relating to Investment companies, but on a full-line basis.

The Board believes that, with reference to this Policy, it is preferable to adopt a continuity criterion with respect to that adopted in previous years, highlighting the data relating solely to the Parent Company and not also to the companies included in the scope of consolidation. This, both for informational consistency, making the data comparable to the reader with respect to those presented in previous years, and for the difficulty of reading and intelligibility of the information, in the case of use of data also relating to other Group companies.

3.1.8 Information on how the vote expressed by the shareholders' meeting on the second section of the Report of the previous year was taken into consideration

The shareholders' meeting called to approve the previous Report did not provide ideas that need to be considered, nor did the Company receive any requests or communications from shareholders from the date of the meeting to today's date. Should this occur in the future, the Company will take these elements into consideration when drafting and approving future Remuneration Policies.

3.2 Part II – Tables

<u>3.2.1 Compensation to members of management and control bodies</u>

The breakdown of compensation paid to Directors in 2023, including subsidiaries' Directors, is shown in the table below which has been prepared pursuant to CONSOB provisions ("Scheme no. 7 *bis*" – Table 1 – included in Annex 3A of the Issuers' Regulation).

Compensation paid to members of management and control bodies and to key management personnel

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Office	Period of office	Expiry of term of office	Fixed remuneration	Remuneration for participation in committees (*)	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	*Fair Value* of equity remuneration	Indemnity for end of office or termination of employment relationship
						Bonus and other incentives	Profit-sharing					
Vincenzo Manes (1)	*Chairman*	*01/01/2023 - 31/12/2023*	*Approval of 2023 financial*									
(I) Remuneration in the company drafting the financial statements				716.500	-	-	-	20.399	-	736.899	-	-
(II) Remuneration from subsidiaries and associates				771.788	-	-	-	-	-	771.788	-	-
(III) Total				1.488.288	-	-	-	20.399	-	1.508.687	-	-
Diva Moriani (2)	*Deputy Chairwoman*	*01/01/2023 - 31/12/2023*	*Approval of 2023 financial*								-	
(I) Remuneration in the company drafting the financial statements				116.500	-	-	-	-	-	116.500	-	-
(II) Remuneration from subsidiaries and associates				794.532	-	-	-	6.802	-	801.334	-	-
(III) Total				911.032	-	-	-	6.802	-	917.834	-	-
Marcello Gallo (3)	*Deputy Chairman*	*01/01/2023 - 31/12/2023*	*Approval of 2023 financial*									
(I) Remuneration in the company drafting the financial statements				358.179	-	-	-	6.292	-	364.471	-	-
(II) Remuneration from subsidiaries and associates				135.000	-	-	-	-	-	135.000	-	-
(III) Total				493.179	-	-	-	6.292	-	499.471	-	-
Duncan James McDonald (4)	*Director*	*01/01/2023 - 31/12/2023*	*Approval of 2023 financial*									
(I) Remuneration in the company drafting the financial statements				16.500	-	-	-	-	-	16.500	-	-
(II) Remuneration from subsidiaries and associates				-	-	-	-	-	-	-	-	-
(III) Total				16.500	-	-	-	-	-	16.500	-	-
Ruggero Magnoni (5)	*Director*	*01/01/2023 - 31/12/2023*	*Approval of 2023 financial*									
(I) Remuneration in the company drafting the financial statements				18.900	-	-	-	-	-	18.900	-	-
(II) Remuneration from subsidiaries and associates				-	-	-	-	-	-	-	-	-
(III) Total				18.900	-	-	-	-	-	18.900	-	-
Francesca Marchetti (6)	*Director*	*01/01/2023 - 31/12/2023*	*Approval of 2023 financial*									
(I) Remuneration in the company drafting the financial statements				16.500	8.250	-	-	-	-	24.750	-	-
(II) Remuneration from subsidiaries and associates				-	-	-	-	-	-	-	-	-
(III) Total				16.500	8.250	-	-	-	-	24.750	-	-
Alessandra Pizzuti (7)	*Director*	*01/01/2023 - 31/12/2023*	*Approval of 2023 financial*									
(I) Remuneration in the company drafting the financial statements				16.500	8.250	-	-	-	-	24.750	-	-
(II) Remuneration from subsidiaries and associates				167.740	-	-	-	5.101	-	172.841	-	-
(III) Total				184.240	8.250	-	-	5.101	-	197.591	-	-
Maria Serena Porcari (8)	*Director*	*01/01/2023 - 31/12/2023*	*Approval of 2023 financial*									
(I) Remuneration in the company drafting the financial statements				16.500	-	-	-	-	-	16.500	-	-
(II) Remuneration from subsidiaries and associates				5.000	-	-	-	-	-	5.000	-	-
(III) Total				21.500	-	-	-	-	-	21.500	-	-
Alberto Previtali (9)	*Director*	*01/01/2023 - 25/09/2023*	*Approval of 2023 financial*									
(I) Remuneration in the company drafting the financial statements				12.070	-	-	-	-	-	12.070	-	-
(II) Remuneration from subsidiaries and associates				-	-	-	-	-	-	-	-	-
(III) Total				12.070	-	-	-	-	-	12.070	-	-
Luca Ricciardi (10)	*Director*	*01/01/2023 - 31/12/2023*	*Approval of 2023 financial*									
(I) Remuneration in the company drafting the financial statements				26.550	-	-	-	-	-	26.550	-	-
(II) Remuneration from subsidiaries and associates				-	-	-	-	-	-	-	-	-
(III) Total				26.550	-	-	-	-	-	26.550	-	-
Silvano Crescini (11)	*Chairman of the Board of Statutory*	*01/01/2023 - 31/12/2023*	*Approval of 2023 financial*									
(I) Remuneration in the company drafting the financial statements				47.200	-	-	-	-	-	47.200	-	-
(II) Remuneration from subsidiaries and associates				-	-	-	-	-	-	-	-	-
(III) Total				47.200	-	-	-	-	-	47.200	-	-
Marco Lombardi (12)	*Standing Auditor*	*01/01/2023 - 31/12/2023*	*Approval of 2023 financial*									
(I) Remuneration in the company drafting the financial statements				31.600	-	-	-	-	-	31.600	-	-
(II) Remuneration from subsidiaries and associates				33.500	-	-	-	-	-	33.500	-	-
(III) Total				65.100	-	-	-	-	-	65.100	-	-
Giovanna Villa (13)	*Standing Auditor*	*01/01/2023 - 31/12/2023*	*Approval of 2023 financial*									
(I) Remuneration in the company drafting the financial statements				32.800	-	-	-	-	-	32.800	-	-
(II) Remuneration from subsidiaries and associates				-	-	-	-	-	-	-	-	-
(III) Total				32.800	-	-	-	-	-	32.800	-	-
Other key executives		*01/01/2023 - 31/12/2023*	*Approval of 2023 financial*									
(I) Remuneration in the company drafting the financial statements				189.231	-	-	-	-	-	189.231	-	-
(II) Remuneration from subsidiaries and associates				60.000	-	-	-	-	-	60.000	-	-
(III) Total				249.231	-	-	-	-	-	249.231	-	-

Notes

(1) Euro 16,500 for the fixed remuneration decided upon by the Shareholders' Meeting, Euro 700,000 for the office of Chairman of KME Group S.p.A.
Euro 736,267 as a member of the Board of KME SE.
Euro 8,521 as member of the board of directors of KMH SpA
The non-monetary benefits (Euro 20,399) are paid for the office of KME Group S.p.A. Chairman

(2) Euro 16,500 for the fixed remuneration decided upon by the Shareholders' Meeting, Euro 100,000 for the office of Deputy Chairman of KME Group S.p.A.
Euro 518,056 as a member of the Board of KME SE.
Euro 8,521 as member of the board of directors of KMH SpA
Euro 6,000 as a member of the Supervisory Board of KME Germany GmbH and Euro 6,000 as a member of the Supervisory Board of KME Mansfeld GmbH.
Euro 5,000 as a member of the board of directors of Culti Milano S.p.A.
Euro 250,955 as a Manager of KME S.r.l. (including Euro 955 for lump-sum reimbursements)
The non-monetary benefits (Euro 6,802) are paid for the office of KME S.r.l. Manager.

(3) Euro 16,500 for the fixed remuneration decided upon by the Shareholders' Meeting, Euro 100,000 for the office of Deputy Chairman and Euro 241,679 as Manager of KME Group S.p.A.
Euro 35,000 as liquidator of Isno 3 S.r.l. in liquidation, Euro 45,000 as Chief Executive Officer of Intek Investimenti S.p.A. and Euro 20,000 as Chairman of Immobiliare Pictea S.r.l.
Euro 30,000 as member of the board of directors of KME SE and Euro 5,000 as Director of KME Italy S.p.A.
The non-monetary benefits (Euro 6,292) are paid for the office of KME Group S.p.A. Manager.

(4) Euro 16,500 as fixed remuneration approved by the Shareholders' Meeting.

(5) Euro 16,500 as fixed remuneration approved by the Shareholders' Meeting, in addition to attendance fee of Euro 2,400.

(6) Euro 16,500 as fixed remuneration approved by the Shareholders' Meeting and Euro 8,250 as a member of the Control, Risk and Sustainability Committee.

(7) Euro 16,500 as fixed remuneration approved by the Shareholders' Meeting, in addition to attendance fee of Euro 600, and Euro 8,250 as a member of the Control, Risk and Sustainability Committee.
Euro 131,740 as a Manager of KME S.r.l., Euro 30,000 as a member of the Board of KME SE.
Euro 3,000 as a member of the Supervisory Board of KME Germany GmbH, Euro 3,000 as a member of the Supervisory Board of KME Mansfeld GmbH.
The non-monetary benefits (Euro 5,101) are paid for the office of KME S.r.l. Manager.

(8) Euro 16,500 as fixed remuneration decided upon by the Shareholders' Meeting.
Euro 5,000 for the office of Director of Natural Capital Italia S.p.A. Benefit Company.

(9) Euro 12,070 as fixed remuneration approved by the Shareholders' Meeting (until September 25, 2023, effective date of resignation).

(10) Euro 16,500 as fixed remuneration approved by the Shareholders' Meeting, in addition to attendance fee of Euro 1,200, and Euro 8,250 as member of the Control, Risk and Sustainability Committee.

(11) Euro 46,000 as fixed remuneration approved by the Shareholders' Meeting, in addition to attendance fee of Euro 1,200.

(12) Euro 31,000 as fixed remuneration approved by the Shareholders' Meeting, in addition to attendance fee of Euro 600.
Euro 23,000 as remuneration of the Chairman of the Board of Statutory Auditors of KME Italy S.p.A. and Euro 10,500 as remuneration of the Chairman of the Board of Statutory Auditors of Natural Capital Italia S.p.A. Benefit Company.

(13) Euro 31,000 as fixed remuneration decided upon by the Shareholders' Meeting, in addition to attendance fee of Euro 1,800.

(*) Euro 8,250 for the Control, Risk and Sustainability Committee on a pro-rata basis for the duration of the term of office

3.2.2 Stock Options

As already indicated above, there are no longer any instruments of this type.

Stock options granted to members of the management body, general managers and other key management personnel

			Options held at the start of the year			Options assigned during the year						Options exercised during the year			Options expired during the year	Options held at the end of the year	Options attributable to the year
(A)	(B)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15) = (2) + (5) - (11) -(14)	(16)
Name and surname	Office	Plan	Number of options	Strike price	Period of possible exercise (from - to)	Number of options	Strike price	Period of possible exercise (from - to)	Fair value at the assignment date	Assignment date	Market price of the underlying shares at the assignment of options	Number of options	Strike price	Market price of the underlying shares at the exercise date	Number of options	Number of options	Fair value

3.2.3 Other non-monetary plans other than stock options

Non-monetary incentive plans other than stock options in favour of members of the management body, general managers and other key management personnel

			Financial instruments assigned in previous years not vested during the year		Financial instruments assigned during the year					Financial instruments vested during the year and not assigned	Financial instruments vested during the year and attributable		Financial instruments pertaining to the year
(A)	(B)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Name and surname	**Office**	**Plan**	**Number and type of financial instruments**	**Vesting period**	**Number and type of financial instruments**	**Fair value at the assignment date**	**Vesting period**	**Assignment date**	**Market price on assignment**	**Number and type of financial instruments**	**Number and type of financial instruments**	**Value at the vesting date**	**Fair value**
Vincenzo Manes	**Chairman of the Board of Directors**												
(I) Remuneration in the company drafting the financial statements		08/06/2021	11.250.000 Warrant Intek Group	24 months	-	-	-	-	-	-	-	-	-
		08/06/2021	5.000.000 Warrant Intek Group	-	-	-	-	-	-	-	-	-	-
(II) Remuneration from subsidiaries and associates													
(III) Total		-	-	-		-			-				-
Diva Moriani	**Deputy Chairwoman**												
(I) Remuneration in the company drafting the financial statements		08/06/2021	10.000.000 Warrant Intek Group	24 months	-	-	-	-	-	-	-	-	-
		08/06/2021	6.000.000 Warrant Intek Group	-	-	-	-	-	-	-	-	-	-
(II) Remuneration from subsidiaries and associates		-	-	-						-			
(III) Total		-	-	-		-			-				-
Marcello Gallo	**Deputy Chairman**												
(I) Remuneration in the company drafting the financial statements		08/06/2021	3.750.000 Warrant Intek Group	24 months	-	-	-	-	-	-	-	-	-
		08/06/2021	1.500.000 Warrant Intek Group	-	-	-	-	-	-	-	-	-	-
(II) Remuneration from subsidiaries and associates		-	-	-	-					-			
(III) Total		-	-	-		-			-				-
(III) Total		-	-	-		-			-				-

3.2.4 Monetary incentive plan

The table below contains the monetary incentive plan in the form required by Table 3B in Scheme 7-bis in Annex 3A of the Issuers' Regulation.

Monetary incentive plans in favour of members of the management body, general managers and other key management personnel

(A)	(B)	(1)	(2)			(3)			(4)
Name and surname	Office	Plan	Bonus for the year			Bonus of previous years			Other bonuses
			(A)	(B)	(C)	(A)	(B)	(C)	
			Disbursable/Disbursed	Deferred	Reference period	No longer disbursable	Disbursable/Disbursed	Still deferred	
Vincenzo Manes	*Chairman*								
(I) Remuneration in the company drafting the financial statements			-	-	-	-	-	-	-
(II) Remuneration from subsidiaries and associates			-	-	-	-	-	-	-
(III) Total			-	-		-	-	-	-
Diva Moriani	*Deputy Chairwoman*								
(I) Remuneration in the company drafting the financial statements			-	-	-	-	-	-	-
(II) Remuneration from subsidiaries and associates			-	-	-	-	-	-	-
(III) Total			-	-		-	-	-	-
Marcello Gallo	*Deputy Chairman*								
(I) Remuneration in the company drafting the financial statements			-	-	-	-	-	-	-
(II) Remuneration from subsidiaries and associates			-	-	-	-	-	-	-
(III) Total			-	-		-	-	-	-

3.2.5 ***Investments held by members of the management and control bodies and key management personnel***

The investments held by members of the management and control bodies and Key management personnel are presented in this Report pursuant to CONSOB provisions ("Scheme 7-ter" – Table 1 – Annex 3A of the Issuers' Regulation).

Investments held by members of the management and control bodies and general managers

Name and surname	Office	Investee	Number of shares held at the end of 2022	Number of shares purchased during 2023	Number of shares sold during 2023	Number of shares held at the end of 2023
Marcello Gallo	Director	KME Group S.p.A. - Ordinary shares	835,931	-	-	835,931
Alberto Previtali*(*)*	Director	KME Group S.p.A. - Ordinary shares	18,798,740	-	(18,798,740)	-
Luca Ricciardi	Director	KME Group S.p.A. - Savings shares	121,081	-	-	121,081

(*) In office until September 25, 2023 - jointly with the spouse

Investments of other key management personnel

Number of key management personnel		Investee	Number of shares held at the end of 2022	Number of shares purchased during 2023	Number of shares sold during 2023	Number of shares held at the end of 2023
1		-	-	-	-	-

Separate financial statements as at December 31, 2023

KME Group S.p.A.
Registered and Administrative Office:
Foro Buonaparte, 44 - 20121 Milan - Italy
Share Capital Euro 200,114,023.16, fully paid up
Tax Code and Milan Business
Register no. 00931330583
www.itkgroup.it

KME Group – Separate financial statements as at December 31, 2023

Statement of financial position – Assets

(in Euro)	*Ref. Note*	*Dec-31-23*		*Dec-31-22*	
			of which related parties		*of which related parties*
Investments in subsidiaries	*4.1*	587,631,631	*587,631,631*	587,631,631	*587,631,631*
Investments in other companies	*4.1*	222,003	-	16,922,003	
Non-current financial assets	*4.2*	640,555	*629,984*	10,641	*762*
Property, plant and equipment	*4.3*	3,011,306	-	3,251,257	-
Investment property	*4.4*	32,289	-	32,289	-
Intangible assets	*4.5*	8,184	-	9,899	-
Other non-current assets	*4.6*	2,961	-	2,961	-
Deferred tax assets	*4.20*	2,022,730	-	2,093,098	-
Total non-current assets		**593,571,659**		**609,953,779**	
Current financial assets	*4.7*	25,625,718	*25,118,775*	67,070,610	*66,563,606*
Trade receivables	*4.8*	1,971,170	*760,863*	5,421,291	*3,930,092*
Other receivables and current assets	*4.9*	2,747,390	*1,350,904*	1,719,379	*989,655*
Cash and cash equivalents	*4.10*	3,213,973	-	508,479	-
Total current assets		**33,558,251**		**74,719,759**	
Total Assets		**627,129,910**		**684,673,538**	

The notes are an integral part of these financial statements.

Details of related party transactions are disclosed in explanatory note 7.12.

KME Group – Separate financial statements as at December 31, 2023

Statement of financial position – Liabilities

(in Euro)	*Ref. Note*	*Dec-31-23*	*of which related parties*	*Dec-31-22*	*of which related parties*
Share capital		200,104,709	-	200,070,088	-
Other reserves		233,581,491	-	288,555,772	-
Treasury shares		(126,834,394)	-	(2,133,266)	-
Retained earnings		1,603,038	-	-	-
Stock option reserve		3,670,921	-	2,624,934	-
Profit/(loss) for the year		(14,547,728)	-	5,173,722	-
Total equity	*4.11*	**297,578,037**		**494,291,250**	
Retirement benefits	*4.12*	454,969	-	428,952	-
Deferred tax liabilities	*4.20*	694,363	-	851,870	-
Non-current financial payables and liabilities	*4.13*	117,422,629	*116,792,645*	2,026,521	*2,015,751*
Bonds	*4.14*	156,139,064	-	155,991,336	-
Provisions for risks and charges	*4.15*	768,821	-	-	-
Total non-current liabilities		**275,479,846**		**159,298,679**	
Current financial payables and liabilities	*4.16*	49,092,603	*33,850,838*	26,555,437	*1,229,812*
Trade payables	*4.17*	3,263,966	*1,149,542*	1,989,201	*772,784*
Other current liabilities	*4.18*	1,715,458	*315,674*	2,538,971	*1,041,394*
Total current liabilities		**54,072,027**		**31,083,609**	
Total liabilities and equity		**627,129,910**		**684,673,538**	

The notes are an integral part of these financial statements.

Details of related party transactions are disclosed in explanatory note 7.12.

KME Group – Separate financial statements as at December 31, 2023

Income statement and statement of comprehensive income

(in Euro)	*Ref. Note*	*2023*	*of which related parties*	*2022*	*of which related parties*
Net income from management of investments	*6.1*	238,872	*238,872*	10,090,137	*9,335,535*
Commissions on guarantees issued	*6.2*	859,038	*859,038*	862,134	*862,134*
Other income	*6.3*	1,031,842	*248,903*	5,513,796	*4,622,911*
Personnel cost	*6.4*	(2,527,533)	*(518,915)*	(2,129,532)	*(452,313)*
Depreciation, amortisation, impairment and write-downs	*6.5*	(659,008)	-	(672,941)	-
Other operating costs	*6.6*	(6,679,536)	*(2,497,306)*	(6,220,592)	*(1,593,081)*
Operating profit/(loss)		**(7,736,325)**		**7,443,002**	
Financial income	*6.7*	4,457,823	*4,393,580*	2,922,780	*2,775,947*
Financial expense	*6.7*	(13,095,717)	*(4,294,285)*	(6,032,253)	*(161,452)*
Net financial expense		*(8,637,894)*		*(3,109,473)*	
Profit/(loss) before taxes		**(16,374,219)**		**4,333,529**	
Current taxes	*6.8*	1,739,350	-	139,972	-
Deferred taxes	*6.8*	87,141	-	700,221	-
Total income taxes		**1,826,491**		**840,193**	
Profit/(loss) from continuing operations		**(14,547,728)**		**5,173,722**	
Profit /(loss) from discontinuing operations		-		-	
Net profit/(loss) for the year		**(14,547,728)**		**5,173,722**	
Other comprehensive income:					
Measurement of employee defined benefits		6,849		25,092	
Fair value result		(9,700,000)		-	
Taxes on other comprehensive income		-		-	
Items that will not be reclassified to profit or loss		(9,693,151)		25,092	
Items that may be reclassified to profit or loss		-		-	
Other comprehensive income:		(9,693,151)		25,092	
Total comprehensive income for the year		**(24,240,879)**		**5,198,814**	

The notes are an integral part of these financial statements.

Details of related party transactions are disclosed in explanatory note 7.12.

KME Group – Separate financial statements as at December 31, 2023

Statement of changes in equity as at December 31, 2023

(in Euro thousand)	*Share capital*	*Other reserves*	*Treasury shares*	*Retained earnings*	*Stock option reserve*	*Profit/(loss) for the year*	*Total equity*
Equity as at December 31, 2022	**200,070**	**288,556**	**(2,133)**	**-**	**2,625**	**5,174**	**494,292**
Allocation of prior year's result (*)	-	259	-	1,603	-	(5,174)	(3,312)
Purchase of treasury shares and warrants (PTO)	-	(6,710)	(165,021)	-	-	-	(171,731)
Cancellation of savings treasury shares and warrants	-	(40,320)	40,320	-	-	-	-
Exercise of warrants	35	1,489	-	-	-	-	1,524
Warrant management (2021 - 2024)	-	-	-	-	1,046	-	1,046
Actuarial gains/losses on pension funds	-	7	-	-	-	-	7
Comprehensive income items	-	(9,693)	-	-	-	-	(9,693)
Net result	**-**	**-**	**-**	**-**	**-**	**(14,548)**	(14,548)
Total comprehensive income	-	(9,693)	-	-	-	(14,548)	(24,241)
Equity as at December 31, 2023	**200,105**	**233,581**	**(126,834)**	**1,603**	**3,671**	**(14,548)**	**297,578**
Reclassification of treasury shares	(126,834)	-	126,834	-	-	-	-
Equity as at December 31, 2023	**73,271**	**233,581**	**-**	**1,603**	**3,671**	**(14,548)**	**297,578**

As at December 31, 2023, KME Group directly held 131,638,439 ordinary shares without par value. All the shares were then fully reclassified as a deduction from share capital.

(*) As per the resolution of the shareholders' meeting of May 3, 2023, which resolved on the dividend distribution to savings shares only.

The notes are an integral part of these financial statements.

KME Group – Separate financial statements as at December 31, 2023

Statement of changes in equity as at December 31, 2022

(in Euro thousand)	*Share capital*	*Other reserves*	*Treasury shares*	*Retained earnings*	*Stock option reserve*	*Net result*	*Total equity*
Equity as at December 31, 2021	**335,069**	**97,029**	**(2,133)**	**53,840**	**2,592**	**65,306**	**551,703**
Allocation of prior year's result	-	65,306	-	-	-	(65,306)	-
Exercise of warrants	1	31	-	-	-	-	32
Reduction of share capital	(135,000)	135,000	-	-	-	-	-
Warrant management (2021 - 2024)	-	-	-	-	2,085	-	2,085
Actuarial gains/losses on pension funds	-	25	-	-	-	-	25
Comprehensive income items	-	25	-	-	-	-	25
Net result	-	-	-	-	-	5,174	5,174
Total comprehensive income	-	25	-	-	-	5,174	5,199
Equity as at December 31, 2022	**200,070**	**288,556**	**(2,133)**	**-**	**2,625**	**5,174**	**494,292**
Reclassification of treasury shares	(2,133)	-	2,133	-	-	-	-
Equity as at December 31, 2022	**197,937**	**288,556**	**-**	**-**	**2,625**	**5,174**	**494,292**

As at December 31, 2022, KME Group directly held 6,937,311 ordinary shares without par value. All the shares were then fully reclassified as a deduction from share capital.

The notes are an integral part of these financial statements.

KME Group – Separate financial statements as at December 31, 2023

Statement of cash flows – indirect method

(in Euro thousand)		*2023*	*2022*
(A) Cash and cash equivalents at the beginning of the year		**508**	**4,698**
Profit before tax		(16,374)	4,334
Depreciation and amortisation		659	671
Impairment/(Reversal of impairment) of current and non-current financial assets		-	(9,078)
Change in pension funds, post-employment benefits (TFR) and stock options		1,079	2,121
Change in provisions for risks and charges		769	(291)
Payments on/proceeds from investments		7,000	47
Change in current receivables		4,162	3,718
Change in current payables		451	(2,718)
(B) Cash flow from operating activities		**(2,254)**	**(1,196)**
Payments on non-current tangible and intangible assets		(426)	(444)
Proceeds from non-current tangible and intangible assets		9	17
Payments on/proceeds from other non-current assets/liabilities		(1)	(113)
(C) Cash flow from investing activities		**(418)**	**(540)**
(Purchase) sale of treasury shares		(171,731)	-
Dividend distribution		(3,312)	-
Exercise of warrants		1,524	32
Payments on/proceeds from current and non-current financial payables		138,082	(28,062)
Payments on/proceeds from current and non-current financial receivables		40,815	25,576
(D) Cash flow from financing activities		**5,378**	**(2,454)**
(E) Change in cash and cash equivalents	**(B) + (C) + (D)**	**2,706**	**(4,190)**
(F) Cash and cash equivalents at the end of the year	**(A) + (E)**	**3,214**	**508**

The notes are an integral part of these financial statements.

KME Group – Separate financial statements as at December 31, 2023

Notes

1. General information

KME Group is a Joint-Stock Company (Società per Azioni) registered in Italy with the Milan Companies Register under no. 00931330583 and its shares are listed on the *Euronext Milan* market organised and managed by Borsa Italiana S.p.A.

KME Group ("KME" or the "Company") is a holding company, whose objective was directed until April 22, 2022 to manage its portfolio of assets and investments with a dynamic entrepreneurial perspective, and to focus on cash generation and growth in the value of investments over time, also through sales functional to the development strategies.

On April 22, 2022, the Company's Board of Directors resolved to adopt a strategy aimed at concentrating its activities on the industrial management of the investment in KME SE and in particular in the rolled copper sector; this investment has therefore become a lasting investment. For the other investments, the decision was taken to identify the best opportunities for development, either through disposal to third parties or allocation to shareholders.

In line with the new strategy, on September 23, 2022 the Company changed its company name from Intek Group S.p.A. to KME Group S.p.A.

The separate financial statements as at December 31, 2023, (the "Financial Statements") were approved by the Board of Directors on April 9, 2024.

Although a subsidiary of Quattroduedue S.p.A., KME Group S.p.A. is not subject to management and coordination, as set forth in articles 2497 et seq. of the Italian Civil Code and article 37 of the Market Regulation, insofar as that:

- it has autonomous powers of negotiation with respect to contractual arrangements with customers and suppliers;
- it does not participate in any centralised treasury arrangements operated by the parent or any other company under the parent's control.

2. Accounting policies

1.1. Qualification of investment entity

The aforementioned change in strategy, which resulted 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 had been drawn up starting from those as at December 31, 2014.

Therefore, the Company ceased to be an "investment entity" as of the date on which the change of status occurred, which was therefore from April 22, 2022. This led, therefore, to the change in the measurement criteria of investments (asset item "Investments in equity interests and fund units" present until the separate financial statements as at December 31, 2021) for which the fair value was replaced by the criterion of cost; in this regard, the fair value at the date of loss of the qualification of investment entity represents the new cost. For more details, and further accounting information in accordance with IFRS 12, please refer to the commentary on the financial statement item.

These Separate Financial Statements therefore represent the second financial statements in which the Company does not qualify as an investment entity. In fact, 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 measurement at fair value through profit or loss pursuant to IFRS 9 of investments held in non-instrumental subsidiaries and, as required by paragraph 31 of IFRS 10. Pursuant to paragraph 30 of IFRS 10, the change in status was accounted for prospectively starting from the date on which this change occurred. In 2022, the income statement and cash flows for the first four months were affected by the fair value measurement. For this reason, both the income statement and the statement of cash flows do not present comparable amounts.

1.2. Basis for preparation

The separate financial statements as at December 31, 2023 were drafted pursuant to article 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 article 6 of Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of July 19, 2002 as well as with the provisions issued in implementation of article 9 of Italian Legislative Decree 38/2005 where applicable.

The Separate Financial Statements are composed of the statement of financial position, the income statement and the statement of other comprehensive income, the statement of cash flows, the statement of changes in equity, as well as the Notes thereto. The financial statements and the notes thereto include, besides the amounts relating to the reference year, the corresponding comparative data as at December 31, 2022. There were no changes to the structure of the statements compared to previous presentations.

In accordance with Directive 2004/109/EC (the "Transparency Directive") amended by Directive 2013/50/EU and the Delegated Regulation (EU) 2019/815 (the "ESEF Regulation"), the present financial statements of KME Group S.p.A. are prepared using the XHTML format.

The deposits of the entire document at the competent offices and institutions are made in accordance with the law.

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The statement of financial position has been prepared by separately classifying current and non-current assets and current and non-current liabilities.

The Company has opted for presentation of a single income statement and statement of other comprehensive income, in which the items of revenue and cost recognised during the reporting period are presented by nature, including financial expense and tax charges. "*Other comprehensive income*" section provides details on the items which, following the specific provisions of individual IFRSs, are recognised separately from the profit (loss) for the current period. These items are divided into two categories as follows:

- items that will not be subsequently reclassified to profit or loss;
- items that will be subsequently reclassified to profit or loss, when specific conditions are met.

The statement of cash flows is presented using the indirect method, according to which the net result is adjusted for the effects of:

- changes in receivables and payables generated by operations;
- non-cash activities;
- all other items for which the cash effects are cash flows from investing or financing activities.

These Financial Statements were prepared on a going concern basis, as required by IAS 1, as there exist no doubts or uncertainties regarding the Company's ability to pursue its activities and continue to operate as a going concern in the foreseeable future.

In preparing the Consolidated financial statements, the Directors have applied the concepts of accrual accounting, clarity, significance, materiality, reliability, neutrality, prudence and comparability and applied accounting policies consistent with those used for the financial statements as at December 31, 2022, except for the accounting standards that entered into force on January 1, 2023 listed below (paragraph 2.8), whose application, nonetheless, had no effects.

Events and transactions affecting the Company are recognised and presented with respect to their economic substance rather than legal form.

Specific notes contained in the *Report on operations* disclose the content and meaning of the non-IFRS alternative performance indicators, where applicable, in compliance with CESR recommendation 05 – 178b published on November 3, 2005.

These financial statements are presented in Euro, the functional currency of the Company. The statement of financial position and the income statement and the statement of other comprehensive income are provided in units of Euro, while the statement of changes in equity and the statement of cash flows are presented in thousands of Euro. The tables and data in the notes are in thousands of Euro, unless otherwise indicated.

Furthermore, the interpretative and support documents for the application of the accounting standards issued by the Italian international regulatory and supervisory bodies and standard setters (CONSOB attention calls and public statements issued by ESMA) were taken into account in the preparation of these Financial Statements.

The amount of the "Financial debt", with the details of the main components, is indicated in the relative table in the *Report on operations*.

1.3. Investments in subsidiaries, associates and joint ventures

The instrumental investments in subsidiaries, associates and joint ventures are measured at cost less any losses.

Subsidiaries are all those companies over which the 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;
- the ability to exercise its power to affect the amount of its returns.

Associates 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.

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.

1.4. Financial assets and liabilities – Determination of impairments

All financial assets and liabilities measured at amortised cost are subject to impairment testing as required by IFRS 9.

A financial asset is impaired when there is objective evidence that one or more events have had an adverse effect on estimated future cash flows generated by that asset.

All impairment losses are recognised in the income statement.

1.5. Other financial assets

Non-derivative financial assets and liabilities, except for equity instruments, with fixed or determinable payments, not listed on an active market and not included in any of the above categories, are classified as "*Loans and receivables*" and are carried at amortised cost using the effective interest method. The amortised cost of current *loans and receivables*, and all short-term trade payables and receivables for which the time value of money is immaterial, is deemed to correspond to their cost.

1.6. Property, plant and equipment

Investments in operating assets

Property, plant and equipment are recorded at purchase or production cost, including directly attributable costs, and are shown net of accumulated depreciation and any impairment losses determined in accordance with the methods set out below. Any item of property, plant and equipment consisting of different components with varying useful lives is accounted for separately.

Property, plant and equipment are measured at cost, net of accumulated depreciation.

Depreciation is accounted for starting from the month in which the asset becomes available for use, or when it is potentially able to provide the economic benefits associated with it. Depreciation is recognised monthly on a straight-line basis until the end of the useful life of the relevant asset or, in the event of disposal, until the last month of use.

The useful life is constantly checked taking into account any changes in the frequency of use of the assets and any changes in depreciation plans are applied prospectively.

Depreciation is calculated based on the following useful lives:

Machinery	from 10 to 40 years
Other equipment	from 4 to 10 years

Leased assets

A contract, or part of it, is classified as a lease if, in exchange for consideration, it gives the right to control the use of a specific asset for a period of time, therefore, if throughout the entire period of use of the asset both of the following rights will be enjoyed:

- the right to substantially obtain all economic benefits deriving from the use of the asset; and
- the right to decide on the use of the asset.

If there is a modification of the terms and conditions of the contract, a new assessment will be performed to determine whether the contract is or contains a lease.

The Company does not apply these rules to:

- leases of intangible assets;
- short-term leases (duration equal to or less than 12 months);
- leases in which the underlying asset is modest in value (asset with a unit value equal to or lower than Euro 5,000).

Once it is verified whether a contract is a lease, at the start date of the contract, the right-of-use asset and the lease liability are recognised.

The right-of-use asset is initially valued at cost, which includes:

- the amount of the initial valuation of the lease liability;
- the payments due for the lease made at or before the start date net of lease incentives received;
- the initial direct costs incurred by the lessee; and
- the estimate of costs that will need to be incurred for the dismantling and removal of the underlying asset and for the restoration of the site where it is located or for the restoration of the underlying asset to the conditions set forth in the terms and conditions of the lease.

The initial valuation of the lease liability is based on the present value of payments due for the lease not paid at that date. The payments due for the lease are discounted using the rate of financing deemed most representative of the cost of money.

Every lease component is recognised as a lease, separated from the non-lease components.

The duration of the lease is determined as the non-cancellable period of the lease, in addition to both of the following periods:

- periods covered by a lease extension option, if there is reasonable certainty that the option will be exercised; and

- periods covered by the lease termination option, if there is reasonable certainty that the option will not be exercised.

If there is a change in the non-cancellable period of the lease, the duration of the lease will be redetermined.

After the date of initial recognition, the asset is valued by applying the cost model. The right-of-use assets is then amortised on a straight-line basis from commencement date to the end of the lease term.

After the commencement date, the lease liability is valued:

- by increasing the carrying amount to take into account interest on the lease liability;
- by decreasing the carrying amount to take into account the payments made for the lease;
- by redetermining the carrying amount to take into account any new valuations or modifications of the lease or the revision of payments due for the lease.

The interest on the lease liability and the variable payments due for the lease, not included in the valuation of the lease liability, are recognised in the income statement for the year in which the event or circumstance that triggered the payments takes place.

In the financial statements, right-of-use assets are shown separately from other assets, lease liabilities separately from other financial liabilities, and interest expense on the lease liability is recognised as financial expense and separately from depreciation of the right-of-use asset.

Impairment

Property, plant and equipment are tested for impairment whenever there is specific objective evidence thereof ("Impairment test"). The test involves estimating the recoverable amount of the asset, defined as the higher of net selling price and value in use, compared to its carrying amount. The recoverable amount is the higher of fair value less costs of disposal and value in use. Value in use is determined by discounting projected cash flows at a pre-tax discount rate that reflects current market estimates of the time value of money and the risks associated with the relevant asset. To the extent that the recoverable amount is less than the carrying amount, the carrying amount is reduced to the recoverable amount with the difference either being recognised in the income statement or in a revaluation reserve previously created on the revaluation of the relevant asset. Subsequent revaluations are treated in the opposite way. Information regarding impairment tests are contained in the paragraph "*Financial assets and liabilities*".

1.7. Investment property

The item refers to land and buildings held to collect rents, generate returns on the invested capital, or for both of these purposes. These assets are measured at fair value and therefore are not depreciated on a straight-line basis.

1.8. Intangible assets

Other intangible assets with finite useful lives

An intangible asset with a finite useful life is an identifiable asset without physical substance that is controlled by the entity and from which future economic benefits are expected.

The intangible assets are systematically amortised based on their residual useful life, which is the period over which the assets will be used by the Company, generally between 3 and 5 years. Intangible assets are not considered to have any residual value at the end of their useful life.

In addition, they are carried net of any impairment losses, in line with the accounting treatment for "*Property, plant and equipment*".

1.9. Cash and cash equivalents

Cash and cash equivalents include cash, demand deposits and highly liquid short-term financial investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value (IAS 7 paragraph 7).

1.10. Equity

The Company's share capital consists of ordinary and savings shares, all without par value, fully subscribed and paid up at the balance sheet date, reduced by any share capital to be received. The value of repurchased treasury shares is reported in accordance with IAS 32 as a reduction of subscribed share capital. Such adjustments are reported in the notes only, whilst the historical cost of owned treasury shares is recognised separately as a negative figure that reduces equity.

