INTERIM FINANCIAL REPORT
AS AT 30 JUNE 2023
(1ST HALF 2023)

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

Board of Directors
of 18 September 2023

KME Group S.p.A.
Registered and Administrative Office:
20121 Milan - Foro Buonaparte, 44
Share capital Euro 200,076,932.10, fully paid-up
Tax Code and Milan Business
Register no. 00931330583
www.itkgroup.it

Contents

Company Bodies

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

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

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

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

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

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

[*] Office currently under "prorogatio" as the shareholders' meeting for the appointment of the common representative has been closed.

Interim report on operations

Dear Shareholders,

The first months of 2023 for KME Group S.p.A. (hereinafter also “KME” or the “Company” or the “Parent Company”) were characterised by the launch of 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 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 products (“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”), 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 S.p.A. (wholly-owned subsidiary of KME) and which will be fully subscribed, for a total maximum amount of Euro 205.1 million, by JPM.

At the time of preparation of this interim report on operations (the “Report”), the Total Voluntary Public Tender Offers on Ordinary Shares, Savings Shares and Warrants issued by the Company are being carried out, whose deadline is set for 25 September 2023.

With reference to the macroeconomic context of the period, the Group is monitoring the evolution of the general political and economic situation, also in relation to the effects of the evolution of the conflict in Ukraine, and has noted signs of deceleration starting from the fourth quarter of 2022, becoming gradually more accentuated in the first few months of the second half of the year.

Extraordinary finance transactions and delisting

KME's choice, resolved by the Board of Directors on 22 April 2022 (the “New Strategy”), to concentrate its activities in the industrial management of KME SE, based on the growth expectations of the rolled copper 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 promoted, which had as consideration the “KME Group SpA 2022-2027” Bonds, were launched and concluded in 2022.

Continuing on this path, KME announced on 28 February 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 category capital 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 "KME Group S.p.A. 2021 - 2024" 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 3 and 4 April.

On 28 March 2023, the Company's Board of Directors accepted a binding offer from investment funds managed by JP Morgan Asset Management (UK) Limited ("JPM"), aimed at financing a transaction that envisages, 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"), 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 Group S.p.A. at a unit price of Euro 1.00 (the "Public Tender Offer on Ordinary Shares");

- a 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 "Public Tender Offer on Savings Shares");

- a total public tender offer on "KME Group S.p.A. 2021 - 2024" warrants (the "Warrants") at a unit price of Euro 0.45 (the "Public Tender Offer on Warrants").

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 provide for a consideration to be paid in cash, are also extended to savings shareholders and warrant holders, and for ordinary shares, they provide for an increase in consideration and a higher number of securities to be included in the offer.

The transaction and the Offers are 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 will mainly use 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 will in turn refer 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) of KMH which will be fully subscribed, for a total amount of up to Euro 205.1 million, by JPM.

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. Quattroduedue, as an additional recipient of the binding offer, accepted the same in order to support the Company in the overall transaction.

In addition, in relation to the project, among other things, the signing is envisaged of an agreement containing some shareholders' pacts, 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 10 May 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 12 June 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 Group S.p.A., on the basis of what was resolved at the meeting, therefore took the decision to promote the Offers and sent to Consob the communication pursuant to art. 102 of the Consolidated Law on Finance relating to the promotion of the Offers, with the simultaneous dissemination to the market of the press release pursuant to art. 37 of the Issuers' Regulation. Having received the necessary waivers from the lenders, the Public Offer on Ordinary Shares was promoted in full.

On 20 June 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 19 July 2023.

The main characteristics of the Offers are as follows:

- the Public Tender Offer on Ordinary Shares concerns 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 concerns a maximum of 13,822,473 Savings Shares (equal to 90.66% of 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 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 3 May 2023 and with payment made as of 24 May 2023);
- The Public Tender Offer on Warrants concerns 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.

The Subscription Period is scheduled from 31 July to 25 September 2023, inclusive, and therefore, equal to 40 trading days and the consideration Payment Date is scheduled for 4 October 2023.

If the legal requirements are met, pursuant to Article 40-bis, paragraph 1, lett. a), of the Issuers' Regulation, the Subscription Period for the Public Tender Offer on Ordinary Shares will be reopened for five trading days starting from the trading day following the Payment Date. The payment date for the Ordinary Shares subscribed as part of the Public Tender Offer on Ordinary Shares during the Reopening of the Terms (if provided) will be 18 October 2023.

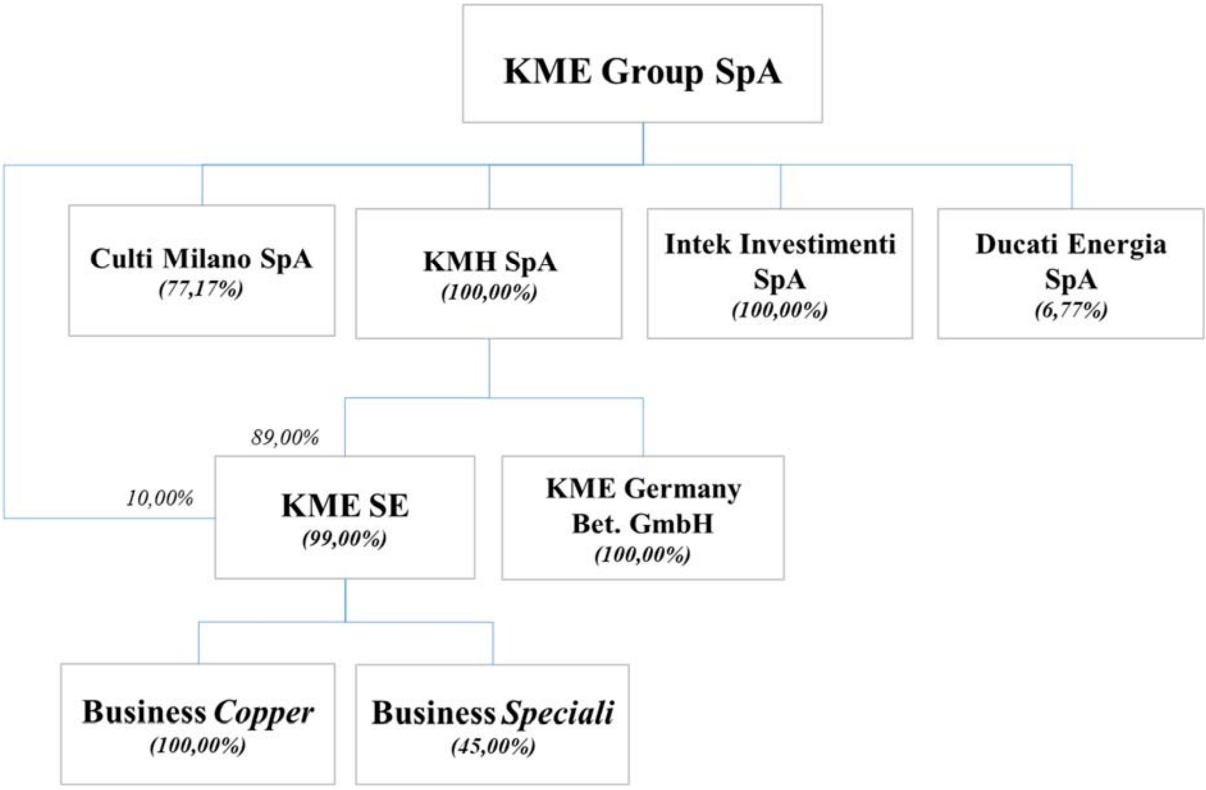
As envisaged by the investment agreement with JPM, on 19 June 2023 the Board of Directors of KMH resolved the issue of the bond loan "*KMH SpA Up to Euro 135,100,000.00 Senior Guaranteed and Secured Fixed Rate Notes due 31 December 20*25" (resolution subsequently amended on 21 July 2023) and, on 10 July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

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

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

Summary of the corporate structure as at 30 June 2023

The following chart shows the main equity investments of KME Group S.p.A.:



Compared to 31 December 2022, there have been no changes in the structure presented above.

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 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% stake. *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.

Ducati Energia S.p.A.: in which KME holds a non-controlling investment (6.77% of the share capital through all special shares), is a company active in a number of attractive business segments (condensers, industrial power factor correction, railway signalling, measurement tools, sustainable mobility, Intelligent Transportation Systems).

Macroeconomic Framework - The conflict between Russia and Ukraine

The main risk relating to the overall macroeconomic scenario of Europe is directly linked to the war in Ukraine. Currently, it is becoming increasingly clear that this conflict will continue into the near future, thus continuing to represent one of the main threats until the end of the current year and beyond.

The significant inflationary pressure on natural gas and electricity costs, triggered by the conflict, began to decrease towards the end of last year, falling in the first quarter of 2023 to pre-conflict levels and also settling in the second quarter of the year at these lower values.

The most recent forecasts of the International Monetary Fund (IMF) for the world economy in 2023 predict GDP growth of 3.0% (higher than the previous one of 2.8%) against an effective growth rate recorded in 2022 equal to 3.4%, in any case down compared to 6.0% recorded in 2021.

The ongoing conflict in Ukraine and the lower growth rates expected in advanced economies are among the main causes of this slowdown.

The extremely high level of inflation in 2022 and the first half of 2023 also negatively affected current and future growth rates. According to forecasts, the final global inflation rate of the IMF in 2023 will fall from 8.7% (achieved in 2022) to 6.8% (further decreasing to 5.2% in 2024), mainly due to the expected reduction in raw material prices. However, core inflation is expected to slow down more gradually. This persistent above-target inflation and the related interest rate measures introduced by central banks have a negative impact on overall economic growth. This approach did not change in the first half of the year, as demonstrated by the numerous increases in interest rates by the main central banks throughout the world.

With reference to the European Union, the growth rate forecast for 2023, although the estimates were revised to growth of 1.0%, is much lower than the 2.7% increase in 2022.

In terms of growth forecasts for individual countries in 2023, GDP growth of 0.2% for Germany, 1.2% for Italy, 0.7% for France and 1.9% for Spain is expected (update May 2023).

In relation to the price of raw materials, the average price of crude oil (WTI) in the first half of 2023 was USD 75.58/b (it was USD 76.1/b in the first quarter) compared to the price of USD 94.4/b in 2022. The average WTI price for 2023 is expected to be USD 79.79/b, thus indicating a rather stable trend in oil prices for the current year.

After reaching Euro 80 per MWh at the end of last year, the Dutch TTF indicator continued to decline in the first quarter of 2023 (Euro 52 per MWh at the end of March). This reduction was favoured by the ability of the major European economies to gradually obtain other sources of natural gas to replace the lack of supplies from Russia. This trend continued in the second quarter and at the end of June the TTF reached Euro 38.3 per MWh. The price of electricity in Europe also reported a similar trend.

Copper maintained its position on the LME and, after recording an average price of around USD 8,822/t on the LME in 2022, rose slightly during the first quarter of 2023, reaching an average price of USD 8,944/t. At the end of June, it fell to USD 8,396/t. During the first half of this year, copper, like some other raw materials, showed a stable performance and, according to forecasts, should remain generally stable at this level or at similar levels for the rest of the year.

After going through a period of unusually high inflationary pressure in 2022, in the first half of this year all the main economies started to see a gradual reduction in inflation rates. The EU and European economies in general were also affected by this positive trend. After reaching an annual inflation rate of 9.2% in the EU in December 2022, inflation gradually started to decline, reaching 8.3% at the end of the first quarter of 2023. This process accelerated during the second quarter, with a drop in the inflation rate to 6.4% in June 2023 (5.5% for the Eurozone economies), while in the previous year this rate had reached the 7.8%. The general expectation is that the annual inflation rate in the EU will be around 5.5%, achieving a substantial improvement compared to last year, although still above the ECB's target of 2%. Therefore, inflation continues to represent a risk, as it could trigger a further increase in interest rates by the ECB.

The Group is not directly exposed to countries affected by the Russia-Ukraine conflict, as it does not have significant commercial relations with Russia and Ukraine. The Group does not have operating activities in Ukraine and Russia and the revenues achieved in the two countries have always been extremely low.

In any case, the Group is carefully monitoring the evolution of the situation to consider any changes in the geopolitical context that may require a review of the corporate strategies already defined and/or the adoption of mechanisms to safeguard its competitive positioning, investments, company performance and its resources.

Effect of climate change

The National Climate Change Adaptation Plan presented in December 2022 underlines how the industrial sector (with the exception of the energy sector and the sectors that are large consumers of water resources) is not commonly perceived as an economic sector particularly vulnerable to climate change, as on the contrary prevailing consideration is given to the new opportunities that the actions necessary to combat climate change and support the ecological transition may offer to some businesses.

From this point of view, the copper industry (which processes an essential material for the energy transition (renewable energies, energy efficiency, electric mobility etc.) and therefore closely connected to new technologies and new markets) is certainly among those that can most seize the development opportunities related to the ecological and digital transition. With reference to this scenario, the KME Group has further focused its strategy on the copper sector. No less important are the opportunities related to the transition to a circular economy, which is a necessary condition for reducing greenhouse gas emissions and achieving the goal of climate neutrality but also a factor of greater efficiency and economic competitiveness for companies.