The costs for equity transactions are used directly as a reduction of reserves.

1.11. Receivables and payables

Receivables and payables are recognised at amortised cost. When the difference between present and par value is insignificant, such as for short-term trade receivables and payables, they are recognised at their par value.

1.12. Current and deferred taxes

Tax expense for the year includes both current and deferred taxation. Income taxes are recognised in the income statement, unless they relate to transactions recognised directly in equity, in which case the relevant tax is also recognised directly in equity.

The current tax expense represents the estimated income tax payable computed on taxable income for the period as determined with reference to current tax rates or those substantially in effect at the balance sheet date. Deferred taxes are recognised using the equity method, based on timing differences between the carrying amounts of the assets and liabilities recognised in the financial statements and the corresponding amounts recognised for tax purposes. Deferred taxes are not recognised for the following timing differences: initial recognition of an asset or liability other than in a business combination which, at the time of the transaction, does not affect accounting profit (loss) or taxable profit (loss); differences associated with investments in subsidiaries and interests in joint arrangements, but only to the extent that it is probable that the reversal will not occur in the foreseeable future. The Company also does not recognise deferred tax liabilities arising on the initial recognition of goodwill. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates established by measures that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and deferred tax liabilities can only be offset if the entity has the legal right to offset current tax amounts and the deferred tax amounts relate to income taxes and are levied by the same taxation authority on the same entity or different entities that intend to settle current tax amounts on a net basis or realise the asset and settle the liability at the same time.

Deferred tax assets are recognised to the extent that it is likely that there will be sufficient future taxable income to absorb them. Deferred tax assets are tested for impairment at the end of each reporting period and are reduced to the extent that they are not likely to be recovered.

1.13. Retirement benefits

Post-employment benefits (TFR) are payable under plans which, depending on their economic substance, are classified either as a "defined contribution" plan or a "defined benefit" plan. The Company's liability under defined contribution plans is limited to the payment of contributions to a separate legal entity (including the Government or a fund), and consists of contributions due at the balance sheet date. Liabilities under defined benefit plans, such as post-employment benefits (TFR) pursuant to article 2120 of the Italian Civil Code, less any plan assets, are determined on the basis of actuarial assumptions and the attribution of benefits to periods of service. Actuarial gains and losses relating to defined benefit plans arising from changes in actuarial assumptions or plan terms and conditions are recognised in other comprehensive income.

The measurement of defined benefit plans is carried out by independent actuaries.

1.14. Provisions for risks and charges

Provisions for risks and charges are liabilities, the amount or due date of which are uncertain; they are only detected if:

- the Company has a present (legal or implicit) obligation owing to a past event;
- it is probable that resources will be needed to produce economic benefits to meet the obligation;
- the amount of the obligation can be estimated reliably.

The amount recognised as a provision is, therefore, the best estimate of the expenditure required to settle the present obligation at the balance sheet date or transfer it to a third party. Where the time value of money is material, the provision is equal to the present value of expenditures required to settle the obligation.

1.15. Revenue recognition

Revenue is recognised based on the following phases:

- identify the contract (or contracts) with the customer;
- identify the performance obligations;
- determine the transaction price: the transaction price is the amount of the consideration that the company is entitled to in exchange for the transfer of the promised services to the customer;
- allocate the transaction price to the performance obligations in the contract;
- recognise the revenue when the performance obligation is met.

Specifically, revenue can be recognised:

- at a point in time, when the performance obligation has been met by transferring the promised good or service to the customer, or
- over time, as the performance obligation is met by transferring the promised good or service to the customer.

1.16. Dividends

Dividends to be paid are recognised as liabilities only in the year in which they were approved by the Shareholders' Meeting. Dividends to be received are recorded only when the right to receive payment has been established.

1.17. Non-current assets held for sale (IFRS 5)

Non-current assets are classified in this category when it is expected that their carrying amount will be recovered mainly through sale rather than through continuing use. The sale must be highly probable, within twelve months of classification as held for sale. The losses due to impairment from the initial classification or subsequent measurements are recognised in the income statement of the year in which they occur.

1.18. Earnings/(loss) per share

Pursuant to IAS 33 paragraph 4, this kind of information is presented only for consolidated figures.

1.19. Use of estimates

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

These estimates and assumptions are periodically checked and any variations are immediately recognised in the income statement. At the balance sheet date, 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.

1.20. Newly applied accounting standards

The following IFRS accounting standards, amendments and interpretations were applied by the Group for the first time as of January 1, 2023:

- On May 18, 2017, the IASB published IFRS 17 – Insurance Contracts, which is set to replace IFRS 4 – Insurance Contracts. The standard was applied beginning from January 1, 2023. 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 includes presentation and disclosure requirements to improve comparability between the entities that belong to this sector, must be applied to insurance contracts issued, including reinsurance contracts issued, to reinsurance contracts held and also to investment contracts with a discretionary participation feature (DPF).

  On December 9, 2021, the IASB published an amendment called "Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information". 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 was applied from January 1, 2023, together with the application of IFRS 17, to avoid temporary accounting mismatches between financial assets and liabilities of insurance contracts, and to improve the usefulness of comparative information for readers of the financial statements.

  This standard and its amendment had no impact on the financial statements due to the nature of the Group's operations.

- On May 7, 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. The amendments were applied beginning from January 1, 2023.

- On February 12, 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. The amendments were applied beginning from January 1, 2023.

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

- On May 23, 2023, the IASB published an amendment called “Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules”. The document introduces a temporary exception to the obligations of recognition and disclosure of deferred tax assets and liabilities relating to the Model Rules of Pillar Two and provides for specific disclosure obligations for the entities concerned by the related International Tax Reform. The document provides for the immediate application of the temporary exception, while the disclosure requirements will only apply to annual financial statements starting on January 1, 2023 (or at a later date) but not to interim financial statements with a closing date prior to December 31, 2023.

1.21. IFRS accounting standards, amendments and interpretations were endorsed by the European Union as at December 31, 2023, not yet applicable on a compulsory basis and not adopted early by the Company as at December 31, 2023

- On January 23, 2020, the IASB published an amendment entitled "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current" and on October 31, 2022, it published an amendment entitled "Amendments to IAS 1 Presentation of Financial Statements: Non-current Liabilities with Covenants". The document aims to clarify how to classify payables and other liabilities as current or non-current. The amendments enter into force on January 1, 2024; however, early application is permitted.

  The directors are currently evaluating the possible effects of the introduction of this amendment on the Company's consolidated financial statements.

- On September 22, 2022, the IASB published an amendment called "Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback". The document requires the seller-lessee to measure the lease liability arising from a sale and leaseback transaction so as not to recognise an income or loss that relates to the retained right of use. These amendments will be effective for periods beginning on or after January 1, 2024. Early application is permitted.

  The directors are currently evaluating the possible effects of the introduction of this amendment on the Company's consolidated financial statements.

1.22. IFRS accounting standards, amendments and interpretations not yet endorsed

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 May 25, 2023, the IASB published an amendment called "Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements". The document requires an entity to provide additional information on reverse factoring agreements that allow users of the financial statements to assess how financial agreements with suppliers may affect the entity's liabilities and cash flows and to understand the effect of such agreements on the entity's exposure to liquidity risk. These amendments will be effective for periods beginning on or after January 1, 2024. 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 August 15, 2023, the IASB published an amendment called ***"Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability"***. The document requires an entity to apply a consistent method for assessing whether one currency is convertible into another and, if not, how to determine the exchange rate to be used and the disclosures to be made in the notes to the financial statements. The amendment will be effective for periods beginning on or after January 1, 2025. Earlier application is permitted. The directors do not expect the adoption of said amendment to have any significant effect on the Group's consolidated financial statements.

- On January 30, 2014, the IASB published 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 standards that had been adopted. Since the Group is not a first-time adopter, the standard does not apply.

3. *Financial risk management policy*

KME Group, as a holding company, is indirectly exposed to the risks of the companies in which it has ownership interests and, therefore, in particular to those of KME SE, considering its decision to concentrate its business on the copper semi-finished products sector.

The Company's financial results depend on the dividends distributed by its subsidiaries, and therefore, in addition to the financial performance, they also reflect the investment and dividend distribution policies of the subsidiaries.

Corporate 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.

Types of risk:

a) credit risk: there are no significant geographical concentrations of credit. Existing guidelines guarantee adequate assessment of customers' creditworthiness. This is achieved by selecting customers on the basis of historical experience and equity and/or financial position;

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

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

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

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

4. <u>*Notes to the statement of financial position*</u>

1.1. Investments

(in Euro thousand)	*Dec 31, 2023*	*Dec 31, 2022*	*Change*
Investments in subsidiaries	587,632	587,632	-
Other investments	222	16,922	(16,700)
Investments	**587,854**	**604,554**	**(16,700)**

The breakdown of the item is as follows:

Name	*Registered office*	*Percentage of interest*	*12/31/2023*	*12/31/2022*	*Difference*
Subsidiaries and associates					
KMH SpA	Milan	84.08%	480,000	480,000	-
KME SE	Osnabrück (D)	10.00%	58,410	58,410	-
Culti Milano S.p.A.	Milan	77.17%	37,982	37,982	-
Intek Investimenti S.p.A.	Milan	100.00%	11,200	11,200	-
Ergyca Tracker 2 Srl	Florence	51.00%	24	24	-
Newint S.r.l.	Milan	100.00%	10	10	-
Nextep Srl Benefit Company	Milan	60.00%	6	6	-
Total subsidiaries and associates			**587,632**	**587,632**	**-**
Ducati Energia S.p.A.	Bologna		-	16,700	(16,700)
Vita Società Editoriale S.p.A.	Milan		222	222	-
Other			-	-	-
Total other investments			**222**	**16,922**	**(16,700)**

The only change during the year is related to the disposal of the investment in Ducati Energia SpA for a consideration of Euro 7,000 thousand. The value of the investment was reduced to Euro 11,200 thousand when the interim financial statements were prepared.

The reduction in the investment in KMH SpA is related to the subscription of the share capital increase by Lynstone SSF E HOLDINGS II (Luxembourg) under the signed investment agreements.

Impairment test as at December 31, 2023

The carrying amount of the investments was subject to impairment as required by the reference accounting standards, although no specific impairment indicators emerged on the individual investments, either internal or external.

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 of the current macroeconomic and geopolitical context on the Group's business.

The results relating to the main investments held are provided below.

<u>*KMH SpA/KME SE*</u>

With regard to the investment held, also through KMH SpA, in KME SE, the impairment test was carried out, with the methodological support of an external consultant, by determining the "value in use" using the method of discounted cash flows (UDCF).

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 2024 - 2028 Business Plan (the "Plan", drafted and approved by the administrative bodies of KME SE on April 8, 2024) starting from the flows of the first half of 2024 and taking into account the data reported as at December 31, 2023. The approved Plan reflects the best estimate of the main macroeconomic and economic developments that could affect the business of the KME SE Group.

The terminal value was calculated by assuming the long-term EBITDA equal to the average of the Plan's EBITDA (explicit period, January 1, 2024 – December 31, 2028), with a level of amortisation corresponding to investment using a long-term growth rate "g" equal to zero and a WACC of 9.91% (rate of 9.67% in the measurements carried out as at December 31, 2022) taking into account recorded historical data.

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

- risk free rate: average for the second half of 2023 of ten-year government bonds for each country;
- market risk premium: approximately 5.50% (from a minimum of 5.48% to 5.50%);
- additional equity cost risk: 2.91%;
- cost of debt: 3.11%;
- Unlevered Beta: 0.86.

In accordance with the methodological indications provided by accounting standard IAS 36, a sensitivity analysis was also carried out in order to understand how the recoverable amount may vary following changes in the value of EBITDA (decreases of 5% and 10%) on the terminal value. Moreover, in order to better appreciate the sensitivity of the results of the impairment test with respect to the changes in the basic assumptions, at the same growth rate (equal to zero), a sensitivity analysis was also carried out for the purpose of calculating the value in use with respect to the overall WACC discount rate (an increase of 0.5% and 1.0%) used to calculate the terminal value.

Both in the base case and in the case of a joint worsening of the EBITDA and WACC parameters, the impairment test carried out ascertained CULTI Milano on March 14, 2024 (explicit period, January 1, 2024 – December 31, 2028), using a long-term growth rate "g" of zero and reaching a specific WACC for each party (entity); taking into account the contribution of each country to the EBITDA Terminal Value, the weighted average discount rate applied is around 10.86% (10.89% in the assessments made as at December 31, 2022).

Also for the investments in CULTI Milano, for each part, a sensitivity analysis was carried out in order to understand the change in the recoverable amount following changes in the value of the EBITDA (decrease of 5% and 10%) on the terminal value and, at the same growth rate (equal to zero), the total WACC discount rate (increase of 0.5% and 1.0%).

Both in the base case and in the case of a joint worsening of the EBITDA and WACC parameters, the impairment test carried out has ascertained that there are no impairment losses on the investments under review.

Intek Investimenti S.p.A.

For this company, for the purposes of the impairment test, the recoverable amount was determined on the basis of the adjusted equity value considering the current values of the related assets.

1.2. Non-current financial assets

This item consists of the following:

	Dec 31, 2023	*Dec 31, 2022*	*Change*
Guarantee fees receivable	630	1	629
Other non-current financial assets	11	10	1
Non-current financial assets	**641**	**11**	**630**

"*Guarantee fees receivables*" represent the present value of guarantee fees that are receivable in future years, in more than 12 months, for guarantees issued by the Company to banks on behalf of the non-consolidated subsidiaries to which the loans and credit facilities were granted. These receivables are matched by payables of the same amount, representing the present value of the amount of the guarantees issued.

1.3. Property, plant and equipment

The breakdown of the item is as follows:

(in Euro thousand)	*Dec 31, 2023*	*Dec 31, 2022*	*Change*
Buildings	1,974	2,355	(381)
Machinery	-	-	-
Other equipment	1,037	896	141
Construction in progress	-	-	-
Property, plant and equipment	**3,011**	**3,251**	**(240)**

Below is the breakdown between owned and leased assets:

(in Euro thousand)	*Owned*	*Leased*	**Total**
Buildings	-	1,974	**1,974**
Machinery	-	-	**-**
Other equipment	1,030	7	**1,037**
Property, plant and equipment	**1,030**	**1,981**	**3,011**

For owned assets, the changes during the reporting period under review and those of the previous reporting period can be analysed as follows:

(in Euro thousand)	*Buildings*	*Machinery*	*Other equipment*	*Total*
Cost				
Balance as at December 31, 2021	-	170	2,270	2,440
Increases	-	-	237	237
Disposals	-	-	-	-
Balance as at December 31, 2022	-	170	2,507	2,677
Increases	-	-	216	216
Disposals	-	-	-	-
Balance as at December 31, 2023	-	170	2,723	2,893
Accumulated depreciation				
Balance as at December 31, 2021	-	170	1,621	1,791
Increases	-	-	31	31
Disposals	-	-	-	-
Balance as at December 31, 2022	-	170	1,652	1,822
Increases	-	-	41	41
Disposals	-	-	-	-
Balance as at December 31, 2023	-	170	1,693	1,863
Net carrying amount				
Dec-31-2021	-	-	649	649
Dec-31-2022	-	-	855	855
Dec-31-2023	**-**	**-**	**1,030**	**1,030**

Changes in leased assets were as follows:

(in Euro thousand)	*Buildings*	*Machinery*	*Other equipment*	*Total*
Cost				

Balance as at December 31, 2021	4,506	-	130	4,636
Increases	205	-	-	205
Disposals	(16)	-	-	(16)
Balance as at December 31, 2022	4,695	-	130	4,825
Increases	208	-	-	208
Disposals	(470)	-	(41)	(511)
Balance as at December 31, 2023	4,433	-	89	4,522
Accumulated depreciation				
Balance as at December 31, 2021	1,740	-	52	1,792
Increases	600	-	37	637
Disposals	-	-	-	-
Balance as at December 31, 2022	2,340	-	89	2,429
Increases	589	-	25	614
Disposals	(470)	-	(32)	(502)
Balance as at December 31, 2023	2,459	-	82	2,541
Net carrying amount				
Dec-31-2021	2,766	-	78	2,844
Dec-31-2022	2,355	-	41	2,396
Dec-31-2023	**1,974**	**-**	**7**	**1,981**

The changes in leased assets during the year included the closing of two contracts in Milan and the opening of a new contract for office use in Foro Buonaparte, 48.

1.4. Investment property

(in Euro thousand)	*Dec 31, 2023*	*Dec 31, 2021*	*Change*
Investment property	**32**	**32**	**-**

The amount relates to a non-building plot of land located in Castronno (VA).

1.5. *Intangible assets*

(in Euro thousand)	*Dec 31, 2023*	*Dec 31, 2022*	*Change*
Other	8	10	(2)
Intangible assets	**8**	**10**	**(2)**

The item refers to assets that have a definite useful life and relate to software.

The movements relative to the year under review and the previous year are shown below:

(in Euro thousand)		*Total*
Cost		
Balance as at December 31, 2021		30
Increases		2
Decreases		-
Balance as at December 31, 2022		32
Increases		2
Decreases		(14)
Balance as at December 31, 2023		20
Accumulated amortisation		
Balance as at December 31, 2021		18
Increases		4
Decreases		-
Balance as at December 31, 2022		22
Increases		4
Decreases		(14)
Balance as at December 31, 2023		12
Net carrying amount		
	Dec-31-2021	12
	Dec-31-2022	10
	Dec-31-2023	**8**

The decreases in 2023 are related to the derecognition of fully amortised software.

1.6. *Other non-current assets*

(in Euro thousand)	*Dec 31, 2023*	*Dec 31, 2022*	*Change*
Other receivables	3	3	-
Other non-current assets	**3**	**3**	**-**

The item refers exclusively to guarantee deposits.

1.7. Current financial assets

(in Euro thousand)	*Dec 31, 2023*	*Dec 31, 2022*	*Change*
Financial receivables due from related companies	24,296	65,787	(41,491)
Guarantee fees receivable	823	777	46
Financial assets held for trading	272	272	-
Other current financial assets	235	235	-
Current financial assets	**25,626**	**67,071**	**(41,445)**

"*Financial receivables due from related companies*" as at December 31, 2023 include receivables from the direct subsidiaries Newint Srl of Euro 21,994 thousand and Intek Investimenti of Euro 2,318 thousand. These amounts are net of adjustments of Euro 16 thousand made pursuant to IFRS 9.

"Guarantee fees receivable" are the amount of guarantee fees that are receivable within 12 months, for guarantees issued by the Intek Group to banks on behalf of subsidiaries, in particular KME SE, to which loans and credit facilities were granted. These receivables are matched by payables of the same amount, as the fair value of the present value of the collateral provided is estimated to be equal to that of the related receivable.

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

1.8. ***Trade receivables***

(in Euro thousand)	*Dec 31, 2023*	*Dec 31, 2022*	*Change*
Receivables – lease and factoring activities	1,210	1,491	(281)
Receivables – related companies	761	3,930	(3,169)
Trade receivables	**1,971**	**5,421**	**(3,450)**

"*Receivables – lease and factoring activities*" relate to non-performing loans from the business previously handled by Fime Leasing and Fime Factoring, companies previously incorporated by the KME Group.

"*Receivables – related companies*" mainly refer to guarantee fees already invoiced as well as consultations and administrative services provided. Last year, they included receivables related to consultancy for extraordinary transactions collected during 2023.

1.9. Other receivables and current assets

(in Euro thousand)	*Dec 31, 2023*	*Dec 31, 2022*	*Change*
Receivables – related companies	1,351	990	361
Tax receivables	1,119	639	480
Prepayments and accrued income	69	39	30
Other	208	51	157
Other receivables and current assets	**2,747**	**1,719**	**1,028**

"Receivables – related companies" include positions arising from the tax consolidation regime of Euro 1,269 thousand and positions related to the group VAT payment of Euro 82 thousand.

"*Tax receivables*" include receivables for direct taxes of Euro 683 thousand, of which Euro 576 thousand relate to estimated taxes for 2023 and VAT credits of Euro 436 thousand.

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

The item *“Other receivables”* of last year included pending costs relating to ongoing projects of Euro 87 thousand. All the receivables are due within twelve months.

1.10. Cash and cash equivalents

This item consists of bank and postal deposits and cash on hand.

(in Euro thousand)	*Dec 31, 2023*	*Dec 31, 2022*	*Change*
Bank and postal deposits	3,206	503	2,703
Cash on hand	8	5	3
Cash and cash equivalents	**3,214**	**508**	**2,706**

For details of the liquidity generated and absorbed during the year, please refer to the Company's statement of cash flows.

1.11. Equity

"*Share Capital*" as at December 31, 2023, is equal to Euro 200,104,709.20 divided into 310,399,224 ordinary shares (95.62% of the share capital) and 14,211,262 savings shares (4.38% of the share capital). None of the shares have a par value.

	Ordinary shares		*Savings shares*		*Total Shares*	
	Dec 31, 2023	*Dec 31, 2022*	*Dec 31, 2023*	*Dec 31, 2022*	*Dec 31, 2023*	*Dec 31, 2022*
Issued on January 1	306,937,071	389,151,588	15,246,505	16,325,063	322,183,576	405,476,651
Cancelled for PTO/PEO	-	(82,302,194)	(1,035,243)	(1,078,558)	(1,035,243)	(83,380,752)
New issue	3,462,153	87,677	-	-	3,462,153	87,677
Issued on December 31	**310,399,224**	**306,937,071**	**14,211,262**	**15,246,505**	**324,610,486**	**322,183,576**

During the year, 3,462,153 ordinary shares were issued following the exercise of warrants and were cancelled, and 1,035,243 savings shares were purchased through a public tender offer.

As at December 31, 2023, the Company held 131,638,439 ordinary treasury shares, of which 124,701,128 were acquired during 2023 through a public tender offer. Treasury shares are equal to 42.89% of the ordinary share capital (40.86% of the total share capital).

The free and available "*Stock Option Reserve*" arises as a result of the valuation according to IFRS 2 of the remuneration plans.

The breakdown of the item "*Other reserves*" is shown below:

(in Euro)	*Dec 31, 2023*	*Dec 31, 2022*	*Change*
Share premium reserve	5,553,428	4,062,893	1,490,535
Legal reserve	12,611,201	12,352,515	258,686
Reserve for treasury shares held	126,834,394	2,133,266	124,701,128
Available reserve (extraordinary)	102,694,484	223,769,165	(121,074,681)
Reserve pursuant to Italian Legislative Decree 38/2005	-	43,946,212	(43,946,212)
Tax suspension reserve	3,484,481	3,484,481	-
Fair value reserve FVOCI Investment	(9,700,000)	-	(9,700,000)
Reserve for 2022 OPS costs	(1,136,613)	(1,194,711)	58,098
Reserve for 2023 PTO costs	(6,768,684)	-	(6,768,684)
Reserve for IFRS differences on post-employment benefits	8,799	1,950	6,849
Other reserves	**233,581,490**	**288,555,772**	**(54,974,281)**

The "*Legal reserve*" can be used to cover losses.

The *"Reserve pursuant to Italian Legislative Decree 38/2005"* was established in previous years based on the results of the fair value measurements of investments held for investment purposes. It was reclassified to *"Extraordinary Reserve"* following the abandonment of the "investment entity" status and the consequent recognition of the investment at cost.

The available *"Extraordinary reserve"* increased due to the reclassification of the *"Reserve pursuant to Italian Legislative Decree 38/2005"* and decreased due to the use of the reserve for the purchase of the Company's treasury shares and warrants.

Pursuant to Article 2431 of the Italian Civil Code, the available "*Share premium reserve*", which increased due to the exercise of warrants, may be distributed to shareholders subject to a minimum balance on the Legal Reserve of one fifth of share capital.

The "*Tax suspension reserve*" originated as part of the extraordinary transactions of 2012, deriving from the merged company Intek S.p.A.

1.12. Retirement benefits

This item relates to the "*Post-employment Benefits*"; the amount is determined based on the vested benefits at the end of the year, in compliance with law employment contracts and IAS 19, and is composed as follows:

(in Euro thousand)	*Dec 31, 2022*	*Increases*	*Contributions to Funds*	*Decreases*	*Dec 31, 2023*
Clerical workers	307	51	(13)	(20)	325
Executives	113	39	(31)	-	121
IFRS Adjustments	9	-	-	-	9
Retirement benefits	**429**	**90**	**(44)**	**(20)**	**455**

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

General criteria	*Dec 31, 2023*	*Dec 31, 2022*
Discount rate	3.08%	3.77%
Rate of increase in future remuneration	1.00%	1.00%
Average remaining working life	9.6 years	10.3 years
General criteria		

A discount rate based on the "*Iboxx Eurozone Corporate AA*" index was used also as at December 31, 2023, for the actuarial valuation of post-employment benefits (TFR).

1.13. Non-current financial payables and liabilities

(in Euro thousand)	*Dec 31, 2023*	*Dec 31, 2022*	*Change*
Liabilities to related companies	115,187	-	115,187
Lease liabilities – related parties	1,606	2,016	(410)
Lease liabilities	-	10	(10)
Payables for financial guarantees issued	630	1	629
Non-current financial payables and liabilities	**117,423**	**2,027**	**115,396**

"Liabilities to related companies" include Euro 115,187 thousand for the loan agreement with KMH signed as part of the delisting ("upstream loan"), which matures on December 31, 2026, and bears an interest rate increasing from 11% to 16%.

The item "*Lease liabilities*" represents financial liabilities, maturing beyond twelve months, recognised in application of IFRS 16 and refer to properties and cars; liabilities to related parties refer to payables to Immobiliare Pictea for the leases of the properties in Foro Buonaparte, Milan.

The item "*Payables for financial guarantees issued*" represents the contra-entry of the item recorded under non-current financial assets having the same origin and it represents the fair value of the liabilities assumed against the guarantees issued, having assessed any risk situations and consequently the contingent liabilities, pursuant to the instructions set forth in IAS 37. Since the item refers in its entirety to guarantees connected to loans obtained by subsidiaries, it is considered that the current value of the commissions to be collected, recognised as part of current and non-current financial assets, represents the best estimate of fair value of the contingent liabilities in relation to the guarantees issued.

1.14. Bonds

(in Euro thousand)	*Dec 31, 2023*	*Dec 31, 2022*	*Change*
KME Group bonds - 4.5% - 2020/2025	92,648	92,506	142
KME Group bonds - 5.0% - 2022/2027	63,491	63,485	6
Bonds	**156,139**	**155,991**	**148**

The item refers:

- to the KME Group 2020/2025 bonds, issued in February 2020 with a fixed rate of 4.5%, outstanding for a nominal amount of Euro 75,854 thousand, to which additional nominal values of Euro 16,965 thousand were added in 2021 as a result of the public exchange offer on savings shares. The outstanding bonds are therefore equal to Euro 92,819 thousand;
- to the KME Group 2022/2027 bonds, issued in September 2022 with a fixed rate of 5.0% outstanding for a nominal amount of Euro 63,533 thousand as a result of the public exchange offers on ordinary shares, savings shares and warrants.

All bonds are shown net of the issue costs, which are deferred along the duration of the security so as to determine a constant effective interest rate.

Provisions for risks and charges

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

(in Euro thousand)	*December 31, 2022*			*Increases*	*Released/ Utilised*	*December 31, 2023*		
	Non-current	*Current*	*Total*			*Non-current*	*Current*	*Total*
Provisions for guarantee risks	-	-	-	769	-	769	-	769
Total	**-**	**-**	**-**	**769**	**-**	**769**	**-**	**769**

The provision is related to guarantees issued in favour of a subsidiary.

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

1.15. Current financial payables and liabilities

(in Euro thousand)	*Dec 31, 2023*	*Dec 31, 2022*	*Change*
Liabilities to related companies	33,271	716	32,555
Liabilities to banks	9,929	19,997	(10,068)
Payables for financial guarantees issued	823	777	46
Bonds	4,478	4,478	-
Lease liabilities – related parties	580	514	66
Lease liabilities	12	73	(61)
Current financial payables and liabilities	**49,093**	**26,555**	**22,538**

"Liabilities to related companies" refer to a current account opened with KMH SpA.

"*Liabilities to banks"* refer to a Euro 10,000 thousand credit facility and the relative interest with Banco BPM, with maturity in July 2024, secured by pledge on Culti Milano shares.

The item "*Bonds*", totalling Euro 4,478 thousand, relates to interest accruing on the *KME Group S.p.A. 2020/2025* Bond (Euro 3,616 thousand) and on the *KME Group S.p.A. 2022/2027* Bond (Euro 862 thousand).

The "*Payables for financial guarantees issued*" item represents the contra-entry of the item with the same origin, entered in the current financial assets. For further details, please refer to comment to paragraphs 4.8 and 4.14.

"*Lease liabilities*" relate to the short-term share of the registered financial liability in application of IFRS 16.

1.16. Trade payables

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

(in Euro thousand)	*Dec 31, 2023*	*Dec 31, 2022*	*Change*
Trade payables – third parties	2,222	1,216	1,006
Trade payables – related parties	1,042	773	269
Trade payables	**3,264**	**1,989**	**1,275**

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

1.17. Other current liabilities

(in Euro thousand)	*Dec 31, 2023*	*Dec 31, 2022*	*Change*
Liabilities to employees	261	200	61
Tax liabilities	377	605	(228)
Liabilities to related companies	315	1,041	(726)
Liabilities to social security institutions	97	108	(11)
Other liabilities	665	585	80
Other current liabilities	**1,715**	**2,539**	**(824)**

"*Liabilities to related companies*" include liabilities to directors for accrued remuneration and for the residual amount due to the Chairman of the Board of Directors for the end of office indemnity accrued to December 31, 2012, the date on which the office ended. The Chairman has allowed the payment due date to be extended to December 31, 2024.

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

The item “*Tax liabilities*” mainly refers to payables for withholding amounts to be paid.

1.18. Deferred tax assets and liabilities

(in Euro thousand)	*Dec 31, 2023*	*Dec 31, 2022*	*Change*
Deferred tax assets	2,023	2,093	(70)
Deferred tax liabilities	(694)	(852)	158
Deferred tax assets and liabilities	**1,329**	**1,241**	**88**

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

(in Euro thousand)	*Deferred tax assets*		*Deferred tax liabilities*	
	Dec 31, 2023	*Dec 31, 2022*	*Dec 31, 2023*	*Dec 31, 2022*
Investment property	9	9	-	-
Investments	-	-	525	533
Trade receivables	831	927	169	319
Current financial assets	5	16	-	-
Other current liabilities	297	511	-	-
Deferred taxes on equity components	881	630	-	-
Total	**2,023**	**2,093**	**694**	**852**

Deferred taxes are computed on timing differences between the amounts of assets and liabilities recognised in the financial statements and the corresponding amounts recognised for tax purposes.

"Deferred taxes on tax loss carried forward" (tax losses totalling Euro 29,986 thousand) are recognised only when their recovery is highly probable, including in consideration of the tax consolidation, with the KME Group as the Parent Company.

5. Commitments and guarantees

KME Group S.p.A. 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 15.0 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 collaterals; it amounts to Euro 1.3 million as at December 31, 2023.

6. *Notes to the income statement*

1.1. Net income from management of investments

This item consists of the following:

(in Euro thousand)	*2023*	*2022*	*Change*	*% change*
Measurement of investments at fair value	-	9,077	(9,077)	n/a
Dividends	239	1,013	(774)	-76.41%
Net income from management of investments	**239**	**10,090**	**(9,851)**	**-97.63%**

Dividends for 2023 were received from CULTI Milano, while those of the previous year came for Euro 755 thousand from Ducati Energia, Euro 239 thousand from CULTI Milano and Euro 19 thousand from Ergyca Tracker.

In 2022, the measurement of investments at fair value referred to the capital gain resulting from the measurement at fair value of the investment in Culti Milano S.p.A. carried out at the stock market value at the date of change of status of investment entity;

1.2. Commissions on guarantees issued

(in Euro thousand)	*2023*	*2022*	*Change*	*% change*
Commissions on guarantees issued	859	862	(3)	-0.35%
Commissions on guarantees issued	**859**	**862**	**(3)**	**-0.35%**

These refer to the remuneration of the guarantees issued to investee companies for securing loans.

1.3. Other income

(in Euro thousand)	*2023*	*2022*	*Change*	*% change*
Income from "special situations"	749	63	686	n/a
Provision of services to related companies	249	4,623	(4,374)	n/a
Other income and revenues	34	828	(794)	n/a
Other income	**1,032**	**5,514**	**(4,482)**	**-81.28%**

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

The *"Provision of services to related companies"* item contains only the amounts invoiced for administrative support services to related companies. In 2022, they also referred to consultancy for extraordinary transactions.

The item *"Other income and revenues"* for 2022 included income deriving from the write-off of prescribed payables for Euro 647 thousand.

1.4. Personnel cost

(in Euro thousand)	*2023*	*2022*	*Change*	*% change*
Wages and salaries	(1,814)	(1,265)	(549)	43.40%
Social security contributions	(443)	(380)	(63)	16.58%
Other personnel costs	(271)	(485)	214	-44.12%
Personnel cost	**(2,528)**	**(2,130)**	**(398)**	**18.69%**

Other personnel expense includes remuneration to associates of Euro 137 thousand, in addition to contribution expense of Euro 102 thousand, costs for a welfare plan of Euro 84 thousand and an allocation to the employees' post-employment benefits (TFR) of Euro 106 thousand, net of cost recovery for seconded staff of Euro 158 thousand.

The average number of employees is given here below:

	Dec 31, 2023	*Dec 31, 2022*	*Change*
Executives	3	3	-
Clerical workers	11	11	-
Workers	1	1	-
Average number of employees	**15**	**15**	**-**

1.5. Amortisation, depreciation, impairment and write-downs

(in Euro thousand)	*2023*	*2022*	*Change*	*% change*
Depreciation of property, plant and equipment	(41)	(31)	(10)	32.26%
Depreciation of leased assets	(614)	(637)	23	-3.61%
Amortisation of intangible assets	(4)	(4)	-	0.00%
Depreciation, amortisation, impairment and write-downs	**(659)**	**(672)**	**13**	**-1.93%**

1.6. Other operating costs

(in Euro thousand)	*2023*	*2022*	*Change*	*% change*
Directors' and Statutory Auditors' fees	(1,260)	(1,246)	(14)	1.12%
Professional services	(1,211)	(1,372)	161	-11.73%
Travel costs	(219)	(303)	84	-27.72%
Other personnel expense	(49)	(85)	36	-42.35%
Legal and company disclosure	(109)	(93)	(16)	17.20%
Electricity, heating, postal and telephone costs	(63)	(69)	6	-8.70%
Insurance premiums	(97)	(99)	2	-2.02%
Training and seminars	(26)	(22)	(4)	18.18%
Property leases	(774)	(336)	(438)	130.36%
Maintenance	(40)	(24)	(16)	66.67%
Rent and lease expense	(17)	(15)	(2)	13.33%
Other taxes	(29)	(29)	-	0.00%
Membership fees	(193)	(252)	59	-23.41%
Other net costs	(709)	(423)	(286)	67.61%
Donations	(49)	(51)	2	-3.92%
Bank fees	(20)	(8)	(12)	150.00%
	(4,865)	*(4,427)*	*(438)*	*9.89%*
Release of provisions	-	291	(291)	-100.00%
Charges on warrants	(1,046)	(2,085)	1,039	-49.83%
Allocation to provisions for risks	(769)	-	(769)	n/a
Other operating costs	**(6,680)**	**(6,221)**	**(459)**	**7.38%**

"Charges on warrant management" include the effects of the actuarial calculation in application of the provisions of IFRS 2 and have as a counter-entry an increase in equity.

1.7. Net financial expense

(in Euro thousand)	*2023*	*2022*	*Change*	*% change*
Interest income from group companies	*4,394*	*2,776*	1,618	58.29%
Other financial income and interest	*64*	*147*	(83)	-56.46%
Total financial income	4,458	2,923	1,535	52.51%
Interest paid by group companies	*(4,294)*	*(33)*	(4,261)	12912.12%
Loan interest expense	*(1,169)*	*(643)*	(526)	81.80%
Interest expense on securities issued	*(7,501)*	*(5,160)*	(2,341)	45.37%
Interest expense for leases	*(111)*	*(134)*	23	-17.16%
Other financial expenses	*(21)*	*(62)*	41	-66.13%
Total financial expenses	(13,096)	(6,032)	(7,064)	117.11%
Total net financial expense	**(8,638)**	**(3,109)**	**(5,529)**	**177.84%**

The increase in *"Interest income from group companies"* is due to the deferred payment on the sale of the investments to KMH SpA.

"Interest expense from group companies" also includes the charges relating to the loan obtained by KMH to finance the public tender offers.

"*Interest expense on securities issued*" increased in relation to the interest on the *KME Group SpA 2022/2027* Bond, which last year covered the period from September 23 (issue date) to the end of the year.

The breakdown of the interest income and interest expense from related parties is provided under paragraph 7.12.

1.8. Current and deferred taxes

(in Euro thousand)	*2023*	*2022*	*Change*	*% change*
Current taxes	1,739	140	1,599	n/a
Deferred taxes	87	700	(613)	n/a
Current and deferred taxes	**1,826**	**840**	**986**	**n/a**

Since 2007, KME Group S.p.A. 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 Company and/or subsidiaries can be offset against the tax savings realised by the Parent Company and/or subsidiaries with taxable income.

Reconciliation of theoretical tax charge and the effective charge:

(in Euro thousand)	*2023*	*2022*
Profit/(loss) before taxes	**(16,374)**	**4,334**
Tax charge at theoretical rate	3,930	(1,040)
- Fair value measurements	-	2,179
- Other	(2,389)	(1,631)
- Previous year taxes	285	90
- Use of previous losses for taxable income	-	1,242
Total effective tax charge	**1,826**	**840**

7. ***Additional information***

7.1. Financial instruments by category

Additional information on financial instruments by category of financial assets and liabilities is presented below; please note that the table also shows miscellaneous receivables and other assets as well as miscellaneous payables and other liabilities.