However, as the Climate Change Adaptation Plan points out, climate change also entails multiple risks for this sector as well as for the entire economic system. Authoritative evidence of how awareness of the importance of climate and environmental risks has increased is also provided by the "Global Risks" report prepared by the World Economic Forum (a global community of leaders and political decision-makers from the economic, political, academic and international organisations) as well as an increasing number of analyses and reports of financial authorities, economic entities, study centres and scientific institutions.

In addition to a series of risks related to higher costs that may affect competitiveness, including forms of emission taxation, the most significant risks are linked to the increase in the frequency and intensity of extreme weather events (violent rainfall, floods and landslides, droughts and forest fires) that can directly affect industrial activities and infrastructures located in the most vulnerable areas. According to data collected in the insurance sector and reported by the European Environment Agency, the number of natural disasters in EU countries shows an increasing trend since 1980. Around two thirds of the economic losses attributable to natural disasters were caused by floods and hurricanes. Although it is currently difficult to accurately determine the proportion of losses attributable to climate change, in light of the current and expected impacts and risks, an increase is expected, with particular regard to losses attributable to floods. Climate change can also affect the quantitative and qualitative status of water resources, altering the hydrogeological cycles and systems; global warming will have the effect of intensifying the hydrological cycle and increasing the frequency of flood events in a large part of Europe.

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 the Group that manage the production plants, after verifying the risks to which they are potentially exposed from this point of view, will define possible prevention initiatives in line with the adaptation plans prepared by public bodies. By way of example, it should be noted that KME Italy has already carried out some works along an embankment of the Serchio river near the town of Fornaci di Barga. At the same time, as already mentioned, the KME Group has adopted strategies for the reduction of emissions and the de-carbonisation of industrial processes, in line with the objectives of the 2015 Paris Agreement and with the Business Plan for the European Union Green Deal.

Climate action

The transformation of production methods and related operating processes is at the heart of the strategy aimed at climate neutrality. KME's commitment is structured on several levels:

- reduction of direct emissions generated by its industrial activities;
- reduction of indirect emissions related to electricity purchased and consumed;
- CO_2 offsetting measures;
- innovative technologies and projects for de-carbonisation;
- use of raw materials from recycling and development of circularity;
- partnerships and shared initiatives.

Group results

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

The condensed consolidated half-yearly financial statements as at 30 June 2022 only included two months of activities of the consolidated subsidiaries. Therefore, the comparison of the data for the first half of 2023 with those of the corresponding period of the previous year is not fully representative of the Group's management performance.

For comments on the operating performance of the first half 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)	*30 Jun 2023*	*31 Dec 2022*
Net non current assets	1,120,529	1,115,405
Net working capital	(154,788)	(114,067)
Net deferred tax	(31,690)	(29,274)
Provisions	(150,640)	(134,996)
Net invested capital	**783,411**	**837,068**
Total equity	575,717	569,637
Net financial position	207,694	267,531
Sources of finance	**783,411**	**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:

(in Euro thousand)	*1st half 2023*	*1st half 2022*
Revenues from sales and services	1,083,417	347,776
Change in inventories of finished and unfinished products	6,066	1,451
Own work capitalised	538	89
Other income	12,768	1,527
Purchases and change in raw materials	(748,803)	(267,967)
Personnel cost	(122,276)	(35,060)
Depreciation, amortisation, impairment and write-downs	(27,375)	(5,770)
Other operating costs	(137,671)	(37,336)
Operating result (EBIT)	**66,664**	**4,710**
Financial income	7,838	2,011
Financial expense	(42,659)	(9,720)
Net financial expense	*(34,821)*	*(7,709)*
Result of investments	(531)	11,573
Profit before tax	**31,312**	**8,574**
Current taxes	(9,723)	(4,895)
Deferred taxes	(374)	3,076
Total income taxes	**(10,097)**	**(1,819)**
Net profit (loss) for the period from operating activities	**21,215**	**6,755**
Profit (loss) from discontinued operations	-	-
Net profit (loss) for the period	**21,215**	**6,755**
- attributable to non-controlling interests	*2,599*	*451*
- attributable to the shareholders of the parent company	*18,616*	*6,304*

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 used on the first half of 2023.

Reclassified consolidated income statement					
(in Euro million)	*2023 IFRS*		*Reclassifications*	*2023 Reclassified*	
Sales revenues	1,083.40	**100.0%**	-	1,083.40	
Cost of raw material	-		(724.10)	(724.10)	
Revenues, net of raw material cost	**-**			**359.30**	**100.0%**
Personnel cost	(122.30)		2.30	(120.00)	
Other consumption and costs	(867.10)		730.70	(136.40)	
Gross Operating Income (EBITDA)	**94.00**	**8.7%**	**8.90**	**102.90**	**28.6%**
Depreciation/Amortisation	(27.40)		0.70	(26.70)	
Net Operating Income (EBIT)	**66.60**	**6.1%**	**9.60**	**76.20**	**21.2%**
Net financial expense	(34.80)		3.10	(31.70)	
Profit (loss) before non-recurring items	**31.80**	**2.9%**	**12.70**	**44.50**	**12.4%**
Non-recurring (charges)/income	-		(9.00)	(9.00)	
Current taxes	(9.70)		-	(9.70)	
Deferred taxes	(0.40)		(3.00)	(3.40)	
Net profit (loss) (IFRS stock)	**21.70**	**2.0%**	**0.70**	**22.40**	**6.2%**
IFRS effect on the valuation of inventories and forward contracts	-		(3.70)	(3.70)	
Tax effect of the IFRS valuation of inventories and forward contracts	-		3.00	3.00	
Profit (loss) from equity-accounted investments	(0.50)		-	(0.50)	
Consolidated net profit (loss)	**21.20**	**2.0%**		**(1.20)**	**-0.3%**
Profit attributable to non-controlling interests	2.60			2.60	
Net profit attributable to the shareholders of the Parent Company	**18.60**	**1.7%**	**(0.00)**	**18.60**	**5.2%**
Comprehensive income items	(6.90)		-	(6.90)	
Comprehensive income	**14.30**	**1.3%**	**(0.00)**	**14.30**	**4.0%**
of which attributable to the shareholders of the Parent Company	11.70			11.70	
of which attributable to non-controlling interests	2.60			2.60	

The comparison with the first half of the year is as follows:

Reclassified consolidated income statement				
(in Euro million)	*1st half of 2023 Reclassified*		*1st half of 2022 Reclassified*	
Sales revenues	1,083.40	**100.0%**	331.60	
Cost of raw material	(724.10)		(243.80)	
Revenues, net of raw material cost	**359.30**		**87.80**	**100.0%**
Personnel cost	(120.00)		(30.50)	
Other consumption and costs	(136.40)		(44.80)	
Gross Operating Income (EBITDA)	**102.90**	**9.5%**	**12.50**	**14.2%**
Depreciation/Amortisation	(26.70)		(5.20)	
Net Operating Income (EBIT)	**76.20**	**7.0%**	**7.30**	**8.3%**
Net financial expense	(31.70)		(7.30)	
Profit (loss) before non-recurring items	**44.50**	**4.1%**	**-**	**0.0%**
Non-recurring (charges)/income	(9.00)		(2.20)	
Current taxes	(9.70)		(4.40)	
Deferred taxes	(3.40)		2.50	
Net profit (loss) (IFRS stock)	**22.40**	**2.1%**	**(4.10)**	**-4.7%**
IFRS effect on the valuation of inventories and forward contracts	(3.70)		(1.30)	
Tax effect of the IFRS valuation of inventories and forward contracts	3.00		0.50	
Profit (loss) from equity-accounted investments	(0.50)		11.60	
Consolidated net profit (loss)	**21.20**	**2.0%**	**6.70**	**7.6**
Profit attributable to non-controlling interests	2.60		0.50	
Net profit attributable to the shareholders of the Parent Company	**18.60**	**1.7%**	**6.20**	**7.1%**
Comprehensive income items	(6.90)		14.10	
Comprehensive income	**14.30**	**1.3%**	**20.80**	**23.7%**
of which attributable to the shareholders of the Parent Company	11.70		20.40	
of which attributable to non-controlling interests	2.60		0.40	

Consolidated financial debt

The Group's financial debt as at 30 June 2023, compared to 31 December 2022, can instead be broken down as follows:

Consolidated financial debt(*)			
	(in Euro thousand)	*30 Jun 2023*	*31 Dec 2022*
A	Cash and cash equivalents	153,258	128,844
B	Cash equivalents	-	-
C	Other financial assets	121,204	109,829
D	**Cash and cash equivalents (A+B+C)**	**274,462**	**238,673**
E	Current financial debt	34,147	45,584
F	Current portion of non current financial debt	51,499	63,871
G	**Current financial debt (E+F)**	**85,646**	**109,455**
H	**Net current financial debt (G-D)**	**(188,816)**	**(129,218)**
I	Non current financial debt	240,456	240,758
J	Debt instruments	156,054	155,991
K	Trade payables and other non current payables	-	-
L	**Non current financial debt (I + J + K)**	**396,510**	**396,749**
M	**Total financial debt (H + L)**	**207,694**	**267,531**

The total financial debt includes a liability of Euro 94.5 million linked to the accounting, pursuant to IFRS , of the sale and lease back transaction on the KME SE property in Osnabrück.

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

Financial position and results of operations of the Parent Company

The Parent Company's financial highlights as at 30 June 2023, compared to 31 December 2022, are summarised below.[1]

Condensed separate statement of financial position				
(in Euro thousand)	*30 Jun 2023*		*31 Dec 2022*	
KME SE investment	*58,410*		*58,410*	
KMH S.p.A. (formerly KME Group S.r.l.) investment	*480,000*		*480,000*	
Receivables from KMH S.p.A. (formerly KME Group S.r.l.)	*45,589*		*43,723*	
Other	*(1,340)*		*2,528*	
Total KME SE	582,659	90.13%	584,661	89.47%
Culti Milano	37,988	5.88%	37,980	5.81%
Ducati Energia	11,200	1.73%	16,700	2.56%
Intek Investimenti	12,852	1.99%	12,694	1.94%
Other investments	1,798	0.28%	2,070	0.32%
Other assets/liabilities	(3)	0.00%	(660)	-0.10%
Net investments	**646,494**	**100.00%**	**653,445**	**100.00%**
Outstanding bonds *(*)*	160,002		160,469	
Net cash	4,387		(1,316)	
Holding company net financial debt	**164,389**	**25.43%**	**159,153**	**24.36%**
Total equity	**482,105**	**74.57%**	**494,292**	**75.64%**

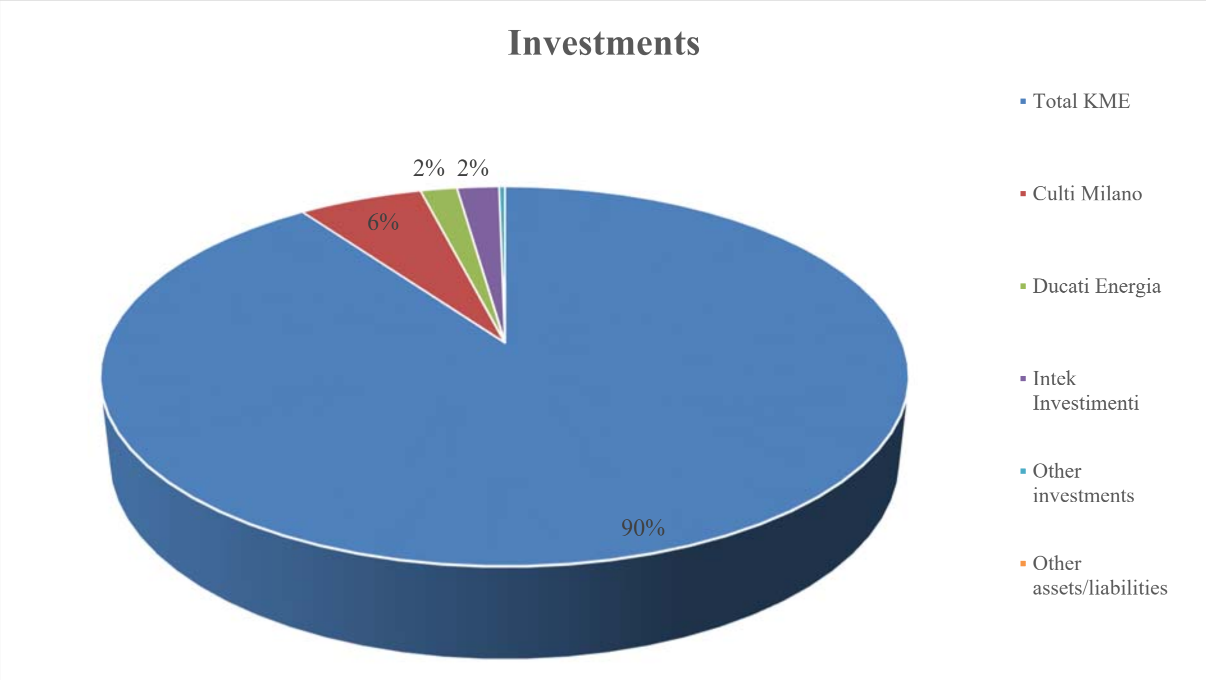
Notes:

- *Investments are expressed net of any financial receivable/payable transactions outstanding with the Company.*
- *(*) Including accruing interest.*

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

Net investments

Net investments pertaining to the Company amounted to Euro 646.5 million at 30 June 2023 (Euro 653.4 million at the end of 2022), of which approximately 90%, as stated above, directly or indirectly concentrated in the copper sector (KME SE) and the residual amount in the perfumes and cosmetics sector.