	Dec 31, 2023	*Dec 31, 2022*	*Change*
Financial assets at fair value through profit or loss	1,960	950	1,010
Financial assets at fair value through other comprehensive income	222	16,922	(16,700)
Amortised cost	31,054	73,105	(42,051)
Financial assets	**33,236**	**90,977**	**(57,741)**
Financial liabilities at fair value through profit or loss	(1,453)	(778)	(675)
Financial payables and liabilities at amortised cost	(325,804)	(187,718)	(138,086)
Financial liabilities	**(327,257)**	**(188,496)**	**(138,761)**

7.2. Financial instruments by financial statement item

The reconciliation of financial instruments with financial statement items as at December 31, 2023, is provided below:

(in Euro thousand)	*Total financial statement item*	*Outside the scope of IFRS 7*	*Total Financial Instruments*	*At cost*	*At fair value*
Investments in other companies	222	-	222	-	222
Non-current financial assets	641	-	641	11	630
Other non-current assets	3	-	3	3	-
Current financial assets	25,626	-	25,626	24,296	1,330
Trade receivables	1,971	-	1,971	1,971	-
Other receivables and current assets	2,747	1,188	1,559	1,559	-
Cash and cash equivalents	3,214	-	3,214	3,214	-
Total financial assets	**34,424**	**1,188**	**33,236**	**31,054**	**2,182**
Non-current financial payables and liabilities	(117,423)	-	(117,423)	(116,793)	(630)
Bonds	(156,139)	-	(156,139)	(156,139)	-
Current financial payables and liabilities	(49,093)	-	(49,093)	(48,270)	(823)
Trade payables	(3,264)	-	(3,264)	(3,264)	-
Other current liabilities	(1,715)	(377)	(1,338)	(1,338)	-
Total financial liabilities	**(327,634)**	**(377)**	**(327,257)**	**(325,804)**	**(1,453)**

7.3. Notional value of financial instruments and derivatives

No derivative financial instruments are recognised as at December 31, 2023.

7.4. Credit risk exposure and impairment losses

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

7.5. Foreign currency exchange risk exposure

KME Group S.p.A. had no financial statements items or sale or purchase commitments denominated in foreign currencies at the year end.

7.6. Exposure to the risk of fluctuations in share value

The carrying amount of financial assets is KME Group S.p.A.'s maximum exposure to this risk.

7.7. Interest rate risk exposure

As at December 31, 2023, the Company's interest-bearing financial assets and liabilities had the following interest rate risk exposure:

(in Euro thousand)	*Dec 31, 2023*	*Dec 31, 2022*
Financial assets	21,978	43,723
Financial liabilities	(306,795)	(163,858)
Fixed rate instruments	**(284,817)**	**(120,135)**
Financial assets	2,318	22,567
Financial liabilities	(9,929)	(20,713)
Floating rate instruments	**(7,611)**	**1,854**

The fixed rate financial liabilities mainly refer to outstanding bonds and to financial lease liabilities; those with floating rate mainly accommodate the balance of the Banco BPM loan.

7.8. Sensitivity analysis of the cash flows of floating rate financial instruments

A 50-basis-point (bps) increase (decrease) in interest rate receivable or payable at the year end would have led to an impact on equity and the result for the year of around Euro 38 thousand.

7.9. Fair value and carrying amount

Pursuant to IFRS 13 paragraph 91, we declare that the carrying amount of the financial assets and liabilities recognised in these Financial Statements do not diverge from their fair value.

7.10. Fair value hierarchy

IFRS 7, paragraph 27A and IFRS 13 require financial instruments recognised at fair value in the statement of financial position to be classified based on a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value hierarchy shall have the following levels:

- 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.

For financial instruments outstanding as at December 31, 2023, and for comparative purposes, as at December 31, 2022, the table below shows the fair value hierarchy of financial assets and liabilities that are measured at fair value on a recurring basis (Level 3 includes the carrying amounts of unlisted financial assets carried at cost in the absence of an available fair value).

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

(in Euro thousand)	***Total Fair value as at December 31, 2023***	*Level 1*	*Level 2*	*Level 3*
Investments in other companies	**222**	-	-	222
Non-current financial assets	**630**	-	-	630
Current financial assets	**873**	-	-	873
Total financial assets	**1,725**	**-**	**-**	**1,725**
Non-current financial payables and liabilities	**(630)**	-	-	(630)
Current financial payables and liabilities	**(823)**	-	-	(823)
Total financial liabilities	**(1,453)**	**-**	**-**	**(1,453)**

(in Euro thousand)	***Total Fair value as at December 31, 2022***	*Level 1*	*Level 2*	*Level 3*
Investments in other companies	**16,922**	-	-	16,922
Non-current financial assets	**1**	-	-	1
Current financial assets	**949**	-	-	949
Total financial assets	**17,872**	**-**	**-**	**17,872**
Non-current financial payables and liabilities	**(1)**	-	-	(1)
Current financial payables and liabilities	**(777)**	-	-	(777)
Total financial liabilities	**(778)**	**-**	**-**	**(778)**

Financial instruments reclassification

With regard to financial assets and liabilities that are measured at fair value on a recurring basis, there were no transfers from Level 3 to other levels and vice versa in 2023 resulting from changes in the significant input variables of observable valuation techniques.

7.11. Disclosure of payments for services rendered by the Independent Auditors

In accordance with Article 149-*duodecies* of the "Issuers' Regulation", the following table shows the payments made during the year, net of expenses, VAT and any supervisory contribution, for services provided to the company and its subsidiaries by the Independent Auditors, Deloitte & Touche S.p.A. and other companies belonging to its network:

(in Euro thousand)	***Total***	*KME Group S.p.A.*	*Subsidiaries*
a) audit fees	**1,854**	203	1,651
b) fees for non-audit services	**122**	57	65
- audit services for certification purposes	**115**	50	65
- other fees	**7**	7	-
c) fees charged by firms in the Independent auditors' network	**-**	-	-
Independent Auditors' fees	**1,976**	**260**	**1,716**

Detail of transactions with related parties

The tables below show the relations involving payables, receivables, costs and revenue with related parties. For information regarding the nature of the transactions, reference should be made to the comments under the individual items.

<u>*Receivables and payables*</u>

(in Euro thousand)	*Non-current financial assets*	*Current financial assets*	*Trade receivables*	*Other receivables and current assets*	*Non-current financial payables and liabilities*	*Current financial payables and liabilities*	*Trade payables*	*Other current liabilities*
Culti Milano S.p.A.	-	-	9	-	-	-	(4)	-
ErgycaTracker 2 S.r.l.	-	-	-	-	-	-	-	(2)
Immobiliare Pictea S.r.l.	-	-	-	-	(1,607)	(653)	(307)	-
Intek Investimenti S.p.A.	-	2,317	-	-	-	-	-	-
Isno 3 Srl in liquidation	-	-	9	-	-	-	-	-
KMH SpA	-	-	-	-	(115,186)	(33,198)	-	-
KME Germany Bet. GmbH	-	-	-	-	-	-	(3)	-
KME Italy S.p.A.	-	-	32	-	-	-	(20)	-
KME Mansfeld	-	-	4	-	-	-	(3)	-
KME SE	-	-	109	-	-	-	(471)	-
KME Srl	-	-	421	-	-	-	(219)	-
Natural Capital Italia S.p.A. SB	-	-	21	-	-	-	-	-
Nextep S.r.l. SB	-	-	19	-	-	-	-	-
Newint Srl	-	21,979	-	-	-	-	-	-
Oasi Dynamo FoodCo S.r.l.	-	-	-	-	-	-	(15)	-
Quattroduedue S.p.A.	-	-	19	-	-	-	-	-
Serravalle Copper Tube S.r.l.	-	-	54	-	-	-	-	-
Società Agricola Agrienergia	-	-	57	77	-	-	-	-
Trèfimetaux SA		-	7	-	-	-	-	-
Directors and Statutory Auditors	-	-	-	-	-	-	(108)	(314)
Receivables from guarantees	630	823	-	-	-	-	-	-
Receivables/Payables for group VAT	-	-	-	82	-	-	-	-
Receivables/Payables for tax consolidation regime	-	-	-	1,192	-	-	-	-
	630	**25,119**	**761**	**1,351**	**(116,793)**	**(33,851)**	**(1,150)**	**(316)**
Total	**641**	**25,626**	**1,971**	**2,747**	**(117,423)**	**(49,093)**	**(3,264)**	**(1,715)**
Effect	**98.28%**	**98.02%**	**38.61%**	**49.18%**	**99.46%**	**68.95%**	**35.23%**	**18.43%**

Costs and revenues

(in Euro thousand)	*Net income from management of investments*	*Commissions on guarantees issued*	*Other operating income*	*Personnel cost and other operating costs*	*Financial income*	*Financial expense*
Culti Milano S.p.A.	239	-	15	(2)	-	-
Immobiliare Pictea S.r.l.	-	4	25	(679)	-	(85)
Intek Investimenti S.p.A.	-	-	15	-	102	-
Isno 3 Srl in liquidation	-	-	15	-	-	-
KMH	-	-	15	-	2,921	(4,186)
KME Italy S.p.A.	-	32	-	(9)	-	-
KME Mansfeld	-	6	-	-	-	-
KME Special Products GmbH & Co	-	2	-	-	-	-
KME SE	-	750	-	(485)	-	-
KME Srl	-	-	107	(58)	-	-
Natural Capital Italia S.p.A. SB	-	-	9	-	-	-
Newint Srl	-	-	1	-	1,312	-
Oasi Dynamo FoodCo S.r.l.	-	-	-	-	-	-
Quattroduedue S.p.A.	-	-	15	-	-	-
Scent Company Srl	-	-	-	(4)	-	-
Serravalle Copper Tube S.r.l.	-	54	-	-	-	-
Società Agricola Agrienergia	-	-	32	-	-	-
Trèfimetaux SA	-	11	-	-	-	-
Directors/Statutory Auditors and other executives	-	-	-	(1,779)	59	(23)
	239	**859**	**249**	**(3,016)**	**4,394**	**(4,294)**
Total	**239**	**859**	**1,032**	**(9,208)**	**4,458**	**(13,096)**
Effect	**100.00%**	**100.00%**	**24.13%**	**32.75%**	**98.56%**	**32.79%**

7.12. Proposal to approve the 2023 financial statements

Please refer to the *Report on operations*.

List of investments as at December 31, 2023, and changes compared to December 31, 2022

Investments *(in Euro)*	**Notes**	**Nominal value as at December 31, 2023**	**Balance as at December 31, 2022**		**Changes during the period (+ / -)**		**Write-backs/(Adjustments)**	**Balance as at December 31, 2023**				**Market value as at December 31, 2023**	
		Euro	**Quantity**	**Carrying amount**	**Quantity**	**Value**		**Quantity**	**%**	**Average carrying amount**	**Carrying amount**	**Unit value**	**Value**
Subsidiaries and other investments (recognised under financial assets)													
KMH SpA		50.000.000	50.000.000	480.000.000	-	-	-	50.000.000	84,08%		480.000.000		
KME SE		no nominal value	2.791.775	58.410.000	-	-	-	2.791.775	10,00%		58.410.000		
Ergyca Tracker 2 S.r.l.		10.000	5.100	24.506	-	-	-	5.100	51,00%		24.506		
Culti Milano S.p.A.		no nominal value	2.388.750	37.981.125	-	-	-	2.388.750	77,17%		37.981.125	18,4750	44.132.156
Intek Investimenti S.p.A.		no nominal value	9.108.000	11.200.000	-	-	-	9.108.000	100,00%		11.200.000		
Newint S.r.l.		10.000	10.000	10.000	-	-	-	10.000	100,00%		10.000		
Nextep S.r.l. Benefit company		10.000	6.000	6.000	-	-	-	6.000	60,00%		6.000		
												-	-
Total				**587.631.631**		**-**	-				**587.631.631**		
Treasury shares (recognised as a reduction in Equity)													
KME Group S.p.A. ordinary shares		no nominal value	6.937.311	2.133.266	124.701.128	124.701.128	-	131.638.439	-	0,9635	126.834.394	0,9115	119.988.437
Total				**2.133.266**		**124.701.128,00**	-				**126.834.394**		
Total				**589.764.897**		**124.701.128,00**	-				**714.466.025**		

List of indirect investments as at December 31, 2023

Company name	Registered office	Activity	Currency	Share capital	% stake	Investor Company	Total investment
Acqua Dynamo S.r.l. benefit company	Italy	Sales	Euro	27.000	100,00%	Intek Investimenti S.p.A.	100,00%
AML - Azienda Metalli Laminati S.p.A.	Italy	Industry	Euro	3.300.000	24,24%	KME Mansfeld GmbH	20,56%
Bakel S.r.l.	Italy	Sales	Euro	100.000	50,01%	Culti Milano S.p.A.	38,59%
Bakel Inc	United States	Sales	USD	1.000	100,00%	Bakel S.r.l.	38,59%
Bertram's GmbH	Germany	Services	Euro	300.000	100,00%	KME Germany GmbH	84,83%
Culti Milano Asia Ltd.	Hong Kong	Sales	HKD	7.500.000	60,00%	Culti Milano S.p.A.	46,30%
Culti Milano China Ltd.	China	Sales	RMB	3.300.000	100,00%	Culti Milano Asia Ltd.	46,30%
cunova GmbH	Germany	Industry	Euro	25.000	100,00%	Magnet Joint Venture GmbH	38,17%
cunova Kalip Servis Sanavi ve Ticaret A.S.	Turkey	Sales	TRY	950.000	85,00%	cunova GmbH	32,45%
cunova Service India Private Ltd.	India	Services	INR	40.000.000	71,50%	cunova GmbH	27,29%
cunova Service Spain S.A.U.	Spain	Services	Euro	60.910	100,00%	cunova GmbH	38,17%
cunova Service USA LLC	United States	Industry	USD	2.000	100,00%	cunova Special Products America Inc.	38,17%
cunova Special Products America Inc.	United States	Industry	USD	6.353.000	100,00%	cunova GmbH	38,17%
Dalian Dashan Chrystallizer Co. Ltd.	China	Industry	RMB	40.000.000	70,00%	cunova GmbH	26,72%
Dalian Dashan Heavy Machinery Co. Ltd.	China	Industry	RMB	20.000.000	70,00%	cunova GmbH	26,72%
Dalian Dashan Surface Machinery Co. Ltd.	China	Industry	RMB	10.000.000	70,00%	cunova GmbH	26,72%
Dynamo Academy S.r.l. benefit company	Italy	Services	Euro	13.500	44,44%	Immobiliare Pictea S.r.l.	37,70%
Dynamo The Good Company S.r.l. Benefit Company	Italy	Sales	Euro	12.700	21,26%	Intek Investimenti S.p.A.	21,26%
EM Moulds S.p.A.	Italy	Industry	Euro	3.090.000	100,00%	cunova GmbH	38,17%
Evidal Schmoele Verwaltungsgesellschaft mbH	Germany	Not operating	Euro	30.000	50,00%	KME SE	42,41%
Fossati Uno S.r.l.	Italy	Real Estate	Euro	100.000	35,00%	Immobiliare Pictea S.r.l.	29,69%
Il Post S.r.l.	Italy	Publishing	Euro	396.516	28,01%	Intek Investimenti S.p.A.	28,01%
Immobiliare Pictea S.r.l.	Italy	Real Estate	Euro	80.000	100,00%	KME SE	84,83%
Irish Metal Industries Ltd. In liquidation	Ireland	in liquidation	Euro	127	100,00%	KME Yorkshire Ltd.	84,83%
ISNO 3 S.r.l. in liquidation	Italy	in liquidation	Euro	1.754.906	60,72%	Intek Investimenti S.p.A.	60,72%
KM Copper Bars GmbH	Germany	Industry	Euro	25.000	100,00%	KME Mansfeld GmbH	84,83%
KME Stolberg GmbH	Germany	Industry	Euro	1.000.000	100,00%	KME SE	84,83%
KME S.r.l.	Italy	Services	Euro	115.000	100,00%	KME SE	84,83%
KME (Suisse) S.A.	Switzerland	Sales	CHF	100.000	100,00%	KME Germany GmbH	84,83%
KME America Inc.	United States	Sales	USD	5.000	100,00%	KME Germany GmbH	84,83%
KME America Marine Holding Inc.	United States	Holding company	USD	4.800.000	100,00%	cunova GmbH	38,17%
KME America Marine Tube and Fitting, LLC	United States	Design	USD	2.132.000	100,00%	KME America Marine Holding Inc.	38,17%
KME AssetCo GmbH	Germany	Other	Euro	25.000	100,00%	KME Special Products GmbH & Co. KG	84,83%
KME France SAS	France	Other	Euro	1	100,00%	Tréfimetaux SAS	84,83%
KME Germany GmbH	Germany	Industry	Euro	20.000.000	100,00%	KME SE	84,83%
KME Grundstuecksgesellschaft SE & Co. KG	Germany	Real Estate	Euro	50.000	99,00%	KME SE	84,83%
					1,00%	KME Germany GmbH	
KME India Private Ltd.	India	Sales	INR	6.500.000	99,80%	KME Special Products GmbH & Co. KG	84,83%
					0,20%	KME SE	
KME Italy S.p.A.	Italy	Industry	Euro	44.602.903	100,00%	KME SE	84,83%
KME Magma Service Ukraine LLC	Ukraine	Sales	UAH	14.174.000	70,00%	cunova GmbH	26,72%
KME Mansfeld GmbH	Germany	Industry	Euro	38.349.000	100,00%	KME SE	84,83%
KME Metale Sp. z o.o. in liquidation	Poland	Sales	PLN	8.112.500	100,00%	KME Germany GmbH	84,83%
KME Metals (Shanghai) Trading Ltd.	China	Sales	USD	100.000	100,00%	KME SE	84,83%
KME Middle East FZE	UAE	Sales	AED	250.000	100,00%	KME SE	84,83%
KME Moulds Mexico S.A. de C.V.	Mexico	Services	MXN	7.642.237	99,99%	cunova GmbH	38,17%
					0,01%	Magnet Joint Venture GmbH	
KME Netherlands BV	Netherlands	Industry	Euro	34.018.000	100,00%	KME SE	84,83%
KME Rolled France SAS	France	Industry	Euro	2.540.000	100,00%	KME Italy S.p.A.	84,83%
KME SE	Germany	Holding company	Euro	142.743.879	89,00%	KMH SpA	84,83%
KME Service Centre Italy S.p.A.	Italy	Industry	Euro	103.000	100,00%	KME Italy S.p.A.	84,83%
KME Service Centre Slovakia s.r.o.	Slovakia	Industry	Euro	1.015.734	100,00%	KME SE	84,83%
KME Service Centre UK Ltd.	United Kingdom	Industry	LST	2.130.000	100,00%	KME SE	84,83%
KME Service Russland Ltd.	Russia	Services	RUB	10.286.000	70,00%	cunova GmbH	26,72%
KME Spain S.A.U.	Spain	Sales	Euro	92.446	100,00%	KME SE	84,83%
KME Special Holding GmbH	Germany	Holding company	Euro	25.000	100,00%	KME SE	84,83%
KME Special Products GmbH & Co. KG	Germany	Industry	Euro	500	100,00%	KME SE	84,83%
KMETAL S.r.l.	Italy	Agency activities for the purchase and sale of metals	Euro	100.000	100,00%	KME SE	84,83%
KME Yorkshire Ltd.	United Kingdom	Industry	LST	10.014.603	100,00%	KME SE	84,83%
Magnet Joint Venture GmbH	Germany	Holding company	Euro	45.455	45,00%	KME Special Products GmbH & Co. KG	38,17%
Mecchld S.r.l.	Italy	Holding company	Euro	40.000	20,00%	Intek Investimenti S.p.A.	20,00%
MKM France Sarl	France	in liquidation	Euro	21.000	100,00%	KME Mansfeld GmbH	84,83%
Natural Capital Italia S.p.A. Benefit Company	Italy	Real Estate	Euro	147.500	74,58%	Immobiliare Pictea S.r.l.	72,08%
					8,81%	Intek Investimenti S.p.A.	
Oasi Dynamo Società Agricola S.r.l.	Italy	Agriculture	Euro	35.000	100,00%	Natural Capital Italia S.p.A. Benefit Company	72,08%
Oasi Dynamo FoodCo S.r.l.	Italy	Sale of food products	Euro	10.000	100,00%	Natural Capital Italia S.p.A. Benefit Company	72,08%
Scent Company S.r.l.	Italy	Sales	Euro	100.000	100,00%	Culti Milano S.p.A.	77,17%
Serravalle Copper Tubes Srl	Italy	Industry	Euro	3.000.000	100,00%	KME SE	84,83%
Società Agricola Agrienergia S.r.l.	Italy	Industry	Euro	20.000	51,00%	Oasi Dynamo Società Agricola S.r.l.	36,76%
Special Steels & Alloys SE Asia Pte Ltd.	Singapore	Sales	$SG	352.088	41,32%	cunova GmbH	15,77%
Trefimetaux SAS	France	Industry	Euro	11.000.000	100,00%	KME SE	84,83%
Valika SAS	France	Trading in metals	Euro	200.000	51,00%	KME SE	43,26%

CERTIFICATION OF THE SEPARATE FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154 BIS, PARAGRAPH 5 OF ITALIAN LEGISLATIVE DECREE 58/98, 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 February 24, 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 financial statements during 2023.

2. No material findings emerged in this regard.

3. Moreover, they certify that:

   3.1. the separate 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 July 19, 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;

   3.2. the annual Report includes a reliable analysis of the development and performance of the business and the situation of the issuer, together with a description of the principal risks and uncertainties that it faces.

Milan, April 9, 2024

The Chairman	The Manager in charge of Financial Reporting
signed Vincenzo Manes	*signed Giuseppe Mazza*

Board of Statutory Auditors' Report to the shareholders' meeting of KME Group S.p.A. on the financial statements as at December 31, 2023 pursuant to Article 153 of the Consolidated Law on Finance (TUF) and Article 2429 paragraph 2 of the Italian Civil Code

Dear Shareholders,

The Board of Statutory Auditors reports on the supervisory activities as required by the law (and in particular by Article 153 of Italian Legislative Decree 58/98, the "Consolidated Law on Finance" (TUF)), the rules of conduct for Boards of Statutory Auditors of listed companies issued by the Italian National Council of Chartered Accountants and Accounting Experts (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili), the Recommendations of CONSOB regarding corporate audits and the activities of the Board of Statutory Auditors, Articles 2429 et seq. of the Italian Civil Code as well as Articles 17 and 19 of Italian Legislative Decree no. 39/2010 and the indications contained in the Corporate Governance Code.

This report is divided, as it is every year, into individual chapters which correspond to the disclosure obligations set by CONSOB and suggested by the Italian National Council of Chartered Accountants and Accounting Experts (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili), for better comprehension and comparability.

The Board of Statutory Auditors for 2023 has assessed the suitability of its members and the adequate composition of the body with reference to the requirements of professionalism, competence, integrity, correctness, independence and absence of causes of incompatibility required by law, as well as the availability of time and resources adequate to the complexity.

Significant events occurred in 2023 at Group level

The most significant transactions that took place in 2023 and in the course of this year until this report was drafted were:

Delisting

The 2023 financial year was characterised by the project aimed at delisting ordinary and savings shares and KME Group 2021/2024 warrants.

The delisting was considered by the Company functional to the objective of concentrating its activities in the industrial management of the KME SE Group, offering also greater flexibility in the pursuit of strategies aimed at strengthening its market position, also through external growth, with the aim of achieving the best possible value of the Company. The financial resources necessary for the delisting derive from the signing of an investment agreement with investment funds managed by JP Morgan Asset Management (UK) Limited ("JPM"), which provides for the issue of bonds (for maximum Euro 135.1 million), and a share capital increase (for a maximum of Euro 70.0 million) approved by the subsidiary KMH S.p.A. and to be subscribed by JPM for a total maximum amount of Euro 205.1 million, all as detailed below.

Copper sector

In this sector, as highlighted in the Report on Operations, with regard to the current performance of KME SE, in the second half of 2023 the signs of a slowdown in orders, already observed since the end of 2022 and resulting from customers' desire to reduce their accumulated inventories, continued. In order to counteract this trend, while waiting for the market to recover, all the cost-cutting actions available in the various countries in order to minimise the negative impact on profitability and the generation of financial resources of the Group.

During the financial year, KME SE continued to implement its strategy of focusing on copper rolled products:

- in June 2023, the agreement signed with Golden Dragon Precise Copper Tube Inc was performed, regarding the sale of its 50% share of the joint venture KMD (HK) Holdings Limited and the purchase of 100% of the shares of KMD Connectors Stolberg GmbH;
- in July 2023, an agreement was signed for the repurchase of the 16% interest in KME Italy S.p.A. held by Eredi Gnutti Metalli S.p.A.;
- on March 4, 2024, a contract was signed relating to the acquisition of 100% of the shares of Blackhawk Holding GmbH, a German holding company that holds 100% of Sundwiger Messingwerk GmbH, European leader in the sectors of semi-finished bronze products and a manufacturer of semi-finished rolled brass products.

Moreover, in February 2024, a Business Combination Agreement was signed jointly with Paragon and SDCL EDGE Acquisition Corporation, a special purpose acquisition company with securities listed on the NYSE, which concerns the special products business of Cunova GmbH, company held by KME SE through an indirect investment of 45%.

Cosmetics and air fresheners sector – investment in Culti Milano S.p.A.

In 2023, Culti Milano and its subsidiaries recorded a slight decline in consolidated revenues, mainly due to a negative trend in sales in China, both as a result of the impact of the lockdown policies in the first half of the year and a slowdown in online sales, which represented the majority of sales in this important market: in consideration of the above, EBITDA decreased from Euro 5.1 million in 2022 to Euro 4.1 million in 2023.

Extraordinary finance transactions

On March 28, 2023, the Company's Board of Directors accepted a binding offer from investment funds managed by JPM, aimed at financing the above-mentioned delisting transaction that envisaged, among other things, subject to obtaining the necessary authorisations and to the occurrence of certain conditions, the promotion by KME of public tender offers on KME ordinary shares, savings shares and warrants (the "Offers"), to be settled with consideration in cash, as part of a project aimed at the delisting of the aforementioned financial instruments, if the conditions are met and in particular:

- a total or partial, as indicated below, voluntary public tender offer on ordinary shares of KME Group S.p.A. at a unit price of Euro 1.00 (the "Ordinary Shares PTO");
- a total voluntary public tender offer on KME Group S.p.A. savings shares at a unit price of Euro 1.20 (cum dividend of Euro 0.21723) (the “Savings shares PTO”);
- a total voluntary public tender offer on “KME Group S.p.A. 2021 – 2024” warrants (the “Warrants”) at a unit price of Euro 0.45 (the “Warrant PTO”).

The Ordinary Shares PTO could have been promoted:

- in total form ("Total Ordinary Shares PTO"), where the necessary consents have been received in good time from the lending banks of the KME Group pursuant to the existing loan agreements ("Waivers"); or
- in partial form on 130,000,000 ordinary shares of KME Group S.p.A. (the "Partial Ordinary Shares PTO"), if the necessary Waivers have not been received in due time.

The Offers were considered significantly improved by the Board of Directors compared to those proposed at the end of February as specified in the Press Release issued by the Company on February 28, 2023, (i) as they all provided for a consideration to be paid in cash, (ii) were also extended to savings shareholders and warrant holders, and (iii) for ordinary shares, they provided for an increase in consideration and a higher number of securities to be included in the relevant offer.

The transaction and the Offers were conditional on the achievement of an amount of subscriptions of no less than a total value of Euro 120.0 million.

To cover the financial requirements deriving from the payment obligations connected to the Offers, the Company would mainly use amounts deriving from an intercompany loan (the "Intercompany Loan") disbursed by the subsidiary KMH.

The financial resources necessary for the delisting derive, as noted above, from the signing of an investment agreement with investment funds managed by JPM, which provided for the issue of bonds for maximum Euro 135.1 million, and a share capital increase for a maximum of Euro 70.0 million approved by KMH and to be subscribed by JPM for a total maximum amount of Euro 205.1 million.

The transaction provides for the signing of an investment agreement aimed at regulating relations between KME and JPM in relation to the project, in which Quattroduedue S.p.A. (“Quattroduedue”), the Company's controlling shareholder, will also participate in relation to certain specific agreements relating to KME.

Furthermore, in relation to the project, an agreement was signed containing some shareholders' agreements, typical of similar transactions, between KME and JPM in relation to KMH.

Taking into account that the transaction is characterised by an overall coherence and is developed in an interconnected series of components, which are mutually dependent, and that the contractual structure also provides for the involvement of controlling shareholder Quattroduedue, the Company has prudently followed the procedures outlined in CONSOB Regulation 17221/2010, as well as the "*Procedure on Related Party Transactions*" adopted by the Company.

Subject to the favourable binding opinion provided by the Independent Directors of KME as Related Party Transactions Committee, on May 10, 2023, the Board of Directors approved the signing of the investment agreement with JPM and increased the fees envisaged for the Savings Shares PTO (from Euro 1.20 to Euro 1.30, *cum* dividend of Euro 0.21723) and for the Warrant PTO (from Euro 0.45 to Euro 0.60).

On June 12, 2023, the Ordinary and Extraordinary Shareholders' Meeting of the Company was held on second call, which approved the resolutions in preparation for the promotion of the Offers and on the same date, the Board of Directors of KME, on the basis of what was resolved at the meeting, therefore took the decision to promote the Offers and sent to CONSOB the relevant communication pursuant to Art. 102 of the Consolidated Law on Finance, with the simultaneous dissemination to the market of the press release pursuant to Art. 37 of the Issuers' Regulation. Having received all the necessary Waivers from the lenders, the Ordinary Shares PTO was promoted in full.

On June 20, 2023, KME, pursuant to Art. 102, paragraph 3, of the Consolidated Law on Finance, filed the Offer Document at CONSOB for carrying out the related investigation, which was approved by CONSOB with resolution no. 22779 of July 19, 2023.

The main characteristics of the Offers were as follows:

- the Public Tender Offer on Ordinary Shares concerned a maximum of 154,441,260 Ordinary Shares (equal to 50.28% of the ordinary share capital of KME), equivalent to all outstanding Ordinary Shares, minus the 145,778,198 Ordinary Shares (equal to 47.46% of the ordinary share capital of KME) held by Quattroduedue and 6,937,311 ordinary treasury shares in the portfolio (equal to 2.26% of the ordinary share capital of KME), at a unit price of Euro 1.00, which can be increased by a further maximum of 78,626,511 Ordinary Shares which may result from the exercise of a maximum of 78,626,511 outstanding Warrants;

- the Public Tender Offer on Savings Shares concerned a maximum of 13,822,473 Savings Shares (equal to 90.66% of the capital in this category), corresponding to all outstanding Savings Shares, minus the 1,424,032 Savings Shares held by Quattroduedue (equal to 9.34% of the capital in this category), at a unit price of Euro 1.08277 (*ex*-dividend of Euro 0.217230 approved by the Ordinary Shareholders' Meeting of KME on May 3, 2023, and with payment made as at May 24, 2023);
- The Public Tender Offer on Warrants concerned a maximum of 78,626,511 Warrants (equal to 51.62% of outstanding Warrants), equivalent to all outstanding Warrants, minus 73,680,892 Warrants held by Quattroduedue (equal to 48.38% of the outstanding Warrants), at a unit price of Euro 0.60.

On August 7 and 30, 2023, the authorisations pursuant to the "Golden Power" regulations were received from the Italian and German authorities, respectively.

As envisaged by the investment agreement with JPM, on June 19, 2023, the Board of Directors of KMH resolved the issue of the bond loan "*KMH S.p.A. Up to Euro 135,100,000.00 Senior Guaranteed and Secured Fixed Rate Notes due December 31, 20*25" (resolution subsequently amended on July 21, 2023) and, on July 10, 2023, the Shareholders' Meeting of KMH approved the share capital increase with special shares.

The Offer Subscription Period occurred from July 31 to September 25, 2023, inclusive, and therefore, equal to 40 trading days and the consideration Payment Date was October 4, 2023. Subsequently, the Subscription Period for the Ordinary Share PTO was reopened for five trading days starting from the trading day following the Payment Date and thus from October 5 to 11, 2023. The payment date for the Ordinary Shares subscribed as part of the Ordinary Shares PTO during the Reopening of the Terms was October 18, 2023.

Therefore, as a result of the PTOs (including the Reopening of the Terms), the following were subscribed:

- in the Public Tender Offer on Ordinary Shares, 118,259,645 Ordinary Shares for a value of Euro 118,259,645.00, representing 76.34% of the Ordinary Shares subject to the relevant Offer, 38.44% of the capital in this category and 36.63% of the Issuer share capital at the closing date of the Offer, increased, following the Reopening of the Terms, by 6,441,483 Ordinary Shares for a value of Euro 6,441,483.00, representing 4.11% of the Ordinary Shares subject to the relevant Offer, 2.08% of the capital in this category and 1.98% of the Issuer share capital at the closing date of the Offer;
- in the Public Tender Offer on Savings Shares, 1,035,243 Savings Shares for a value of Euro 1,120,930.06, representing 7.49% of the Savings Shares included in the Offer, 6.79% of the capital in this category and 0.32% of the Issuer share capital at the closing date of the Offer;
- in the Public Tender Offer on Warrants, 65,331,392 Warrants for a value of Euro 39,198,835.20, representing 83.58% of the Warrants included in the Offer and 43.03% of the Warrants outstanding at the closing date of the Offer.

Pursuant to the investment agreement, the following took place:

- the partial subscription, in two tranches, of the share capital increase of KMH by Lynstone SSF E Holdings II S.à.r.l., for a total amount corresponding to 15.92% of KMH's share capital;
- the issue of KMH bonds (the “Notes”) subscribed by Lynstone SSF Holdings II S.à.rl in the nominal amount of Euro 110,800,000.00;
- the signing of a shareholders’ agreement between KME, Lynstone and Quattroduedue.

During January 2024, as previously announced, the Company launched a partial voluntary Public Exchange Offer concerning a maximum of 78,635,148 outstanding Warrants, with consideration of 10 Ordinary Shares, in the portfolio of the Issuer, for every 23 Warrants tendered and, therefore, 1 Ordinary Share, in the portfolio of the Issuer, for every 2.3 Warrants tendered (the "Warrant PEO Consideration"), for a maximum total number of 34,189,630 Ordinary Shares pursuant to the resolution of the Ordinary and Extraordinary Shareholders' Meeting of June 12, 2023, (the "Maximum Total Price" and, in aggregate, the "Warrant PEO" or the "Offer"). The Warrants subject to the Public Exchange Offer on Warrants represented 94.42% of the 83,286,883 outstanding Warrants as at the Document Date of the Offer. The Warrant PEO was partial in nature, taking into account the limits imposed by the resolution of the Ordinary and Extraordinary Shareholders' Meeting of June 12, 2023, compared to the total number of outstanding Warrants.

Therefore, on June 16, 2024, the Company, pursuant to Art. 102, paragraph 3, of the Consolidated Law on Finance, filed the Offer Document at CONSOB for carrying out the related investigation, which ended with CONSOB's approval of the Offer Document with resolution no. 23002 of February 14, 2024.

With reference to the Warrant PEO Consideration, consisting of Ordinary Shares offered in exchange to the Warrant holders who had subscribed to the Offer, KME, by virtue of the provisions of Art. 1, paragraph 4, let. f) of Regulation (EU) 2017/1129 (the "Prospectus Regulation") was exempt from the obligation to publish a prospectus for the offer of the Ordinary Shares set forth in Art. 3, paragraph 1, of the Prospectus Regulation, having prepared and published the Exemption Document together with the Offer Document, pursuant to Articles 34-ter, paragraph 02, let. a, and 36, paragraph 3 of the Issuers' Regulation, in accordance with the Prospectus Regulation itself, as subsequently supplemented by Commission Delegated Regulation (EU) no. 2021/528 of December 16, 2020.

The Warrant PEO was held from February 19 to March 8, 2024. At the end of the offer period, a total of 76,545,610 Warrants were tendered, representing 97.34% of the Warrants subject to the Warrant PEO and 92.07% of the outstanding Warrants at the closing date of the Offer.

Quattroduedue, in accordance with its commitments under the investment agreement and shareholders' agreement with JPM, tendered the Warrant PEO on all 73,680,892 Warrants it owns.

The delivery of the Ordinary Shares to be offered as Warrant PEO Consideration took place on March 15, 2024. A total of 33,280,700 Ordinary Shares (of which 32,035,170 in favour of Quattroduedue), representing 10.69% of the ordinary share capital of KME as at today's date, were credited to the subscribers.

Finally, by resolution of the Board of Directors of April 22, 2024, after obtaining the prior opinion of the Related Party Transactions Committee in application of the "*Procedure* *applicable to related party transactions*" adopted by KME, agreements were resolved upon between the Company and the Executive Directors, aimed at the disposal by the Executive Directors to the Company of all the Management Warrants held by them, amounting to no. 37.5 million warrants, for a unit price of Euro 0.60 per Management Warrant and a total of Euro 22.5 million, with the right for the holders of Management Warrants to decide, by June 28, 2024, the method of payment (whether entirely in cash or partly in cash and partly in kind, with ordinary shares of the Company, or entirely in kind) by December 31, 2024.

Internal corporate reorganisation

With reference to KME's main investees, the following is summarised below:

- In August 2023, the merger of KME Germany Bet. GmbH in KME SE became effective. KME Germany Bet. GmbH acted 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;
- KME SE is at the head of a global leading group in the production and marketing of semi-finished products in copper and its alloys, which has focused on the Copper sector, following the transfer of control of the special products business (now headed up by the company Cunova GmbH), in which it retains a 45% interest. From 2023, as part of the agreements for the sale of its shares in the Chinese joint venture KMD, KME SE took control of the activities of KMD Connectors Stolberg GmbH;
- Culti Milano S.p.A., company whose shares are 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. In February 2023, Culti Milano acquired all of the shares of Scent Company, of which it already held 51%;
- Intek Investimenti S.p.A. is the corporate vehicle in which the investment and private equity activities of the Company have been concentrated in the last few years.
- On November 24, 2023, KME sold its non-controlling interest held in Ducati Energia SpA, represented by 443,000 special class B shares, equal to 6.77% of its share capital and 100% of the class capital, to the same Ducati Energia, for a consideration of Euro 7.0 million already collected at the closing date. The sale

agreements provide for an earn-out of Euro 3.0 million if, by December 31, 2024, (i) the financial instruments issued by Ducati Energia are admitted to multilateral electronic trading on regulated markets, or (ii) the control of the company is sold to third parties, by any means, but with the exclusion of transfer through inheritance.