Equity

The equity of the holding as at 30 June 2023 came to Euro 482.1 million, compared to Euro 494.3 million as at 31 December 2022; the change is determined by the result for the period (loss of Euro 4.1 million), by the effects of the valuation of Ducati Energia (adjustment of Euro 5.5 million recorded under the components of comprehensive income) and dividends distributed to savings shares (Euro 3.3 million).

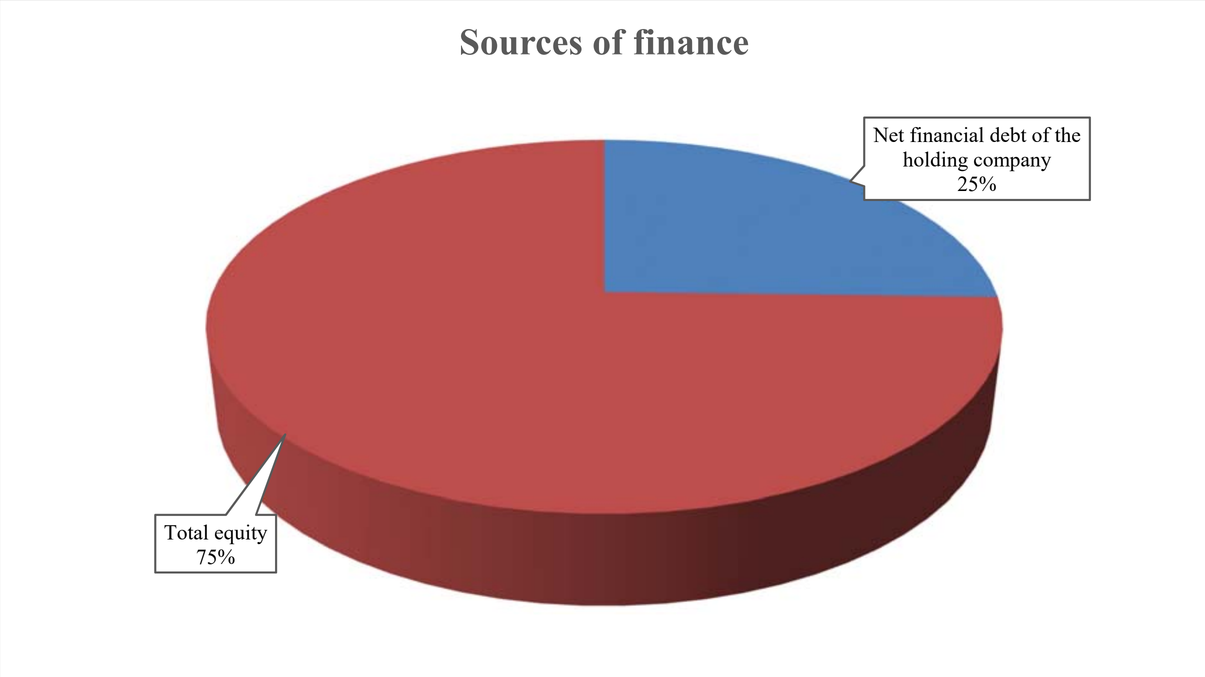
As at 30 June 2023, the share capital amounted to Euro 200,072,198.28 and was divided into 322,394,637 shares, of which 307,148,132 were ordinary shares and 15,246,505 savings shares. The balance under analysis rose by Euro 2,110.61 compared to 31 December 2022, owing to the exercise of 211,061 warrants and the subsequent issuing of as many ordinary shares.

As at 30 June 2023, the Company held 6,937,311 ordinary treasury shares (equal to 1.78% of the shares in said category).

Following the close of the first half, as a result of the exercise of an additional 473,382 warrants, a total of 473,382 ordinary shares were also issued, with a share capital increase of Euro 4,733.82.

As at the date of preparation of this Report, the share capital therefore amounts to 200,076,932.10, and is composed of 322,868,019 shares, of which 307,621,514 ordinary shares and 15,246,505 savings shares; the 6,937,311 own ordinary shares held in the portfolio account for 2.26% of the ordinary capital and 2.15% of total capital.

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



Financial management

Net financial debt of the holding company (excluding intra-group loans and lease liabilities) totalled Euro 164.4 million as at 30 June 2023. The balance as at 31 December 2022 was Euro 159.1 million. The increase is a result of the use of financial resources to cover financial expenses and management costs.

The Parent Company's financial debt as at 30 June 2023, compared to 31 December 2022, can be broken down as follows:

	Financial debt(*)		
	(in Euro thousand)	*30 Jun 2023*	*31 Dec 2022*
A	Cash and cash equivalents	725	508
B	Cash equivalents	-	-
C	Other financial assets	68,525	66,294
D	**Cash and cash equivalents (A+B+C)**	**69,250**	**66,802**
E	Current financial debt	11,454	5,193
F	Current portion of non current financial debt	11,926	20,584
G	**Current financial debt (E+F)**	**22,380**	**25,778**
H	**Net current financial debt (G-D)**	**(46,870)**	**(41,024)**
I	Non current financial debt	11,670	2,026
J	Debt instruments	156,054	155,991
K	Trade payables and other non current payables	-	-
L	**Non current financial debt (I + J + K)**	**167,724**	**158,017**
M	**Total financial debt (H + L)**	**120,854**	**116,993**

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

The reconciliation between Financial debt and Financial debt of the holding company is provided below:

Reconciliation of Net financial position		
(in Euro thousand)	*30 Jun 2023*	*31 Dec 2022*
Net financial debt	**120,854**	**116,993**
Current financial receivables from subsidiaries	47,196	45,466
IFRS 9 adjustment on receivables from subsidiaries	46	22
Financial payables to subsidiaries	(1,320)	(715)
Long-term financial payables for leases	(1,818)	(2,026)
Short-term financial payables for leases	(569)	(587)
Net financial debt of the holding company to third parties	**164,389**	**159,153**

During the period, the bank loan of Euro 20.0 million, secured by a pledge on the Culti Milano shares owned by the Company, was rescheduled, providing for the repayment of Euro 10.0 million by the end of July 2023 and defining the maturity of the residual part as at 31 July 2024.

Financial assets also include the short-term receivable of Euro 41.6 million, plus interest, from KMH S.p.A. (formerly KME Group S.r.l.) which arose following the sale to the latter of the equity investments in KME SE and in KME Germany Bet. GmbH.

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

Reclassified income statement		
(in Euro thousand)	*1st half 2023*	*1st half 2022*
Fair value changes and other gains/losses from investment management	357	10,129
Investment management costs	(115)	(65)
Gross profit/(loss) from investments	**242**	**10,064**
Guarantee fees assets (a)	430	431
Net operating costs (b)	(2,729)	(2,700)
Overheads (a) - (b)	*(2,299)*	*(2,269)*
Reclassified operating profit	**(2,057)**	**7,795**
Net financial expense	**(1,923)**	**(2,428)**
Profit before tax and non-recurring items	**(3,980)**	**5,367**
Non-recurring income/(expenses)	(1,558)	1,176
Profit before tax	**(5,539)**	**6,543**
Taxes for the year	1,488	148
Net profit (loss) for the period	**(4,051)**	**6,691**

The first half of 2022 reflected, until 22 April, the effects of the fair value measurement of the equity investments that had generated income of Euro 9.1 million in the period relating to the investment in CULTI Milano.

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

The "*Reclassified operating profit/(loss)*" is defined as the result from the management of investments net of overheads and excludes net financial expense, non-recurring income/(expenses) and taxes for the year.

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

Statement of cash flows – indirect method			
(in Euro thousand)		*1st half 2023*	*1st half 2022*
(A) Cash and cash equivalents at the beginning of the period		**508**	**4,698**
Profit before tax		(5,539)	6,545
Depreciation and amortisation		340	325
Impairment/(Reversal of impairment) of current and non current financial assets		-	(9,077)
Changes in pension funds, post-employment benefits (TFR) and stock options		549	509
Change in current receivables		1,620	(847)
Change in current payables		2,841	2,008
(B) Cash flow from operating activities		**(189)**	**(537)**
Payments on non current tangible and intangible assets		(176)	(206)
Proceeds from non current tangible and intangible assets		-	-
(C) Cash flow from investing activities		**(176)**	**(206)**
Increase in share capital		88	17
Dividend distribution		(3,312)	-
Payments on/proceeds from current and non current financial payables		6,309	17,960
Payments on/proceeds from current and non current financial receivables		(2,503)	(20,922)
(D) Cash flow from financing activities		**582**	**(2,945)**
(E) Change in cash and cash equivalents	**(B) + (C) + (D)**	**217**	**(3,688)**
(F) Cash and cash equivalents at the end of the period	**(A) + (E)**	**725**	**1,010**

* * *

Trend in investments and operating segments

In continuity with the previous reports, detailed information is provided below on the main equity 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 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 rolled copper and copper-alloy 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 the first few months of 2023, additional transactions were carried out and launched:

- in June, 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 existing loans (already included in the net financial position);
- in July, 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% of KME Italy S.p.A. ("KI") held by EGM. EGM had actually transferred the rolled copper business to KI in June 2021, becoming the owner of a minority shareholding of 16%. The transaction, which involves the total repurchase of the shareholding 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 copper activities into those of KI;
- in August KME SE signed a non-binding letter of intent ("LOI") relating to the special products business managed by Cunova GmbH ("Cunova"), of which KME SE holds 55%. The LOI was signed with a special purpose vehicle for acquisitions ("SPAC"), with securities listed on the NYSE and sets forth that, should the transaction be successful, KME SE will convert the stake held in Cunova into listed shares, further increasing its shareholding through the transfer of its aerospace business, an engineering business that presents many similarities and potential synergies with Cunova's business. In the event of completion, KME SE would hold a majority stake of approximately 51% in the combined entity listed on the NYSE (equal to approximately 46% fully diluted following the possible exercise of the private and public warrants issued by the SPAC). The feasibility of the transaction depends on the success of the SPAC's fundraising activity and the refinancing of Cunova's current debt.

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 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 and continued until the end of the first half of 2023. During this period, the copper market in Europe was marked by uncertainty and a slowdown compared to the corresponding period of the previous year.

The automotive sector continued to be weak, but most other sectors also began to show signs of slowing down. Furthermore, the trend in customers inventory reduction, which began to materialise during the first quarter of this year, continued in the second quarter.

The widespread opinion at the level of the KME SE customer base is that this trend should stop at the end of the third quarter and that subsequently we should start to see an improvement in the market. It should also be noted that during the first half of the year, the demand for "pure" copper and alloy rolled products remained strong, as was the demand for the aerospace sector.

In the current circumstances it should be noted that, at the end of the first half of the year, KME SE's sales volumes were below budget, but revenues per tonne, net of raw material costs, were above budget.

Copper price trends

Copper maintained its position on the LME and, after recording an average price of around USD 8,822/t on the LME in 2022, rose slightly during the first quarter of 2023, reaching an average price of USD 8,944/t. At the end of June, it fell to USD 8,396/t. During the first half of this year, copper, like some other raw materials, showed a stable performance and, according to forecasts, should remain generally stable at this level or at similar levels for the rest of the year.

In the second quarter of 2023, the average commodity price of copper fell by 12.50% in USD compared to the same period of the previous year (from USD 9,513 per tonne to USD 8,465 per tonne) and by 14.70% in Euro (from Euro 8,933 per tonne to Euro 7,774 per tonne). In terms of trend, average metal prices fell by 5.97% in USD compared to those in the third quarter of 2023 (from USD 8,927 per tonne to USD 8,465 per tonne) and by 7.10% in Euro (from Euro 8,319 per tonne to Euro 7,774 per tonne). Compared to the 2022 average, there was instead a decrease of 3.50% in USD (from USD 8,798 per tonne to USD 8,465 per tonne) and of 6.30% in Euro (from Euro 8,335 per tonne to Euro 7,774 per tonne).

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

Key results of the copper sector					
(in Euro million)	*1st half 2023*		*1st half 2022*		*Change*
Revenues	1,072.3		1,025.3		4.6%
Revenues (net of raw materials)	348.2	100.0%	229.0	100.0%	52.0%
EBITDA	103.2	29.6%	45.6	19.9%	126.3%
EBIT	80.1	23.0%	30.0	13.1%	167.0%
Profit (loss) before non-recurring items	52.0	14.9%	12.2	5.3%	326.2%
Non-recurring income/(expenses)	(3.1)		106.5		
Impact of IFRS valuation of inventories and forward contracts	(0.7)		(0.3)		
Result of the investees at equity	(0.5)		1.0		
Consolidated net profit (loss)	32.5		98.9		
Comprehensive income items	(1.3)		29.4		
Comprehensive income	31.2		128.3		
Net debt *	34.4		102.4		
Group equity*	330.6		303.8		

Consolidated revenues in June 2023 totalled Euro 1,072.3 million, up by 4.6% compared to 2022 (Euro 1,025.3 million).