Applied accounting standards

The modification of the strategy outlined in the annual financial report for the year 2022 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; therefore, the financial statements for the year ended December 31, 2023, represent the second set of financial statements in which the Company does not qualify as an investment entity.

This led, therefore, already in 2022, to the change in the measurement criteria of investments (asset item "Investments in equity interests and fund units") for which the fair value was replaced by the criterion of cost; in this regard, the fair value at the date of loss of the qualification of investment entity represented the new cost.

The carrying amount of the investments was subject to impairment as required by the reference accounting standards, taking into account the provisions of IAS 36 and the recommendations of ESMA and CONSOB, and thus taking into account all potential external effects arising from the impact of the pandemic, the Russia-Ukraine conflict and the sensitive issue of the Middle East.

For KME SE, investment held through KMH S.p.A., the impairment test was carried out with the methodological support of an external consultant, by determining the "value in use" using the method of discounted cash flows (UDCF). The terminal value was calculated by assuming the long-term EBITDA equal to the average of the Plan's EBITDA - January 1, 2024/December 31, 2028 - with a level of amortisation corresponding to investment using a long-term growth rate "g" equal to zero and a WACC of 8.91.

Also for CULTI Milano S.p.A., the impairment test was carried out on the basis of the UDCF applied to its subsidiaries. The terminal value - January 1, 2024/December 31, 2028 - was calculated using a long-term growth rate "g" equal to zero and reaching a specific WACC for each entity, taking into account the contribution of each country to the EBITDA; the weighted average discount rate applied is around 10.86.

In addition to the impairment, a sensitivity analysis was carried out to understand the change in the recoverable amount due to changes in EBITDA on the terminal value and with the same growth rate of the overall WACC discount rate and, both in the base case and in the case of a joint deterioration of the EBITDA and WACC parameters, the impairment test carried out has ascertained that there are no impairment losses on the investments.

For Intek Investimenti S.p.A., for the purposes of the impairment test, the recoverable amount was determined on the basis of the adjusted equity value considering the current values of the related assets.

In relation to the actual application of this criterion, the Board of Statutory Auditors verified, also through meetings with the management and the independent auditors, that the determination of the value of investments was reasonable, and had been made by an independent and reliable expert, identified as EY Advisory S.p.A.

The following table summarises the result of these measurements regarding the investments in the 2023 financial statements, compared with their carrying amounts the previous year:

Name	*Registered office*	*Percentage of interest*	*12/31/2023*	*12/31/2022*	*Difference*
Subsidiaries and associates					
KMH SpA	Milan	84.08%	480,000	480,000	-
KME SE	Osnabrück (D)	10.00%	58,410	58,410	-
Culti Milano S.p.A.	Milan	77.17%	37,982	37,982	-
Intek Investimenti S.p.A.	Milan	100.00%	11,200	11,200	-

Ergyca Tracker 2 Srl	Florence	51.00%	24	24	-
Newint S.r.l.	Milan	100.00%	10	10	-
Nextep Srl Benefit Company	Milan	60.00%	6	6	-
Total subsidiaries and associates			**587,632**	**587,632**	**-**
Ducati Energia S.p.A.	Bologna		-	16,700	(16,700)
Vita Società Editoriale S.p.A.	Milan		222	222	-
Other			-	-	-
Total other investments			**222**	**16,922**	**(16,700)**

* * *

In accordance with Directive 2004/109/EC (the "Transparency Directive") amended by Directive 2013/50/EU and the Delegated Regulation (EU) 2019/815 (the "ESEF Regulation"), although the marking according to the XBRL language is provided exclusively for the consolidated financial statements, the present financial statements of KME Group S.p.A. are prepared using the XHTML format.

Atypical or unusual transactions, including intra-group or related party transactions during 2023.

The Board of Statutory Auditors is not aware of any atypical or unusual transactions during the year 2023, except for the extraordinary transactions mentioned above.

Comments on ordinary related party transactions are provided in the Notes to the financial statements and in the Report on operations and on the above transactions subject to the prior opinion of the Related Party Transactions Committee

In 2023 and in the first half of 2024, the Board participated in the meetings of the Control, Risk and Sustainability Committee and received the appropriate updates from the Internal Audit function and from the Supervisory Board pursuant to Italian Legislative Decree 231/2001, during dedicated meetings with their individual members. No critical issues emerged from those meetings.

Observations or requests for information by the Independent Auditors/complaints by Shareholders pursuant to Article 2408 of the Italian Civil Code/representations

In 2023 and until the date on which this report was drafted, the Board of Statutory Auditors did not receive any reports pursuant to Article 2408 of the Italian Civil Code.

Duties of the Independent Auditors Deloitte & Touche S.p.A.

A summary of the engagements and fees of the independent auditors is provided below:

(in thousands of Euro)	***Total***	*KME Group S.p.A.*	*Subsidiaries*
a) audit fees	**1,854**	203	1,651
b) fees for non-audit services	**122**	57	65
- audit services for certification purposes	**115**	50	65
- other fees	**7**	7	-
c) fees charged by firms in the Independent Auditors' network	**-**	-	-
Independent Auditors' fees	**1,976**	**260**	**1,716**

In particular, the Board of Statutory Auditors examined the non-audit services commissioned, ensuring that they did not present any potential risks in terms of independence.

Opinions issued by the Independent Auditors in compliance with legal requirements

During the 2023 financial year, no opinion was issued in accordance with the law.

Supervisory activities concerning observance of the law and the Articles of Association

The Board of Statutory Auditors has regularly attended the meetings of the Board of Directors and had regular contacts, as mentioned above, with the Internal Audit function and the Supervisory Board pursuant to Italian Legislative Decree 231/2001, as well as with the independent auditors Deloitte & Touche S.p.A.; it also participated in all the meetings of the Control, Risk and Sustainability Committee, in addition, obviously, to continuous interaction with the Company during the year 2023.

During 2023, the Board of Statutory Auditors met 7 times (in 2022 it met 11 times); participation in the meetings by the members was 100% (as in the previous financial year).

During the current year, at the date of this report, the Board of Statutory Auditors has met 4 times, including that for the preparation of this report.

For information on the regulations and operation of the corporate bodies, see to the Report on Corporate Governance, contained in the Annual Financial Report.

In the performance of its supervisory duties, at the meetings and frequent discussions mentioned above, the Board of Statutory Auditors has:

a) confirmed that the Company complied with its legal requirements and Articles of Association during the year;

b) confirmed that the Company respected the principles of proper management, and that there was a satisfactory management structure and an adequate internal control system;

c) confirmed that no information of particular relevance emerged at meetings with the Independent Auditors and the Directors, including pursuant to Article 150 of Italian Legislative Decree 58/1998;

d) confirmed that the subsidiaries had provided all the information required for the parent company to fulfil its legal reporting requirements, and that the parent had issued appropriate instructions, also pursuant to Article 114, paragraph 2 of Italian Legislative Decree 58/1998;

e) confirmed that the company's reporting obligations to the Supervisory Authorities had been met.

Where deemed necessary, the Board of Statutory Auditors also had contacts with the members of the Boards of Statutory Auditors of certain subsidiaries, and with the persons in charge at their independent auditors.

The Company has published a Report on Corporate Governance in accordance with regulatory requirements, which this Board of Statutory Auditors has found adequate for its purposes. No instances of non-compliance with these requirements emerged in the performance of our supervisory activities.

The organisational structure of the Company appears to be adequate for its activities also for the purpose of detecting any signs of crisis of the company pursuant to Article 2086 of the Italian Civil Code and Articles 3 and 25 novies of Italian Legislative Decree 14/2019.

The Board of Statutory Auditors also verified:

- that the Company adhered to the Corporate Governance Code published by Borsa Italiana S.p.A.;

- that the Company properly established the Control, Risk and Sustainability Committee, which operated regularly throughout 2023;

- that 2 of the members of the Board are independent directors, a number which is considered adequate for the activities of the Board;

- that the Executive Directors reported to the Board the operations carried out under the delegated powers conferred on them.

In conclusion, based on the internal and external information flows acquired, the Board of Statutory Auditors has ascertained that the organisational structure, internal procedures, corporate documents and resolutions of the corporate bodies comply with the law, the provisions of the Articles of Association and the applicable regulations, as well as with the codes of conduct that the Company has declared it will comply with.

The Board of Statutory Auditors acknowledges that each of the Company's bodies and functions has fulfilled the reporting obligations required by the applicable laws.

The Board of Statutory Auditors reports that there are no interests that one or more statutory auditors had, on their own behalf or on that of third parties, in a specific transaction during the year 2023.

These activities led to the following conclusions:

Monitoring of compliance with the principles of proper administration

Based on the information acquired, the Board of Statutory Auditors notes that the choices made by the management were reasonable, and guided by the principle of correct information, and that the directors are aware of the risks and the effects of the transactions carried out.

Monitoring of the adequacy of the risk management

KME Group S.p.A., in its position as a Holding company, is directly exposed to the risks relating to the investees, primarily KME SE, the Company's main subsidiary, and the economic results depend mainly on the dividends distributed by the investees.

In compliance with the CONSOB recommendation of March 18, 2022, which draws the attention of Issuers to the impact of the war in Ukraine, the Board points out that the KME Group S.p.A. and its subsidiaries do not have significant commercial relations with Russia and Ukraine, even in the climate of obvious uncertainty deriving from the current policy, and the impacts on the increase in prices and on the supply of raw materials could influence the trend and development prospects that are currently unforeseeable.

The business outlook will be correlated to the trend in demand of the KME SE's reference sectors and will, therefore, be functional also in terms of the wider macro-economic dynamics.

However, the market economic trend recorded in 2023 does not prejudice the sector performance estimates on which the New Strategy assumptions are based.

There also remains a possibility for the KME Group and the group as a whole to benefit from the development of other investments or non-core activities in the copper sector, through disposal. If realised, these disposals could have a positive impact on the Group's debt.

Monitoring of the adequacy of the organisational structure

Based on the information acquired and the information provided above, the Board of Statutory Auditors finds the organisational structure to be adequate in terms of its structure, procedures, competences and responsibilities, considering also the size and purpose of the Company.

In particular, the Board of Statutory Auditors verified, also pursuant to Article 2086 of the Italian Civil Code, that the Company has an organisational structure that makes it possible to identify any situations of business crisis and positively and concretely monitored the results of that organisational structure.

There are also no findings in the report of the Internal Audit function.

During the year 2023, as stated, no issues emerged in relation to the independence of each member of the Board of Statutory Auditors or with regard to its operation.

Similarly, it has encountered no issues in neither the operation of the Board of Directors nor of the Control, Risk and Sustainability Committee.

In particular, there were no issues in relation to the performance of the functions of the Independent Directors who, as members of the Board of Directors, carried out their functions also with reference to the remuneration paid to the Directors, given the absence of a Remuneration Committee.

Regarding the operation of the corporate bodies, and in order to avoid duplication of information, please see the Report on Corporate Governance prepared by the Directors.

Monitoring of the adequacy of the internal control system

Based on the information acquired, the Board of Statutory Auditors reports that the overall internal control, internal audit and risk management system, particularly with regard to the Control, Risk and Sustainability Committee activities, was found to be adequate.

In particular, there are no observations on the report on the activities carried out by said Committee.

Monitoring of the adequacy of the administrative-accounting system and the independent audit of the financial statements.

The Board of Statutory Auditors was in regular contact with the independent auditors Deloitte & Touche S.p.A., also evaluating the materiality thresholds adopted and the ways in which the data on subsidiaries was used.

Today, Deloitte issued its own report on the financial statements without any comments.

There are no issues, with particular regard to the requirement for the appointed audit firm to be independent, also on the basis of the declaration provided today by the independent auditors themselves.

Today, the Independent Auditors also issued the Additional Report to the Internal control and auditing committee (Article 11, Regulation (EU) 537/2014).

The Board of Statutory Auditors also confirmed that the financial statements have been drafted according to the accounting standards adopted and that the notes to the financial statements indicate the valuation criteria adopted, their compliance with the corresponding accounting standards and the other information required by the applicable law.

Monitoring of the consolidated non-financial statement and diversity information

The Board of Statutory Auditors received information from the Company and from the Independent Auditors Deloitte & Touche S.p.A. concerning the adequacy of the procedures, processes and structures for monitoring the production, reporting, measurement and representation of results and non-financial information.

Moreover, the Board of Statutory Auditors notes that, with regard to the carrying out of the preparatory work for the preparation of the non-financial statement as well as on the compliance with the provisions set forth in Italian Legislative Decree 254/2016 as part of the functions assigned to it by the regulations, no elements of non-compliance of the non-financial statement with the regulatory provisions came to its attention.

Actual implementation of the rules on corporate governance

In relation to corporate governance and its adequacy, the Board of Statutory Auditors, based on the information acquired, reiterates that the Company adhered to the Corporate Governance Code prepared by Borsa Italiana S.p.A. and no issues emerged during the year.

Monitoring of relations with subsidiaries and parent companies

The Board of Statutory Auditors has received constant flows of information regarding relations with other Group companies, including through constant participation in the Control, Risk and Sustainability Committee.

The Board also collected autonomous information from the control bodies of the investees, where deemed necessary.

Monitoring of related party transactions

With regard to related party transactions, the Board, mainly through its participation in the Control, Risk and Sustainability Committee, was informed of related party transactions and made no observations in this regard.

Analysis of the 2023 separate financial statements

The financial statements for the year ended December 31, 2023, show a loss of Euro 14,547,728, which is proposed to be covered through partial use of the same amount of the Extraordinary Reserve;

On April 30, 2024, the Independent Auditors issued an unreserved opinion on the financial statements.

The Chairman of the Company, Vincenzo Manes, and the Manager in charge of Financial Reporting, Giuseppe Mazza, on April 9, 2024, provided the Directors and Statutory Auditors with a written statement, also for the purposes of Article 154 bis of Italian Legislative Decree 58/1998, certifying the adequacy, for a company of this type, of the management and accounting policies for the preparation of separate and consolidated financial statements for 2023, and their compliance with international financial reporting standards.

Proposal to Shareholders

The Board of Statutory Auditors is of the opinion that the financial statements as at and for the year ended December 31, 2023, and the allocation of the loss for the year, as highlighted in the Annual Financial Report for the year 2023 prepared by the Board of Directors should be approved.

Milan, April 30, 2024

THE BOARD OF STATUTORY AUDITORS (with unanimous consent)

The Chairman of the Board of Statutory Auditors

(*signed Silvano Crescini*)

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INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of KME Group S.p.A. (the "Company"), which comprise the statement of financial position as at 31 December 2023, the income statement and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

Sede Legale: Via Tortona, 25 - 20144 Milano | Capitale Sociale: Euro 10.328.220,00 i.v.
Codice Fiscale/Registro delle Imprese di Milano Monza Brianza Lodi n. 03049560166 - R.E.A. n. MI-1720239 | Partita IVA: IT 03049560166

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Impairment test for investment in KME SE	
Description of the key audit matter	As indicated in the paragraph “4.1 Investments” of the explanatory notes, the financial statements as at 31 December 2023 include investments in subsidiaries amounting to € 588 million, of which € 538 million related to the investment held in KME SE, also through KMH S.p.A.. This paragraph indicates that, as required by the accounting standards, the Company carried out an impairment test despite the fact that no event or circumstance appears that could have had a significant negative impact on the value recorded in the financial statements. The impairment test was carried out by comparing the book value of the investment with its recoverable value, determined according to the value in use method. The main assumptions adopted by the Directors of KME Group S.p.A. to estimate the value in use concern: • the forecast of KME SE's expected cash flows for the explicit period based on the Business Plan 2024 - 2028 of the investee, prepared and approved by its governing bodies; • the projections of the these cash flows for the determination of the terminal value; • the determination of the discount rate (WACC) and the long-term growth rate (g-rate). In the same paragraph it is indicated that impairment test did not reveal any loss of value of the investment in KME SE. Considering the subjectivity of the estimate of expected cash flows and of the key variables of the valuation model adopted by the Company, as well as the relevance of the value of the investment in KME SE, also held through KMH S.p.A., the impairment test is considered to be a key aspect of the audit of the Company’s financial statements as at 31 December 2023.
Audit procedures performed	The main procedures carried out as part of our audit work, also with the support of evaluation specialists, have included the following: • analysis, also through meetings and discussions with the Company’s management, of the model used by the Directors for the execution of the impairment test and the determination of the value of use of the investment; • understanding and recognition of the relevant controls put in place by the Company on the impairment test process;

Deloitte.

- verification of the reasonableness of the main assumptions adopted for the formulation of cash flow forecasts, and the determination of the discount rate and long-term growth rate used in the valuation model;

- verification of the mathematical accuracy of the model used to determine the value in use.

We have also reviewed the completeness and compliance with IAS 36 requirements of the disclosure provided by the Company.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or for the termination of the operations or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of KME Group S.p.A. has appointed us on 31 May 2016 as auditors of the Company for the years from 31 December 2016 to 31 December 2024.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion on the compliance with the provisions of the Delegated Regulation (EU) 2019/815

The Directors of KME Group S.p.A. are responsible for the application of the provisions of the European Commission Delegated Regulation (EU) 2019/815 with regard to the regulatory technical standards on the specification of the single electronic reporting format (ESEF – European Single Electronic Format) (hereinafter referred to as the "Delegated Regulation") to the financial statements as at 31 December 2023, to be included in the annual financial report.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 700B in order to express an opinion on the compliance of the financial statements with the provisions of the Delegated Regulation.

In our opinion, the financial statements as at 31 December 2023 have been prepared in XHTML format in accordance with the provisions of the Delegated Regulation.

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of KME Group S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and ownership structure of KME Group S.p.A. as at 31 December 2023, including their consistency with the related financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98 with the financial statements of KME Group S.p.A. as at 31 December 2023 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and information contained in the report on corporate governance and ownership structure are consistent with the financial statements of KME Group S.p.A. as at 31 December 2023 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Luca Franchino
Partner

Milan, Italy
30 April 2024

As disclosed by the Directors on page 1, the accompanying financial statements of KME Group S.p.A. constitute a non-official version which has not been prepared in accordance with the provisions of the Commission Delegated Regulation (EU) 2019/815. 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.

Consolidated Financial Statements as at December 31, 2023

KME Group S.p.A.
Registered and Administrative Office:
Foro Buonaparte, 44 - 20121 Milan - Italy
Share Capital Euro 200,114,023.16 (fully paid up)
Tax Code and Milan Business
Register no. 00931330583
www.itkgroup.it

KME Group SpA – Consolidated financial statements as at December 31, 2023

Consolidated statement of financial position – Assets

(in Euro thousand)	*Ref. Note*	*Dec-31-23*	*of which related parties*	*Dec-31-22*	*of which related parties*
Property, plant and equipment	*4.1*	529,206		499,957	
Investment property	*4.2*	66,724		68,175	
Goodwill	*4.3*	394,833		370,316	
Intangible assets	*4.3*	50,430		53,748	
Investments in subsidiaries	*4.4*	18,126	*18,126*	23,281	*23,281*
Equity-accounted investments	*4.4*	13,977	*13,977*	76,654	*76,654*
Investments in other companies	*4.4*	884	-	17,405	-
Other non-current assets	*4.5*	4,870	-	3,106	-
Non-current financial assets	*4.6*	3,167	-	3,245	-
Deferred tax assets	*4.21*	82,751		88,478	
Total non-current assets		**1,164,968**		**1,204,365**	
Inventories	*4.7*	374,179		404,903	
Trade receivables	*4.8*	55,158	*10,978*	95,359	*14,671*
Current financial assets	*4.9*	94,284	*69,974*	110,101	*71,613*
Other receivables and current assets	*4.10*	26,465	*243*	16,675	*77*
Cash and cash equivalents	*4.11*	118,609		128,844	
Total current assets		**668,695**		**755,882**	
Non-current assets held for sale	*4.12*	11,947		107,198	
Total Assets		**1,845,610**		**2,067,445**	

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

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

KME Group SpA – Consolidated financial statements as at December 31, 2023

Consolidated statement of financial position – Liabilities

(in Euro thousand)	*Ref. Note*	*Dec-31-23*	*of which related parties*	*Dec-31-22*	*of which related parties*
Share capital		200,105		200,070	
Other reserves		244,287		287,267	
Treasury shares		(126,834)		(2,133)	
Retained earnings		20,069		1,143	
Other comprehensive income reserve		(614)		13,188	
Profit/(loss) for the period		(40,335)		35,456	
Equity attributable to the shareholders of the Parent Company	***4.13***	**296,678**		**534,991**	
Non-controlling interests		62,137		34,546	
Total Group equity		**358,815**		**569,537**	
Retirement benefits	*4.14*	126,639		127,588	
Deferred tax liabilities	*4.21*	107,496		117,752	
Non-current financial payables and liabilities	*4.15*	223,916	-	240,758	-
Bonds	*4.16*	230,710		155,991	
Other non-current liabilities	*4.17*	1,489		482	
Provisions for risks and charges	*4.18*	6,168		3,543	
Total non-current liabilities		**696,418**		**646,114**	
Current financial payables and liabilities	*4.15*	127,286	-	109,455	-
Trade payables	*4.19*	551,180	*45,514*	540,725	*10,148*
Other current liabilities	*4.20*	95,790	*127*	129,280	*1,115*
Provisions for risks and charges	*4.18*	16,121		3,865	
Total current liabilities		**790,377**		**783,325**	
Liabilities directly associated to assets held for sale	*4.12*	-		68,469	
Total liabilities and equity		**1,845,610**		**2,067,445**	

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

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

KME Group SpA – Consolidated financial statements as at December 31, 2023

Consolidated income statement and statement of comprehensive income

(in Euro thousand)	*Ref. Note*	*2023*	*of which related parties*	*2022**	*of which related parties*
Revenues from sales and services	*5.1*	1,880,532	194,241	1,464,736	-
Change in inventories of finished and semi-finished products		(876)		55,816	
Own work capitalised		1,463		375	
Other income	*5.2*	25,411	78	10,775	32
Purchases and change in raw materials		(1,317,919)	(108,721)	(1,166,514)	-
Personnel cost	*5.3*	(234,083)	(902)	(136,483)	(210)
Depreciation, amortisation, impairment and write-downs		(57,562)	-	(50,252)	
Other operating costs	*5.4*	(264,124)	(6,779)	(178,333)	(1,756)
Operating profit/(loss)		**32,842**		**120**	
Financial income		14,698	5,091	51,591	561
Financial expense		(85,649)	(1,313)	(35,962)	(10)
Net financial expense	*5.5*	*(70,951)*		*15,629*	
Result of investments	*5.6*	(8,388)	(8,388)	(195)	9,316
Profit/(loss) before taxes		**(46,497)**		**15,554**	
Current taxes		(2,149)		(6,903)	
Deferred taxes		2,167		26,807	
Total income taxes	*5.7*	**18**		**19,904**	
Net profit (loss) for the period from operating activities		**(46,479)**		**35,458**	
Profit (loss) from discontinued operations		-		-	
Net profit (loss) for the period		**(46,479)**		**35,458**	
Other comprehensive income:					
Measurement of employee defined benefits		*(4,734)*		16,053	
Taxes on other comprehensive income		*1,752*		(4,120)	
Fair value measurements		*(9,700)*		-	
Items that cannot be reclassified to profit or loss for the period		**(12,682)**		**11,933**	
Foreign currency translation gains/(losses)		*(1,572)*		1,506	
Net change in cash flow hedge reserve		*(151)*		694	
Taxes on other comprehensive income		*64*		(149)	
Items that may be reclassified to profit or loss for the period		**(1,659)**		**2,051**	
Total other comprehensive income, net of tax effect		**(14,341)**		**13,984**	
Total comprehensive income for the period		**(60,820)**		**49,442**	
Net profit (loss) for the period attributable to:					
- non-controlling interests		*(6,144)*		2	
- shareholders of the parent company		*(40,335)*		35,456	
Net profit (loss) for the period		**(46,479)**		**35,458**	
Total comprehensive income attributable to:					
- non-controlling interests		*(6,677)*		824	
- shareholders of the parent company		*(54,143)*		48,618	
Total comprehensive income for the period		**(60,820)**		**49,442**	
Earnings per share (in Euro)					
Basic earnings/(loss) per share		(0.1409)		0.0855	
Diluted earnings/(loss) per share		(0.0878)		0.0559	

The notes are an integral part of these consolidated financial statements.
Details of related party transactions are disclosed in the descriptions of the relevant explanatory notes.

(*) The comparative income statement data have been restated following the inclusion of the accounting items relating to the entities whose original values as at December 31, 2022 were included in the "Profit (loss) from discontinued operations" and which as at December 31, 2023 were included in the consolidation scope (refer to paragraph 2.5).

Consolidated Statement of changes in equity as at December 31, 2023

(in Euro thousand)	*Share capital*	*Other reserves*	*Treasury shares*	*Retained earnings*	*Other comprehensive income reserve*	*Profit (loss) for the period*	***Total equity attributable to the shareholders of the Parent Company***	*Non-controlling interests*	***Total Group equity***
Equity as at December 31, 2022	**200,070**	**287,267**	**(2,133)**	**1,143**	**13,188**	**35,456**	**534,991**	**34,546**	**569,537**
Allocation of prior year's result	-	258	-	31,851	-	(35,456)	**(3,347)**	(763)	**(4,110)**
Purchase of treasury shares and warrants	-	(6,710)	(165,021)	-	-	-	**(171,731)**	-	**(171,731)**
Cancellation of savings treasury shares and warrants	-	(40,320)	40,320	-	-	-	**-**	-	**-**
Exercise of Parent Company Warrants	35	1,490	-	-	-	-	**1,525**	-	**1,525**
Warrant management	-	1,046	-	-	-	-	**1,046**	-	**1,046**
Other movements	-	1,267	-	(12,925)	(5)		**(11,663)**	35,031	**23,368**
Comprehensive income items	-	(11)	-	-	(13,797)	-	**(13,808)**	(533)	**(14,341)**
Profit (loss) for the period	-	-	-	-	-	(40,335)	**(40,335)**	(6,144)	**(46,479)**
Total comprehensive income	**-**	**(11)**	**-**	**-**	**(13,797)**	**(40,335)**	**(54,143)**	**(6,677)**	**(60,820)**
Equity as at December 31, 2023	**200,105**	**244,287**	**(126,834)**	**20,069**	**(614)**	**(40,335)**	**296,678**	**62,137**	**358,815**
Reclassification of treasury shares	(126,834)	-	126,834	-	-	-	**-**	-	**-**
Equity as at December 31, 2023	**73,271**	**244,287**	**-**	**20,069**	**(614)**	**(40,335)**	**296,678**	**62,137**	**358,815**

As at December 31, 2023, the Company held 131,638,439 ordinary treasury shares without par value. All the shares were then fully reclassified as a deduction from share capital.

The purchase and cancellation of treasury shares and warrants relate to the Public Exchange Offers promoted in June 2023 and concluded in October 2023: based on the final results, in execution of the resolution of the Extraordinary Shareholders' Meeting of June 12, 2023, the savings shares and warrants subscribed were cancelled without any capital reduction, which resulted in an automatic increase in the "implicit accounting parity" of the residual shares.
The notes are an integral part of these consolidated financial statements.

Consolidated Statement of changes in equity as at December 31, 2022

(in Euro thousand)	*Share capital*	*Other reserves*	*Treasury shares*	*Retained earnings*	*Other comprehensive income reserve*	*Net result*	***Total equity attributable to the shareholders of the Parent Company***	*Non-controlling interests*	***Total Group equity***
Equity as at December 31, 2021	**335,069**	**99,644**	**(2,133)**	**53,840**	**(23)**	**65,306**	**551,703**	**-**	**551,703**
Allocation of Parent Company's result	-	65,306	-	-	-	(65,306)	**-**	-	**-**
Allocation of consolidated companies' result	-	-	-	-	-	-	**-**	-	**-**
Consolidation adjustments	-	193	-	-	-	-	**193**	30,265	**30,458**
Purchase and cancellation of treasury share (PEO)	-	(10,887)	-	(53,840)	-	-	**(64,727)**	-	**(64,727)**
Reduction of share capital after PEO	(135,000)	135,000	-	-	-	-	**-**	-	**-**
Exercise of Parent Company Warrants	1	31	-	-	-	-	**32**	-	**32**
Warrant management	-	2,085	-	-	-	-	**2,085**	-	**2,085**
Other movements	-	(4,058)	-	1,145	-	-	**(2,913)**	3,457	**544**
Comprehensive income items	-	(47)	-	(2)	13,211	-	**13,162**	822	**13,984**
Net result	-	-	-	-	-	35,456	**35,456**	2	**35,458**
Total comprehensive income	**-**	**(47)**	**-**	**(2)**	**13,211**	**35,456**	**48,618**	**824**	**49,442**
Equity as at December 31, 2022	**200,070**	**287,267**	**(2,133)**	**1,143**	**13,188**	**35,456**	**534,991**	**34,546**	**569,537**
Reclassification of treasury shares	(2,133)	-	2,133	-	-	-	**-**	-	**-**
Equity as at December 31, 2022	**197,937**	**287,267**	**-**	**1,143**	**13,188**	**35,456**	**534,991**	**34,546**	**569,537**

As at December 31, 2022, the Company held 6,937,311 ordinary treasury shares without par value. All the shares were then fully reclassified as a deduction from share capital.

The purchase and cancellation of treasury shares and OPS relates to the Public Exchange Offers promoted in 2022 and concluded in September 2022: based on the final results, in execution of the resolution of the Extraordinary Shareholders' Meeting of June 16, 2022, it proceeded to cancel the ordinary shares, savings shares and warrants subscribed without proceeding with any capital reduction, with consequent automatic increase in the "implicit accounting parity" of the residual shares. 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.

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

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KME Group SpA – Consolidated financial statements as at December 31, 2023

Consolidated statement of cash flows – indirect method

(in Euro thousand)	*2023*	*2022 (*)*
(A) Cash and cash equivalents at the beginning of the period	**128,844**	**4,698**
Profit before tax	(46,497)	15,554
Amortisation, depreciation, impairment and write-downs	57,562	50,252
Change in inventories	75,443	13,512
Change in trade receivables	26,694	77,981
Change in trade payables	(132,440)	(47,565)
Change in provisions for personnel, provisions for risks and charges	(9,329)	(13,652)
Change in other assets and liabilities	59,481	(7,067)
Changes in fair value of derivatives	(1,697)	32,046
Result from equity accounted investments	8,388	10,285
Financial result (without currency and fair value effects)	56,539	(26,725)
Income taxes	(13,184)	4,776
Other non-monetary changes	5,623	(6,486)
(B) Cash flow from operating activities	**86,583**	**102,911**
Payments on non-current tangible and intangible assets	(1,077)	(17,403)
Proceeds from non-current tangible and intangible assets	(28,773)	2,118
Payments on/proceeds from other non-current assets/liabilities	19	82
Payments on/proceeds from investments	34,766	(84,343)
Interest received	6,631	3,459
Dividends received	-	1,013
(C) Cash flow from investing activities	**11,566**	**(95,074)**
Changes in equity for a fee	(115,897)	32
Dividends paid	(3,346)	-
Payments on/proceeds from current and non-current financial payables	102,980	26,250
Payments on/proceeds from current and non-current financial receivables	(14,090)	16,347
Interest payments	(42,381)	(15,496)
Other financial payments	(37,569)	(14,956)
(D) Cash flow from financing activities	**(110,303)**	**12,177**
(E) Change in cash and cash equivalents	**(12,154)**	**20,014**
(F) Changes in consolidated group and reclassification from IFRS 5	1,888	104,174
(G) Exchange rate related changes on cash and cash equivalents	31	(42)
(H) Cash and cash equivalents at the end of the year	**118,609**	**128,844**

(*) The comparative data have been restated in relation to the inclusion under the items of operating assets also of those relating to the entities pertaining to the groups of assets/liabilities held for sale (IFRS 5) as at December 31, 2022 (please refer to paragraph 2.5).

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

KME Group SpA – Consolidated financial statements as at December 31, 2023

Notes to the 2023 Consolidated Financial Statements

1. *General information*

KME Group is a Joint-Stock Company (Società per Azioni) registered in Italy with the Milan Companies Register under no. 00931330583 and its shares are listed on the *Euronext Milan* market organised and managed by Borsa Italiana S.p.A.

KME Group ("KME" or the "Company") is a holding company, whose objective was directed until April 22, 2022 to manage its portfolio of assets and investments with a dynamic entrepreneurial perspective, and to focus on cash generation and growth in the value of investments over time, also through sales functional to the development strategies.

On April 22, 2022, the Company's Board of Directors resolved to adopt a strategy aimed at concentrating its activities on the industrial management of the investment in KME SE and in particular in the rolled copper sector; this investment has therefore become a lasting investment. For the other investments, the decision was taken to identify the best opportunities for development, either through disposal to third parties or allocation to shareholders.

In line with the new strategy, on September 23, 2022, the Company changed its company name from Intek Group S.p.A. to KME Group S.p.A.

The consolidated financial statements as at December 31, 2023, (the "Financial Statements") were approved by the Board of Directors on April 9, 2024.

Although a subsidiary of Quattroduedue S.p.A., KME Group S.p.A. is not subject to management and coordination, as set forth in articles 2497 et seq. of the Italian Civil Code and article 37 of the Market Regulation, insofar as that:

- it has autonomous powers of negotiation with respect to contractual arrangements with customers and suppliers;
- it does not participate in any centralised treasury arrangements operated by the parent or any other company under the parent's control.

2. *Accounting policies*

2.1. Qualification of investment entity

The aforementioned change in strategy, which resulted 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 had been drawn up starting from those as at December 31, 2014.

Therefore, the Company ceased to be an "investment entity" as of the date on which the change of status occurred, which was therefore from April 22, 2022. This led, therefore, to the change in the measurement criteria of investments (asset item "Investments in equity interests and fund units" present until the consolidated financial statements as at December 31, 2021) for which the fair value is replaced by the criterion of cost; in this regard, the fair value at the date of loss of the qualification of investment entity represents the new cost. For more details, and further accounting information in accordance with IFRS 12, please refer to the commentary on the financial statement item.

These Consolidated Financial Statements therefore represent, after several years, the second financial statements of the Group in which the Parent Company does not qualify as an investment entity. Therefore, in preparing these Consolidated Financial Statements, starting from the date of the "change of status", the provisions of IFRS 10 relating to investment entities were 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.

The current Consolidated Financial Statements therefore provide for the line-by-line consolidation of the controlling interests, reflecting the accounting effects of the aforementioned "change of status". Pursuant to paragraph 30 of IFRS 10, the change in status was accounted for prospectively starting from the date on which this change occurred. In 2022, the income statement and cash flows for the first four months were affected by the fair value measurement. For this reason, both the income statement and the statement of cash flows do not present comparable amounts.

2.2. Basis for preparation

The consolidated financial statements as at December 31, 2023, were drafted pursuant to article 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 article 6 of Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of July 19, 2002 as well as with the provisions issued in implementation of article 9 of Italian Legislative Decree 38/2005.

For the purposes of these Consolidated Financial Statements, financial statement data with uniform and consistent accounting standards have been used.

The consolidated financial statements as at December 31, 2023, are composed of the consolidated statement of financial position, the consolidated income statement and the statement of other comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity, as well as the Notes thereto. Assets and liabilities to be realised or settled within twelve months from the reporting date or held primarily for trading are classified as current; the consolidated income statement is prepared according to the cost-by-nature method.

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

It should be noted that the comparative balances of 2023 are not immediately comparable with those as at December 31, 2022, as the latter reflect the expansion of the full scope of consolidation following the loss of the qualification of investment entity, accounted for, pursuant to paragraph 30 of IFRS 10, carried out from an accounting point of view on April 30, 2022. Accordingly, the income statement and cash flows for the eight months from May to December 2022 of the entities included in the Group's scope of consolidation, following the termination of their status as "investment entities".

Moreover, the item *"Goodwill"* previously included under *"Intangible Assets"* was shown separately in the Statement of financial position.

For the composition of the Group as at December 31, 2023, reference should be made to the paragraph "Consolidation principles".

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 for preparation") 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 Consolidated Financial Statements have been prepared on a going concern basis, in accordance with IAS 1 and in compliance with the financial covenants; the considerations relating to business continuity were carried out in relation to the effects of the ongoing conflict between Russia and Ukraine, the recent Arab-Israeli conflict in the Middle East, which could have significant economic and trade consequences for Western countries, and other international tensions, including political and military tensions between China and the USA, as well as the consequences of the COVID-19 pandemic that continue to weigh on the global economic prospects.

In preparing the Consolidated financial statements, the Directors have applied the concepts of accrual accounting, clarity, significance, materiality, reliability, neutrality, prudence and comparability and applied accounting policies consistent with those used for the consolidated financial statements as at December 31, 2022, to which reference should be made for their description, except for the accounting standards that entered into force on January 1, 2023, listed below (paragraph 2.9), whose application, nonetheless, had no effects.

The Group has not yet applied the accounting standards listed in the paragraphs below (paragraph 2.10) which, albeit already issued by the IASB, will become effective after the reference date of these consolidated 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 *Report on operations* disclose the content and meaning of the non-IFRS alternative performance indicators, where applicable, in compliance with CESR recommendation 05 – 178b published on November 3, 2005.

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

Furthermore, in the context resulting from the ongoing conflict between Russia and Ukraine and between Israel and Palestine, the interpretative and support documents for the application of the accounting standards issued by the Italian international regulatory and supervisory bodies and standard setters (CONSOB attention calls and public statements issued by ESMA) were taken into account in the preparation of these Consolidated Financial Statements.