Net of the value of raw materials, revenues rose from Euro 229.0 million to Euro 348.2 million, marking an increase of 52.0%.

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 1 January 2023 and of the companies acquired by Aurubis on 1 August 2022), shows that revenues decreased by 20.5%, while revenues net of the value of raw materials recorded an increase of Euro 47.3 million (+15.7%).

Gross operating income (**EBITDA**) as at 30 June 2023 came to Euro 103.2 million, an improvement of 126.3% compared to the 2022 figures (Euro 45.6 million), which also included the contribution of the Special Products business (until January) and the Wires business (until February).

Net operating income (**EBIT**) stood at Euro 80.1 million (Euro 30.0 million in 2022).

Profit before non-recurring items was Euro 52.0 million (Euro 12.2 million in 2022).

Consolidated net profit of Euro 32.5 million (profit of Euro 98.9 million in 2022) was recorded.

The valuation of inventories and forward agreements net of taxes had a negative impact of Euro 0.7 million compared to a negative impact of Euro 0.3 million recorded in 2022.

The result at the end of June 2023 was negatively affected by Non-recurring expenses for Euro 3.1 million, while the result for the previous year was positively influenced by Euro 106.5 million, essentially relating to the net capital gain from the Special Products business and the Wires business extraordinary operations (Euro 98.8 million). The main item refers to Euro 1.5 million due to an update of the Givet restructuring fund and Euro 0.7 million for charges relating to the UK pension fund.

The **Group Consolidated Profit** was Euro 30.0 million (compared to a profit of Euro 96.6 million in 2022).

The **Group Comprehensive Income** recorded a profit of Euro 31.2 million (compared to a profit of Euro 128.3 million in 2022).

Financial management

The **Reclassified Net Financial Position** as at 30 June 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 61.9 million compared to Euro 1.1 million at the end of December 2022. The change is mainly attributable to the income deriving from the extraordinary disinvestment transactions from the KMD joint venture (Euro 39.5 million) and the cash flow deriving from operations.

Net Financial Debt is equal to approximately Euro 34.5 million, compared to approximately Euro 102.4 million at the end of 2022.

At the end of April 2023, KME SE completed the repayment of the loan of Goldman Sachs Bank USA for an original amount of Euro 110.0 million, maturing in October 2023, guaranteed by a pledge, with reservation of voting rights, on the shares of KME Special Products GmbH & Co. KG and a mortgage on the industrial equipment (owned by KME Germany GmbH) of the Osnabrück plant.

On 25 November 2022, KME SE had renewed the existing loan with the banking pool for a further year, expiring in November 2023 and an option for a further three years of extension upon consent of the creditor, for a total amount of up to Euro 330.0 million. The credit lines were used through letters of credit for Euro 324.8 million (Euro 324.9 million as at 31 December 2022) for the supply of metal. The relative supplier liabilities are recognised under trade payables.

The following guarantees are securing the banking pool:

- 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 over 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.

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

As at 30 June 2023, the KME SE Group had fully respected all covenants.

As at 30 June 2023, **Equity** was Euro 330.6 million.

Total investments amounted to Euro 11.3 million (Euro 8.5 million in 2022).

The number of **Employees** as at 30 June 2023 was 3,425 after the exit of the special and cable businesses (2,870 at the end of 2022; on a like-for-like basis, there were 3,519 Employees at the end of 2022).

* * *

<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 AIM market managed by Borsa Italiana 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.

The Company, as announced as part of the Public Exchange Offer on Ordinary Shares announced on 28 February, had entered as exchange consideration a part of its investment in CULTI, for the sale of which negotiations were in progress with third parties. These negotiations were interrupted as the Company did not comply with the request by the potential purchaser for an extension of the exclusive negotiation period. This is so as not to jeopardise the submission of other expressions of interest in the investee company. The negative outcome of these negotiations does not prejudice the Company's willingness to continue the project to dispose of the equity investment, both through research and contacts with potential buyers, and by evaluating the possibility of assigning the share package to the shareholders.

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 Euro 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).

The main consolidated indicators can be summarised as follows:

- **overall sales**: Euro 11.1 million (Euro 10.8 million in the first half of 2022) with an increase of 3.6% compared to the corresponding period of 2022;
- **sales achieved on the domestic market**: Euro 3.9 million in line with the first half of 2021;
- **sales achieved on international markets** (equal to 64% of total turnover): Euro 7.2 million (+5% compared to the first half of 2022, when they came to Euro 6.8 million);
- **EBITDA** equal to Euro 1.8 million, marking a decrease of 22.6% compared to the corresponding period of the previous year (when it stood at Euro 2.3 million), due to the significant costs incurred both in the branding area and in relation to new professional personnel for group companies;
- **EBIT** equal to Euro 1.4 million (Euro 2.1 million in the first half of 2022), marking a decrease of 31.4% compared to the corresponding period of the previous year, due to the structural charges indicated above;
- **Consolidated net result**: loss of Euro 0.1 million (when it had been a profit of Euro 0.9 million in the first half of 2022) also as a consequence of a higher tax burden than the last period, also given the greater incidence in the half-year in question of some consolidation entries that do not give rise to the recognition of deferred tax assets;
- **net financial position**: negative for Euro 4.5 million. (Euro 2.0 million as at 31 December 2022), with an increase compared to 31 December 2022, due to the cash acquisition of the

remaining 49% of SCENT Company S.r.l. (Euro 2.8 million) and the payment of dividends of Euro 0.3 million.

With regard to CULTI Milan, sales in the retail segment were particularly significant in 2023 with the opening of a single-brand store in Taipei (Taiwan) in the prestigious NOKKE shopping mall; while as regards the wholesale activities, growth was recorded domestically thanks to the complementary nature of the channels and the collaboration with customers such as Twinset and Principe di Savoia in Milan and internationally, the presence was strengthened in certain areas, in particular with the opening on the Korean market, with the implementation of distribution with the main department store Shinsegae International. On the other hand, the Chinese market suffered from the resurgence of COVID-19 in 2022, with a recovery in activities only in the second quarter of 2023. Note should be taken of the collaboration with EXPLORA, MSC's new luxury cruise, where a special olfactory branding was developed.

Worthy of note is the creation of the new CULTI Milano Own division, created from the aggregation of skills, expertise and values that bring together CULTI Milano - creator of widely distributed rattan products - and SCENT Company, a leader in the creation of professional dissemination systems. The new CULTI Milano Own projects are designed and dedicated to those who opt for forms deriving from the culture of the environment, that are interwoven with tradition and evolve with the innovation of olfactory signatures designed by formulas in which structure and architecture are built on the values of the brands for which they are designed.

The capsule project has stepped up the release of some limited series of new fragrances. The collaboration with Getty Museum continued with the launch of a dedicated Roman Garden line, with particular success in the Middle East and Asia;

The BAKEL Group has intensified the path towards multi-channelling, strengthening the commercial networks of outlet channels (perfumery and pharmacy). The expansion proceeded by balancing brick & mortar development (consultancy vehicle) with digital (contact and information vehicle). The pharmacy channel on the Italian market has doubled in terms of number of doors and value. For the summer period, a toning eye treatment with visible and instant results (characterised by a smart price) was successfully launched, with the aim of bringing new consumers closer to the brand.

Despite the limitations imposed by the pandemic, a commercial expansion project was launched in foreign countries where the group has already consolidated commercial relations. In particular, activities with the Baltic countries were already launched at the end of 2022; an important and qualitative collaboration with a distributor for the Thailand market has also started.

In e-commerce, the BAKEL brand recorded significant growth linked to the numerous activations generated on social channels. BAKEL has demonstrated its conviction to promoting its refill formats, now present in the most significant part of the collection, which allow environmentally conscious consumption, reducing the use of plastic in bottles, guaranteeing greater recyclability.

* * *

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 equity investments are recognised at cost, thus not reflecting any unexpressed capital gains.

Intek Investimenti holds an investment worth Euro 2.1 million, equal to 8.81% of the share capital, of Natural Capital Italia S.p.A. Benefit Company (formerly Immobiliare Agricola Limestre S.r.l.), which was received by Intek Investimenti following the contribution in the same shareholding in Oasi Dynamo Agricola S.r.l., of which Intek Investimenti held 42.86% (the remaining stake was already held by Natural Capital Italia S.p.A.). The acquisition of total control of Oasi Dynamo Agricola S.r.l. will allow Natural Capital Italia S.p.A. 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 S.r.l. 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 S.r.l. (30% held) still to be realised and 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 31.13% stake in the capital of Il Post S.r.l., an Italian online newspaper. During 2023, dividends of Euro 0.5 million were received from these investments.

* * *

Ducati Energia S.p.A.

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

During the half year, the valuation of the equity investment was updated, recognised at fair value as it falls under the item “other equity investments”, with reference, in light of the various unsuccessful attempts to identify valuation processes, to the redefinition of its marketability and of the uncertainties affecting some of its reference markets. This led to a negative adjustment of Euro 5.5 million recognised under comprehensive income items.

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

In 2022, the Ducati Energia group achieved consolidated revenues of Euro 261.1 million (Euro 241.7 million in 2021), of which Euro 182.5 million in Italy (Euro 176.4 million in 2021) and the remainder abroad. The Energy Division contributed Euro 182.5 million to revenues, compared to Euro 184.9 million in 2021. The Systems Division contributed Euro 39.1 million to revenues (Euro 49.7 million in 2021).

EBITDA for the year 2022 amounted to Euro 29.9 million, compared to Euro 27.2 million in the previous year, while EBIT totalled Euro 23.2 million compared to Euro 20.4 million in 2020.

Net consolidated profit in 2022 totalled Euro 17.7 million, lower than in 2021, when the figure was Euro 20.7 million, which had benefitted from a reduced incidence of taxes.

In relation to the individual business segments, the Condensers sector recorded a growth in terms of turnover of approximately 5% compared to the previous year mainly due to the choice made by a large share of customers to accumulate stock to avoid risks of non-sales due to the difficulty in obtaining raw materials. Expectations for 2023 were for a contraction in sales volumes, mainly due to a sudden drop in demand which is not expected to recover quickly.

The power factor correction sector recorded a significant increase in turnover of about 40% compared to 2021, as a result of the choice made by the main customers to anticipate orders to avoid stock outages and to prevent cost increases deriving from the continuous increase in the cost of materials. In 2023, a further increase in revenues in this sector was expected, albeit to a lesser extent.

The Generators division recorded an increase in turnover of about 15% compared to the previous year thanks to the sales volumes guaranteed by the recreational sector, which after the rapid growth in the period immediately following the relaxation of restrictions related to the health emergency, also subsequently confirmed the positive trend.

In the two-wheeled vehicles, diesel engines and spare parts sectors, there was a substantial confirmation of the amount of revenues in 2021. Growth is expected for the year 2023 thanks to the marketing of new products.

The well-known problems in the procurement of components in the automotive sector did not allow the turnover of the Electric Vehicles (Car) sector to return to the levels of 2020. In 2023, better availability of components is expected, which will allow the Company to fulfil a greater number of orders, consequently increasing the turnover of the sector, albeit to a limited extent.

The revenue trend of the Motorways sector in 2022 was also heavily impacted by the difficulty in procuring materials. The new important orders acquired, especially in Italy but also abroad, together with greater ease in finding components, allow us to forecast significant growth in turnover in 2023.

The Energy sector in 2022 was characterised by different trends in the sales of the various products that make it up. A reduction of about 25% in turnover on an annual basis of energy distribution products, also in this case caused by the difficulty in finding components, was offset by a significant increase of about 74% compared to the previous year in sales of recharging tools due to the increasingly greater volume of investments in the green mobility sector, both nationally and more generally throughout Europe.

The electricity meter segment recorded an increase in turnover of approximately 8% compared to the previous year. Expectations for 2023 were for the confirmation of the volumes of energy distribution products, for a gradual reduction in the electricity consumption meter sector as per the plan initially agreed with the customer and significant growth in the transmission sector of the energy and recharging tools that have ample availability of funds made available as part of the implementation of the NRRP (National Recovery and Resilience Plan).

Also in 2022, the Railway sector recorded a decrease in revenues of around 20% compared to the previous year, although its margins remained unchanged thanks to the optimisation of maintenance and installation processes.

* * *

Business outlook

The business outlook will be correlated to the trend in the demand of the reference sectors of KME SE.

The Group is monitoring the evolution of the general political and economic situation, also in relation to the effects of the evolution of the conflict in Ukraine, and has showed signs of deceleration starting from the fourth quarter of 2022, becoming gradually more accentuated in the first few months of the second half of the 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. At the moment, management is not able to predict when the trend will reverse and has therefore prepared all the flexibilisation/cost-cutting actions available in the various countries, in order to mitigate as much as possible the potential negative effects on profitability and the generation of financial resources of the Group. With certainty, however, we predict - based on the current order book and the collection trend of the same in the first few months of the second half of the year - that the profits of the second part of the year will be lower than those of the first half.

However, there 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 indebtedness.

* * *

Governance Updates

Shareholders' Meeting

In line with the approach adopted in previous years, during the presentation of the interim financial report, the Company deems it appropriate to update its information on corporate governance.

The Shareholders' Meeting of 3 May 2023 approved the report of the Board of Directors on operations and the financial statements for the year ended 31 December 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 24 May 2023, with ex-dividend date of 22 May 2023 and record date of 23 May 2023.

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

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

Share capital

In the first six months of 2023, due to the exercise of 211,061 warrants, 211,061 ordinary shares were issued, with an increase in the share capital of Euro 2,110.61.

After 30 June 2023, 473,382 ordinary shares were issued due to the exercise of the same number of KME Group SpA 2021-2024 Warrants. The share capital therefore increased by an additional Euro 4,733.82.

As a result of these transactions, at the date on which this Report was prepared, the share capital therefore amounted to Euro 200,076,932.10, represented by 322,868,019 shares, of which 307,621,514 ordinary shares and 15,246,505 savings shares. There are also 151,842,658 outstanding warrants.

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Additional information

Treasury shares

During the first half of 2023, the Company did not purchase ordinary or savings shares.

As at 30 June 2023, the Company held a total of 6,937,311 ordinary shares (equal to 2.26% of the shares of this category and 2.15% of overall capital).

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 equity investment in KME Group S.p.A., was carried out.

As at 30 June 2023, Quattroduedue S.p.A. therefore held 145,778,198 ordinary shares of the Company (47.46% of the Company's voting share capital) and 1,424,032 savings shares (9.34% of the shares in this category). Quattroduedue S.p.A. also held, again as at 30 June 2023, *73,680,892* "KME Group SpA 2021-2024" warrants.

Due to the increase in voting rights, Quattroduedue held a percentage of voting rights equal to 63.59% as at 30 June 2023.

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, refer to the specific report prepared for the year 2022 pursuant to art. 123 bis of Legislative Decree 58/98, which is part of the 2022 financial statements.

Related party transactions

Related party transactions, including intra-group transactions, were neither atypical nor unusual, in that they were part of the Group companies' day-to-day business and were all conducted on an arm's length basis or according to standard criteria or 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". It should be noted that the Company has prudentially applied the controls envisaged by Consob Regulation 17221/2010, as well as by the “Procedure on Related Party Transactions” adopted by KME for the well-structured transaction in progress aimed at delisting.

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

Disputes

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

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

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

In particular, all three appeals, including the one pending before the Rome Court of Appeals, RG 8093/2018, settled with the very recent ruling no. 5708/2023 published on 12 September 2023, confirmed the first instance decision in favour of KME and therefore against the appellant savings shareholder, who was also ordered to pay KME's legal costs.

The other four cases, pending before the Court of Bari, with the same Judge Ms Soria, for the same subject, have undergone further postponements and to date, cases RG 15306/16 and RG 13341/16, after the hearing for closing arguments of 5 July 2023, were subject to a deferred decision with terms for the filing of final briefs by 4 October 2023 and for replies by 24 October 2023; while the other two cases RG 8669/16 - RG 18730/16 will be called to the hearing of 4 October 2023 for closing arguments.

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

Finally, a civil suit is pending at the Court of Messina, RG 4419/2016, currently still under reservation by the Judge following the filing of written memorandums dating back to February 2023, 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 and Immobiliare Pictea as parties to a credit transfer that would have been the basis of the sale of the property (in question in this case) 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 proceedings, no direct questions are formulated against KME and/or Immobiliare Pictea.

Personnel

The number of employees of the Group as at 30 June 2023, also including the KME SE group and the CULTI Milano group, exceeds 3,500.

The Parent Company employed a total of 15 staff as at 30 June 2023, of which 3 managers, 11 employees and one blue-collar worker.

<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 the Company:

- with regard to the provisions of article 36 of the Market Regulation, does not hold relevant investments, pursuant to article 151 of Consob Issuers' Regulation, in non-EU Countries;
- 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 S.p.A. or any other company under the parent's control;
- with regard to the provisions of article 38 of the Market Regulation, does not fall within its scope of application, as its corporate purpose does not exclusively envisage equity investment activity in accordance with predetermined limitations.

* * *

The Company's Board of Directors, at its meeting of 14 September 2012, decided, among other things, to apply the exception envisaged by articles 70, paragraph VIII, and 71-*bis* of the Issuers' Regulation, which exempts the Company from publishing an Information Document in the case of significant mergers, demergers, share capital increases through transfers in kind, acquisitions and sales.

* * *

Risk Management

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

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

Furthermore, the disinvestment process could require more time than expected and/or be carried out on the basis of terms and conditions that are not fully satisfactory or remunerative. In particular, regarding investments in unlisted companies, whether held directly or indirectly, the absence of risks connected mainly to the liquidability of these investments and their valuation cannot be guaranteed, in consideration: (a) of the possible absence in these companies of control systems similar to those required of companies with listed shares, with the possible consequent unavailability of information flows that are at least equal, insofar as quantity and quality, to the ones available for companies with listed shares; and (b) of the difficulties inherent in carrying out independent audits of the companies and therefore assessing the completeness and accuracy of the information they provide. For non-controlling investments, whether in listed or unlisted companies, the possibility of influencing the management of the investments in order to promote their growth, including through a relationship with the management and the shareholders of the investee, could be limited.

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

For an examination of the Group's risks, please refer to the notes to the condensed consolidated interim financial statements.

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Significant events after 30 June 2023

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

KME Group SpA

Condensed consolidated interim financial statements as at 30 June 2023

KME Group S.p.A.
Registered and Administrative Office:
20121 Milan - Foro Buonaparte, 44
Share capital Euro 200,076,932.10, fully paid-up
Tax Code and Milan Business
Register no. 00931330583
www.itkgroup.it

KME Group SpA – Condensed consolidated interim financial statements as at 30 June 2023

Consolidated statement of financial position - Assets

(in Euro thousand)	*Ref. Note*	*30-Jun-23*	*of which related parties*	*31-Dec-22*	*of which related parties*
Property, plant and equipment	*4.1*	532,411		499,957	
Investment property	*4.2*	71,383		68,175	
Intangible assets	*4.3*	449,356		424,064	
Investments in subsidiaries	*4.4*	23,331	*23,331*	23,281	*23,281*
Equity-accounted investments	*4.4*	24,701	*24,701*	76,654	*76,654*
Investments in other companies	*4.4*	11,965		17,405	
Other non current assets	*4.5*	5,383		3,106	
Non current financial assets	*4.6*	3,271		3,245	
Deferred tax assets	*4.21*	75,362		88,478	
Total non current assets		**1,197,163**		**1,204,365**	
Inventories	*4.7*	434,038		404,903	
Trade receivables	*4.8*	81,164	*35,301*	95,359	*14,671*
Current financial assets	*4.9*	121,476	*65,200*	110,101	*71,613*
Other receivables and current assets	*4.10*	25,993	*137*	16,675	*77*
Cash and cash equivalents	*4.11*	153,258		128,844	
Total current assets		**815,929**		**755,882**	
Non current assets held for sale	*4.12*	11,947		107,198	
Total assets		**2,025,039**		**2,067,445**	

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

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

KME Group SpA – Condensed consolidated interim financial statements as at 30 June 2023

Consolidated statement of financial position - Liabilities

(in Euro thousand)	*Ref. Note*	*30-Jun-23*	*of which related parties*	*31-Dec-22*	*of which related parties*
Share capital		200,072		200,070	
Other reserves		288,193		287,267	
Treasury shares		(2,133)		(2,133)	
Retained earnings		28,296		1,143	
Other comprehensive income reserve		6,363		13,188	
Profit/(loss) for the period		18,616		35,456	
Equity attributable to shareholders of the Parent Company	***4.13***	**539,407**		**534,991**	
Non-controlling interests		36,310		34,546	
Total Group equity		**575,717**		**569,537**	
Retirement benefits	*4.14*	131,869		127,588	
Deferred tax liabilities	*4.21*	107,052		117,752	
Non current financial payables and liabilities	*4.15*	240,456		240,758	
Bonds	*4.16*	156,054		155,991	
Other non current liabilities	*4.17*	1,272		482	
Provisions for risks and charges	*4.18*	5,231		3,543	
Total non current liabilities		**641,934**		**646,114**	
Current financial payables and liabilities	*4.15*	85,646		109,455	
Trade payables	*4.19*	578,391	*15,260*	540,725	*10,148*
Other current liabilities	*4.20*	129,811	*1,982*	129,280	*1,115*
Provisions for risks and charges	*4.18*	13,540		3,865	
Total current liabilities		**807,388**		**783,325**	
Liabilities directly associated with assets held for sale	*4.12*	-		68,469	
Total liabilities and equity		**2,025,039**		**2,067,445**	

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

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

KME Group SpA – Condensed consolidated interim financial statements as at 30 June 2023

Consolidated statement of profit or loss and other comprehensive income

(in Euro thousand)		*1st half 2023*		*1st half 2022 (*)*	
	Ref. Note		*of which related parties*		*of which related parties*
Revenues from sales and services	*5.1*	1,083,417	113,307	347,776	-
Change in inventories of finished and unfinished products		6,066		1,451	
Own work capitalised		538		89	
Other income	*5.2*	12,768	39	1,527	32
Purchases and change in raw materials		(748,803)	(60,863)	(267,967)	-
Personnel cost	*5.3*	(122,276)	(225)	(35,060)	(210)
Depreciation, amortisation, impairment and write-downs		(27,375)		(5,770)	
Other operating costs	*5.4*	(137,671)	(2,522)	(37,336)	(1,756)
Operating result (EBIT)		**66,664**		**4,710**	
Financial income		7,838	2,891	2,011	561
Financial expense		(42,659)	(11)	(9,720)	(10)
Net financial expense	*5.5*	*(34,821)*		*(7,709)*	
Result of investments	*5.6*	(531)	(531)	11,573	9,316
Profit before tax		**31,312**		**8,574**	
Current taxes		(9,723)		(4,895)	
Deferred taxes		(374)		3,076	
Total income taxes	**5.7**	**(10,097)**		**(1,819)**	
Net profit (loss) for the period from operating activities		**21,215**		**6,755**	
Profit (loss) from discontinued operations		-		-	
Net profit (loss) for the period		**21,215**		**6,755**	
Other comprehensive income:					
Measurement of employee defined benefits		*(699)*		*16,697*	
Taxes on other comprehensive income		*451*		*(3,648)*	
Fair value measurements		*(5,500)*		-	
Items that cannot be reclassified to profit or loss for the period		**(5,748)**		**13,049**	
Foreign currency translation gains/(losses)		*(1,104)*		*1,071*	
Net change in cash flow hedge reserve		*(186)*		*(73)*	
Taxes on other comprehensive income		*151*		*45*	
Items that may be reclassified to profit or loss for the period		**(1,139)**		**1,043**	
Total other comprehensive income, net of tax effect:		**(6,887)**		**14,092**	
Total OCI for the period		**14,328**		**20,847**	
Net profit (loss) for the period attributable to:					
- non-controlling interests		*2,599*		*451*	
- shareholders of the parent company		*18,616*		*6,304*	
Net profit (loss) for the period		**21,215**		**6,755**	
Total OCI attributable to:					
- non-controlling interests		*2,571*		457	
- shareholders of the parent company		*11,757*		20,390	
Total OCI for the period		**14,328**		**20,847**	
Earnings per share (in Euro)					
Basic earnings/(loss) per share		0.0573		0.0143	
Diluted earnings/(loss) per share		0.0358		0.0096	

The notes are an integral part of these condensed consolidated interim financial statements. Details of related party transactions are disclosed in the descriptions of the relevant explanatory notes.

(*) The comparative income statement data have been restated following the inclusion of the accounting items relating to the entities whose original values at 30 June 2022 were included in the "Profit (loss) from discontinued operations" and which at 30 June 2023 were included in the consolidation area (refer to paragraph 2.5).

Consolidated statement of changes in equity as at 30 June 2022

(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 31 December 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)	-	-	-
Consolidation adjustments	-	193	-	-	-	-	193	30,265	30,458
Exercise of Parent Company Warrants	1	27	-	-	-	-	28	-	28
Warrant management	-	481	-	-	-		481	-	481
Comprehensive income items	-	10	-	(2)	14,078	-	14,086	6	14,092
Profit (loss) for the period	-	-	-	-	-	6,304	6,304	451	6,755
Total OCI	-	10	-	(2)	14,078	6,304	20,390	457	20,847
Equity as at 30 June 2022	**335,070**	**165,661**	**(2,133)**	**53,838**	**14,055**	**6,304**	**572,795**	**30,722**	**603,517**
Reclassification of treasury shares	(2,133)	-	2,133	-	-	-	**-**	-	**-**
Equity as at 30 June 2022	**332,937**	**165,661**	**-**	**53,838**	**14,055**	**6,304**	**572,795**	**30,722**	**603,517**

As at 30 June 2022, the Parent Company directly held 6,937,311 ordinary shares. All the shares were then fully reclassified as a deduction from share capital.