ESMA – European common enforcement priorities for 2023 annual financial reports

ESMA's Public Statement of October 25, 2023, reiterates, inter alia, certain recommendations on the preparation of financial statements and related disclosures. In particular, referring to the definition of "materiality" in IAS 1, in relation:

1. to climate-related aspects, for which ESMA (i) emphasises the need for consistency in estimates and related measurements between financial statements and non-financial statements, (ii) recommends including them in the assumptions used in the impairment test process; and (iii) requires clear information with specific reference to the recognition of emission trading schemes (ETS) and renewable energy certificates, the Group considers these to be irrelevant to the type of business and sectors in which it operates;

2. to the impact of the current macroeconomic context on refinancing and other financial risks, as well as the process of determining fair value and related disclosure, the Group has not identified any significant issues to report, given the nature of its operations and the risks to which it is exposed.

3. to the recommendations on Alternative Performance Indicators and the preparation of the financial statements in the ESEF format, the Group considered these aspects to be relevant and disclosed them in these consolidated financial statements (please refer to the Report on Operations "Group results" and to the following paragraph with regard to the "ESEF Regulation").

The single electronic communication format for the preparation of annual financial reports

Directive 2004/109/EC (the "Transparency Directive") amended by Directive 2013/50/EU and Delegated Regulation (EU) 2019/815 (the "ESEF Regulation") introduced the obligation for issuers of securities listed on the regulated markets of the European Union to prepare the annual financial report in the *eXtensible Hypertext Markup Language* ("XHTML"), based on the single electronic communication format ESEF ("*European Single Electronic Format*"), approved by ESMA. This is in order to make the annual financial reports readable by both human users and automatic devices and to improve the comparability and analysis of the information included in the annual financial reports.

Therefore, from the financial year starting on January 1, 2021, the annual financial report was expected to be prepared and published in XHTML format using the Inline Extensible Business Reporting Language ("iXBRL"), only for the marking of the consolidated financial statements. Furthermore, from the financial year starting on January 1, 2022, the issuers are also required to mark the information contained in the notes to the consolidated financial statements.

The document in PDF format does not constitute fulfilment of the obligations deriving from the Transparency Directive and the ESEF Regulation for which a specific XHTML format has been developed. The deposits of the entire document at the competent offices and institutions are made in accordance with the law.

As mentioned above, on October 25, 2023, ESMA published the annual declaration "European common enforcement priorities for 2023 annual financial reports" in which the application of the ESEF Regulation was recalled.

2.3. Events occurred after the reporting period

With regard to a description of significant events occurring after the end of the year, please refer to the *Report on Operations.*

2.4. Basis of presentation

With reference to the consolidated financial statements, there are no changes with respect to those presented in the 2022 Annual Report, except for the already mentioned creation of a special item for goodwill separate from other intangible assets. It should be noted that the financial statements had changed significantly in 2022 to take into account the expanded scope of consolidation following the change in the Parent Company's "investment entity" status from April 2022.

2.5. Consolidation principles

The consolidated financial statements as at December 31, 2023 reflect the consolidation of the Parent Company and the companies directly and indirectly controlled, jointly controlled or associates.

The assets and liabilities which are expected to be disposed of are reclassified under the assets and liabilities items intended to highlight these cases and its economic effects are shown in a separate item in the income statement.

2.5.1.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;
- the ability to exercise its power to affect the amount of its returns.

The assets, 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 scope of consolidation. However, the effects of these exclusions are immaterial and therefore their omission does not influence the economic decisions of the users of these Consolidated Financial Statements.

Unrealised profits on intra-group transactions, if material, are eliminated. Receivables, payables, income, expenses, guarantees, commitments and contingencies in connection with transactions 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 associate, the profit or loss from the loss of control is recognised in the income statement, as provided for by IFRS 10, paragraph 25. In this case, it:

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

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

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

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

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 10, 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.

Scope of consolidation

The following table lists the companies consolidated on a line-by-line basis as at December 31, 2023, indicating their changes compared to December 31, 2022:

Name	**Registered office**	**Currency**	**% ownership**	
			direct	**indirect**
KME Group S.p.A.	Italy	Euro	Parent company	
KME SE	Germany	Euro	10.00%	74.83%
KMH SpA	Italy	Euro	84.08%	
CULTI Milano S.p.A.	Italy	Euro	87.64%	
Bakel Inc	United States	USD		43.83%
Bakel S.r.l.	Italy	Euro		43.83%
Bertram's GmbH	Germany	Euro		84.83%
CULTI Milano Asia Ltd.	Hong Kong	HKD		52.58%
CULTI Milano China Ltd.	China	RMB		52.58%
Immobiliare Pictea S.r.l.	Italy	Euro		84.83%
KM Copper Bars GmbH	Germany	Euro		84.83%
KME AssetCo GmbH	Germany	Euro		84.83%
KME France	France	Euro		84.83%
KME Germany GmbH	Germany	Euro		84.83%
KME Grundstücksgesellschaft SE & Co. KG	Germany	Euro		84.83%
KME Italy S.p.A.	Italy	Euro		84.83%
KME Mansfeld GmbH	Germany	Euro		84.83%
KME Netherlands B.V.*	Netherlands	Euro		84.83%
KME Real Estate GmbH & Co. KG	Germany	Euro		84.83%
KME Rolled France S.A.S.	France	Euro		84.83%
KME S.r.l.	Italy	Euro		84.83%
KME Service Centre Italy S.p.A.	Italy	Euro		84.83%
KME Service Centre Slovakia s.r.o.	Slovakia	Euro		84.83%
KME Service Centre UK Ltd	Great Britain	GBP		84.83%
KME Spain S.A.U.	Spain	Euro		84.83%
KME Special Holding GmbH	Germany	Euro		84.83%
KME Special Products GmbH & Co. KG	Germany	Euro		84.83%
KME Stolberg	Germany	Euro		84.83%
KME Yorkshire Ltd.	Great Britain	GBP		84.83%
KMETAL S.p.A.	Italy	Euro		84.83%
Natural Capital Italia S.p.A. Benefit Company	Italy	Euro		63.28%
Scent Company S.r.l.	Italy	Euro		87.64%
Serravalle Copper Tubes Srl	Italy	Euro		84.83%
Trefimetaux SAS	France	Euro		84.83%
Valika S.A.S.	France	Euro		43.26%

Note 1: It should be noted that, as early as December 31, 2022, in consideration of the treasury share purchase programme put in place by CULTI Milano S.p.A. ("CULTI"), after which CULTI held 369,750 treasury shares, the percentage held in CULTI rose to 87.64%, if calculated on the outstanding shares and therefore net of treasury shares held by CULTI; consequently, also those of Bakel S.r.l. and Bakel Inc. at 43.83%, that in CULTI Asia Ltd. and CULTI China Ltd. at 52.58% and those of Scent Company S.r.l. at 44.69%. The latter percentage of ownership rose to 87.64% in 2023 following the exercise of the option held by CULTI Milano for the purchase of the minority shares of the same, until it became its sole shareholder.

Note 2: KM Copper Bars GmbH is a new entity of the Group created as a result of the spin-off from KME Mansfeld GmbH of the production of copper bars/profiles; since KME Mansfeld was already included in the scope of consolidation, said scope did not change.

Note 3: The companies KME Netherlands B.V., KME Service Centre Italy S.p.A., KME Service Centre UK Ltd. and KME Service Centre Slovakia s.r.o. joined the scope of consolidation as a result of the execution of the agreement signed by KME SE for the purchase of part of the flat-rolled products business of Aurubis AG ("Aurubis"), on July 29, 2022.

Note 4: The company KME Stolberg (formerly "KMD Stolberg") was consolidated for accounting purposes from January 1, 2023.

Note 5: The accounting balances of the companies Serravalle Copper Tubes S.r.l. and Tréfimétaux SAS as at December 31, 2022 were classified, pursuant to IFRS 5, under the balances of assets held for sale. From January 1, 2023, they were reclassified from IFRS 5 assets/liabilities with the consequent restatement of the related income statement flows for 2022.

Note 6: KME SE bought back 16% of the investment in KME Italy SpA in July 2023, returning to 100% ownership.

Note 7: At the end of September 2023 and at the beginning of October 2023, the vehicle Lynstone SSF E Holdings II S.à r.l. managed by JP Morgan Assets Management (UK) Limited subscribed to a reserved capital increase of KMH SpA of 9,468,517 special shares by paying a total of Euro 54,310 thousand.

With reference to the controlled entities, in terms of significance, the main subsidiary is KME SE, based in Germany, parent company of the KME SE group, a European industrial group and global leader in the production and marketing of copper and copper alloy products. The KME SE group is composed of several production sites in Germany, Italy, France, Spain, the United States and China and is also represented worldwide by a vast 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 scope of consolidation as the effect in the consolidated financial statements would not be significant for financial reporting[1]; in particular, the most significant is Intek Investimenti S.p.A. whose assets, equal to approximately 0.6% of the "Total Assets" of the financial statements as at December 31, 2023, are mostly represented by non-controlling interests that would have been merged – also in the presence of line-by-line consolidation – in the item "Investments" and whose financial statements do not present any further significant items.

Given the above, in the tables of the notes to the financial statements, where highlighted:

- "Changes in consolidated group" refers to the entry into the scope of consolidation of KME Stolberg;
- "Reclassification from IFRS 5" shows the balances relating to Serravalle Copper Tubes S.r.l. and Tréfimétaux SAS.

In addition to the above, there have been no changes of interest within the Group that have affected the scope of consolidation.

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

[1] *The accounting standards 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.*

KME Stolberg

The price paid for the purchase of 100% of KME Stolberg was approximately Euro 16 million, partly offset by an intercompany loan, against a fair value of the net assets acquired at Euro 6.5 million, with the consequent recognition of goodwill of Euro 9.5 million. The assets and liabilities recognised as at January 1, 2023, are as follows:

(in Euro thousand)	*Jan-01-23*
Property, plant and equipment	16,745
Goodwill	9,470
Intangible assets	13
Other non-current assets	6
Deferred tax assets	2,761
Inventories	20,804
Trade receivables	2,174
Current financial assets	14,908
Other receivables and current assets	3,019
Cash and cash equivalents	116
Total Assets	**70,016**
Retirement benefits	4,058
Deferred tax liabilities	3,495
Other liabilities	2,380
Provisions for risks and charges	177
Current financial payables and liabilities	790
Trade payables	43,119
Total Liabilities	**54,019**
Net Assets (Liabilities)	**15,997**

Property, plant and equipment include Euro 2,215 thousand (Euro 1,481 thousand net of deferred tax liabilities) for an increase in fair value of land and buildings of Euro 3,602 thousand and a fair value adjustment of Euro 1,386 thousand relating to plant and machinery.

* * *

Please note that, on the basis of article 264b of the HGB (Germany's commercial code and accounting standards), the indirect subsidiaries KME Special Products GmbH & Co. KG, Osnabrück, KME Grundstücksgesellschaft SE & Co. KG, Osnabrück and KME Real Estate GmbH & Co. KG, Osnabrück, KME Germany GmbH, Osnabrück, KME Mansfeld GmbH, Hettstedt KM Copper Bars GmbH, Hettstedt, KME Stolberg GmbH, Osnabrück do not disclose their financial statements. In such cases, German law (§ 264b No. 3 HGB and § 264 (3) No. 3 HGB) requires a statement indicating that the direct subsidiary KME SE and its subsidiaries KME Special Products GmbH & Co. KG, KME Grundstücksgesellschaft SE & Co. KG and KME Real Estate GmbH & Co. KG, KME Germany GmbH, Osnabrück, KME Mansfeld GmbH, Hettstedt, KM Copper Bars GmbH, Hettstedt, KME Stolberg GmbH, Osnabrück are included in the consolidated financial statements of KME Group S.p.A.

2.5.2. Associated entities

Associates 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 associates 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 and/or any loss of value. The dividends received reduce the carrying amount of the investment.

Name	Registered office	Currency	% ownership direct	indirect
Azienda Metalli Laminati S.p.A.	Italy	Euro		20.53%
Dynamo Academy S.r.l. Impresa Sociale	Italy	Euro		37.26%

2.5.3. 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.

Name	Registered office	Currency	% ownership direct	indirect
Magnet Joint Venture GmbH	Germany	Euro		37.73%

The entity Magnet Joint Venture GmbH relates to the Special Products business, control of which (55%) was sold by KME SE to Paragon, with effective date as of January 31, 2022.

Compared to December 2022, the investment in the KMD (HK) Holding Limited Joint Venture ("KMD JV") was derecognised following the sale of the interest to the other shareholder. With reference to this transaction, the Group recognised a capital gain of Euro 421 thousand in 2023.

2.6. 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.

Translation of financial statements into non-Euro currencies

The financial statements of the consolidated entities that are expressed in foreign currencies have been translated into Euro by applying the average exchange rates for the year 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 statement of financial position.

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

	12/31/2023	*12/31/2022*	*01-12/2023*	*01-12/2022*
	Closing rate	*Closing rate*	*Average rate*	*Average rate*
GBP - Pound Sterling	0.8689	0.8872	0.8764	0.8689
RMB - Chinese Yuan	7.4705	7.3650	7.3417	7.0047
HKD - Hong Kong dollar	8.5301	8.3241	8.4107	8.4292
USD - US dollar	1.1051	1.0675	1.0841	1.0474

The difference between the profit for the year as resulting from the conversion of the average exchange rates for the year and that resulting from the conversion based on the exchange rates at the end of December 2023, pertaining to these Consolidated Financial Statements, is included in "Other reserves" and in "Equity" respectively for the part pertaining to the Group and non-controlling interests.

2.7. Accounting standards adopted

2.7.1. Property, plant and equipment

2.7.1.1. Owned operating assets

Property, plant and equipment are recorded at purchase or production cost, including directly attributable costs, and are shown net of accumulated depreciation and any impairment losses determined in accordance with the methods set out below. Any item of property, plant and equipment consisting of different components with varying useful lives is accounted for separately.

Property, plant and equipment are measured at cost, net of accumulated depreciation and impairment, with the exception of land which is not depreciated and is carried at cost net of accumulated impairment.

Ordinary maintenance costs are charged to the year they are incurred, while the costs to replace parts of fixed assets and extraordinary maintenance costs are capitalised when it is probable that future measurable economic benefits will arise from them. Financial expense relating to the purchase of property, plant and equipment have been capitalised in compliance with IAS 23.

Depreciation is accounted for starting from the month in which the asset becomes available for use, or when it is potentially able to provide the economic benefits associated with it. Depreciation is recognised monthly on a straight-line basis until the end of the useful life of the relevant asset or, in the event of disposal, until the last month of use.

The useful life is constantly checked taking into account any changes in the frequency of use of the assets and any changes in depreciation plans are applied prospectively.

Depreciation is calculated based on the following useful lives:

Buildings	from 25 to 50 years
Machinery	from 10 to 40 years
Other equipment	from 5 to 15 years

At the time of disposal, the cost and the corresponding accumulated depreciation are eliminated; any gains or losses are recorded in the income statement.

2.7.1.2. Leased assets

A contract, or part of it, is classified as a lease if, in exchange for consideration, it gives the right to control the use of a specific asset for a period of time, therefore, if throughout the entire period of use of the asset both of the following rights will be enjoyed:

- the right to substantially obtain all economic benefits deriving from the use of the asset;
- the right to decide on the use of the asset.

If there is a modification of the terms and conditions of the contract, a new assessment will be performed to determine whether the contract is or contains a lease.

The Group does not apply these rules to:

- leases of intangible assets;
- short-term leases (duration of equal to or less than 12 months).

All the leases in which the underlying asset is not of modest value (asset with a unit value of equal to or lower than Euro 5,000), fall within the application of the right-of-use calculation model.

Once it is verified whether a contract is a lease, at the start date of the contract, the right-of-use asset and the lease liability are recognised.

The right-of-use asset is initially valued at cost, which includes:

- the amount of the initial valuation of the lease liability;
- the payments due for the lease made at or before the start date net of lease incentives received;
- the initial direct costs incurred by the lessee; and
- the estimate of costs that will need to be incurred for the dismantling and removal of the underlying asset and for the restoration of the site where it is located or for the restoration of the underlying asset to the conditions set forth in the terms and conditions of the lease.

The initial valuation of the lease liability is based on the present value of payments due for the lease not paid at that date. The payments due for the lease are discounted using the rate of financing deemed most representative of the cost of money.

Every lease component is recognised as a lease, separated from the non-lease components.

The duration of the lease is determined as the non-cancellable period of the lease, in addition to both of the following periods:

- periods covered by a lease extension option, if there is reasonable certainty that the option will be exercised; and
- periods covered by the lease termination option, if there is reasonable certainty that the option will not be exercised.

If there is a change in the non-cancellable period of the lease, the duration of the lease will be redetermined.

After the date of initial recognition, the asset is valued by applying the cost model. The right-of-use assets is then amortised on a straight-line basis from commencement date to the end of the lease term.

After the commencement date, the lease liability is valued:

- by increasing the carrying amount to take into account interest on the lease liability;
- by decreasing the carrying amount to take into account the payments made for the lease;
- by redetermining the carrying amount to take into account any new valuations or modifications of the lease or the revision of payments due for the lease.

The interest on the lease liability and the variable payments due for the lease, not included in the valuation of the lease liability, are recognised in the income statement for the year in which the event or circumstance that triggered the payments takes place.

In the financial statements, right-of-use assets are shown separately from other assets, lease liabilities separately from other financial liabilities, and interest expense on the lease liability is recognised as financial expense and separately from depreciation of the right-of-use asset.

2.7.1.3. Impairment of fixed assets

Property, plant and equipment are tested for impairment whenever there is specific objective evidence thereof ("Impairment test"). The test involves estimating the recoverable amount of the asset, defined as the higher of net selling price and value in use, compared to its carrying amount. The recoverable amount is the higher of fair value less costs of disposal and value in use. Value in use is determined by discounting projected cash flows at a pre-tax discount rate that reflects current market estimates of the time value of money and the risks associated with the relevant asset. To the extent that the recoverable amount is less than the carrying amount, the carrying amount is reduced to the recoverable amount with the difference either being recognised in the income statement or in a revaluation reserve previously created on the revaluation of the relevant asset. Subsequent revaluations are treated in the opposite way.

2.7.2. Investment property

These are properties that are not used in the production or supply of goods or administrative purposes by the Group but rather land and buildings held to obtain lease payments and/or for the appreciation of the invested capital. Measurement of such property follows the fair value model with any subsequent changes recognised in the income statement, and are consequently not systematically depreciated.

For determination of the fair value, reference is made to a specific value, mainly provided through external appraisals carried out by independent third parties who possess recognised professional qualifications and have experience in the specific type of properties. These appraisals are based on the value per square meter for example as estimated based on assessments made by the land registry office for buildings located in the same area and used for the same purpose, and take into consideration the state of upkeep and future potential of the property. Any profit or loss on the sale of an investment property is recorded in the income statement.

2.7.3. Intangible assets

Intangible assets are non-monetary assets, identifiable and without physical substance, held for use over a multi-year or indefinite period. They are recognised at cost, adjusted for any accessory charges only if it is probable that the future economic benefits attributable to the asset will be realised and if the cost of the asset can be reliably determined. Otherwise, the cost of the intangible asset is recognised in the income statement in the year in which it was incurred.

2.7.3.1. Goodwill and business combinations

Goodwill is the difference between the acquisition cost of investments and the current value of the subsidiaries' assets, liabilities and contingent liabilities on the acquisition date. Goodwill deriving from business combinations is accounted for as an asset at cost net of accumulated write-downs. The useful life of goodwill is indefinite, and therefore it is not subject to amortisation.

A business combination consists of a combination of separate companies or business activities into a single entity required to prepare financial statements. The business combination may give rise to an investment between the parent company (acquirer) and the subsidiary (acquired) or may also involve the purchase of the net assets of another company, including any goodwill.

The Group has used the acquisition accounting approach for business combinations according to IFRS 3, also in line with common control transactions; based on this approach, the consideration transferred for the investment is compared with the net assets of the investee, which are remeasured at fair value. Net assets are based on the fair values of assets and liabilities, including identifiable intangible assets and contingent liabilities to be recognised as liabilities at the acquisition date.

If it is not possible to obtain published market or market prices for the purchase price allocation ("PPA"), the fair values are calculated on the basis of appropriate valuation techniques. In general, in these cases, the discounted cash flow ("DCF") method is used; according to this method, the expected future cash flows that may be generated by the asset are discounted at the date of initial consolidation using a discount rate that reflects the intrinsic risk of the asset.

Any excess of the consideration transferred for the acquired asset with respect to the proportional share of the net assets acquired is recognised separately as goodwill; any negative difference, at the time of the revaluation of the assets and liabilities acquired, is charged directly to the income statement. Non controlling interests are measured on the basis of their proportional share of the fair value of the acquired net assets. Ancillary costs, such as those of consultants, for business combinations are charged at cost when incurred.

Subsequent changes in investments in consolidated subsidiaries that do not involve a change in the consolidation method are treated as equity transactions.

The recoverability of their carrying amounts is, however, tested annually and whenever there is objective indication of impairment. Any impairment losses recognised are not subsequently reversed.

2.7.3.2. Other intangible assets with finite useful lives

An intangible asset with a finite useful life is an identifiable asset without physical substance that is controlled by the entity and from which future economic benefits are expected.

Intangible assets are initially measured at cost and fair value including directly attributable expenses. They are then amortised on a systematic basis over their useful life, to be understood as the period of time over which the asset is expected to be used by the Company, generally between 3 and 10 years. Intangible assets are not considered to have any residual value at the end of their useful life.

The useful life is reviewed annually and future expectations are adjusted, if necessary.

In addition, they are carried net of any impairment losses, in line with the accounting treatment for "*Property, plant and equipment*".

2.7.4. Investments

2.7.4.1. Investments in associates and joint ventures

Associates are companies over which the Group exercises significant influence. Significant influence is the power to participate in the determination of the financial and operating policies of the investee without having control or joint control. Significant influence is presumed to exist if the Group holds a percentage of voting rights between 20% and 50% (excluding cases in which there is joint control).

A joint venture is a joint arrangement in which the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the sharing of control of a contractually agreed arrangement, which exists only when decisions on relevant activities require the unanimous consent of the parties sharing control.

Based on the equity method, investments in associates and joint ventures are included in the consolidated financial statements at acquisition cost, adjusted for changes in the Group's share of profit or loss and other components of comprehensive income of the joint venture or associate after the acquisition date. Losses of a joint venture or associate that exceed the Group's interest in that entity are not recognised. They are recognised only if the Group has assumed legal or *de facto* obligations to assume losses or makes payments in place of the joint venture or associate.

2.7.4.2. Investments in subsidiaries

Investments in non-consolidated subsidiaries are measured at cost, adjusted for impairment. If the Group loses control of a subsidiary, the residual investment in the former subsidiary is measured at fair value at the time of loss of control.

2.7.4.3. Investments in other companies

Non controlling interests are valued at the acquisition date on the basis of their proportional share of the net identifiable assets of the acquired company. Considering that they do not have a significant impact on the equity, on the financial results and on the operating results of the Group, these investments are measured at fair value through other comprehensive income ("FVTOCI") and are subject to impairment testing pursuant to IFRS 9. In the absence of suitable evidence to determine their fair value, their fair value may be approximated by their cost.

2.7.5. Financial assets and liabilities

Recognition and initial measurement

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

The Group's financial assets may consist of cash and cash equivalents, investments, trade receivables and derivative financial instruments with positive fair values.

The Group's financial liabilities include liabilities from the issuance of a bond, liabilities due to banks, trade payables, finance lease liabilities and derivative financial instruments with negative fair values.

Cash and cash equivalents include cash on hand, bank balances and short-term securities with an original maturity of less than three months with an insignificant risk of changes in value and are stated at nominal value. Foreign currency balances are translated into Euro at the rate on the balance sheet date.

All other financial assets and liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

Classification and subsequent measurement

Financial assets and liabilities are classified in three different categories:

- Financial instruments at fair value through profit or loss ("FVTPL");
- Financial assets at fair value through other comprehensive income ("FVTOCI");
- Financial instruments at amortised cost ("AC").

Financial instruments at fair value through profit or loss

The financial assets and liabilities acquired or held mainly for sale are classified as "Financial assets or liabilities at fair value through profit or loss".

A non-derivative financial asset may be designated at fair value if that designation makes it possible to avoid an accounting mismatch deriving from the measurement of assets and the associated liabilities using different valuation criteria.

Like financial assets, in accordance with IFRS 9 financial liabilities may be designated on initial recognition as financial liabilities measured at fair value, provided:

- this designation eliminates or significantly reduces a discrepancy which could otherwise arise from the measurement of assets or liabilities and the relative gains and losses on a different basis; or
- a group of financial assets, financial liabilities or both is managed and measured at fair value according to a risk management or investment strategy documented within the entity's Management Bodies.

A financial asset is classified under financial assets necessarily measured at fair value if it does not qualify, in terms of its business model or cash flow characteristics, for measurement at amortised cost or at fair value through other comprehensive income.

In particular, this portfolio includes:

- debt instruments, securities and loans whose business model is not either held to collect or held to collect and sell, but which do not belong to the trading portfolio;
- debt instruments, securities and loans whose cash flows do not represent solely payments of principal and interest;
- UCI units;
- equity instruments not held for trading for which the entity does not apply the option granted by IFRS 9 for measurement at fair value through other comprehensive income.

Financial assets at fair value through other comprehensive income

A financial asset is classified under financial assets at fair value through other comprehensive income when:

- the objective of its business model is pursued by collecting contractual cash flows and by selling it (held to collect and sell);
- the relative cash flows represent solely payments of principal and interest.

This category also includes equity instruments not held for trading for which the entity applies the accounting option granted by IFRS 9 for measurement at fair value through other comprehensive income.

Financial instruments at amortised cost

A financial asset is classified under financial assets at amortised cost when:

- the objective of its business model is to hold the asset in order to collect the contractual cash flows (held to collect);
- the relative cash flows represent solely payments of principal and interest.

Financial liabilities at amortised cost include financial instruments (other than trading liabilities and those designated at fair value) representing different forms of funding from third parties.

Fair value measurement

The fair value of financial assets and liabilities at fair value is determined on initial recognition on the basis of the transaction price, and is therefore equal to the consideration paid or received.

Subsequently, and at each reporting date, the fair value of financial instruments listed on an active market is determined on the basis of market prices. The market prices used for derivatives are the bid prices, whereas ask prices are used for financial liabilities. The fair value of instruments that are not listed on an active market is determined using measurement techniques based on a series of methods and assumptions relating to market conditions at the balance sheet date.

The fair value of unlisted non-derivative financial instruments is determined by discounting future cash flows at the market interest rate at the balance sheet date.

Determination of impairment

All financial assets and liabilities, with the exception of "Financial assets and liabilities at fair value through profit or loss", are tested for impairment in accordance with IFRS 9 and therefore also considering the effects of expected losses.

An impairment loss on a financial asset measured at amortised cost is the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. An impairment loss on a financial asset at fair value through other comprehensive income is calculated with reference to the fair value of that asset.

All impairment losses are recognised in the income statement with the exception of those relating to equity financial instruments for which the Group has made use of the option to classify them at fair value through other comprehensive income (so-called "OCI Election").

Losses are reversed if the subsequent increase in recoverable amount can be objectively related to an event occurring after recognition of the impairment loss. Reversals of impairment losses on assets carried at amortised cost and assets at fair value through other comprehensive income which are debt instruments are recognised in the income statement.

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. Contractual terms are considered to be substantially different if there are certain qualitative characteristics or if the discounted cash value of the cash flows differs at least 10% from the discounted present value of the remaining cash flows of the original financial liability under the new terms.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in the income statement.

Financial assets and liabilities offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

2.7.6. Derivative financial instruments

The Group uses a variety of derivative financial instruments to manage its exposure to interest and foreign exchange rate risks. These include forward exchange transactions, currency swaps, cross-currency swaps, interest rate swaps and interest rate caps.

Derivative financial instruments are initially recognised at fair value at the time of signing the contract. The fair value is adjusted at each subsequent balance sheet date. Any gain or loss arising from a change in the fair value of a derivative financial instrument that is not part of a cash flow hedge, or hedge of a foreign net investment relationship, and for which the hedging relationship is effective, is recognised in the income statement. For derivative financial instruments designated in a hedging relationship the timing of the recognition of gains or losses is dependent on the nature of the hedge. The Group uses certain derivative financial instruments to hedge recognised assets or liabilities. In addition, hedge accounting is applied for certain unrecognised firm commitments. Forward exchange transactions are valued on an item-by-item basis at the forward rate of the balance sheet date, and exchange rate differences arising due to the contracted forward exchange rate are included in the income statement.

Interest rate swap amounts from interest rate swap agreements are recognised in the income statement at the payment date or at the balance sheet date. In addition, interest rate swap agreements as well as interest rate caps are carried at their fair value as at the balance sheet date, and changes in the fair values are recognised in the income statement for the current reporting period provided that no hedge accounting is applied.

Derivative financial instruments not designated in a hedging relationship are classified either as current assets or liabilities.

Hedge accounting

The Group avails itself of the option envisaged by IFRS 9 to continue the accounting of hedging transactions based on the requirements of IAS 39.

Depending on volume, term and risk structure, the Group designates individual derivative financial instruments as cash flow hedges or hedge of a foreign net investment.

When financial instruments have the characteristics required for hedge accounting, the following accounting treatments are applied:

- *Fair value hedge*: if a derivative financial instrument is designated as a hedge against exposure to changes in fair value of an asset or liability attributable to a particular risk which can affect the income statement, the profit or the loss deriving from the subsequent changes in the fair value of the hedging instrument are recognised in the income statement. The profit or the loss of a hedged item, which is attributable to the hedged risk, modify the carrying amount of this item and are recognised in the income statement;

- *Cash flow hedge*: if a derivative financial instrument is designated as a hedge against changes in future cash flows of an asset or liability or an expected transaction which is highly probable and could produce effects on the income statement, the effective portion of the profits or the losses of the financial instrument (change in the fair value) is recognised in equity. The accumulated profit or loss are reversed from equity and accounted for in the income statement in the same period in which the transaction which constituted the object of the hedge took place.

The relationship between the hedged item and the hedging instrument, including the risk management objectives and the strategy for undertaking the hedge transaction, are documented at the inception of the hedge. In addition, at the inception of a hedging transaction and over its term, the Company regularly reviews and documents whether the hedge is highly effective in terms of compensating the changes in the cash flows of the hedged item or the net investment. Information on the fair value of these derivative financial instruments is provided in the "Other information" section; changes in the reserve for fair value adjustments of financial instruments within other comprehensive income can be derived from the statement of changes in equity.

The effective portion of the change in the fair value of derivative financial instruments designated as cash flow or net investment hedges is recognised in equity; the ineffective portion is recognised directly in the income statement. The amounts recognised in equity are reclassified to profit or loss in the period in which the hedged item is recognised in income. Fair value changes of net investment hedges are netted against the changes in the fair value changes of the hedging instruments.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or is no longer deemed effective. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative profit or loss deferred in equity is immediately recognised in the income statement.

Derivative financial instruments designated in hedging transactions are classified as non-current assets or liabilities if the remaining term of the hedging relationship exceeds twelve months, or as current assets or liabilities if the remaining term of the hedging relationship is less than twelve months.

2.7.7. Inventories

Inventories are recognised at the lower of purchase or production cost, determined according to the weighted average cost method, and the estimated realisable value.

Inventories are measured at the lower of cost on a "First in First out" (FiFo) basis and net realisable value. The net realisable value is the estimated selling price, which is the official price recorded on the LME market (London Metal Exchange) as at the reference date of the financial statements, less estimated cost of completion and less estimated costs required to carry out the sale. In addition to the directly attributable costs, production overhead expenses, including production-related depreciation, are reflected in the manufacturing costs. Cost is generally assigned on the basis of the monthly moving average method. In selected cases the specific identification method is applied.

Contract work in progress is measured on the basis of the stage of completion and the contractual consideration price less contractual costs.

Supplies and consumables are measured at weighted average.

2.7.8. Receivables and payables

Receivables and payables are recognised at fair value, which normally coincides with their nominal value when the effect of discounting is immaterial.

Trade receivables are initially recognised when they are originated.

A trade receivable without a significant financing component is initially measured at the transaction price.

Provisions for losses on trade receivables are always measured at an amount equal to the impairment losses on the basis of the simplified approach according to IFRS 9.

Any transfer of trade receivables to a factoring company can be with or without recourse. Receivables under a non-recourse assignment are derecognised, since substantially all risks and rewards of ownership have been transferred. Factoring expenses for non-recourse assignments of receivables are reported under "Other operating costs". The Group retains substantially all risks and rewards of ownership for receivables assigned with recourse. These receivables remain on the face of the Group's statement of financial position and are not derecognised, even though title has legally passed. A financial liability of equal amount is also recognised. Factoring expenses for receivables assigned with recourse are reported under financial expense.

2.7.9. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with short-term, highly liquid investments that are readily convertible to a known amount of cash and that are subject to an insignificant risk of changes in value (IAS 7 paragraph 7).

2.7.10. Assets and liabilities held for sale and discontinued operations (IFRS 5)

Assets and liabilities held for sale and discontinued operations are classified as such if their carrying amount will be recovered mainly through sale rather than through continuous use.

Non-current assets or groups of such assets, which are disposed of in a single transaction (disposal groups) including the associated liabilities, are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is met only when the disposal is highly probable and the asset or disposal group is available for immediate sale in its present condition.

The sale must be highly probable, within twelve months of classification as held for sale. If the sale is expected to be concluded after more than one year, the costs to sell are measured at their current value. Any increase in the present value of the costs to sell that arises from the passage of time shall be presented as a financial component in the income statement.

The assets and liabilities of the disposal group are shown separately in the statement of financial position in the lines "Assets held for sale" and "Liabilities directly associated with assets held for sale".

In case of an acquisition of subsidiaries with the only intention of reselling, the assets and liabilities were therefore shown as held for sale in the consolidated statement of financial position. The income statement is summarised in the result from discontinued operations in the consolidated income statement.

Reclassifications of intangible assets and property, plant and equipment are shown under transfers of the respective development of the Group's assets. The expenses and sales of a disposal group are included in the result from continuing operations until they are sold. The disposal group also includes goodwill acquired in a business combination if the disposal group represents a cash-generating unit and the goodwill has been allocated to it. If the disposal group represents only part of the cash-generating unit, it is allocated proportionate goodwill and reported as "Assets held for sale".

Scheduled depreciation and amortisation is no longer recognised on assets held for sale. They are recorded at the lower of the carrying amount or fair value less costs to sell.

2.7.11. Equity

The Company's share capital consists of ordinary and savings shares, all without par value, fully subscribed and paid up at the balance sheet date, reduced by any share capital to be received.

Other comprehensive income ("OCI") comprises foreign currency translation adjustments resulting from the translation of the financial statements of foreign subsidiaries, changes in the fair value of cash flow hedges and the revaluation of fixed assets before the reclassification to investment property.

Also included are changes in actuarial gains and losses on pension commitments in accordance with IAS 19, net of deferred taxes.

Non-controlling interests represent third-party interest in consolidated subsidiaries.

2.7.11.1. Treasury shares (IAS 32)

The value of treasury shares is deducted from equity, in accordance with IAS 32. Such adjustments are reported in the notes only, whilst the historical cost of owned treasury shares is recognised separately as a negative figure that reduces equity.

The costs for equity transactions are used directly as a reduction of reserves.

2.7.11.2. Payment agreements based on own equity instruments (IFRS 2)

As part of the medium/long-term incentive plans, agreements are envisaged in favour of part of the management, with payments based on shares representing the capital, which consist in the assignment of rights that attribute to the beneficiaries, subject to the fulfilment of the established conditions, the right to obtain, at the end of the last year of vesting, the cash equivalent or in shares of the Company.

2.7.12. Current and deferred taxes

Tax expense for the year includes both current and deferred taxation. Income taxes are recognised in the income statement, unless they relate to transactions recognised directly in equity, in which case the relevant tax is also recognised directly in equity.

The current tax expense represents the estimated income tax payable computed on taxable income for the period as determined with reference to current tax rates or those substantially in effect at the balance sheet date. Deferred taxes are recognised using the equity method, based on timing differences between the carrying amounts of the assets and liabilities recognised in the financial statements and the corresponding amounts recognised for tax purposes. Deferred taxes are not recognised for the following timing differences: initial recognition of an asset or liability other than in a business combination which, at the time of the transaction, does not affect accounting profit (loss) or taxable profit (loss); differences associated with investments in subsidiaries and interests in joint arrangements, but only to the extent that it is probable that the reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates established by measures that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and deferred tax liabilities can only be offset if the entity has the legal right to offset current tax amounts and the deferred tax amounts relate to income taxes and are levied by the same taxation authority on the same entity or different entities that intend to settle current tax amounts on a net basis or realise the asset and settle the liability at the same time.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the timing difference will be utilised. The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that its taxable profit will be realised.

2.7.13. Retirement benefits

Post-employment benefits (TFR) are payable under plans which, depending on their economic substance, are classified either as a "defined contribution" plan or a "defined benefit" plan.

Under a defined contribution plan, the Group's obligation is limited to the payment of contributions to a separate legal entity, and consists of the contributions due at the balance sheet date.

Liabilities under defined benefit plans, such as post-employment benefits (TFR) pursuant to article 2120 of the Italian Civil Code, less any plan assets, are determined, with the assistance of an independent expert, on the basis of actuarial assumptions and the attribution of benefits to periods of service. Actuarial gains and losses relating to defined benefit plans arising from changes in actuarial assumptions or plan terms and conditions are recognised in other comprehensive income.

Obligations deriving from short-term retirement benefits are recorded as an expense as soon as the related service has been rendered. A liability is to be recorded for the anticipated payment if the Group currently has a legal or factual obligation to pay this amount on the basis of work performed by the employee, and it is possible to estimate the obligation in reliable terms.