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

KME Group SpA – Condensed consolidated interim financial statements as at 30 June 2023

Consolidated statement of changes in equity as at 30 June 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 31 December 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	-	259	-	31,851	-	(35,456)	**(3,346)**	(703)	**(4,049)**
Exercise of Parent Company Warrants	2	85	-	-	-	-	**87**	-	**87**
Warrant management	-	523	-	-	-	-	**523**	-	**523**
Other movements	-	98	-	(4,698)	(5)	-	**(4,605)**	(104)	**(4,709)**
Comprehensive income items	-	(39)	-	-	(6,820)	-	**(6,859)**	(28)	**(6,887)**
Profit (loss) for the period	-	-	-	-	-	18,616	**18,616**	2,599	**21,215**
Total OCI	**-**	**(39)**	**-**	**-**	**(6,820)**	**18,616**	**11,757**	**2,571**	**14,328**
Equity as at 30 June 2023	**200,072**	**288,193**	**(2,133)**	**28,296**	**6,363**	**18,616**	**539,407**	**36,310**	**575,717**
Reclassification of treasury shares	(2,133)	-	2,133	-	-	-	**-**	-	**-**
Equity as at 30 June 2023	**197,939**	**288,193**	**-**	**28,296**	**6,363**	**18,616**	**539,407**	**36,310**	**575,717**

At 30 June 2023, the Parent Company directly held 6,937,311 ordinary shares. All the shares were then fully reclassified as a deduction from share capital.

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

KME Group SpA – Condensed consolidated interim financial statements as at 30 June 2023

Consolidated statement of cash flows - indirect method

(in Euro thousand)	*1st half 2023*	*1st half 2022 (*)*
(A) Cash and cash equivalents at the beginning of the period	**128,844**	**4,698**
Profit before tax	31,312	8,574
Amortisation, depreciation, impairment and write-downs	27,375	5,770
Change in inventories	15,629	(854)
Change in trade receivables	5,526	10,300
Change in trade payables	(19,190)	(2,461)
Change in provisions for personnel, provisions for risks and charges	(3,450)	(7,039)
Change in other assets and liabilities	(6,893)	15,360
Other non-monetary changes	9,385	141
(B) Cash flow from operating activities	**59,694**	**29,791**
Payments on non current tangible and intangible assets	(11,854)	(6,565)
Proceeds from non current tangible and intangible assets	53	-
Payments on/proceeds from other non current assets/liabilities	-	(297)
Payments on/proceeds from investments	27,735	(10,377)
Interest received	2,457	651
(C) Cash flow from investing activities	**18,391**	**(16,589)**
Changes in equity for a fee	88	17
Dividends paid	(3,346)	-
Payments on/proceeds from current and non current financial payables	(41,506)	3,356
Payments on/proceeds from current and non current financial receivables	11,519	(27,423)
Interest payments	(22,497)	(3,714)
(D) Cash flow from financing activities	**(55,742)**	**(27,765)**
(E) Change in cash and cash equivalents	**22,343**	**(14,563)**
(F) Changes in consolidated group and reclassification from IFRS 5	1,888	95,658
(G) Exchange rate related changes on cash and cash equivalents	183	-
(H) Cash and cash equivalents at the end of the period	**153,258**	**85,793**

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

(*) 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 30 June 2022 (please refer to paragraph 2.5).

KME Group SpA – Condensed consolidated interim financial statements as at 30 June 2023

Notes to the Condensed consolidated interim financial statements as at 30 June 2023

1. General information

KME Group is a Joint-Stock Company (Società per Azioni) registered in Italy with the Milan Monza Brianza and Lodi Companies Register under no. 00931330583 and its shares are listed on the *Euronext Milan* market organised and managed by Borsa Italiana S.p.A. The Company has its registered office in Foro Buonaparte 44 - Milan.

KME Group ("KME", the "Company" or the "Parent Company") is a holding company, whose business was focussed, up until 22 April 2022, on managing its portfolio of assets and investments from a dynamic entrepreneurial perspective, and to focus on cash generation and growth in the value of investments over time, also through sales conducive to the development strategies.

On 22 April 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 ("New Strategy"); this investment in KME SE 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 23 September 2022 the Company changed its company name from Intek Group S.p.A. to KME Group S.p.A.

The condensed consolidated interim financial statements as at 30 June 2023 (the "Financial Statements" or "Consolidated Financial Statements") were approved by the Board of Directors on 18 September 2023 and will be published in accordance with the legal and regulatory requirements.

Although a subsidiary of Quattroduedue S.p.A.[1], the Company 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 focussing activity on 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 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 31 December 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 22 April 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 31 December 2021) for which the fair value is replaced by the cost criterion; in this regard, the fair value at the date of loss of the qualification of investment entity represented the new cost.

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[1] It should be noted that the Parent Company was previously indirectly controlled by Quattroduedue Holding BV, through its wholly-owned subsidiary Quattroduedue S.p.A., and that on 19 April 2023 the reverse merger between the two companies was finalised.

These Consolidated Financial Statements therefore represent the second condensed consolidated financial statements of the Group in which the Parent 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 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. 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 the first half of 2022, the economic and financial flows of the subsidiaries were therefore included only for two months. For this reason, both the income statement and the statement of cash flows do not present comparable amounts.

2.2. Basis for preparation

The Condensed consolidated interim financial statements as at 30 June 2023 were drafted pursuant to art. 154-*ter* of Italian Legislative Decree 58/1998 and conform to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission in accordance with the procedure as set out in art. 6 of Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002, as well as with the provisions issued in implementation of art. 9 of Italian Legislative Decree 38/2005, and were prepared according to IAS 34 Interim financial reporting.

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

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

In addition, it should be noted that the economic and financial flows were restated to retroactively consider the effects of the inclusion of the data of entities that had previously been classified among the disposal groups pursuant to IFRS 5. Comparative data of the income statement and statement of cash flows included in the financial statements and in the notes to the financial statements represent the aforementioned restated balances.

These financial statements have been prepared in the assumption of the company as a going concern, in accordance with the provisions of IAS 1; in this regard, considerations were made in relation to the effects of the ongoing conflict between Russia and Ukraine, an event that has had a significant impact on the global economic context. In consideration of the current status of the Covid-19 health situation, there are currently no repercussions to report.

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 31 December 2022, to which reference should be made for their description, except for the accounting standards that entered into force on 1 January 2023 listed below (paragraph 2.8), whose application, nonetheless, had no effects.

The Group has not yet applied the accounting standards listed in the paragraphs below (paragraph 2.9) which, albeit already issued by the IASB, will become effective after the reference date of these consolidated interim financial statements or have not yet completed the process of endorsement by the European Union.

Events and transactions affecting the Company are recognised and presented with respect to their economic substance rather than legal form.

Specific notes contained in the Interim report on operations disclose the content and meaning of the non-IFRS alternative performance indicators, where applicable, in line with ESMA guidelines (ESMA/2015/1415).

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

These Consolidated Financial Statements are not prepared in accordance with the XHTML format required by the Delegated Regulation (EU) 2019/815 (the “ESEF Regulation”) as these provisions are applicable only to the consolidated annual financial reports.

2.3. *Significant events after 30 June 2023*

With regard to a description of significant events occurring after the close of the period under review, please refer to the *Interim report on operations.*

2.4. *Basis of presentation*

With reference to the consolidated financial statements, there are no changes compared to those presented in the 2022 annual financial report and in the 2022 interim financial report. 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*

These consolidated financial statements reflect the consolidation of the Parent Company and the companies directly and indirectly controlled, jointly controlled or associates.

2.5.1. *Controlled entities*

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 would not produce substantial effects are excluded from the scope of consolidation. Therefore, 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 for the period, or transfers directly to retained earnings if required in accordance with other IFRSs, the amounts previously recognised in other comprehensive income in relation to the former subsidiary.

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

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

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

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

Scope of consolidation

The following table lists the companies consolidated on a line-by-line basis as at 30 June 2023, indicating their changes from the scope in 2022:

Name	**Registered office**	**Currency**	**% ownership**	
			direct	**indirect**
KME Group S.p.A.	Italy	Euro	Parent company	
KME SE	Germany	Euro	10.00%	89%
KMH S.p.A. (formerly KME Group S.r.l.)	Italy	Euro	100.00%	
CULTI Milano S.p.A. Note 1	Italy	Euro	77.17%	
Bakel Inc	United States	USD		38.59%
Bakel S.r.l.	Italy	Euro		38.59%
Bertram's GmbH	Germany	Euro		99.00%
CULTI Milano Asia Ltd.	Hong Kong	HKD		46.30%
CULTI Milano China Ltd.	China	RMB		46.30%
Immobiliare Pictea S.r.l.	Italy	Euro		99.00%
KM Copper Bars GmbH Note 1	Germany	Euro		99.00%
KME AssetCo GmbH	Germany	Euro		99.00%
KME Germany GmbH	Germany	Euro		99.00%
KME Grundstücksgesellschaft SE & Co. KG	Germany	Euro		99.00%
KME Italy S.p.A.	Italy	Euro		83.16%
KME Mansfeld GmbH	Germany	Euro		99.00%
KME Netherlands B.V. Note 3	Netherlands	Euro		99.00%
KME Real Estate GmbH & Co. KG	Germany	Euro		99.00%
KME Recycle S.r.l. (in liquidation)	Italy	Euro		99.00%
KME Rolled France S.A.S.	France	Euro		99.00%
KME S.r.l.	Italy	Euro		99.00%
KME Service Centre Italy S.p.A. Note 3	Italy	Euro		99.00%
KME Service Centre Slovakia s.r.o. Note 3	Slovakia	Euro		99.00%
KME Service Centre UK Ltd. Note 3	Great Britain	GBP		99.00%
KME Spain S.A.U.	Spain	Euro		99.00%

KME Special Holding GmbH	Germany	Euro	99.00%
KME Special Products GmbH & Co. KG	Germany	Euro	99.00%
KME Stolberg GmbH Note 4	Germany	Euro	99.00%
KME Yorkshire Ltd.	Great Britain	GBP	99.00%
KMETAL S.p.A.	Italy	Euro	99.00%
Natural Capital Italia S.p.A. Benefit Company	Italy	Euro	73.85%
Scent Company S.r.l.	Italy	Euro	77.17%
Serravalle Copper Tubes S.r.l. Note 5	Italy	Euro	99.00%
Tréfimétaux SAS Note 5	France	Euro	99.00%
Valika S.A.S.	France	Euro	50.49%

Note 1: It should be noted that, as early as 31 December 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 77.17% 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 29 July 2022.

Note 4: The company KME Stolberg (formerly "KMD Stolberg") was consolidated for accounting purposes from 1 January 2023.

Note 5: The accounting balances of the companies Serravalle Copper Tubes S.r.l. and Tréfimétaux SAS, as at 30 June 2022 and 31 December 2022, were classified, pursuant to IFRS 5, under the balances of assets held for sale. From 1 January 2023, they were reclassified from IFRS 5 assets/liabilities with the consequent restatement of the related income statement flows for the first half of 2022.

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[2]; 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 30 June 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.

[2] *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 provisionally determined at Euro 5 million, with the consequent recognition of goodwill of Euro 11 million. The assets and liabilities recognised as at 1 January 2023 are as follows:

(in Euro thousand)	*01-Jan-23*
Property, plant and equipment	14,530
Intangible assets	13
Deferred tax assets	2,300
Inventories	20,804
Trade receivables	2,174
Current financial assets	14,908
Other receivables and current assets	3,025
Cash and cash equivalents	116
Total Assets	**57,870**
Retirement benefits	4,058
Deferred tax liabilities	2,300
Other non current liabilities	2,380
Provisions for risks and charges	177
Current financial payables and liabilities	790
Trade payables	43,119
Total Liabilities	**52,824**
Net Assets (Liabilities)	**5,046**

At the date of these interim consolidated financial statements as at 30 June 2023, the purchase price allocation is still being finalised.

2.5.2.*Associated companies*

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		23.96%
Dynamo Academy S.r.l. Impresa Sociale	Italy	Euro		24.75%

There were no changes with respect to 2022.

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.

The following companies are included in the consolidated financial statements as at 30 June 2023 using the equity method in accordance with IAS 28:

Name	Registered office	Currency	% ownership	
			direct	indirect
Magnet Joint Venture GmbH	Germany	Euro		44.55%

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 31 January 2022.

Compared to December 2022 (and June 2022), the investment in the KMD (HK) Holding Limited Joint Venture ("KMD JV") was eliminated following the sale of the ownership 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

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 for the period. Such differences are recognised in net income when the subsidiary is sold.

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

	30/06/2023	*31/12/2022*	*1st half of 2023*	*1st half of 2022*
	Closing rate	*Closing rate*	*Average rate*	*Average rate*
GBP - Pound Sterling	0.8582	0.8872	0.8764	0.8519
RMB - Chinese Yuan	7.4705	7.3650	7.3417	7.1199
HKD - Hong Kong dollar	8.5301	8.3241	8.4107	8.7536
USD - US dollar	1.0866	1.0675	1.0729	1.1215

2.7. *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 useful lives of non current assets and the related recoverable amount (including the registered goodwill), the fair value of investments measured using said criterion and investment property, provisions for credit and inventory risks, any eventual impairment losses, the costs connected with retirement benefits, the estimated current and deferred tax charges and allocations and provisions.

With reference to Goodwill, the recoverable amount is usually 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.