The net obligation on the part of the Group in view of the retirement benefits due on the long-term, are the future benefits due to employees in exchange for services rendered in the current period and in previous periods. These benefits are discounted to determine their present value. Re-measurements of such obligations are recognised in the income statement in the period in which the re-measurements take place.

Benefits in connection with termination of the employment relationship are recorded as expenses at the earlier of the following points in time: when the Group can no longer revoke the offer to provide such benefits or when the Group is recording costs for restructuring measures. If it is no longer to be expected that the benefits will be compensated within twelve months after the balance sheet date, they are discounted.

Pension obligations arising from defined benefit plans are determined using the projected unit credit method (IAS 19). The expected benefits, including dynamic components (e.g., increases in wages and salaries and retirement benefits), are recognised over the total service period of the respective employee. This amount is discounted and the fair value of any plan assets is deducted from this amount. Actuarial advice is obtained.

Actuarial gains or losses resulting from deviations between the forecast and realised changes in plan beneficiaries and actuarial assumptions are recorded in other comprehensive income during the period in which they arise and are indicated separately in other comprehensive income.

Service costs are recognised in personnel expenses. Interest expenses from the compounding of pension obligations and income from plan assets are also reported under personnel expenses using the discount rate of the defined benefit obligation.

Any surplus of the assets over the liabilities to be recognised is limited to the cumulative, unrecognised, net actuarial losses and past service cost, plus the present value of any available refunds and the reduction of future contributions to the plan. Past service cost is recognised in profit or loss.

Employer contributions made by the Group to an independent entity under defined contribution plans, and to which no further legal or constructive payment obligations may arise, are expensed as incurred, as soon as the employee's service is carried out. Prepayments are recognised as an asset in so far as a right to refund or reduction in future payments are created.

2.7.14. Provisions for risks and charges

Provisions for risks and charges are liabilities, the amount or due date of which are uncertain. The entity must recognise a provision if, and only if:

- the Group has a present (legal or implicit) obligation owing to a past event;
- it is probable that resources will be needed to produce economic benefits to meet the obligation;
- the amount of the obligation can be estimated reliably.

The amount recognised as a provision is, therefore, the best estimate of the expenditure required to settle the present obligation at the balance sheet date or transfer it to a third party. Where the time value of money is material, the provision is equal to the present value of expenditures required to settle the obligation.

Warranty provisions are accrued based on the expected development of the loss. Provisions for onerous purchase or sales contracts are established when the projected total future costs exceed the expected sales.

Restructuring provisions are only recognised if a detailed formal restructuring plan is established and communicated to the parties involved.

Provisions for onerous contracts are recognised if unavoidable expenses from the contract exceed the expected benefit. The provision is in this case recorded at the present value of the lesser of the expected cost of termination of the contract and the expected net cost of contract continuation.

Provisions for environmental risks are recorded for purposes of eliminating environmental damage ensuing from existing contamination and the expenses involved.

Contingent liabilities

Contingent liabilities include potential obligations, which arise from past events, that only require settlement if one or more uncertain future events, which the enterprise cannot wholly control, occur. In addition, contingent liabilities include unrecognised present obligations that arise from past events but are unlikely to require an outflow of resources to settle the obligation and also obligations in which the amount cannot be measured with sufficient reliability. Unless the possibility of any outflow in settlement is remote, a description of the nature of the contingent liability is provided.

2.7.15. Dividends

Dividends to be paid are recognised as liabilities only in the year in which they were approved by the Shareholders' Meeting. Dividends to be received are recorded only when the right to receive payment has been established.

2.7.16. Revenue recognition

Revenue is recognised based on the following phases:

- identify the contract (or contracts) with the customer;
- identify the performance obligations;
- determine the transaction price: the transaction price is the amount of the consideration that the company is entitled to in exchange for the transfer of the promised services to the customer;
- allocate the transaction price to the performance obligations in the contract;
- recognise the revenue when the performance obligation is met.

Specifically, revenue can be recognised:

- at a point in time, when the performance obligation has been met by transferring the promised good or service to the customer, or
- over time, as the performance obligation is met by transferring the promised good or service to the customer.

Revenues are recognised when control of the products has been transferred to the purchaser. This is usually the case when, with delivery, the purchaser has physically possession and accepted the products, and the significant risks and rewards of ownership of the assets have also been transferred to the purchaser.

The majority of the Group's revenues is made up of sales of goods and is realised on a point in time basis, as the performance obligation has been satisfied upon delivery. There are no warranties that go beyond the statutory warranty.

A receivable is recognised as soon as the Group has a right to consideration that is unconditional. Upon fulfilment of the performance obligation by delivery, The Group incurs an unconditional right to consideration.

Significant financing components are not included in the customer contracts.

If volume discounts, usually agreed for sales volumes over a twelve-month period, are included in the customer contracts, these are included in determining the consideration. Revenue recognition in these cases is based on the prices specified in the contracts net of the estimated volume discounts. The volume discounts are calculated on the basis of the most likely amount. Revenue is only recognised if it is highly probable that there will be no significant reversals.

Rental income from investment property is recorded as other income on a straight-line basis over the period of the rental relationship. Rental income from other property is recorded as other income.

Interest income is accrued on a time basis by reference to the principal amount and the effective interest rate.

As mentioned in the previous paragraph, dividend income is recognised when the right to receive payment has been legally established.

2.7.17. Borrowing costs

Borrowing costs is recognised in the income statement based on their maturities.

If the production of qualified intangible assets or of tangible assets extends over a lengthy period, the borrowing cost which occurs in this connection until completion is recognised as part of the manufacturing costs in accordance with IAS 23. There are no cases of application within the Group at the balance sheet date.

Borrowing costs are recognised up until the time as from which assets for its intended use can be recorded and depreciated over their expected useful lives. All other and current borrowing costs are recorded in the period in which they occur in the income statement under financial expenditure.

2.7.18. Earnings/(loss) per share

Basic and diluted earnings/(loss) per ordinary share are calculated in the following manner:

a) the numerator is equal to profit or loss attributable to the Parent company, adjusted by the profit or loss that is to be set aside, for the current year, for outstanding savings shares less any savings treasury shares held directly or through subsidiaries;

b) the denominator of "basic earnings per share" is the weighted average number of shares outstanding during the year less treasury shares;

c) the denominator of "diluted earnings per share" is the weighted average number of ordinary shares adjusted by adding the number of any new ordinary shares that could be issued through:

   i) conversion of all outstanding warrants;

   ii) exercise of all stock options granted, if any.

For this calculation, it was assumed that warrants were converted and stock options exercised at the beginning of the year and that the conversion and exercise did not result in increased income or decreased expenses.

The calculation as at December 31, 2023 of the basic earnings per share was done by taking the Group net profit (loss) net of the amount due to savings shares, attributable to holders of outstanding ordinary shares, and the weighted average number of outstanding shares which was 286,075,417, taking account of any share splits and/or reverse share splits and any increases/reductions in share capital pursuant to IAS 33 paragraph 64.

2.7.19. Currency translation

The Company's functional currency is the Euro, which is the currency in which the financial statements are prepared and published. Transactions denominated in a foreign currency are recognised using the exchange rate at the time of the transaction. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in force on that date. Non-monetary items measured at historical cost in foreign currency are translated using the exchange rate in force on the date of the transaction. Non-monetary items recognised at fair value are translated using the exchange rate at the date of determination of the carrying amount.

Transactions denominated in a foreign currency are translated using the exchange rate at the time of the transaction. The time of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. Accordingly, such non-monetary assets and liabilities are not translated with the exchange rate on a later subsequent balance sheet date.

In case of advanced received for the sale of goods, this transaction is recorded for the first time as a contract liability at the time when the advance payments are received. The exchange rate for the amount of the subsequent revenue recognition in the amount of the advance received is therefore already determined when the contract liability is recognised.

Monetary items (including trade receivables and payables) are translated using the current exchange rate at the balance sheet date. Irrespective of any currency hedges, gains or losses from the remeasurement of monetary assets (excluding foreign currency translation of net investments) and monetary liabilities are recognised in the income statement as financial income or expenses.

Applying the functional currency concept, the annual financial statements of the foreign subsidiaries prepared in foreign currency are translated into Euros using the modified closing rate method.

The functional currency is determined by the primary economic environment in which the entity operates. All subsidiaries conduct their business independently in their domestic markets. As such, the functional currency for those entities is the local currency. Assets and liabilities of subsidiaries are translated at the closing exchange rate on the balance sheet date, while income and expenses are translated at the average exchange rate of the reporting period. Differences arising from such translations applied to the assets, liabilities and components of net income are reported as a separate component in other comprehensive income and accordingly do not have an impact on net income. Such differences are recognised in net income when the subsidiary is sold.

2.7.20. Government grants

Government grants are only recognised if it is reasonably certain that the Company complies with the conditions and the grants are actually received. The grants are recognised in net income in the same period in which the respective expenses are recognised.

Government grants related to assets, mainly property, plant and equipment, are deducted from the cost of the asset.

Grants becoming receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support with no future-related costs are recognised as other operating income in the period in which they become receivable for the Group.

2.8. Use of estimates

The preparation of the consolidated financial statements and notes thereto in accordance with IFRSs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities.

The estimates were mainly used to determine the impairment loss, the fair value of investments measured at fair value and investment property, the useful lives of non-current assets and the related recoverable amount (including the registered goodwill), provisions for credit and inventory risks, any eventual impairment losses, the cost of retirement benefits, the estimated current and deferred tax charges and other provisions.

With reference to Goodwill, the recoverable amount is determined using (discounted) cash flows that largely depend on the expected future gross profit margins and turnover, and take into account the general economic environment and the future growth rates (discount rate). The discount rates are based on the Capital Asset Pricing Model. Its main inputs are the risk-free rate of return, the beta factor, and the return on equity (which includes assumptions about leverage and the market risk premium).

Inventories are measured at the lower of cost and net realisable value. In order to calculate the net realisable value, sales prices and cost to sell need to be estimated.

The Group, particularly through KME SE, operates in various countries. Therefore, the Group's income is subject to various tax jurisdictions. For each taxable entity, tax assets, tax liabilities, temporary differences, tax losses and the resulting deferred taxes must be calculated individually. These items are subject to estimation; in particular, deferred tax assets can be recognised only to the extent that their actual realisation is probable and the realisation of the deferred taxes therefore depends on the existence of sufficient future taxable profits. In assessing if sufficient future taxable profits exist, among other factors, historical earnings, budgets, loss carry forward restrictions and tax planning strategies are considered. At each balance sheet date, the recognition of deferred taxes is assessed once again.

Retirement provisions are accounted for using actuarial methods. The actuarial assumptions include discount rates, mortality rates, and, if applicable, expected returns on plan assets. The actual amounts of such assumptions may differ significantly from the projected amounts due to market changes. Therefore, deviations from the forecast may have a material impact on the liabilities relating to retirement benefits.

In addition, the provisions recognised in the financial statements include the assessment of the facts and circumstances, the claims made and the estimates of the range of potential liquidation amounts and the probability of occurrence.

Certain accounting policies adopted by the Group require determination of the fair value basis for financial and non-financial assets and liabilities. In determining the fair value for financial and non-financial assets and liabilities, the Group uses market observable input wherever possible. Based on the input factors used in the evaluation techniques, the fair value is classified into different levels of the fair value hierarchy.

- Level 1: Quoted prices (unadjusted) in active markets;
- Level 2: Valuation parameters, which are not the quoted prices considered in Level 1, but nevertheless require to be observed for similar financial assets or debts – either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: Valuation parameters for assets or debts which are not based on observable market input.

The assets and liabilities recognised in the Consolidated Financial Statements are based on historical cost, with the exception of derivative financial instruments, contingent considerations (IFRS 3) and investment property which are measured at fair value, actuarial charges deriving from IFRS 2 as well as the net debt ensuing from defined benefit plans which is measured at the present value of the defined benefit obligation less fair value of plan assets.

The estimates and assumptions are periodically checked and any variations are immediately recognised in the income statement. At the balance sheet date, 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.

2.9. Implementation of the global minimum tax rules for multinational and domestic groups under Pillar 2 and related amendments to IAS 12 on income taxes

In 2013, as part of the Base Erosion and Profit Shifting (BEPS) project, a complex process of reform of international tax standards was launched at the initiative of the OECD and the G20 countries to address the main gaps in national and international regulations and eliminate the asymmetries generated by the interaction of individual tax systems. Two projects are part of this process:

a) Pillar 1 aimed at revising the rules for the allocation of profits of the largest and most profitable multinational companies;

b) Pillar 2 designed to ensure a level playing field between companies globally, stop companies from competing on tax rates and encourage efficient investment and business location decisions.

This competitive parity would be achieved by applying a system of common rules to ensure that the transnational group pays an effective tax rate of no less than 15 per cent (OECD agreed rate) in each jurisdiction in which it is established.

The Pillar 2 system of rules developed at international level on the basis of the OECD guidance was implemented at EU and single market level with Directive no. 2022/2523/EU, adopted by the Council of the European Union on December 14, 2022, and published in the Official Journal of the European Union L 328/2022 of December 22, 2022.

Therefore, the European provisions were implemented in Italy by Italian Legislative Decree no. 209 of December 27, 2023, published in the Official Gazette of the Italian Republic no. 301 General Series of December 28, 2023 (the "Decree"). However, in order to define the full regulatory framework, it is necessary to await the publication of an implementing ministerial decree, which has not yet been issued. In particular, the Decree establishes a minimum top-up tax to be paid by the parent company located in Italy of multinational or domestic groups in relation to the companies belonging to the group subject to an effective tax rate of less than 15%, and a national minimum tax levied by the companies of a multinational or domestic group located in Italy subject to a low tax rate, until the minimum effective tax rate of 15% is reached. The purpose of this second tax is to allow an additional tax to be levied in the country where a low level of taxation has occurred, thus avoiding that all tax is levied in the country where the direct or indirect parent company is located.

The scope of application of the new taxes is limited to companies that are part of multinational and domestic groups with annual revenues of Euro 750 million or more.

The provisions of the Decree apply with respect to financial years beginning on or after January 1, 2024.

In view of the upcoming implementation of the new Pillar 2 tax provisions in some jurisdictions, the IASB has approved a number of amendments to IAS 12 Income Taxes. In particular, the amendments to the standard introduce a temporary mandatory exception to the recognition of deferred tax assets and liabilities in relation to the minimum additional tax introduced with the implementation of the Pillar 2 rules and some specific disclosure requirements both for periods in which the Pillar 2 rules are in force or substantially in force but not yet effective and for periods in which the rules will be effective. These disclosure requirements are applicable starting from annual financial statements beginning on or after January 1, 2023.

The KME Group subjectively meets the quantitative requirements of the new Pillar 2 rules and is therefore potentially affected by them, thus it is monitoring the progress of the rules.

Although the Pillar 2 rules are not yet in force for the 2023 financial year, KME Group has made an assessment of its potential exposure to the Pillar 2 additional tax. The above assessment is based on the latest available financial information of the companies belonging to the KME Group: Country by Country Reporting and the 2022 Financial Statements.

KME Group has provisionally calculated the impact of the application of the rules of the ordinary Pillar 2 regime, which could result in a limited amount of additional tax payable of less than Euro 1 million.

The above analysis must be considered as an estimate since, as already mentioned, it is based on 2022 data, and any differences in the amount of revenues, costs, local taxes, etc. could affect the conclusions reached.

Finally, the necessary activities are underway to enable the Group to put in place the organisational and procedural structures required to determine the effective tax rate and to manage any additional tax that may be due.

2.10. Newly applied accounting standards

The accounting standards applied from January 1, 2023, are as follows:

The following IFRS accounting standards, amendments and interpretations were applied by the Group for the first time as of January 1, 2023:

- On May 18, 2017, the IASB published IFRS 17 – Insurance Contracts, which is set to replace IFRS 4 – Insurance Contracts. The standard was applied beginning from January 1, 2023. 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 includes presentation and disclosure requirements to improve comparability between the entities that belong to this sector, must be applied to insurance contracts issued, including reinsurance contracts issued, to reinsurance contracts held and also to investment contracts with a discretionary participation feature (DPF).

- On December 9, 2021, the IASB published an amendment called "Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information". 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 was applied from January 1, 2023, together with the application of IFRS 17, to avoid temporary accounting mismatches between financial assets and liabilities of insurance contracts, and to improve the usefulness of comparative information for readers of the financial statements.

  On May 7, 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. The amendments were applied beginning from January 1, 2023.

  Owing to the activities of the Group, the adoption of the standard and the amendments had no impact on the consolidated financial statements.

- On February 12, 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. The amendments were applied beginning from January 1, 2023.

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

- On May 23, 2023, the IASB published an amendment called "Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules". The document introduces a temporary exception to the obligations of recognition and disclosure of deferred tax assets and liabilities relating to the Model Rules of Pillar Two and provides for specific disclosure obligations for the entities concerned by the related International Tax Reform. The document provides for the immediate application of the temporary exception, while the disclosure requirements will only apply to annual financial statements starting on January 1, 2023 (or at a later date) but not to interim financial statements with a closing date prior to December 31, 2023.

2.11. IFRS accounting standards, amendments and interpretations were endorsed by the European Union as at December 31, 2023, not yet applicable on a compulsory basis and not adopted early by the Group as at December 31, 2023

- On January 23, 2020, the IASB published an amendment entitled "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current" and on October 31, 2022 it published an amendment entitled "Amendments to IAS 1 Presentation of Financial Statements: Non-current Liabilities with Covenants". The document aims to clarify how to classify payables and other liabilities as current or non-current. The amendments enter into force on January 1, 2024; 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 September 22, 2022, the IASB published an amendment called "Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback". The document requires the seller-lessee to measure the lease liability arising from a sale and leaseback transaction so as not to recognise an income or loss that relates to the retained right of use. These amendments will be effective for periods beginning on or after January 1, 2024. 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.

2.12. IFRS accounting standards, amendments and interpretations not yet endorsed

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 May 25, 2023, the IASB published an amendment called "Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements". The document requires an entity to provide additional information on reverse factoring agreements that allow users of the financial statements to assess how financial agreements with suppliers may affect the entity's liabilities and cash flows and to understand the effect of such agreements on the entity's exposure to liquidity risk. These amendments will be effective for periods beginning on or after January 1, 2024. 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 August 15, 2023, the IASB published an amendment called ***"Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability"***. The document requires an entity to apply a consistent method for assessing whether one currency is convertible into another and, if not, how to determine the exchange rate to be used and the disclosures to be made in the notes to the financial statements. The amendment will be effective for periods beginning on or after January 1, 2025. Earlier application is permitted. The directors do not expect the adoption of said amendment to have any significant effect on the Group's consolidated financial statements.

- On January 30, 2014, the IASB published 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 standards that had been adopted. Since the Group is not a first-time adopter, the standard does not apply.

2.13. Impacts of the situation in Ukraine and in the Middle-East

With reference to the ongoing Russian-Ukrainian and Israeli-Palestinian conflicts, which have entailed significant changes in the macroeconomic scenario (i.e. rising inflation, difficulties in finding certain raw materials, sharp increase in the cost of gas and energy), it should be noted that the Group is not directly exposed to these contingencies, as it does not have significant trade relations with the countries involved in the conflicts. Despite this, the Group has not lost competitiveness.

The Group constantly monitors developments in the global geopolitical context that may require a review of the corporate strategies already defined and/or the adoption of mechanisms to safeguard its competitive positioning and performance.

2.14. 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 December 31, 2023, are reported in the *Report on operations*.

2.15. Climate Change Disclosure

The International Sustainability Standards Board (ISSB), as the body of the IFRS Foundation, is finalising the general requirements for financial reporting relating to sustainability and climate.

In March 2022, the ISSB published the "Exposure Draft IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information", which proposes the general requirements for financial disclosure on sustainability-related risks and opportunities and the "Exposure Draft IFRS S2 Climate-related Disclosures" to determine the disclosure requirements on climate-related risks and opportunities by sector.

The ISSB has decided to require both IFRS S1 and IFRS S2 to enter into force for years beginning on or after January 1, 2024 and both were issued in June 2023.

The objective of IFRS S2 Climate-related Disclosures is to require companies to provide information on their exposure to significant climate-related risks and opportunities, in particular the standard applies:

- to climate-related risks to which the company is exposed, including:
  - (i) physical risks resulting from climate change (physical risks); and
  - (ii) risks related to the transition to a low-carbon economy (transition risks);
- to climate-related opportunities that the company could take advantage of.

Therefore, the company must provide information that allows to understand:

(a) governance: the governance processes, controls and procedures used to monitor and manage climate-related risks and opportunities;

(b) strategy: the company's strategy to address significant climate-related risks and opportunities (which influence decision-making, the financial position, financial results, the resilience to climate change, ...);

(c) risk management: the processes by which climate-related risks and opportunities are identified, assessed and managed.

(d) metrics and objectives: how an entity measures, monitors and manages its significant climate-related risks and opportunities, including how the entity assesses its performance to monitor progress towards established objectives.

The European Parliament approved the Corporate Sustainability Reporting Directive (CSRD) in December 2022 and the European Council approved the directive to be adopted by member states within the next 18 months. The companies subject to the CSRD shall prepare their financial statements according to the European Sustainability Reporting Standards (ESRS), which will come into force in January 2023. The companies shall apply the new rules for the first time in financial year 2024, for financial statements published in 2025.

Early application of the new standards is allowed but not mandatory. KME Group does not expect the new standards to have a significant impact on the consolidated financial statements. For further information, please refer to what has already been written in the *Report on operations* and the *Consolidated Non-Financial Statement*.

3. ***Financial risk management policy***

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 arising from the Russia-Ukraine and the Middle East conflicts and the deteriorated macro-economic environment following the COVID-19 pandemic and the related risks, please refer to the *Report on operations*.

Credit risk

The Group's exposure to credit risks mainly arises from its operating business (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.

Throughout the operating business, receivables are locally monitored on an ongoing basis. Valuation allowances are recorded to reflect credit risks. The maximum exposure to credit risk is reflected by the carrying amounts of the financial assets reported in the statement of financial position. The Group tackles 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.

For trade receivables much of the risk is secured by the factoring. There are no significant geographical concentrations of credit risk. The concentration of the credit risk in the case of trade receivables is limited by means of the broad-based and heterogeneous customer base. The assessment takes place by means of customer portfolios on the basis of past experience, shares and/or financial information, as well as credit facilities.

The creditworthiness risk ensuing from derivative financial instruments is limited by the fact that the relevant contracts are concluded exclusively with contractual parties and/or credit institutes with good credit ratings.

Liquidity risk

Liquidity risk represents the risk that the company cannot meet its own 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. Sufficient supply of liquidity for the Group is guaranteed by the Group cash flow as well as by our banks with the short-term and long-term credit facilities.

Closely related to liquidity risk are the risks associated with the Group's debt: as at December 31, 2023, the Group had three bonds "KME Group S.p.A. 2020/2025" (nominal value Euro 92.8 million) and "KME Group S.p.A. 2022/2027", both with fixed interest rates and one issued by KMH (nominal value Euro 110.8 million) with a staggered fixed rate maturing on December 31, 2025, (the interest rate increased from 10% to 15% at the end of the maturity date).

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 changing 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.

Foreign currency exchange risk

The Group operates internationally, primarily through the subsidiaries in the KME SE group but also through the entities of the CULTI 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 monitors and manages this risk appropriately, also aiming to hedge it 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 investments through measurement 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>*Notes to the statement of consolidated financial position*</u>

4.1. Property, plant and equipment

The breakdown of the item is as follows:

(in Euro thousand)	*Dec 31, 2023*	*Dec 31, 2022*	*Change*
Land and buildings	263,421	249,390	14,031
Machinery	223,310	212,648	10,662
Other equipment	29,615	26,524	3,091
Construction in progress	12,860	11,395	1,465
Property, plant and equipment	**529,206**	**499,957**	**29,249**

Below is the breakdown between owned and leased assets:

(in Euro thousand)	*Owned*	*Leased*	*Total*
Land and buildings	262,127	1,294.00	263,421
Machinery	221,289	2,021.00	223,310
Other equipment	23,995	5,620.00	29,615
Construction in progress	12,860	-	12,860
Property, plant and equipment	**520,271**	**8,935**	**529,206**

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 44, Milan, the headquarters of the Parent Company. The breakdown by geographical area is as follows:

(in Euro thousand)	*Italy*	*Germany*	*Other foreign countries*	***Total***
Property, plant and equipment	193,080	263,863	72,263	**529,206**

For owned assets, the changes during the reporting period under review can be analysed as follows:

(in Euro thousand)	*Land and buildings*	*Machinery*	*Other equipment*	*Construction in progress*	*Total*
Gross amount	313,791	532,126	64,907	11,395	922,219
Accumulated depreciation	68,584	321,691	43,990	-	434,266
Total as at December 31, 2022	**245,207**	**210,435**	**20,917**	**11,395**	**487,954**
Gross amount as at December 31, 2022	**313,791**	**532,126**	**64,907**	**11,395**	**922,219**
Purchases in the period	1,613	3,861	2,950	19,973	28,397
Reclassifications	2,209	13,636	1,909	(19,096)	(1,342)
Change in scope of consolidation (cost)	11,176	26,750	6,043	89	44,058
Reclassifications from IFRS 5	25,378	155,798	3,278	539	184,993
Increases in cost due to foreign exchange differences	(1)	3	2	-	4
Disposals (cost)	-	(2,682)	(579)	(40)	(3,301)
Gross amount as at December 31, 2023	**354,166**	**729,492**	**78,510**	**12,860**	**1,175,028**
Accumulated depreciation as at December 31, 2022	**68,584**	**321,691**	**43,990**	**-**	**434,265**
Reclassifications	(43)	(8)	72	-	21
Changes in consolidated group (acc. deprec.)	2,895	20,156	4,263	-	27,314
Reclassifications from IFRS 5	15,139	134,608	2,962	-	152,709
Released	-	(19)	-	-	(19)
Depreciation, impairment and write-downs	5,464	34,290	3,746	-	43,500
Increases in depreciation due to foreign exchange differences	-	-	2	-	2
Disposals (accumulated depreciation)	-	(2,515)	(520)	-	(3,035)
Accumulated depreciation as at December 31, 2023	**92,039**	**508,203**	**54,515**	**-**	**654,757**
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Gross amount	354,166	729,492	78,510	12,860	1,175,028
Accumulated amortisation	92,039	508,203	54,515	-	654,757
Total as at December 31, 2023	**262,127**	**221,289**	**23,995**	**12,860**	**520,271**

As at December 31, 2023, the item "KME SE – Changes in consolidated group" includes the carrying amounts of the property, plant and equipment of KME Stolberg.

The item "Reclassifications from IFRS 5" refers to the assets of Trefimetaux and Serravalle Copper Tubes, which will be consolidated on a line-by-line basis from January 1, 2023, in that the requirements to classify these assets as assets held for sale no longer apply as from that date.

Land and building, at the date of this consolidated financial statement, still include Osnabrück properties that have been part of the Sale & Lease back operation realised in December 2022. According to the requirements of IFRSs, the operation has been recorded recognising a financial liability.

Property, plant and equipment with a carrying amount of Euro 115,293 thousand are used as collateral for financial liabilities linked to pooled loans. The related secured financial liabilities are valued at Euro 418,785 thousand at the balance sheet date, of which Euro 415,535 thousand used for letters of credit against liabilities recognised in trade payables that are linked to the purchase of metals.

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
Machinery	from 10 to 40 years
Other equipment	from 5 to 15 years

Changes were as follows in leased assets:

(in Euro thousand)	*Land and buildings*	*Machinery*	*Other equipment*	*Construction in progress*	*Total*
Gross amount	8,831	3,230	14,251	-	26,312
Accumulated depreciation	4,648	1,018	8,644	-	14,310
Total as at December 31, 2023	**4,183**	**2,212**	**5,607**	**-**	**12,002**
Gross amount as at December 31, 2023	**8,831**	**3,230**	**14,251**	**-**	**26,312**
Purchases in the period	727	110	2,755	-	3,592
Reclassifications	(35)	(23)	(23)	-	(81)
Change in scope of consolidation (cost)	-	88	282	-	370
Reclassifications from IFRS 5	244	400	1,303	-	1,947
Increases in cost due to foreign exchange differences	12	-	4	-	16
Disposals (cost)	(1,358)	-	(361)	-	(1,719)
Gross amount as at December 31, 2023	**8,421**	**3,805**	**18,211**	**-**	**30,437**
Accumulated depreciation as at December 31, 2023	**4,648**	**1,018**	**8,644**	**-**	**14,310**
Reclassifications	(53)	(3)	(72)	-	(128)
Changes in consolidated group (acc. amort.)	-	-	-	-	-
Reclassifications from IFRS 5	102	400	1,093	-	1,595
Released	-	-	-	-	-
Depreciation, impairment and write-downs	3,907	369	3,247	-	7,523
Increases in depreciation due to foreign exchange differences	1	-	2	-	3
Disposals (cost)	(1,478)	-	(323)	-	(1,801)
Accumulated depreciation as at December 31, 2023	**7,127**	**1,784**	**12,591**	**-**	**21,502**
Gross amount	8,421	3,805	18,211	-	30,437
Accumulated depreciation	7,127	1,784	12,591	-	21,502
Total as at December 31, 2023	**1,294**	**2,021**	**5,620**	**-**	**8,935**

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 Euro thousand)	*Dec 31, 2023*	*Dec 31, 2022*	*Change*
Investment property	**66,724**	**68,175**	**(1,451)**

(in Euro thousand)	
Total as at December 31, 2022	**68,175**
Change in scope of consolidation	
Increases during the period	4,331
PPA changes	-
Decreases	(6,000)
Reclassifications	1,169
Changes in fair value	(951)
Total as at December 31, 2023	**66,724**

The breakdown by geographic area is as follows:

(in Euro thousand)	*Italy*	*Germany*	*Other foreign countries*	***Total***
Investment property	58,772	7,952	-	**66,724**

The item includes a series of property complexes mainly related to the Italian subsidiaries active in the real estate sector (Immobiliare Pictea S.r.l. and Natural Capital Italia SB S.p.A.) 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) and land and buildings belonging to KME Grundstücksgesellschaft SE & Co. KG in Germany.

Investment property is recorded at fair value on the basis either of valuations made by independent external experts with recognised and relevant professional qualifications that are confirmed by the Directors or valuations made by technical staff within the company. Changes in fair value are recognised in the income statement for the year; this fair value is not based on observable market data and is classified as fair value at level 3, despite being measured on a regular basis.

The evaluation model takes into account the present value of the net cash flow generated by the properties, under inclusion of the anticipated rate of rental increases, vacancy periods, rates of occupancy, costs of incentives to tenants, e.g. rental-free periods, and all other costs which are not covered by the tenants. The anticipated net cash flow is discounted at risk-adjusted discount rates. In addition to other factors, the quality of a building and its location, the creditworthiness of the tenant and the period of the rental relationship are taken into account in assessing the discount rate. For example, the estimated fair value would increase (decrease) if the expected market rent increase were higher (lower), vacancy periods were shorter (longer), the occupancy rate were higher (lower) and the risk-adjusted discount rate were lower (higher).

Future minimum lease payments to receive for non-cancellable leasing contracts as at December 31, 2023, amount to Euro 2.7 million (within the year) and Euro 7 million in the time horizon between one and five years.

4.3. Goodwill

(in Euro thousand)	*Dec 31, 2023*	*Dec 31, 2022*	*Change*
Goodwill	**394,095**	**370,316**	**23,779**

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

(in Euro thousand)	*Dec 31, 2023*	*Dec 31, 2022*	*Change*
Copper Cash Generating Unit	367,057	342,540	24,517
Perfumes and Cosmetics Cash Generating Unit	27,776	27,776	-
Goodwill	**394,833**	**370,316**	**24,517**

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

Changes in 2023 are shown below:

(in Euro thousand)	*Dec 31, 2022*	*Increases*	*Allowance for impairment*	*Dec 31, 2023*
Copper Cash Generating Unit	342,540	24,517	-	**367,057**
Perfumes and Cosmetics Cash Generating Unit	27,776	-	-	**27,776**
Goodwill	**370,316**	**24,517**	**-**	**394,833**

	Copper CGU	*Perfumes and Cosmetics CGU*	*Total*
December 31, 2022	**342,540**	**27,776**	**370,316**
Changes in consolidated group	9,470	-	9,470
Reclassifications IFRS 5	15,047	-	15,047
December 31, 2023	**367,057**	**27,776**	**394,833**

The increase of Euro 24.5 million in the Copper CGU includes Euro 15 million of “Reclassification from IFRS 5” (Serravalle Copper Tubes S.r.l. and Tréfimétaux SAS) and Euro 9.5 million of “Changes in consolidated group” relating to KME Stolberg consolidated from 2023.

The goodwill recognised as at December 31, 2023, derives from business combinations in 2022 in relation to the change of the investment entity status of the Parent Company and, more specifically, from the consolidation of the KME SE group, active in the copper sector and of the CULTI Milano group, operating in the cosmetics sector.

Impairment test of the value of goodwill recognised in the financial statements as at December 31, 2023

Goodwill acquired under a business combination is allocated to the cash-generating units. Goodwill, recognised as representative of the future profitability of the CGUs, and therefore of the investees, is subject to impairment testing at least annually, at the level of the individual CGU, to identify any impairment. The recoverable amount of the CGU is the higher of fair value less costs to sell and the value in use.

An impairment loss 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.

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 and other ongoing conflicts.

In compliance with the international accounting standard IAS 36, the cash flow projections used to determine the recoverable amount of intangible assets with an indefinite useful life, and in particular of goodwill, have been reviewed 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 at today, the best estimate of the expected future economic conditions, and by carrying out sensitivity analyses also 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 whose goodwill as at December 31, 2023, amounted to Euro 367.1 million (the value of goodwill stood at Euro 342.5 million as at December 31, 2022), 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 2024 - 2028 Business Plan (the "Plan", drafted and approved by the administrative bodies of KME SE on April 8, 2024) and taking into account the change in the scope of consolidation (KME Stolberg) and the “Reclassification from IFRS5” (Serravalle Copper Tubes and Tréfimétaux). The approved Plan reflects the best estimate of the main macroeconomic and economic developments that could affect the business of the KME SE Group.

The terminal value was calculated by assuming the long-term EBITDA equal to the average of the Plan's EBITDA (explicit period, January 1, 2024 - December 31, 2028), with a level of amortisation corresponding to investment using a long-term growth rate "g" equal to zero and a WACC of 9.91% (9.67% in the impairment test carried out as at December 31, 2022) taking into account recorded historical data.

In accordance with the methodological indications provided by accounting standard IAS 36, a sensitivity analysis was also carried out in order to understand how the recoverable amount may vary following changes in the value of EBITDA (decreases of 5% and 10%) on the terminal value. Moreover, in order to better appreciate the sensitivity of the results of the impairment test with respect to the changes in the basic assumptions, at the same growth rate (equal to zero), a sensitivity analysis was also carried out for the purpose of calculating the value in use with respect to the overall WACC discount rate (an increase of 0.5% and 1.0%) used to calculate the terminal value. Both in the base case and in the case of a joint worsening of the EBITDA and WACC parameters, the impairment test carried out has ascertained that there are no impairment losses on the Copper CGU; the recoverable amount of the CGU resulting from the test performed is roughly Euro 700 million higher than the carrying amount.

- *Perfumes and Cosmetics CGU*

The impairment test on the Perfumes and Cosmetics CGU, whose goodwill as at December 31, 2023, amounted to Euro 27.8 million (as at December 31, 2022, goodwill amounted to Euro 27.8 million), was carried out on the basis of the Unlevered Discounted Cash Flow (UDCF), discounting the operating cash flows generated by the assets themselves (net of the tax effect).

The recoverable amount of the CGU was determined by applying the Sum of Parts method, considering the values of CULTI Milano S.p.A. and the companies belonging to its group.

For each party (entity), the terminal value was calculated on the basis of the related historical EBITDA and considering the forecast data (explicit period, January 1, 2024 - December 31, 2028), using a long-term growth rate "g" equal to zero and reaching a specific WACC for each party (entity); taking into account the contribution of each country to the EBITDA Terminal Value, the weighted average discount rate applied to the impairment test of the Perfumes and Cosmetics CGU is around 10.86% (10.89% in the assessments as at December 31, 2022).

Also for the Perfumes and Cosmetics CGU, for each part, a sensitivity analysis was carried out in order to understand the change in the recoverable amount following changes in the value of the EBITDA (decrease of 5% and 10%) on the terminal value and, at the same growth rate (equal to zero), the total WACC discount rate (increase of 0.5% and 1.0%).

Both in the base case and in the case of a joint worsening of the EBITDA and WACC parameters, the impairment test carried out has ascertained that there are no impairment losses on the Perfumes and Cosmetics CGU; the recoverable amount resulting from the test performed is roughly Euro 20 million higher than the carrying amount.

- *Results of the test on the CGUs identified*

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 (combined deterioration of EBITDA and WACC), with a recoverable amount of the CGU always higher than the carrying amount shown in these Consolidated Financial Statements.

4.4. Intangible assets

(in Euro thousand)	*Dec 31, 2023*	*Dec 31, 2022*	*Change*
Software, patents and licences	22,738	23,515	(777)
Construction in progress	2,562	2,184	378
Other	25,130	28,049	(2,919)
Intangible assets	**50,430**	**53,748**	**(3,318)**

All intangible assets, net of goodwill, have a finite useful life and their carrying amount is represented by the cost net of the amortisation recorded.

	Useful life
Intangible assets with finite useful lives	from 3 to 10 years

As at December 31, 2023, the item recorded no reductions in value.

The breakdown by geographic area is as follows:

(in Euro thousand)	*Italy*	*Germany*	*Other foreign countries*	***Total***
Intangible assets (excl. Goodwill)	27,187	21,865	1,378	**50,430**

The changes during the year are analysed below:

(in Euro thousand)	*Software, patents and licences*	*Construction in progress*	*Other*	*Total*
Gross amount	43,591	2,184	30,483	76,258
Accumulated amortisation	20,076	-	2,434	22,510
Total as at December 31, 2022	**23,515**	**2,184**	**28,049**	**53,748**
Gross amount as at December 31, 2022	**43,591**	**2,184**	**30,483**	**76,258**
Purchases in the period	1,106	792	200	2,098
Reclassifications	564	(414)	-	150
Change in scope of consolidation (cost)	569	-	-	569
Reclassifications IFRS 5	1,565	-	-	-
Decreases (cost)	86	-	14	100
Gross amount as at December 31, 2023	**47,309**	**2,562**	**30,669**	**78,975**
Accumulated amortisation as at December 31, 2022	**20,076**	**-**	**2,434**	**22,510**
Changes in consolidated group (provision)	556	-	-	556
Amortisation, impairment and write-downs	2,461	-	3,119	5,580
Reclassifications IFRS 5	1,565	-	-	1,565
Decreases (accumulated amortisation)	(87)	-	(14)	(101)
Change by investment entity	-	-	-	-
Accumulated amortisation as at December 31, 2023	**24,571**	**-**	**5,539**	**30,110**
Gross amount	47,309	2,562	30,669	80,540
Accumulated amortisation	24,571	-	5,539	30,110
Total as at December 31, 2023	**22,738**	**2,562**	**25,130**	**50,430**

4.5. *Investments*

(in Euro thousand)	*Dec 31, 2023*	*Dec 31, 2022*	*Change*
Investments in subsidiaries	18,126	23,281	(5,155)
Investments in other companies	884	17,405	(16,521)
Equity-accounted investments	13,977	76,654	(62,677)
Investments	**32,987**	**117,340**	**(84,353)**

(in Euro thousand)	Investments in subsidiaries	Investments in other companies	Equity-accounted investments	Total
Total as at December 31, 2022	**23,281**	**17,405**	**76,654**	**117,340**
Increases	50	68	459	577
Acquisitions	-	1	-	1
Decreases	-	(7,000)	(46,556)	(53,556)
Reclassifications from IFRS 5	-	110	-	110
Other changes	(1,707)	-	(6,903)	(8,610)
Write-downs	(3,498)	-	-	(3,498)
FVOCI changes	-	(9,700)	-	(9,700)
Share of profits/losses in the income statement	-	-	(8,388)	(8,388)
Equity-accounted shares	-	-	(1,289)	(1,289)
Total as at December 31, 2023	**18,126**	**884**	**13,977**	**32,987**

Other changes refer to the effects of the merger of KME Germany Bet. GmbH into KME SE in 2023.

Write-downs mainly refer to the investment in KME Metale Sp. Z.o.o., FVOCI changes are related to the investment in Ducati Energia Spa sold during the year.

The breakdown of the item as at December 31, 2023 is as follows:

Name	**Registered office**	**Business**	**% ownership as at 12/31/2023**		**12/31/2023**	**12/31/2022**
			direct	**indirect**	*(in Euro thousand)*	*(in Euro thousand)*
Intek Investimenti S.p.A.	Italy	Holding company	100.00%		11,200	11,200
KME Germany Bet. GmbH	Germany			84.83%	-	1,707
Ergyca Tracker 2 Srl	Italy		51.00%		24	24
Newint Srl	Italy		100.00%		10	10
Nextep Srl Benefit company	Italy		60.00%		6	6
KME America Inc.	USA			84.83%	7	7
KME Chile Limitada (in liquidation)	Chile			84.83%	-	-
KME India Private Ltd. (in liquidation)	India			84.83%	92	92
KME Metals (Shanghai) Trading Ltd.	China			84.83%	81	81
KME Metale Sp. z.o.o.	Poland			84.83%	-	3,498
KME (Suisse) S.A.	Switzerland			84.83%	1,138	1,138
Oasi Dynamo Società Agricola S.r.l.	Italy			72.08%	4,910	4,910
Oasi Dynamo FoodCo S.r.l.	Italy			72.08%	400	400
KME Middle East FZE	UAE			84.83%	258	208
Investments in subsidiaries					**18,126**	**23,281**
Ducati Energia S.p.A.	Italy			6.77%	-	16,700
Vita Società Editoriale S.p.A.	Italy			13.22%	222	222
Metal Interconnector ScpA	Italy			0.36%	436	318
Other minor investments				n/a	226	165
Investments in other companies					**884**	**17,405**
KMD (HK) Holding Limited	Hong Kong			42.42%	-	46,524
Azienda Metalli Laminati S.p.A.	Italy			20.53%	36	68
Dynamo Academy S.r.l.	Italy			37.26%	1,264	805
Magnet Joint Venture Gmbh	Germany			37.73%	12,677	29,257
Equity-accounted investments					**13,977**	**76,654**
Total investments					**32,987**	**117,340**

"Equity-accounted investments" include jointly controlled investments, and in particular Euro 12,677 thousand for KME SE's 45% investment in Magnet Joint Venture GmbH. This share was part of the agreements with Paragon relating to the transfer of control of the Special Products Business. This measurement includes adjustments to fair value at the time of acquisition.

4.6. Other non-current assets

The breakdown of the item is as follows:

(in Euro thousand)	*Dec 31, 2023*	*Dec 31, 2022*	*Change*
Guarantee deposits	1,489	877	612
Other receivables	3,381	2,229	1,152
Other non-current assets	**4,870**	**3,106**	**1,764**

4.7. Non-current financial assets

This item can be broken down as follows:

(in Euro thousand)	*Dec 31, 2023*	*Dec 31, 2022*	*Change*
Other non-current financial assets	3,052	3,009	44
Derivative financial instruments	115	236	(121)
Non-current financial assets	**3,167**	**3,245**	**(78)**

The value of derivative financial instruments, equal to Euro 115 thousand, refers to the companies of the CULTI group and in particular to the value of the IRS Swaps entered into to hedge the interest rate risk on outstanding loans payable.

(in Euro thousand)	*CULTI Milano S.p.A.*	*Scent Company S.r.l.*	*Bakel S.r.l.*
Original notional value	2,500	800	1,000
Notional value 12/31/2023	1,416	647	1,000
Carrying amount	55	25	36
Expiry date	2026	2026	2029

4.8. Inventories

(in Euro thousand)	*Dec 31, 2023*	*Dec 31, 2022*	*Change*
Raw materials, consumables and supplies	322,573	363,839	(41,266)
Work in progress and semi-finished products	20,511	17,438	3,073
Finished goods and merchandise	31,095	23,626	7,469
Inventories	**374,179**	**404,903**	**(30,724)**

The item mainly includes the balances of the copper sector (Euro 368,481 thousand), relating mainly to metal stocks, in particular copper, aluminium, nickel, zinc, tin, scrap and other metals (Euro 294,888 thousand); the remainder relates to the CULTI group (Euro 698 thousand).

The total amount of inventories includes Euro 8.8 million as a change in the consolidated group relating to the activities of KME Stolberg and Euro 35.8 million for the inventories of Tréfimétaux and Serravalle Copper Tubes classified as assets held for sale until December 31, 2022.

4.9. Trade receivables

(in Euro thousand)	*Dec 31, 2023*	*Dec 31, 2022*	*Change*
Receivables – third parties	42,970	79,197	(36,227)
Receivables – lease and factoring activities	1,210	1,491	(281)
Receivables – parent company	19	151	(132)
Receivables – non consolidated subsidiaries	3,783	4,646	(863)
Receivables – equity-accounted investments	7,176	9,874	(2,698)
Trade receivables	**55,158**	**95,359**	**(40,201)**

"*Receivables – third parties*" refer to the KME SE group for around Euro 38.3 million and the CULTI group for around Euro 4.6 million.

It should be noted that, as part of its factoring programme, the KME SE group regularly assigns trade receivables with non-recourse factoring transactions (assignment of the risk to the factoring company, maintaining the risk associated with the legal validity of the receivables; in this context, in accordance with IFRS 9, the Group derecognises the transferred receivables in full and recognises a receivable from the factoring company in the same amount until payment is received). As at December 31, 2023, receivables from factoring companies amounted to Euro 17,292 thousand and are included in the item "current financial assets".

In addition to factoring with non-recourse, the KME SE Group also transfers receivables within the scope of factoring with recourse. In this case the receivables, in contrast to factoring with non-recourse, are not cleared and remain unchanged as receivables from customers. The consideration from the factoring company is recorded under short-term financial liabilities.

A portion of the trade receivables amounting to Euro 12,249 thousand (Euro 34,066 thousand last year) is given as collateral for outstanding financial liabilities.

With reference to the receivables from customers, receivables past due by more than 120 days represent approximately 17% of the gross value.

"*Receivables – lease and factoring activities*" relate to the net value of non-performing loans belonging to the Parent Company (from the business previously handled by Fime Leasing and Fime Factoring, companies whose purpose was to develop the south of Italy, which were placed in compulsory liquidation, acquired and subsequently merged by KME Group in 2008). Their change is determined by collections for the year and the discounting effect on the basis of the expected recovery of the related cash flows.

4.10. Current financial assets

(in Euro thousand)	*Dec 31, 2023*	*Dec 31, 2022*	*Change*
Financial receivables due from related companies	69,974	71,613	(1,639)
Receivables due from factoring companies	17,292	23,422	(6,130)
Derivative financial instruments	4,636	10,967	(6,331)
Investments in securities	272	272	-
Other current financial assets	2,110	3,827	(1,717)
Current financial assets	**94,284**	**110,101**	**(15,817)**

"*Financial receivables due from related companies*" as at December 31, 2023, essentially refer to equity-accounted investments.

"*Receivables due from factoring companies*" relate to the KME SE group and in particular to the amount of trade receivables transferred according to factoring transactions with non-recourse, as previously indicated in the comment to the item "trade receivables". This amount refers to trade receivables for goods and services that were already assigned and not paid at the balance sheet date. The amount of Euro 17,292 (Euro 23,422 thousand as at December 31, 2022) serve as collateral for outstanding financial liabilities.

"*Derivative financial instruments*" include the fair value of derivatives held by the KME SE group and commitments to sell and purchase LME (London Metal Exchange) contracts and forward exchange contracts.

"*Other current financial assets*" as at December 31, 2023, include an amount of Euro 1.3 million due from an insurance company.

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

4.11. *Other receivables and current assets*

(in Euro thousand)	*Dec 31, 2023*	*Dec 31, 2022*	*Change*
Tax receivables	18,464	11,588	6,876
Advances to suppliers	787	1,585	(798)
Prepayments and accrued income	4,048	1,845	2,203
Receivables – related companies	243	77	166
Other receivables	2,923	1,580	1,343
Other receivables and current assets	**26,465**	**16,675**	**9,790**

Tax receivables include receivables related to energy consumption of Euro 6,517 thousand.

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

"*Receivables – related companies*" as at December 31, 2023, mainly include positions arising from the tax consolidation regime.

4.12. *Cash and cash equivalents*

(in Euro thousand)	*Dec 31, 2023*	*Dec 31, 2022*	*Change*
Bank and postal deposits	118,593	128,825	(10,232)
Cash on hand	16	19	(3)
Cash and cash equivalents	**118,609**	**128,844**	**(10,235)**

"*Cash and cash equivalents*" consist of bank accounts and cash on hand; as at December 31, 2023, Euro 16 million was pledged as collateral.

Cash and cash equivalents are deemed to be sufficient for the Group's commercial and financial commitment activities.

4.13. *Non-current assets held for sale and liabilities directly associated with assets held for sale*

(in Euro thousand)	*Dec 31, 2023*	*Dec 31, 2022*	*Change*
Investments held for sale	-	107,198	(107,198)
Properties held for sale	11,947	-	11,947
Non-current assets held for sale	**11,947**	**107,198**	**(95,251)**

As at December 31, 2022, assets and liabilities held for sale refer to Serravalle Copper Tubes Italy S.r.l. and Trefimetaux S.A. and include:

(in Euro thousand)	*Dec 31, 2022*
Intangible assets	15,044
Property, plant and equipment	44,583
Investments	110
Deferred tax assets	352
Inventories	35,799
Trade receivables	317
Other current assets	6,463
Current financial assets	2,758
Cash and cash equivalents	1,772
Non-current assets held for sale	**107,198**

Retirement benefits	(2,836)
Provisions	(11,846)
Financial liabilities	(11,952)
Other current liabilities	(5,302)
Trade payables	(36,533)
Liabilities directly associated with assets held for sale	**(68,469)**
Net assets (liabilities) held for sale	**38,729**

As the conditions of IFRS 5 ceased to apply from January 1, 2023, these items have been reclassified to the appropriate financial statement lines.

4.14. Group equity

"Share Capital" as at December 31, 2023, is equal to Euro 200,104,709.20 divided into 310,399,224 ordinary shares (95.62% of the share capital) and 14,211,262 savings shares (4.38% of the share capital). None of the shares have a par value.

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

The change in equity includes the effects of the Public Tender Offers for Ordinary Shares, Savings Shares and Warrants carried out in 2023 and aimed at delisting these financial instruments.

It also includes the effects of the allocation to a specific reserve included in "Other reserves" 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 June 28, 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 November 30, 2020, and subsequently assigned following the approval, by the ordinary and extraordinary Shareholders' Meeting of June 8, 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.

During the year, 3,462,153 ordinary shares were issued following the exercise of warrants and were cancelled, and 1,035,243 savings shares were purchased through a public tender offer.

As at December 31, 2023, the Company held 131,638,439 ordinary treasury shares, of which 124,701,128 were acquired during 2023 through a public tender offer. Treasury shares are equal to 42.89% of the ordinary share capital (40.86% of the total share capital).

4.15. Retirement benefits

This item relates to the "*Post-employment benefits*" and to employee benefit plans under other legislation; the amount is determined based on the vested benefits at the end of the year, in compliance with law employment contracts and IAS 19, and is composed as follows:

(in Euro thousand)	*Dec 31, 2023*	*Dec 31, 2022*	*Change*
Executives	122	307	(185)
Clerical workers	324	113	211
IAS/IFRS Adjustments	126,193	127,168	(975)
Retirement benefits	**126,639**	**127,588**	**(949)**

The changes in the item were as follows:

(in Euro thousand)	*Dec 31, 2022*	*Changes in consolidated group*	*Reclassifications from IFRS 5*	*Increases*	*Decreases/ payments*	*Dec 31, 2023*
Retirement benefits	**127,588**	**4,058**	**2,836**	**4,467**	**(12,310)**	**126,639**

The main criteria used in the measurement of "*Retirement benefits*" are set out below:

General criteria	*Dec 31, 2023*	*Dec 31, 2022*
Discount rate	3.58%	4.14%
Rate of increase in future remuneration	1.00-4.65%	1.00-5.00%
Future increase in performance	2.00-3.00%	1.95-3.23%
Average remaining working life (years)	11.1	11.1
General criteria		

The Group has employees in Italy and abroad, mostly in Germany and Great Britain; most employees in the KME Group have pension benefits, with the type of provision varying from country to country according to the national legal, economic and tax environments. Pension plans in the Group include both defined contribution and defined benefit plans.

In Germany executive employees are entitled to an individually determined benefit payment which either becomes due on age of 65 or earlier, depending on possibilities provided for by the statutory pension insurance fund. Starting in 2017 executive employees will only get commitments for defined contribution plans in Germany.

For a large proportion of other employees there are defined benefit plans depending on when they commenced work at the company in accordance with the employment agreement, the amount of which is calculated as a percentage of the pensionable salary for each qualifying year of service.

From January 1, 2018, employees will instead receive a contribution supplement for salary conversion as part of a defined contribution plan.

Total obligations for pension obligations arising from defined benefit plans in Germany amount to Euro 104,804 thousand, net of plan assets, which amount to Euro 780 thousand.

Defined benefit plans exist for employees in Great Britain and provide for a pension payment after the age of 65. The plan involves a statutory requirement to cover the obligations with financial assets of an equivalent amount. The plan assets are invested in fund shares, fixed-interest securities, property and bank deposits. The decision-making body in each case is a so-called "Board of Trustees". Total amount of pension obligations arising from defined benefit plans in Great Britain is Euro 75,036 thousand. These are offset by plan assets in an amount of Euro 58,642 thousand, resulting in a net obligation of Euro 16,394 thousand.

The defined pension benefit plans in Italy include a legal claim which provides for payment of a capital sum according to period of service and salary on termination of the employment relationship (post-employment benefit). Total amount of pension obligations arising from defined benefit plans in Italy is Euro 6,119 thousand.

Risks associated with defined benefit plans

The main risk other than normal actuarial risk – including longevity risk and foreign exchange risk – relates to financial risk associated with plan assets. On the pension liability side, this mostly means inflation risk on plans with salary-linked benefits; a marked rise in pay would increase the obligation under these plans. In the Group, plans of this kind exist only on a small scale and are largely closed to new entrants.

Regarding increases to currently paid pensions there is no pension arrangement within the Group that carries an obligation to increase the benefit amount in excess of inflation or in excess of the surplus generated on plan assets.

The return on plan assets in accordance with IAS 19 is assumed on the basis of the discount rate for the defined benefit obligation. If the actual rate of return is below the discount rate, the net liability goes up. For the funded plans, however, notably given the share of plan assets invested in equities, we expect that long-term returns will exceed the discount rate. Nonetheless, short- to medium-term fluctuations cannot be ruled out, with a corresponding effect on the net liability. In this regard, sensitivity analyses were carried out on the basis of certain parameters (change in the mortality rate, discount rate, retirement age).

With the exception of the pension plan in Great Britain, the existing plans do not need to be funded as the current cash flow is sufficient for them.

The contributions to the plan, in the next financial year, should amount to Euro 5,072 thousand.

4.16. Non-current and current financial payables and liabilities

The breakdown of the item is as follows:

(in Euro thousand)	*Dec 31, 2023*	*Dec 31, 2022*	*Change*
Non-current financial payables and liabilities	223,916	240,758	(16,842)
Current financial payables and liabilities	127,286	109,455	17,831
Financial payables and liabilities	**351,202**	**350,213**	**989**

(in Euro thousand)	*Dec 31, 2023*		*Dec 31, 2022*	
	Current	*Non-current*	*Current*	*Non-current*
Payables for financial guarantees issued	-	-	-	-
Liabilities to banks	59,084	113,056	80,132	138,610
Derivative financial instruments	5,179	-	10,652	-
Financial liabilities to related companies	-	-	-	-
Bonds	41,196	-	4,478	-
Factoring liabilities	7,282	-	1,424	-
Lease liabilities	4,162	10,816	4,709	11,169
Lease liabilities – related parties	-	-	-	-
Other financial liabilities	10,383	100,044	8,060	90,979
Financial payables and liabilities	**127,286**	**223,916**	**109,455**	**240,758**

As at December 31, 2023, the following main loans were outstanding:

- KME SE: Euro 460 million relating to the pooled bank loan that can be used on a revolving basis and maturing on November 30, 2025, plus an option for the extension of a further one year subject to the consent of the lenders involved in the transaction. This facility meets the working capital financing needs of the KME SE Group, mainly linked to inventories. This pooled credit facility was renewed on November 28, 2023, an increase of Euro 130 million compared to the previous one.

The credit facility was used with letters of credit for payments to metal suppliers in the amount of Euro 412,5 million, whose liabilities are shown under trade and other liabilities.

The extended bank consortium credit facility benefits from the following amended guarantees:

- a pledge, with the reservation of voting rights, of the shares of KME Italy S.p.A.;
- a mortgage on the property of KME Grundstücksgesellschaft SE & Co. KG and over part of the plant equipment and machineries of KME Mansfeld GmbH in Hettstedt;
- a pledge of the inventory and parts of the non-factored trade receivables and short-term receivables of the European industrial companies of the KME SE group;
- a lien on some factoring and insurance contracts.

▪ KME SE: Euro 20 million relating to the new credit facility of Euro 110 million stipulated in November 2022 with Goldman Sachs Bank USA, expiring in October 2023 and guaranteed by a pledge, with the reservation of voting rights, over the share of KME Special Products GmbH & Co. KG and a mortgage on the industrial equipment of the Osnabrück plant (owned by KME Germany GmbH). The facility was repaid at the end of April 2023.

▪ KME Group S.p.A.: Euro 20 million with a maturity of 18 months, with a pledge on CULTI Milano S.p.A. shares and provision of financial covenants subject to half-yearly verification, linked to the ratio between the Net Financial Position and Equity and the amount of Equity and cross default clauses. This loan was repaid in the amount of Euro 10 million in July 2023;

▪ KME Italy S.p.A. and Serravalle Copper Tubes S.r.l.: Euro 75 million (of which Euro 65 million pertaining to KME Italy S.p.A.) relating to the 6-year facility agreement signed in March 2022, with a pool of Italian banks supported by a SACE guarantee. The facility is amortised in equal instalments starting from the first quarter of 2003 until end of 2027. As at December 31, 2023, the residual debt amounted to Euro 60 million;

▪ KME Italy S.p.A.: Euro 15 million relating to an additional 6-year facility agreement, signed in July 2022, supported by a SACE guarantee. The facility is amortised in equal instalments starting from the first quarter of 2003 until end of 2027. At the end of December 2023, the residual debt amounted to Euro 12 million;

▪ KME Italy S.p.A.: Euro 59 million, relating to the 6-year facility agreement signed in November 2022, supported by a SACE guarantee. The loan is amortised in equal instalments starting from the fourth quarter of 2023 until the end of the third quarter of 2028. At the end of December, the residual debt amounted to Euro 56 million;

▪ KME Mansfeld GmbH: Euro 18.8 million relating to Tranche B of the borrowing base facility maturing in the third quarter of 2024 and a run-off period starting from the third quarter of 2022. The borrowing base facility of KME Mansfeld GmbH benefits from the following guarantee package: i) a mortgage on part of the Hettstedt plant equipment and machineries of KME Mansfeld GmbH, ii) a lien on some insurance contracts. As at December 31, 2023, the residual debt amounted to Euro 6.25 million;

▪ Serravalle Copper Tubes Srl: at the end of December 2023, the Company signed a loan agreement of Euro 10 million with a duration of 5 years, supported by a SACE guarantee. The facility is amortised in constant instalments starting in the first quarter of 2024;

▪ CULTI Milano S.p.A.: Euro 5.2 million with a duration of approximately 3 years (maturity November 30, 2025), of which 8 months of pre-amortisation, with quarterly repayment instalments, 3-month Euribor floating rate +2.25%. This facility is aimed at the purchase of treasury shares of CULTI Milano S.p.A. and secured by a pledge on the treasury shares acquired by the same.

  It should be noted that this facility is backed by compliance with financial covenants, defined with reference to the consolidated financial statements at the end of each year (starting from December 31, 2023). These covenants are all largely met.

- CULTI Milano S.p.A.: Euro 2.5 million with a duration of 6 years (maturity March 31, 2026), of which two years of pre-amortisation, with quarterly repayment instalments. 3-month Euribor floating rate + 1.15% spread 3-month Euribor floating rate + 1.15% spread, converted through a specific IRS Swap derivative instrument into a fixed rate of 1.01%. It is backed by compliance with the financial covenants, defined with reference to the annual financial statements of CULTI Milano at the end of each reporting period

  The facility is guaranteed at 80% of its value (Euro 2 million) by Mediocredito Centrale.

As at December 31, 2023, the current portion of the item amounted to Euro 59.1 million and included:

- Euro 3.3 million for the short-term portion of the long-term loans in place in the CULTI group (Euro 2.0 million relating to CULTI, Euro 1.0 million relating to Bakel S.r.l. and Euro 0.3 million relating to Scent Company);
- Euro 10.0 million for the facility entered into by the Parent Company in June 2022, expiring in July 2024 with Banco BPM S.p.A.
- Euro 45.8 million for liabilities to banks to KME SE.

As at December 31, 2023, the non-current portion of the item amounted to Euro 113.6 million and included:

- Euro 4.0 million for the amount of long-term facilities in place in the CULTI group (Euro 2.0 million relating to CULTI, Euro 1.6 million relating to Bakel S.r.l. and Euro 0.4 million relating to Scent Company);
- Euro 109,0 million in loans pertaining to the KME SE group.

The "*Derivative financial instruments*" pertain to the KME SE group.

The item “*Bonds*” as at December 31, 2023, includes:

- the value of coupons on outstanding bonds being accrued:
  - Euro 3.6 million on the KME Group S.p.A. 2020/2025 Bond (IT0005394884), with a fixed rate of 4.5% (Euro 3.6 million as at December 31, 2021) and listed on the MOT;
  - Euro 0.9 million on the KME Group S.p.A. 2022/2027 Bond (IT0005503393), issued on September 23 with a fixed rate of 5% and listed on the MOT.
  - Euro 2.8 million on the KMH bond maturing on December 31, 2025, issued in 2 tranches, on September 28, 2023, and October 16, 2023, with a fixed rate of 10% until May 31, 2024.
- The amount of the first tranche of the Bond issued by KMH maturing on May 31, 2025, is Euro 33.9 million.

"*Factoring liabilities*" relate to the operations of the KME SE group and refer to the credit facilities with FactoFrance of Euro 150 million, with Intesa Sanpaolo S.p.A. of Euro 126.5 million and with Targobank of Euro 100 million, renewed at the end of November 2023 together with the pooled loan (the facility with FactoFrance provides an automatic extension of one year in the event of an extension of the maturity of the pooled loan). The new maturity was set for November 30, 2025.

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

Liabilities ensuing from the factoring with recourse vis à vis the factoring company amount to Euro 7.2 thousand (compared to the previous year's figure of Euro 335 thousand).

The above credit facilities have similar financial covenants to be tested quarterly, except for the bond, which is subject to an "at incurrence covenant test" according to the standards for high-yield bond loans. The Group has complied with these covenants throughout the reporting period.

"*Other financial liabilities*" mainly include the liabilities for Euro 94.6 million originating from the Sale & Lease-back transaction, carried out in December 2022 on the Osnabrück properties.

The transaction significantly contributed to the progressive de-leveraging of the KME SE group and therefore of the Group, as part of the process of further development of its core business.

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 April 29, 2021 and the ESMA Guidelines on disclosure requirements under the prospectus regulation (ESMA 32-382-1138) is specified in the "*Report on Operations*."

As at December 31, 2023, there are no financial payables and liabilities to related parties.

4.17. Bonds

(in Euro thousand)	*Dec 31, 2023*	*Dec 31, 2022*	*Change*
KME Group S.p.A. 2020/2025 Bonds	92,648	92,506	142
KME Group S.p.A. 2022/2027 Bonds	63,491	63,485	6
KMH S.p.A. Up to Euro 135,100,000.00 Senior Guaranteed and Secured Fixed Rate Notes due December 31, 2025	74,571	-	74,571
Bonds	**230,710**	**155,991**	**148**

The item refers to:

- the KME Group 2020/2025 bonds, issued in February 2020 with a fixed rate of 4.5%, outstanding for a nominal amount of Euro 75,854 thousand, to which additional nominal values of Euro 16,965 thousand were added in 2021 as a result of the public exchange offer on savings shares. The outstanding bonds are therefore equal to Euro 92,819 thousand;
- KME Group 2022/2027 bonds, issued in September 2022 with a fixed rate of 5.0% outstanding for a nominal amount of Euro 63,533 thousand as a result of the public exchange offers on ordinary shares, savings shares and warrants;
- "KMH SpA Up to Euro 135,100,000.00 Senior Guaranteed and Secured Fixed Rate Notes due 31 December 2025" bonds (the "Notes"). Notes were issued for a total of Euro 110,800,000, one-third maturing on May 31, 2024, one-third on February 28, 2025, and one-third on December 31, 2025. The interest rate is set as a fixed amount, equal to: (i) 10% of the outstanding principal amount of the loan until May 31, 2024; (ii) 12% of the outstanding principal amount of the bonds, for the interest period from June 1, 2024, until February 28, 2025, (iii) 15% of the outstanding principal amount of the bonds, for the interest period from March 1, 2025, until November 30, 2025, and (iv) 15% of the outstanding principal amount of the bonds for the interest period from December 1, 2025, until December 31, 2025. The Notes are backed by guarantees issued by Quattroduedue S.p.A. The first tranche maturing in May 2024 is classified under short-term financial liabilities.

All bonds are shown net of the issue costs, which are deferred along the duration of the security so as to determine a constant effective interest rate.

4.18. Other non-current liabilities

(in Euro thousand)	*Dec 31, 2023*	*Dec 31, 2022*	*Change*
Other liabilities	1,489	482	1,007
Other non-current liabilities	**1,489**	**482**	**1,007**

The item refers to positions related to the copper sector.

4.19. Provisions for risks and charges

(in Euro thousand)	*Dec 31, 2023*	*Dec 31, 2022*	*Change*
Provisions for guarantee risks	1,086	1,150	(64)
Provisions for restructuring risks	12,193	1,300	10,893
Other provisions for risks and charges	2,842	1,415	1,427
Provisions for risks and charges	**16,121**	**3,865**	**12,256**

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

(in Euro thousand)	*Provisions for restructuring*	*Provisions for guarantee risks*	*Other provisions*	*Total*
Balance as at January 1, 2023	**1,300**	**1,150**	**4,958**	**7,408**
Changes in consolidated group	-	-	105	105
Utilised	(7,356)	(64)	(1,198)	(8,618)
Released	-	-	(917)	(917)
Allocations	7,895		4,570	12,465
Reclassifications – IFRS 5	10,354	-	1,492	11,846
Balance as at December 31, 2023	**12,193**	**1,086**	**9,010**	**22,289**

Non-current	***-***		***6,168***	***6,168***
Current	***12,193***	***1,086***	***2,842***	***16,121***

Other provisions fundamentally comprise provisions for severance payments on termination of the employment relationship and/or on retirement in accordance with French law and for warranty claims enforced by customers and for environmental risk. Customers' warranty claims are due within one year.

The "*Provisions for restructuring*" include, as allocation and consequently as reclassification under the item "result from discontinued operations", the provision, net to the utilisation of the period for Euro 4.9 million, for the closure of tubes production in Givet announced in February 2022 by Trefimetaux S.A.S.

"*Other provisions*" include as allocation Euro 4,6 million, mainly related to environmental risk.

The Group is not currently subject to legal disputes that could have a significant effect on the Group's equity and operating results. However, despite the wide range of compliance measures there may be isolated breaches or historical breaches that have not yet been identified.

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

4.20. Trade payables

(in Euro thousand)	*Dec 31, 2023*	*Dec 31, 2022*	*Change*
Trade payables – third parties	505,666	530,577	(24,911)
Trade payables – non consolidated subsidiaries	693	615	78
Trade payables – equity-accounted investments	44,821	9,423	35,398
Trade payables – other related parties	-	110	(110)
Trade payables	**551,180**	**540,725**	**10,455**

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.

At the balance sheet date, Euro 322,427 thousand (Euro 324,934 thousand as at December 31, 2022) of the recorded liabilities from trade payables are supported by letters of credit; the letters of credit are issued by the pooled credit facility. These trade payables relate to the purchase of metal.

All liabilities have a remaining term of up to one year.

4.21. Other current liabilities

(in Euro thousand)	*Dec 31, 2023*	*Dec 31, 2022*	*Change*
Liabilities to personnel and employees	18,909	21,969	(3,060)
Liabilities to social security institutions	5,113	4,051	1,062
Tax liabilities	16,152	19,831	(3,679)
Liabilities to directors for end of office indemnity	816	793	23
Liabilities to related companies	127	322	(195)
Liabilities to customers	39,747	60,426	(20,679)
Other liabilities	14,926	21,888	(6,962)
Other current liabilities	**95,790**	**129,280**	**(33,490)**

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

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

"*Liabilities to related companies*" include liabilities to directors for accrued remuneration and those for End of Office Indemnity due to the Chairman for the end of office indemnity accrued to December 31, 2012, the date on which the office ended. The Chairman has allowed the payment due date to be extended to December 31, 2024.

"*Liabilities to customers*" mainly comprise customer prepayments, bonus credits to customers and credit balances due to overpayments. The increase is mainly due to the new policy on prepayments by customers of the cost of the raw material, imposed as a sale condition.

The Group applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

4.22. Deferred tax assets and liabilities

(in Euro thousand)	*Dec 31, 2023*	*Dec 31, 2022*	*Change*
Deferred tax assets	82,751	88,478	(5,727)
Deferred tax liabilities	(107,496)	(117,752)	10,256
Deferred tax assets (liabilities), net	**(24,745)**	**(29,274)**	**4,529**

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

(in Euro thousand)	*Deferred tax assets*		*Deferred tax liabilities*	
	Dec 31, 2023	*Dec 31, 2022*	*Dec 31, 2023*	*Dec 31, 2022*
Temporary differences				
Property, plant and equipment	2,398	3,089	(76,481)	(84,146)
Investment property	-	5,209	(4,534)	(2,970)
Intangible assets	1,896	1,937	(9,923)	(19,514)
Investments	712	512	(521)	(529)
Other non-current assets	432	14	-	-
Non-current financial assets	-	-	(28)	(57)
Inventories	1,077	602	(31,510)	(21,026)
Trade receivables	1,987	2,410	(609)	(687)
Current financial assets	(23)	1	(400)	(1,838)
Other receivables and current assets	451	186	(79)	(65)
Cash and cash equivalents	-	-	-	(1)
Non-current assets held for sale	-	-	(2,075)	(2,075)
Retirement benefits	13,085	1,210	(6)	-
Non-current financial payables and liabilities	913	1,665	-	-
Bonds	-	-	-	-
Other non-current liabilities	75	37	(92)	(54)
Provisions for risks and charges	351	1,548	-	(4,475)
Current financial payables and liabilities	1,854	1,448	-	-
Trade payables	293	-	(248)	(733)
Other current liabilities	1,260	1,379	(873)	(167)
Deferred taxes on equity components	-	-	-	-
Deferred taxes on tax loss carried forward	76,645	87,854	-	-
Total	**103,406**	**109,101**	**(127,379)**	**(138,337)**
Offsetting	(20,655)	(20,623)	19,883	20,585
Total deferred tax assets (liabilities)	**82,751**	**88,478**	**(107,496)**	**(117,752)**

5. Notes to the consolidated 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" during the year under consideration.

It should be noted that the comparative data were restated following the inclusion of the income statement items of Serravalle Copper Tubes S.r.l. and Tréfimétaux SAS, which from 2023 are no longer attributable to assets and liabilities held for sale pursuant to IFRS 5.

It should also be noted that the New Strategy adopted by the Parent Company starting from April 22, 2022, resulted in the loss of the status of "investment entity" and the consequent expansion of the Group's scope of consolidation which, from April 30, 2022, also included subsidiaries that were previously investments (KME SE and CULTI Milano).

Given the above, it should be noted that the 2022 income statement balances, which include starting from the end of April 2022 the income statement flows of the fully consolidated companies, other than the Parent Company, are not directly comparable with the related balances of 2023 which included all the financial year in the scope of consolidation.

5.1. Revenues from sales and services

The breakdown of the item is as follows:

(in Euro thousand)	*2023*	*2022*
Italy	297,980	157,494
Europe	1,258,517	1,082,073
Asia	81,529	73,367
America	184,305	113,086
Other countries	58,201	38,716
Revenues from sales and services	**1,880,532**	**1,464,736**

The revenues of the KME SE group included in the income statement balances of these consolidated financial statements amount to Euro 1,857 million and mainly derive from the sale of copper products and copper alloys. Breakdown of revenues was made based on the location of the customers. The residual part relates to CULTI Milan.

During the year, the Group did not generate sales of more than 10% of Group sales with any customer. Total revenues have been recognised from the transfer of goods at a point in time.

5.2. Other income

(in Euro thousand)	*2023*	*2022*
Income from "special situations"	749	-
Lease income	8,669	141
Lease income to related companies	-	307
Provision of services to related companies	78	87
Other	15,915	10,240
Other income	**25,411**	**10,775**

The item *"Other"* includes, among other things: Euro 1.1 million relating to reductions in the cost of electricity and related taxes, Euro 1.0 million for government grants, Euro 0.4 million for rental income, Euro 0.3 million for insurance reimbursements and Euro 0.2 million for reversal of receivables written off.

5.3. Personnel cost

(in Euro thousand)	*2023*	*2022*
Wages and salaries	(182,591)	(106,909)
Social security contributions	(41,098)	(24,771)
Other personnel costs	(10,394)	(4,803)
Personnel cost	**(234,083)**	**(136,483)**

The majority of the personnel expenses relate to remuneration, which comprises wages, salaries, compensation and all other remuneration for work performed by employees of the Group in the financial year. The mandatory statutory contributions to be borne by the Company, including in particular social security contributions, are reported under social security contributions.

Retirement benefit expenses relate to active and former staff or their surviving dependants. These expenses include net periodic pension costs, employer contributions to supplementary occupational pension plans and retirement benefit payments. The figures as at December 31, 2022, referred to a period of only eight months in line with the planned scope of consolidation.

The average number of the Group's staff is given here below:

	12/31/2023	*12/31/2022*	*Change*
Total employees (average)	**3,530**	**1,865**	**1,665**

5.4. Other operating costs

(in Euro thousand)	*2023*	*2022*
Directors' and Statutory Auditors' fees	(5,411)	(6,390)
Professional services	(22,316)	(19,466)
Freight cost	(34,940)	(29,967)
Other personnel expense	(949)	(3,940)
Legal and company disclosure	(3,042)	(1,321)
Electricity, heating, postal and telephone costs	(76,314)	(46,790)
Insurance premiums	(1,116)	(7,568)
Training and seminars	(26)	-
Property leases	(6,446)	(2,538)
Maintenance	(32,539)	(19,575)
Rent and lease expense	(17)	(507)
Other taxes	(3,737)	(2,350)
Membership fees	(193)	(252)
Other net costs	(19,960)	(9,678)
Donations	(58)	(482)
Bank fees	(984)	(500)
Loss from disposal of fixed assets	(12,905)	(124)
Commissions	(10,969)	(5,572)
Release of provisions	-	291
Allocation to provisions for risks	(12,165)	(13,057)
Production and sales costs	(18,991)	(6,462)
Charges on Management Warrants	(1,046)	(2,085)
Other operating costs	**(264,124)**	**(178,333)**

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 equity (for more details regarding the assignment of management warrants, please refer to what is reported in note 4.13).