2.8. Newly applied accounting standards

The following IFRS accounting standards, amendments and interpretations were applied by the Group for the first time as of 1 January 2023:

- On 18 May 2017, the IASB published ***IFRS 17 - Insurance Contracts***, which is set to replace ***IFRS 4 - Insurance Contracts***. The standard was applied beginning from 1 January 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 9 December 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 1 January 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 7 May 2021, the IASB published an amendment named "***Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction***". The document clarifies how to account for deferred tax liabilities on certain transactions that could generate assets and liabilities of equal amounts, such as leases and decommissioning obligations. The amendments were applied beginning from 1 January 2023.

- On 12 February 2021, the IASB published two amendments named "***Disclosure of Accounting Policies—Amendments to IAS 1 and IFRS Practice Statement 2***" and "***Definition of Accounting Estimates—Amendments to IAS 8***". The amendments are intended to improve the disclosure on accounting policies so as to provide more useful information to investors and other primary users of financial statements as well as help companies to distinguish changes in accounting estimates from changes in accounting policies. The amendments were applied beginning from 1 January 2023.

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

2.9. 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 23 January 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 31 October 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 1 January 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 22 September 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 1 January 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 23 May 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 1 January 2023 (or at a later date) but not to interim financial statements with a closing date prior to 31 December 2023.

  The directors are currently evaluating the possible effects of the introduction of this amendment on the Group's consolidated financial statements.

- On 25 May 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 1 January 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 30 January 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.

2.10. Impacts of the situation in Ukraine

With reference to the ongoing Russian-Ukrainian war, which, combined with the effects of the COVID-19 pandemic, has entailed significant changes in the macroeconomic scenario (i.e. rising inflation, difficulties in sourcing 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, nor has it had, significant trade relations with Russia and Ukraine. The indirect impacts of the conflict included an insignificant increase in the cost of energy in Italy; the other industrial plants at European level did not record increases; despite this, the Group's competitiveness was not eroded.

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.

2.11. Segment reporting

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

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

The segment data relating to revenues and income and results as at 30 June 2023 are reported in the Interim report on operations.

2.12. Disclosure on climate change

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 1 January 2024 and both were issued in June 2023.

The objective of IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information is to require an entity to provide information on its significant risks and opportunities related to sustainability that is useful to the primary users of the general financial information. Therefore, the entity must provide information on:

- governance: the governance processes, controls and procedures used by the entity to monitor and manage the risks and opportunities related to sustainability;
- strategy: the approach to address the risks and opportunities related to sustainability that could influence the business model and the entity's strategy in the short, medium and long term;
- risk management: the processes used by the entity to identify, assess and manage sustainability-related risks;
- metrics and objectives: information used to assess, manage and monitor the entity's performance over time in relation to risks and opportunities related to sustainability.

The objective of IFRS S2 Climate-related Disclosures is to require entities to provide information on their exposure to significant climate-related risks and opportunities, in particular the standard applied to:

- climate-related risks to which the entity is exposed, including (i) physical risks deriving from climate change (physical risks); (ii) risks associated with the transition to a low-carbon economy (transition risks);
- the climate-related opportunities available to the entity.

Therefore, the entity must provide information that allows users to understand:

- governance: the governance processes, controls and procedures used to monitor and manage climate-related risks and opportunities;
- strategy: the entity's strategy to address significant climate-related risks and opportunities (which influence decision-making, the financial position, financial results, the resilience to climate change, ...);
- risk management: the processes by which climate-related risks and opportunities are identified, assessed and managed;
- metrics and objectives: how an entity measures, monitors and manages its significant climate-related risks and opportunities, also 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. Entities subject to the CSRD will have to prepare their financial statements according to the European Sustainability Reporting Standards (ESRS), which came into force in January 2023. Entities will have to apply the new rules for the first time in financial year 2024, for financial statements published in 2025.

3. *Financial risk management policy*

The adoption of the New Strategy by the Parent Company has resulted in the Group's gradual focus on the industrial activity of KME SE from the year 2022, given more directly subject to the risks of the activities of KME SE itself.

With reference to the deteriorated macro-economic environment stemming from the Russia-Ukraine conflict and the relevant associated risks, please refer not only to the information provided previously but also the *Interim 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 counteracts credit risk by constantly monitoring receivables from commercial partners and by means of insurance aimed at minimising the risk of insolvency. The Group uses standard market instruments, such as letters of credit and guarantees.

For trade receivables much of the risk is mitigated through 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 the stratification of customers into portfolios on the basis of past experience, shares and/or financial information, as well as the associated 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 30 June 2023, the Group had two bonds “KME Group S.p.A. 2020/2025” (nominal value Euro 92.8 million) and “KME Group S.p.A. 2022/2027” (nominal value Euro 63.5 million), both with fixed interest rates.

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 by KME Group S.p.A.).

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.

The Perfumes and Cosmetics sector also uses IRSs to hedge the interest rate.

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. Balance sheet

4.1. Property, plant and equipment

(in Euro thousand)	*30 Jun 2023*	*31 Dec 2022*	*Change*
Land and buildings	259,532	249,390	10,142
Machinery	230,815	212,648	18,167
Other equipment	28,148	26,524	1,624
Construction in progress	13,916	11,395	2,521
Property, plant and equipment	**532,411**	**499,957**	**32,454**

The breakdown of owned and leased assets is provided below.

(in Euro thousand)	*Owned*	*Leased*	*Total*
Land and buildings	257,256	2,276	259,532
Machinery	228,690	2,125	230,815
Other equipment	22,406	5,742	28,148
Construction in progress	13,916	-	13,916
Property, plant and equipment	**522,268**	**10,143**	**532,411**

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.

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

The change in owned assets for the first half of 2023 is shown below:

(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 31 December 2022	**245,207**	**210,435**	**20,917**	**11,395**	**487,954**
Gross amount as at 31 December 2022	**313,791**	**532,126**	**64,907**	**11,395**	**922,219**
Purchases in the period	173	693	984	7,410	9,260
Reclassifications	(317)	3,258	874	(5,517)	(1,702)
Changes in consolidated group	7,575	28,695	5,485	89	41,844
Reclassifications from IFRS 5	25,378	155,798	3,278	539	184,993
Increases in cost due to foreign exchange differences	1	5	1	-	7
Disposals (cost)	(155)	(132)	(109)	-	(396)
Gross amount as at 30 June 2023	**346,446**	**720,443**	**75,420**	**13,916**	**1,156,225**
Accumulated depreciation as at 31 December 2022	**68,584**	**321,691**	**43,990**	**-**	**434,265**
Reclassifications	(43)	(27)	69	-	(1)
Changes in consolidated group	2,895	20,156	4,263	-	27,314
Reclassifications from IFRS 5	15,139	134,608	2,962	-	152,709
Depreciation, impairment and write-downs	2,615	15,450	1,799	-	19,864
Incr. in depreciation due to foreign exchange diff.	-	1	2	-	3
Disposals (accumulated depreciation)	-	(126)	(71)	-	(197)
Accumulated depreciation as at 30 June 2023	**89,190**	**491,753**	**53,014**	**-**	**633,957**
Gross amount	346,446	720,443	75,420	13,916	1,156,225
Accumulated depreciation	89,190	491,753	53,014	-	633,957
Total as at 30 June 2023	**257,256**	**228,690**	**22,406**	**13,916**	**522,268**

Leased assets changed as follows:

(in Euro thousand)	*Land and buildings*	*Machinery*	*Other equipment*	*Total*
Gross amount	8,832	3,230	14,251	26,313
Accumulated depreciation	4,648	1,018	8,644	14,310
Total as at 31 December 2022	**4,184**	**2,212**	**5,607**	**12,003**
Gross amount as at 31 December 2022	**8,832**	**3,230**	**14,251**	**26,313**
Purchases in the period	324	110	1,475	1,909
Reclassifications	(35)	(23)	(23)	(82)
Reclassifications from IFRS 5	244	400	1,303	1,947
Increases in cost due to foreign exchange differences	17	-	6	23
Disposals (cost)	-	-	(256)	(256)
Gross amount as at 30 June 2023	**9,382**	**3,717**	**16,756**	**29,854**
Accumulated depreciation as at 31 December 2022	**4,648**	**1,018**	**8,644**	**14,310**
Reclassifications	(53)	(3)	(69)	(125)
Reclassifications from IFRS 5	102	400	1,093	1,595
Depreciation, impairment and write-downs	2,406	177	1,590	4,172
Increases in depreciation due to foreign exchange differences	3	-	3	6
Disposals (accumulated depreciation)	-	-	(247)	(247)
Accumulated depreciation as at 30 June 2023	**7,106**	**1,592**	**11,014**	**19,711**
Gross amount	9,382	3,717	16,756	29,854
Accumulated depreciation	7,106	1,592	11,014	19,711
Total as at 30 June 2023	**2,276**	**2,125**	**5,742**	**10,143**

As at 30 June 2023, the sub-item "Machinery" includes Euro 117 thousand relating to finance leases (Euro 165 thousand as at 31 December 2022).

The amount of leased assets represents the value of the rights of use relating to lease/rental contracts of property, plant and equipment; the item "financial payables and liabilities" includes the corresponding liabilities; the related effects on the income statement are recorded as interest expense under the item "*Financial expense*" and as depreciation under the item "Amortisation, depreciation, impairment and write-downs*"*; it should be noted that the fees for short-term lease/rental contracts are accounted for under the item "*Other operating costs*".

4.2. Investment property

(in Euro thousand)	*30 Jun 2023*	*31 Dec 2022*	*Change*
Investment property	**71,383**	**68,175**	**3,208**

The item includes the value of land and buildings owned for the purpose of receiving lease payments or for the appreciation of the invested capital that generate cash flows irrespective of the other assets owned by the entities of the Group; the item is measured at fair value and reported the following changes in the half-year under review.

(in Euro thousand)	
Total as at 31 December 2022	**68,175**
Increases	2,213
Decreases	(5)
Reclassifications	1,678

Changes in fair value	(678)
Total as at 30 June 2023	**71,383**

The breakdown by geographic area is as follows:

(in Euro thousand)	*Italy*	*Germany*	*Other foreign countries*	***Total***
Investment property	63,431	7,952	-	**71,383**

More specifically, 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), buildings located in Florence and an industrial complex located in Serravalle Scrivia (Alessandria).

The value of investment property represents the fair value identified by the Directors based on periodic valuations performed by independent external experts with recognised and relevant professional qualifications, or valuations conducted by technical staff within the company. Changes in fair value are recognised in the income statement for the period; this fair value is not based on observable market data and is classified as fair value at level 3, which is 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).

4.3. Intangible assets

(in Euro thousand)	*30 Jun 2023*	*31 Dec 2022*	*Change*
Software, patents, licences	22,524	23,515	(991)
Construction in progress	2,150	2,184	(34)
Other	26,607	28,049	(1,442)
Goodwill	398,075	370,316	27,759
Intangible assets	**449,356**	**424,064**	**25,292**

The changes during the first half of 2023 are analysed below:

(in Euro thousand)	*Software, patents, licences*	*Construction in progress*	*Other*	*Goodwill*	***Total***
Gross amount	43,591	2,184	30,483	370,316	**446,574**
Accumulated amortisation	20,076	-	2,434	-	**22,510**
Total as at 31 December 2022	**23,515**	**2,184**	**28,049**	**370,316**	**424,064**
Gross amount as at 31 December 2022	**43,591**	**2,184**	**30,483**	**370,316**	**446,574**
Purchases in the period	122	106	108	1,761	**2,097**
Reclassifications	64	- 64	-	-	**-**
Changes in consolidated group	569	-	-	10,951	**11,520**
Reclassifications from IFRS 5	1,565	-	-	15,047	
Decreases (cost)	-	- 77	-	-	- **77**
Gross amount as at 30 June 2023	**45,911**	**2,150**	**30,591**	**398,075**	**460,115**
Accumulated amortisation as at 31 December 2022	**20,076**	**-**	**2,434**	**-**	**22,510**

Changes in consolidated group (provision)	556	-	-	-	**556**
Amortisation, impairment and write-downs	1,191	-	1,551	-	**2,741**
Reclassifications from IFRS 5	1,565	-	-	-	**1,565**
Decreases (accumulated amortisation)	(1)	-	-	-	**(1)**
Accumulated amortisation as at 30 June 2023	**23,387**	**-**	**3,985**	**-**	**27,371**
					-
Gross amount	45,911	2,150	30,591	398,075	**476,727**
Accumulated amortisation	23,387	-	3,985	-	**27,371**
Total as at 30 June 2023	**22,524**	**2,150**	**26,607**	**398,075**	**449,356**

Intangible assets, net of goodwill, have a finite useful life and are represented by the value of the cost net of the amortisation recorded. As at 30 June 2023, the item recorded no reductions in value.

Goodwill

(in Euro thousand)	*30 Jun 2023*	*31 Dec 2022*	*Change*
Copper Cash Generating Unit	368,538	342,540	25,998
Perfumes and Cosmetics Cash Generating Unit	29,537	27,776	1,761
Goodwill	**398,075**	**370,316**	**27,759**

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 the first half of 2023 are shown below:

(in Euro thousand)	*31 Dec 2022*	*Increases*	*Allowance for impairment*	*30 Jun 2023*
Copper Cash Generating Unit	342,540	25,998	-	**368,538**
Perfumes and Cosmetics Cash Generating Unit	27,776	1,761	-	**29,537**
Goodwill	**370,316**	**27,759**	**-**	**398,075**

The increase of Euro 26 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 11 million of “Changes in consolidated group” relating to KME Stolberg consolidated from 2023.