5.5. Net financial expense

(in Euro thousand)	*2023*	*2022*
Interest income from related parties	*1,620*	*1,055*
Interest income	*5,566*	*2,404*
Commissions on guarantees issued (related parties)	*-*	*287*
Gains from currencies and derivatives	*6,696*	*1,123*
Other financial income	*816*	*46,722*
Total financial income	**14,698**	**51,591**
Interest expense to related parties	*(26)*	*(38)*
Interest expense	*(35,212)*	*(9,376)*
Interest expense on securities issued	*(11,315)*	*(9,656)*
Financial and guarantee fees	*(29,768)*	*(13,129)*
Losses from currencies and derivatives	*(5,243)*	*(3,625)*
Impairment of financial instruments	*(3,520)*	*-*
Other financial expenses	*(565)*	*(138)*
Total financial expenses	**(85,649)**	**(35,962)**
Total net financial expense	**(70,951)**	**15,629**

The decrease in the item *"Other financial income"* in 2023 is due to the impact recognised in 2022 of negative goodwill realised consequently to the exercise of the Purchase Price Allocation, performed according to the requirements of IFRS 3, respect to the equity of the business operation acquired from Aurubis.

The item *"Impairment of financial instruments"* includes the impact of the impairment of the investment in the subsidiary KME Metal Sp.Z.o.o following its liquidation in December 2023.

5.6. Result of investments

The breakdown of the item is as follows:

(in Euro thousand)	*2023*	*2022*
Result of the investees at equity	(8,388)	*(10,285)*
Measurement of investments at fair value	-	*9,077*
Dividends	-	*1,013*
Result of investments	**(8,388)**	**(195)**

The "*result of the investees at equity*", negative for Euro 8,388 thousand, is related to the result for the period of the Magnet Joint Venture of the KME SE Group.

The item "*Measurement of investments at fair value*" reflected the effect of the fair value measurement of the controlling interests held by the Parent Company, which applied, until April 22, 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 December 31, 2022, related to the increase in the value of the controlling interest in CULTI Milano (at the stock market price as at April 22, 2022, the date of change of status of the investment entity) compared to December 31, 2021. The amount of the comparison period mainly relates to the valuation of the 99% investment in KME SE, which was held directly by the Parent Company on said date.

For the sake of completeness, the figures for 2022 referred mainly to dividends received from the subsidiary Ducati Energia S.p.A.

5.7. Current and deferred taxes

(in Euro thousand)	*2023*	*2022*
Current taxes	(7,384)	*(6,981)*
Deferred taxes	7,402	*26,885*
Current and deferred taxes	**18**	**19,904**

Since 2007 the 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 Company and/or subsidiaries can be offset against the tax savings realised by the Parent Company and/or subsidiaries with taxable income.

Reconciliation of theoretical tax charge and the effective charge:

(in Euro thousand)	*2023*	*2022**
Profit/(loss) before taxes	(46,497)	26,409
Expected income tax expense/income (tax rate used 24%)	**11,159**	**(7,083)**
Reconciliation:		
Effect from different tax rates:	1,792	480
Other effects:		
- (Expenses) non-deductible and tax-exempt income	(28,623)	(1,605)
- Tax losses for which no deferred tax is recognised	9,702	21,913
- Tax losses used	(288)	954
- Impairment losses/(reversal of impairment losses) on investments and securities	-	2,179
- Prior-period current tax expense	54	(148)
- Taxes on share of profit/(loss) of equity-accounted investees	-	-
- Other	6,222	3,214
Income tax recognised in the income statement	**18**	**19,904**

6. Additional information

6.1. Financial instruments by category

Additional information on financial instruments by category of financial assets and liabilities is presented below; please note that the table also shows miscellaneous receivables and other assets as well as miscellaneous payables and other liabilities.

(in Euro thousand)	*Dec-31-23*	*Dec-31-22*	*Change*
Financial assets at fair value through profit or loss	4,808	11,139	(6,331)
Financial assets at fair value through other comprehensive income	999	17,641	(16,642)
Amortised cost	273,908	333,435	(59,527)
Total financial assets	**279,715**	**362,215**	***(82,500)***
Financial liabilities at fair value through profit or loss	(5,179)	(10,652)	5,473
Financial payables and liabilities at amortised cost	(1,167,804)	(1,085,316)	(82,488)
Total financial liabilities	**(1,172,983)**	**(1,095,968)**	***(77,015)***

6.2. Financial instruments by financial statement item

The financial instruments on the basis of the related items in the financial statements as at December 31, 2023, are shown below:

(in Euro thousand)		*Measurement method*			Fair Value
Values as at December 31, 2023	Carrying amount	*Cost*	*Fair value*	*Outside the scope of IFRS 7*	
Investments	14,861	-	*884*	*13,977*	884
Other non-current assets	4,870	*4,870*	-	-	4,870
Non-current financial assets	3,167	*3,052*	*115*	-	3,167
Trade receivables	55,158	*55,158*	-	-	55,158
Current financial assets	94,284	*89,476*	*4,808*	-	94,284
Other receivables and current assets	25,756	*2,743*	-	*23,013*	2,743
Cash and cash equivalents	118,609	*118,609*	-	-	118,609
Total financial assets	**316,705**	***273,908***	***5,807***	***36,990***	**279,715**
Non-current financial payables and liabilities	(223,916)	*(223,916)*	-	-	(223,916)
Bonds	(230,710)	*(230,710)*	-	-	(230,710)
Other non-current liabilities	-	-	-	-	-
Current financial payables and liabilities	(127,286)	*(122,107)*	*(5,179)*	-	(127,286)
Trade payables	(551,180)	*(551,180)*	-	-	(551,180)
Other current liabilities	(56,043)	*(39,891)*	-	*(16,152)*	(39,891)
Total financial liabilities	**(1,189,135)**	***(1,167,804)***	***(5,179)***	***(16,152)***	**(1,172,983)**

(in Euro thousand) *Values as at December 31, 2022*	*Carrying amount*	*Measurement method*			*Fair Value*
		Cost	*Fair value*	*Outside the scope of IFRS 7*	
Equity-accounted investments	76,654			76,654	-
Investments in other companies	17,405		17,405		17,405
Other non-current assets	3,106	3,106	-	-	3,106
Non-current financial assets	3,245	3,009	236	-	3,245
Trade receivables	95,359	95,359	-	-	95,359
Current financial assets	110,101	98,962	11,139	-	110,101
Other receivables and current assets	15,423	4,155	-	11,268	4,155
Cash and cash equivalents	128,844	128,844	-	-	128,844
Financial instruments – Assets	**450,137**	**333,435**	**28,780**	**87,922**	**362,215**
Non-current financial payables and liabilities	(240,758)	(240,758)	-	-	(240,758)
Bonds	(155,991)	(155,991)	-	-	(155,991)
Other non-current liabilities	-	-	-	-	-
Current financial payables and liabilities	(109,455)	(98,803)	(10,652)	-	(109,455)
Trade payables	(540,725)	(540,725)	-	-	(540,725)
Other current liabilities	(68,854)	(49,039)	-	(19,815)	(49,039)
Financial instruments – Liabilities	**(1,115,783)**	**(1,085,316)**	**(10,652)**	**(19,815)**	**(1,095,968)**

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

IFRS 13 establishes a fair value hierarchy that classifies the inputs of the valuation techniques adopted to measure fair value into three levels. The fair value hierarchy assigns the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities (Level 1 data) and the lowest priority to unobservable inputs (Level 3 data):

- 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.

For financial instruments outstanding as at December 31, 2023, and for comparative purposes, as at December 31, 2022, the table below shows the fair value hierarchy of financial assets and liabilities that are measured at fair value on a recurring basis (Level 3 includes the carrying amounts of unlisted financial assets carried at cost in the absence of an available fair value).

(in Euro thousand)	Fair Value *as at 12/31/2023*	*Fair Value Levels*		
		1	*2*	*3*
Investments	884	-	-	884
Non-current financial assets	115	-	115	-
Current financial assets	4,808	-	4,636	172
Total financial assets	**5,807**	**-**	**4,751**	**1,056**
Non-current financial payables and liabilities	-	-	-	-
Current financial payables and liabilities	5,179	-	5,179	-

Total financial liabilities	**5,179**	**-**	**5,179**	**-**

(in Euro thousand)	Fair Value as at 12/31/2022	*Fair Value Levels*		
		1	*2*	*3*
Investments	17,405	-	-	17,405
Non-current financial assets	236	-	236	-
Current financial assets	11,139	-	10,967	172
Total financial assets	**28,780**	**-**	**11,203**	**17,577**
Non-current financial payables and liabilities	-	-	-	-
Current financial payables and liabilities	10,652	-	10,652	-
Total financial liabilities	**10,652**	**-**	**10,652**	**-**

Financial instruments reclassification

With regard to financial assets and liabilities that are measured at fair value on a recurring basis, there were no transfers from Level 3 to other levels and vice versa in 2023 resulting from changes in the significant input variables of observable valuation techniques.

6.3. Notional value of financial instruments and derivatives

(in Euro thousand)	*CULTI Group*		
Type	IRS	IRS	IRS
Purpose	Hedging	Hedging	Hedging
Original notional value	2,500	800	1,000
Notional value 12/31/2022	2,500	800	1,000
Carrying amount	54	25	36
Expiry year	2026	2026	2029

(in Euro thousand)	*KME SE Group*	
Type	LME	Firm Commitment
Notional value 12/31/2022	289,313	171,456
Expiry date	2024	2024

6.4. Credit risk exposure

The Group's exposure to credit risks mainly arises from its operating business (in particular the Copper sector). Credit risk represents the Group's exposure to potential losses deriving from the non-fulfilment of obligations assumed by both commercial and financial counterparties. This risk mainly derives from economic-financial factors, or from the possibility of a default situation of a counterparty, or from more strictly technical-commercial factors.

The maximum theoretical exposure to credit risk for the Group is represented by the carrying amount of financial assets and receivables. It should be noted that some credit positions are secured (i.e. for trade receivables much of the risk is secured by the factoring).

The concentration of the credit risk in the case of trade receivables is limited by means of the broad-based and heterogeneous customer base.

Allocations to the bad debt provision are made specifically on credit positions that present specific risk elements. On the credit positions that do not have these characteristics, allocations are instead made on the basis of the average collectability estimated on the basis of statistical indicators: the valuation is carried out through customer portfolios on the basis of past experience, shares and/or financial information, as well as credit facilities and write-downs.

With regard to credit risk relating to assets as well as derivative financial instruments, the solvency risk is limited by the fact that the related contracts are only entered into with counterparties and/or credit institutions with a reliable rating.

6.5. Foreign currency exchange risk exposure

During 2023, the Group operated internationally and has conducted its transactions in various currencies.

During these transactions, revenues are generated in currencies other than the functional currency of the Parent Company. The Group's policy is to monitor and, if necessary, hedge the aforementioned risks using derivative financial instruments such as cross currency swaps and forward contracts.

Foreign currency exchange risks mainly relate to the dollar:

(in Euro thousand)	**USD**	**GBP**	**CHF**
Gross exposure	**(88,849)**	**5,941**	**331**
Forward exchange contracts	89,120	(5,680)	(194)
Net exposure	**271**	**261**	**137**

A realistically possible strengthening (weakening) of the currencies against the other currencies to December 31 would have influenced the measurement of the financial instruments in foreign currency and essentially the profit or loss.

In the sensitivity analysis for the currencies it was assumed that the rate of the euro against the foreign currency changes by +/-10% in each case. If the euro had been 10% stronger or weaker against the foreign currency than the dominating balance sheet date rate, the equity capital and the annual result would have been changed according to the scheme presented in the following table.

In the analysis it is assumed that all other influential factors, in particular interest rates, remain constant.

All relevant foreign currency positions as well as the planned turnover in the following period taken into account in the foreign currency risk are included in the calculation.

(in Euro thousand)	**USD**	**GBP**	**CHF**
Strengthening 10%	27	26	14
Weakening 10%	(27)	(26)	(14)

6.6. Exposure to the risk of fluctuations in share value

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

6.7. Interest rate risk exposure

As at December 31, 2023, the Group's interest-bearing financial assets and liabilities had the following interest rate risk exposure:

(in Euro million)	**+100 BP**	**-50 BP**
Effect on the result for the year	3.9	(1.9)

Effect on Equity	3.9	(1.9)

At the closing date of these Consolidated Financial Statements, IRS Swaps were in place to hedge the interest rate of the loan pertaining to:

- CULTI Milano S.p.A. relating to the loan taken out in 2020 of Euro 2.5 million with ICCREA Banca;
- Scent Company S.r.l. entered into in 2020 for Euro 0.8 million with Intesa Sanpaolo;
- Bakel S.r.l. relating to the loan taken out in 2022 of Euro 0.8 million with ICCREA Banca.

At the end of 2023, a 50-basis-point increase (decrease) in interest rates at the balance sheet date would have produced an increase (decrease) in equity and result of approximately Euro 25 thousand.

6.8. *Liquidity risk exposure*

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

Sufficient supply of liquidity for the Group is guaranteed by the Group cash flow as well as by the banks with the short-term and long-term credit facilities. Fluctuations in the cash flow development can thus be absorbed; the Group's liabilities are mainly distributed as follows:

- derivative financial instruments: time horizon within 3 months;
- financial liabilities other than derivative financial instruments: time horizon from 1 to 5 years.

It should be noted that the two bonds of the Parent Company are outstanding:

- *KME Group 2020/2025*, issued in February 2020, outstanding for a nominal amount of Euro 92,819 thousand, with a fixed rate of 4.5% (annual coupon);
- *KME Group 2022/2027*, issued in September 2022, outstanding for a nominal amount of Euro 63,533 thousand with a fixed rate of 5.0% (annual coupon).

Moreover, during the fourth quarter of 2023, the subsidiary KMH issued a bond, fully subscribed by the vehicle Lynstone SSF Holdings II Sàrl, for a nominal amount of Euro 110.8 million with quarterly coupons at an increasing fixed rate (10% until May 31, 2024, 12% until February 28, 2025, and 15% until December 31, 2025) and maturing at the end of 2025.

6.9. *Exposure to commodity price risk*

As a result of its business operations, the Group is exposed to commodity price risks. Among other measures, forward contracts are entered into in order to mitigate these risks.

The nominal volume of the derivative financial instruments relating to copper, zinc, nickel, tin and aluminium, which result from the gross total of the nominal amounts of the individual purchasing and sales contracts, amounted to Euro 461 million as at December 31, 2023.

In accordance with IFRS 7, commodity price risks are shown in the form of a sensitivity analysis, which reflects the effects of a change in the commodity prices on the net income for the period.

In the event of an increase (decrease) of 100 Euro/ton in the fair value of all relevant commodity prices, as for the reporting period, there would be a change of Euro 3 million (worsening in the event of a price increase/improvement in the event of price decreases).

The calculation includes all derivatives financial instruments for metal at the balance sheet date.

7. ***Disclosure of payments for services rendered by the Independent Auditors***

In accordance with Article 149-duodecies of the "Issuers' Regulation", the following table shows the payments made during the year, net of expenses, VAT and supervisory contributions, for services provided to the Company and its subsidiaries by the Independent Auditors, Deloitte & Touche S.p.A. and other companies belonging to its network:

(in Euro thousand)	***Total***	*KME Group S.p.A.*	*Subsidiaries*
a) audit fees	**1,854**	203	1,651
b) fees for non-audit services	**122**	57	65
- audit services for certification purposes	**115**	50	65
- other fees	**7**	7	-
c) fees charged by firms in the Independent auditors' network	**-**	-	-
Independent Auditors' fees	**1,976**	**260**	**1,716**

8. ***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 normal market conditions. In 2023, there were no transactions that could be qualified as of greater importance pursuant to the "Procedure applicable to related party transactions".

9. ***Commitments and guarantees***

As at December 31, 2023, there was a commitment for investments in tangible fixed assets of Euro 5.4 million.

As at December 31, 2023, a letter of patronage was in place, signed by KME SE for the benefit of the company KME Metale S. Z.o.o.; at present, by virtue of the development of the business and the financial resources of the company, it is unlikely that this letter will be used.

In December 2015, KME Group S.p.A. 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 restructuring of certain buildings located in Limestre. This mortgage is also secured by other collaterals; it amounts to Euro 13 million as at December 31, 2023.

Annexes to the notes:

Reconciliation of result of the Parent company KME Group S.p.A. and the 2023 consolidated net result:

(in Euro thousand)	*Dec 31, 2023*
Profit/(loss) of the separate financial statements of the Parent Company	**(14,548)**
Result of consolidated companies	(27,714)
Elimination of dividends received	(239)
Other consolidated entries	-
Cancellation of effect of IFRS 16 on intra-group transactions	(3)
Cancellation of effect of IFRS 9 on intra-group transactions	(67)
Reclassification of property to tangible fixed assets	(299)
Consolidation entries (PPA)	(3,609)
Consolidated net profit (loss)	**(46,479)**
of which Profit/(loss) for the period attributable to non-controlling interests	*(6,144)*
of which Profit/(loss) for the period attributable to the shareholders of the parent company	*(40,335)*

Reconciliation of the equity of the Parent Company KME Group S.p.A. and the attributable consolidated equity for the period ended on December 31, 2023:

(in Euro thousand)	*Dec 31, 2023*
Parent company’s equity (including profit/(loss) for the period)	**297,579**
Equity of consolidated companies	776,923
Elimination of carrying amount of fully consolidated investments	(1,085,063)
Difference between the equity of consolidated companies and their carrying amount	365,260
Consolidation entries (PPA and consolidation adjustments)	(2,644)
Share of equity of consolidated companies to be attributed to third parties	(55,377)
Equity attributable to the shareholders of the Parent Company	**296,678**

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154 BIS,
PARAGRAPH 5 OF ITALIAN LEGISLATIVE DECREE 58/98, 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 February 24, 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 consolidated financial statements during the year 2023.

2. No material findings emerged in this regard.

3. Moreover, they certify that:
   3.1. the consolidated 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 July 19, 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 annual Report includes a reliable analysis of the development and performance of the business and the situation of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Milan, April 9, 2024

The Chairman	The Manager in charge of Financial Reporting
signed Vincenzo Manes	*signed Giuseppe Mazza*

Report of the Board of Statutory Auditors of KME Group S.p.A.

on the consolidated financial statements as at December 31, 2023

The Board of Statutory Auditors presents its report to the consolidated financial statements as at December 31, 2023, as part of its duties to supervise compliance with the law and the articles of incorporation.

Moreover, this report is prepared in the principle that the arguments or documents submitted by the Directors to the Shareholders' Meeting are examined by the Board of Statutory Auditors, which reports to the Shareholders' Meeting itself.

In order to avoid unnecessary duplication, this report is complementary to the report on the separate financial statements as at and for the year ended December 31, 2023, which shall be considered as totally referred to herein.

ACCOUNTING STANDARDS – EFFECTS ON THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements as at December 31, 2023, were drafted pursuant to Article 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 Article 6 of Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of July 19, 2002 as well as with the provisions issued in implementation of Article 9 of Italian Legislative Decree 38/2005.

The 2023 financial year for KME Group S.p.A. was characterised by the project aimed at delisting ordinary and savings shares and warrants from the market. The delisting was considered by the Company functional to the objective of concentrating its activities in the industrial management of the KME SE Group and of offering the Company greater flexibility in the pursuit of strategies aimed at strengthening its market position, also through external growth, taking into account that the market listing does not allow the KME Group to be adequately valued.

In recent years, the Company's activities had focused on managing the shareholdings in KME SE and its subsidiaries, carrying out several acquisitions and disposal operations that have created a new strategic configuration of the copper sector.

The financial resources necessary for the delisting derive from the signing of an investment agreement with investment funds managed by JP Morgan Asset

Management, which provided for the issue of bonds and a share capital increase approved by the subsidiary KMH S.p.A.

The first transactions instrumental to the delisting were the Voluntary Total Public Tender Offers on ordinary shares, savings shares and warrants of KME (the “PTOs”).

The Company also announced that, following the PTOs, the delisting would also be pursued through its reverse merger into KMH S.p.A., postponing the passing of related resolutions after the financial data for the financial year ended as at December 31, 2023, is available, for a more complete understanding of recent market trends.

The consolidated financial statements provide for the line-by-line consolidation of the controlling interests that have drawn up their financial statements on the basis of uniform and consistent accounting standards or, in any case, linked to the same.

Consequently, the consolidated financial statements, both at income statement and cash flow level, only include the activities of the consolidated subsidiaries, as shown in the Report on Operations prepared by the administrative body, all of which are detailed in the following tables:

Statement of financial position – Assets					
(in Euro thousand)	*Ref. Note*	*Dec-31-23*	*of which related parties*	*Dec-31-22*	*of which related parties*
Property, plant and equipment	*4.1*	529,206		499,957	
Investment property	*4.2*	66,724		68,175	
Goodwill	*4.3*	394,833		370,316	
Intangible assets	*4.3*	50,430		53,748	
Investments in subsidiaries	*4.4*	18,126	*18,126*	23,281	*23,281*
Equity-accounted investments	*4.4*	13,977	*13,977*	76,654	*76,654*
Investments in other companies	*4.4*	884	-	17,405	-
Other non-current assets	*4.5*	4,870	-	3,106	-
Non-current financial assets	*4.6*	3,167	-	3,245	-
Deferred tax assets	*4.21*	82,751		88,478	
Total non-current assets		**1,164,968**		**1,204,365**	
Inventories	*4.7*	374,179		404,903	
Trade receivables	*4.8*	55,158	*10,978*	95,359	*14,671*
Current financial assets	*4.9*	94,284	*69,974*	110,101	*71,613*
Other receivables and current assets	*4.10*	26,465	*243*	16,675	*77*
Cash and cash equivalents	*4.11*	118,609		128,844	
Total current assets		**668,695**		**755,882**	
Non-current assets held for sale	*4.12*	11,947		107,198	
Total Assets		**1,845,610**		**2,067,445**	

Statement of financial position – Liabilities					
(in Euro thousand)	*Ref. Note*	*Dec-31-23*	*of which related parties*	*Dec-31-22*	*of which related parties*
Share capital		200,105		200,070	
Other reserves		244,287		287,267	
Treasury shares		(126,834)		(2,133)	
Retained earnings		20,069		1,143	
Other comprehensive income reserve		(614)		13,188	
Profit/(loss) for the period		(40,335)		35,456	
Equity attributable to the shareholders of the Parent Company	***4.13***	**296,678**		**534,991**	
Non-controlling interests		62,137		34,546	
Total Group equity		**358,815**		**569,537**	
Retirement benefits	*4.14*	126,639		127,588	
Deferred tax liabilities	*4.21*	107,496		117,752	
Non-current financial payables and liabilities	*4.15*	223,916	-	240,758	-
Bonds	*4.16*	230,710		155,991	
Other non-current liabilities	*4.17*	1,489		482	
Provisions for risks and charges	*4.18*	6,168		3,543	
Total non-current liabilities		**696,418**		**646,114**	
Current financial payables and liabilities	*4.15*	127,286	-	109,455	-
Trade payables	*4.19*	551,180	*45,514*	540,725	*10,148*
Other current liabilities	*4.20*	95,790	*127*	129,280	*1,115*
Provisions for risks and charges	*4.18*	16,121		3,865	
Total current liabilities		**790,377**		**783,325**	
Liabilities directly associated to assets held for sale	*4.12*	-		68,469	
Total liabilities and equity		**1,845,610**		**2,067,445**	

Consolidated statement of cash flows – indirect method

(in Euro thousand)	*2023*	*2022* (*)
(A) Cash and cash equivalents at the beginning of the period	**128,844**	**4,698**
Profit before tax	(46,497)	15,554
Amortisation, depreciation, impairment and write-downs	57,562	50,252
Change in inventories	75,443	13,512
Change in trade receivables	26,694	77,981
Change in trade payables	(132,440)	(47,565)
Change in provisions for personnel, provisions for risks and charges	(9,329)	(13,652)
Change in other assets and liabilities	59,481	(7,067)
Changes in fair value of derivatives	(1,697)	32,046
Result from equity accounted investments	8,388	10,285
Financial result (without currency and fair value effects)	56,539	(26,725)
Income taxes	(13,184)	4,776
Other non-monetary changes	5,623	(6,486)
(B) Cash flow from operating activities	**86,583**	**102,911**
Payments on non-current tangible and intangible assets	(1,077)	(17,403)
Proceeds from non-current tangible and intangible assets	(28,773)	2,118
Payments on/proceeds from other non-current assets/liabilities	19	82
Payments on/proceeds from investments	34,766	(84,343)
Interest received	6,631	3,459
Dividends received	-	1,013
(C) Cash flow from investing activities	**11,566**	**(95,074)**
Changes in equity for a fee	(115,897)	32
Dividends paid	(3,346)	-
Payments on/proceeds from current and non-current financial payables	102,980	26,250
Payments on/proceeds from current and non-current financial receivables	(14,090)	16,347
Interest payments	(42,381)	(15,496)
Other financial payments	(37,569)	(14,956)
(D) Cash flow from financing activities	**(110,303)**	**12,177**
(E) Change in cash and cash equivalents	**(12,154)**	**20,014**
(F) Changes in consolidated group and reclassification from IFRS 5	1,888	104,174
(G) Exchange rate related changes on cash and cash equivalents	31	(42)
(H) Cash and cash equivalents at the end of the year	**118,609**	**128,844**

Consolidated income statement and statement of comprehensive income

(in Euro thousand)	*Ref. Note*	*2023*	*of which related parties*	*2022**	*of which related parties*
Revenues from sales and services	*5.1*	1,880,532	194,241	1,464,736	-
Change in inventories of finished and semi-finished products		(876)		55,816	
Own work capitalised		1,463		375	
Other income	*5.2*	25,411	78	10,775	32
Purchases and change in raw materials		(1,317,919)	(108,721)	(1,166,514)	-
Personnel cost	*5.3*	(234,083)	(2,132)	(136,483)	(210)
Depreciation, amortisation, impairment and write-downs		(57,562)	-	(50,252)	
Other operating costs	*5.4*	(264,124)	(5,361)	(178,333)	(1,756)
Operating profit/(loss)		**32,842**		**120**	
Financial income		14,698	5,091	51,591	561
Financial expense		(85,649)	(1,313)	(35,962)	(10)
Net financial expense	*5.5*	*(70,951)*		*15,629*	
Result of investments	*5.6*	(8,388)	(8,388)	(195)	9,316
Profit/(loss) before taxes		**(46,497)**		**15,554**	
Current taxes		(2,149)		(6,903)	
Deferred taxes		2,167		26,807	
Total income taxes	*5.7*	**18**		**19,904**	
Net profit (loss) for the period from operating activities		**(46,479)**		**35,458**	
Profit (loss) from discontinued operations		-		-	
Net profit (loss) for the period		**(46,479)**		**35,458**	
Other comprehensive income:					
Measurement of employee defined benefits		*(4,734)*		16,053	
Taxes on other comprehensive income		*1,752*		(4,120)	
Fair value measurements		*(9,700)*		-	
Items that cannot be reclassified to profit or loss for the period		**(12,682)**		**11,933**	
Foreign currency translation gains/(losses)		*(1,572)*		1,506	
Net change in cash flow hedge reserve		*(151)*		694	
Other		-		-	
Taxes on other comprehensive income		*64*		(149)	
Items that may be reclassified to profit or loss for the period		**(1,659)**		**2,051**	
Total other comprehensive income, net of tax effect		**(14,341)**		**13,984**	
Total comprehensive income for the period		**(60,820)**		**49,442**	
Net profit (loss) for the period attributable to:					
- non-controlling interests		*(6,144)*		2	
- shareholders of the parent company		*(40,335)*		35,456	
Net profit (loss) for the period		**(46,479)**		**35,458**	
Total comprehensive income attributable to:					
- non-controlling interests		*(6,677)*		824	
- shareholders of the parent company		*(54,143)*		48,618	
Total comprehensive income for the period		**(60,820)**		**49,442**	

Reconciliation between the Consolidated Financial Statements and the Parent Company Financial Statements

The reconciliation of Group equity and result and that of KME Group S.p.A. is the following:

Reconciliation of result of the Parent company KME Group S.p.A. and the 2023 consolidated net result:

(in Euro thousand)	*Dec 31, 2023*
Profit/(loss) of the separate financial statements of the Parent Company	**(14,548)**
Result of consolidated companies	(27,714)
Elimination of dividends received	(239)
Other consolidated entries	-
Cancellation of effect of IFRS 16 on intra-group transactions	(3)
Cancellation of effect of IFRS 9 on intra-group transactions	(67)
Reclassification of property to tangible fixed assets	(299)
Consolidation entries (PPA)	(3,609)
Consolidated net profit (loss)	**(46,479)**
of which Profit/(loss) for the period attributable to non-controlling interests	*(6,144)*
of which Profit/(loss) for the period attributable to the shareholders of the parent company	*(40,335)*

Reconciliation of the equity of the Parent Company KME Group S.p.A. and the attributable consolidated equity for the period ended on December 31, 2023:

(in Euro thousand)	*Dec 31, 2023*
Parent company's equity (including profit/(loss) for the period)	**297,579**
Equity of consolidated companies	776,923
Elimination of carrying amount of fully consolidated investments	(1,085,063)
Difference between the equity of consolidated companies and their carrying amount	365,260
Consolidation entries (PPA and consolidation adjustments)	(2,644)
Share of equity of consolidated companies to be attributed to third parties	(55,377)
Equity attributable to the shareholders of the Parent Company	**296,678**

The emergence of goodwill deriving from the so-called PPA (Purchase Price Allocation) is of particular relevance, as shown in the following table:

(in Euro thousand)	*Dec 31, 2023*	*Dec 31, 2022*	*Change*
Copper Cash Generating Unit	367,057	342,540	24,517
Perfumes and Cosmetics Cash Generating Unit	27,776	27,776	-
Goodwill	**394,833**	**370,316**	**24,517**

SCOPE OF CONSOLIDATION

The consolidated financial statements as at December 31, 2023 reflect the consolidation of the Parent Company and the companies directly and indirectly controlled, jointly controlled or associates.

For details of the companies subject to line-by-line consolidation, please refer to the notes to the consolidated financial statements.

The assets and liabilities which are expected to be disposed of are reclassified under the assets and liabilities items intended to highlight these cases and its economic effects are shown in a separate item in the income statement.

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.

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

During 2023 and in the first months of 2024, KME SE carried out and launched further operations and in particular:

- in June 2023, following the fulfilment of the conditions precedent set forth in the agreement, it performed the agreement signed with Golden Dragon Precise Copper Tube Inc, for the sale of its 50% share in the joint venture KMD (HK) Holding Ltd and the purchase of 100% of the shares of KMD Connectors Stolberg GmbH; the execution of the transaction, as provided for in the agreement signed in December 2022, resulted in a net cash inflow of approximately USD 53 million, of which approximately USD 43 million related to the purchase and sale of investments and the payment of commercial positions, and USD 10 million related to the repayment of existing loans (already included in the net financial position);
- in July 2023, KME SE and S.A. Eredi Gnutti Metalli Spa (hereinafter “EGM”) signed and executed a purchase and sale agreement for the repurchase by KME SE of the 16% of KME Italy S.p.A. (hereinafter “KI”) held by EGM.

  EGM had actually transferred the rolled business to KI in June 2021, becoming the owner of a minority shareholding of 16%. The transaction, which involves the total repurchase of the investment for a consideration equal to Euro 22.5 million – of which Euro 8.4 million paid at closing and the remaining part over the following 24 months – represents the last step of the process launched in 2021 for the integration of EGM's laminate activities into those of KI;

- in February 2024, a Business Combination Agreement (“BCA”) was signed jointly with Paragon and SDCL EDGE Acquisition Corporation (“SEDA”), a special purpose acquisition company with securities listed on the New York Stock Exchange (“NYSE”), which involves the special products business of Cunova GmbH, in which KME SE currently holds an indirect investment of 45%. This BCA follows a non-binding letter of intent signed in August 2023 and envisages that Cunova will be acquired indirectly by a listed entity, taking over from SEDA. KME SE will also further increase its investment in the Combined Company due to the transfer of its aerospace business, providing high tolerance copper alloys components to the main operators in the aerospace industry. Upon completion of the transaction, KME SE will hold a controlling interest in the share capital of the Combined Company listed on the NYSE and will receive liquidity of USD 20 million;
- in February 2024, an agreement was signed relating to the acquisition of 100% of the shares of Blackhawk Holding GmbH, a German holding company that holds 100% of Sundwiger Messingwerk GmbH, European leader in the sector of semi-finished rolled bronze products and a manufacturer of semi-finished rolled brass products.

The total financial debt includes a liability of Euro 94.6 million linked to the accounting, pursuant to IFRS 16, of the sale and lease back transaction on the KME SE property in Osnabrück.

ACCOUNTING DOCUMENTS WHICH COMPRISE THE CONSOLIDATED FINANCIAL STATEMENTS

On April 9, 2024, the Chairman of the Company, Vincenzo Manes, and the Manager in charge of Financial Reporting, Giuseppe Mazza, provided the Directors and Statutory Auditors with a written statement, also for the purposes of Article 154 bis of Italian Legislative Decree 58/1998, certifying the adequacy, for a company of this type, of the management and accounting policies for the preparation of separate and consolidated financial statements for 2023, and their compliance with international financial reporting standards.

On April 30, 2024, the Independent Auditors Deloitte & Touche S.p.A. issued an unreserved opinion on the consolidated financial statements.

Exhaustive information has been provided in the Report on the Consolidated financial statements (accounting standards, notes and annexes).

Information on key indicators of both financial and non-financial performance can be extracted from the tables contained in the notes to the consolidated financial statements.

Information on the most important events, related party and/or intra-group transactions in 2023, reports and representations made by shareholders or third parties and, in general, oversight and controls, is contained in the Board of Statutory Auditors' Report on the separate financial statements for the year 2023.

In conclusion, the Board of Statutory Auditors is of the opinion that the consolidated financial statements and accompanying documents adequately reflect the Group's financial position and results of operations for the year 2023.

The consolidated financial statements and accompanying documents have only been provided to Shareholders for information purposes and do not require approval.

* * *

Milan, April 30, 2024

The Board of Statutory Auditors (with unanimous consent)

The Chairman of the Board of Statutory Auditors

(*signed Silvano Crescini*)

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INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014

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

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of KME Group S.p.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated income statement and statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of KME Group S.p.A. (the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

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Impairment test of the goodwill of the CGU Copper	
Description of the key audit matter	The goodwill recognised in the consolidated financial statements as at 31 December 2023 allocated to the Copper CGU amounted to € 367 million. As indicated in the explanatory notes, in paragraph "4.3 Goodwill", the Group's Directors carried out the impairment test of the abovementioned goodwill by determining the recoverable value of the Copper CGU according to the value in use methodology. The main assumptions adopted by the Directors of KME Group S.p.A. to estimate the aformentioned value in use concern: • the forecast of Copper CGU's expected cash flows for the explicit period based on the Business Plan 2024 – 2028 of KME SE prepared and approved by the relevant governing bodies; • the projections of these cash flows for the determination of the terminal value; • the determination of the discount rate (WACC) and the long-term growth rate (g-rate). The explanatory notes to the consolidated financial statements show that the impairment test performed not revealed any impairment of the Copper CGU, with the result that the carrying value of goodwill remained unchanged. Considering the subjectivity of the estimate of expected cash flows and the key variables of the valuation model adopted by the Company, as well as the releavance of the value of goodwill recognised in the consolidated financial statements, the related impairment test is considered to be a key aspect of the audit of the Group's consolidated financial statements as at 31 December 2023.
Audit procedures performed	The main procedures carried out as part of our audit work, also with the support of evaluation specialists, have included the following: • analysis, also through meetings and discussions with the Company's management, of the model used by the Directors for the execution of the impairment test and the determination of the value of use of the CGU Copper; • understanding and recognition of the relevant controls put in place by the Company on the impairment test process; • verification of the reasonableness of the main assumptions adopted for the formulation of cash flow forecasts, and the determination of the discount rate and long-term growth rate used in the valuation model;

- verification of the mathematical accuracy of the model used to determine the value in use.

Finally, we examined the completeness and compliance with the applicable accounting standards of the disclosure provided in the consolidated financial statements.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of KME Group S.p.A. has appointed us on 31 May 2016 as auditors of the Company for the years from 31 December 2016 to 31 December 2024.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion on the compliance with the provisions of the Delegated Regulation (EU) 2019/815

The Directors of KME Group S.p.A. are responsible for the application of the provisions of the European Commission Delegated Regulation (EU) 2019/815 with regard to the regulatory technical standards on the specification of the single electronic reporting format (ESEF – European Single Electronic Format) (hereinafter referred to as the "Delegated Regulation") to the consolidated financial statements as at 31 December 2023, to be included in the annual financial report.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 700B in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements as at 31 December 2023 have been prepared in XHTML format and have been marked up, in all material respects, in accordance with the provisions of the Delegated Regulation.

Due to certain technical limitations, some information contained in the explanatory notes to the consolidated financial statements, when extracted from XHTML format in an XBRL instance, may not be reproduced in the same way as the corresponding information displayed in the consolidated financial statements in XHTML format.

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of KME Group S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of KME Group as at 31 December 2023, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98, with the consolidated financial statements of KME Group as at 31 December 2023 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of KME Group as at 31 December 2023 and are prepared in accordance with the law.

Deloitte.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, no. 254

The Directors of KME Group S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 30 December 2016, no. 254.

We verified the approval by the Directors of the non-financial statement.

Pursuant to art. 3, paragraph 10 of Legislative Decree 30 December 2016, no. 254, this statement is subject of a separate attestation issued by us.

DELOITTE & TOUCHE S.p.A.

Signed by
Luca Franchino
Partner

Milan, Italy
30 April 2024

As disclosed by the Directors on page 1, the accompanying consolidated financial statements of KME Group S.p.A. constitute a non-official version which has not been prepared in accordance with the provisions of the Commission Delegated Regulation (EU) 2019/815. 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.