The increase of Euro 1.8 million in the Perfumes and Cosmetics CGU derives from the purchase by CULTI Milano S.p.A. of the residual share of 49% of its subsidiary Scent Company S.r.l. for a consideration of Euro 2.8 million.

The goodwill recognised as at 31 December 2022 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 perfumes and cosmetics sector.

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

The analyses carried out confirmed that the Group is not exposed to circumstances that require the impairment test to be repeated when preparing these financial statements. However, in light of the continuing uncertainty that characterises the international macroeconomic scenario and the significant tensions on the financial markets as well as a stock market capitalisation lower than the reported equity, the Group, in accepting the recommended prudence suggested by the aforementioned Regulatory Bodies, nevertheless carried out the impairment test of the intangible assets recorded in the Consolidated Financial Statements and relating to the two Cash Generating Units identified.

In compliance with the international accounting standard IAS 36, the cash flow projections used to determine the recoverable 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 of 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 30 June 2023 amounted to Euro 368.5 million (the value of goodwill stood at Euro 342.5 million as at 31 December 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 2023 - 2027 Business Plan (the “Plan”, drafted and approved by the administrative bodies of KME SE on 24 March 2023) starting from the flows of the second half of 2023 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, 30 June 2023 - 31 December 2027), with a level of amortisation corresponding to investment using a long-term growth rate “g” equal to zero, reaching a WACC of 9.88% (rate of 9.67% in the fair value measurements carried out as at 31 December 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 30 June 2023 amounted to Euro 29.5 million (as at 31 December 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, 30 June 2023 - 31 December 2025), 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 10.99% (10.89% in the assessments as at 31 December 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 14 million higher than the carrying amount.

Results of the test on the CGUs

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. Investments

(in Euro thousand)	*30 Jun 2023*	*31 Dec 2022*
Investments in subsidiaries	23,331	23,281
Equity-accounted investments	24,701	76,654
Investments in other companies	11,965	17,405
Investments	**59,997**	**117,340**

The changes in the items are shown below:

(in Euro thousand)	*Investments in subsidiaries*	*Investments in other companies*	*Equity-accounted investments*	*Total*
Total as at 31 December 2022	**23,281**	**17,405**	**76,654**	**117,340**
Reclassifications from IFRS 5	-	110	-	**110**
Disposals	-	-	(46,524)	**(46,524)**
Change in fair value OCI	-	(5,500)	-	**(5,500)**
Other movements	50	(50)	(4,221)	**(4,221)**
Share of profits/losses in the income statement	-	-	(531)	**(531)**
Equity-accounted shares	-	-	(677)	**(677)**
Total as at 30 June 2023	**23,331**	**11,965**	**24,701**	**59,997**

The sale recorded in the half-year refers to the dissolution of the 50% stake in KMD (HK) Holdings Ltd. established in 2014 together with a partner; KMD mainly produces stamping products in the Copper sector.

Compared to 31 December 2022, the increase of Euro 110 thousand refers to the reclassification of the other investments of Tréfimétaux classified as assets held for sale until 31 December 2022.

The negative change in Fair Value relates to Ducati Energia, an equity investment held by the Parent Company.

The breakdown of the item as at 30 June 2023 is as follows:

Name	Registered office	% ownership as at 30/06/2023		30/06/2023	31/12/2022
		direct	indirect	*(in Euro thousand)*	*(in Euro thousand)*
Intek Investimenti S.p.A.	Italy	100.00%		11,200	11,200
KME Germany Bet. GmbH	Germany		100.00%	1,707	1,707
KME Metale Sp. z.o.o.	Poland		99.00%	3,498	3,498
KME (Suisse) S.A.	Switzerland		99.00%	1,138	1,138
Oasi Dynamo Società Agricola S.r.l.	Italy		82.64%	4,910	4,910
Oasi Dynamo FoodCo S.r.l.	Italy		82.64%	400	400
Other minor investments - KME SE	-			438	388
Other minor investments - Parent Company	-			40	40
Investments in subsidiaries				**23,331**	**23,281**
KMD (HK) Holding Limited	Hong Kong		49.50%	-	46,524
Azienda Metalli Laminati S.p.A.	Italy		23.96%	36	68
Dynamo Academy S.r.l.	Italy		24.75%	805	805
Magnet Joint Venture Gmbh	Germany		44.55%	23,860	29,257
Equity-accounted investments				**24,701**	**76,654**
Ducati Energia S.p.A.	Italy		6.77%	11,200	16,700
Vita Società Editoriale S.p.A.	Italy		13.22%	222	222
Metal Interconnector ScpA	Italy		0.36%	318	318
Other minor investments			n/a	225	165
Investments in other companies				**11,965**	**17,405**
Total investments				**59,997**	**117,340**

The main investment in terms of value is that of Euro 23.9 million in Magnet Joint Venture GmbH, Munchen. In 2022, the Group acquired 45% of the company as part of the agreements with Paragon relating to the transfer of control of the Special Products Business.

On 13 December 2022, KME SE signed a share purchase agreement with Golden Dragon Precise Copper Tube Group Inc. (“Golden Dragon”) to sell its 50% stake in the KMD JV. On the same date, KME signed an agreement for the purchase of investments to repurchase 100% of the shares of KMD Connectors Stolberg GmbH (“Stolberg”), transferred to the KMD joint venture in 2014. The sale price of 50% of the joint venture is approximately USD 50 million and Stolberg's repurchase price is approximately USD 17 million. In addition, the agreements provided for KME SE to collect the intercompany positions and the outstanding loan for a total amount of approximately USD 20 million. The transaction in question was carried out following the fulfilment of the conditions precedent set forth in the agreement, including approval by the competent authorities.

4.5. Other non current assets

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

(in Euro thousand)	*30 Jun 2023*	*31 Dec 2022*	*Change*
Guarantee deposits	1,545	877	668
Other receivables	3,838	2,229	1,609
Other non current assets	**5,383**	**3,106**	**2,277**

4.6. Non current financial assets

(in Euro thousand)	*30 Jun 2023*	*31 Dec 2022*	*Change*
Other non current financial assets	3,063	3,009	54
Derivative financial instruments	208	236	(28)
Non current financial assets	**3,271**	**3,245**	**26**

The value of derivative financial instruments, equal to Euro 208 thousand, refers to the companies of the CULTI group and in particular to the value of the IRS Swaps to hedge the interest rate risk entered into 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 30/06/2023	2,037	800	1,000
Fair value	97	43	68
Expiry date	2026	2026	2029

4.7. Inventories

(in Euro thousand)	*30 Jun 2023*	*31 Dec 2022*	*Change*
Raw materials, consumables and supplies	375,094	363,839	11,255
Work in progress and semi-finished products	26,087	17,438	8,649
Finished goods and merchandise	32,857	23,626	9,231
Inventories	**434,038**	**404,903**	**29,135**

The item mainly includes the balances of the copper sector (Euro 428 thousand), relating mainly to metal stocks, in particular copper, aluminium, nickel, zinc, tin, scrap and other metals; the remainder relates to the CULTI group (Euro 6 million). It should be noted that 42.4 thousand tonnes (previous year: 43.02 thousand tonnes) of metal stocks are pledged as collateral for financial liabilities.

During the period under review, losses in value on metal stocks were recognised for an amount of Euro 13.6 million.

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 31 December 2022.

4.8. Trade receivables

(in Euro thousand)	*30 Jun 2023*	*31 Dec 2022*	*Change*
Receivables - third parties	44,598	79,197	(34,599)
Receivables - equity-accounted investments	30,647	9,874	20,773
Receivables - leases/factoring	1,265	1,491	(226)
Receivables - non consolidated subsidiaries	4,645	4,646	(1)
Receivables - parent company	9	151	(142)
Trade receivables	**81,164**	**95,359**	**(14,195)**

"*Receivables - third parties*" refer for roughly Euro 40.1 million (Euro 75.0 million as at 31 December 2022) to the KME SE group and for around Euro 4.5 million (Euro 4.1 million as at 31 December 2022) to the CULTI Group.

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.

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.

The "*Receivables - leases/factoring*" 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. 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. During the first half of 2023, Euro 0.7 million was collected (Euro 0.9 million at the date of preparation of these Financial Statements).

4.9. Current financial assets

(in Euro thousand)	*30 Jun 2023*	*31 Dec 2022*	*Change*
Financial receivables due from related companies	65,200	71,613	(6,413)
Receivables due from factoring companies	35,125	23,422	11,703
Derivative financial instruments	16,804	10,967	5,837
Investments in securities	272	272	-
Other current financial assets	4,075	3,827	248
Current financial assets	**121,476**	**110,101**	**11,375**

"*Financial receivables due from related parties*" essentially refer to equity-accounted investments (Magnet).

"*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 reference date of the Consolidated Financial Statements and pledged as collateral for existing 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 30 June 2023 include an amount of Euro 1.0 million (Euro 1.3 million as at 31 December 2022) due from an insurance company.

In reference to Consob Communication no. DEM/11070007 of 5 August 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.

4.10. Other receivables and current assets

(in Euro thousand)	*30 Jun 2023*	*31 Dec 2022*	*Change*
Tax receivables	12,985	11,588	1,397
Advances to suppliers	1,180	1,585	(405)
Prepayments and accrued income	4,586	1,845	2,741
Receivables - related companies	137	77	60
Other receivables	7,105	1,580	5,525
Other receivables and current assets	**25,993**	**16,675**	**9,318**

The *"Tax receivables"* mainly include tax credits for energy relating to the KME SE group.

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

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

All the receivables are due within twelve months.

The increase in "*Other receivables*" is mainly due to the reclassification of the assets of Tréfimétaux SAS and Serravalle Copper Tubes S.r.l. from "assets held for sale".

4.11. Cash and cash equivalents

The item consists of bank deposits and cash on hand.

(in Euro thousand)	*30 Jun 2023*	*31 Dec 2022*	*Change*
Cash and cash equivalents	**153,258**	**128,844**	**24,414**

"Cash and cash equivalents" consist essentially of bank deposits and cash on hand; as at 30 June 2023, Euro 12 million was pledged as collateral (unchanged amount with respect to 31 December 2022). For details of the liquidity generated and absorbed during the period, please refer to the consolidated statement of cash flows.

More specifically, the total net cash flow from investing activities of Euro 18.8 million is mainly due to the combined effect of:

i) positive Euro 46.5 million for the sale of 50% of the KMD JV;

ii) negative Euro 16.0 million relating to the price for the repurchase of 100% of the shares of KME Stolberg (former KMD Stolberg GmbH);

iii) negative Euro 2.8 million for the purchase of 49% of SCENT Company by CULTI Milano S.p.A.;

iv) negative Euro 11.7 million for net investments in property, plant and equipment, investment property and intangible assets.

With reference to the comparative data of the statement of cash flows, it should be noted that the "changes in consolidated group" of Euro 95,658 thousand related to the first consolidation carried out by the Parent Company as at 30 April 2022 (in relation to the "change in status" of investment entity resulting from the adoption of the New Strategy).

Cash and cash equivalents are deemed to be sufficient for the Group's commercial and financial commitment activities.

4.12. Non current assets held for sale and liabilities directly associated with assets held for sale

The book values of the items in question are as follows:

(in Euro thousand)	*30 June 2023*	*31 Dec 2022*	*Change*
Non current assets held for sale	11,947	107,198	(95,251)
Liabilities directly associated with assets held for sale	-	(68,469)	68,469
Net assets held for sale	**11,947**	**38,729**	**(26,782)**

At the date of these interim consolidated financial statements, assets and liabilities held for sale include the residual value of the property, plant and equipment owned by KME Italy S.p.A. deriving from the rolled business unit of S.A. Eredi Gnutti Metalli S.p.A.

(in Euro thousand)	*30 Jun 2023*	*31 Dec 2022*	*Change*
Investments held for sale	-	107,198	(107,198)
Property, plant and equipment held for sale	11,947	-	11,947
Non current assets held for sale	**11,947**	**107,198**	**(95,251)**

The decrease in the amounts as at 30 June 2023, compared to the previous year, is linked to the assets and liabilities of Tréfimétaux and Serravalle Copper Tubes, consolidated on a line-by-line basis from 1 January 2023.

4.13. Group equity

As at 30 June 2023, the share capital amounted to Euro 200,072,198.28 and was divided into 322,394,637 shares, of which 307,148,132 were ordinary shares and 15,246,505 savings shares. The balance under analysis rose by Euro 2,110.61 compared to 31 December 2022, owing to the exercise of 211,061 warrants and the subsequent issuing of as many ordinary shares.

For an analysis of the changes in consolidated equity, reference should be made to the "*Consolidated statement of changes in equity as at 30 June 2023*". The changes in equity include not only the result for the period but the effects of:

- the allocation of the Parent Company's annual profit for the year 2022 of Euro 5,174 thousand, as approved by the Shareholders' Meeting of May 2023, allocated as follows: 5%, equal to Euro 259 thousand, to the legal reserve, for Euro 3,312 thousand to the payment of dividends with the remainder of Euro 1,603 thousand to retained earnings;
- 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 28 June 2024 at the strike price of Euro 0.40 per warrant; they were issued in execution of the resolution of the Company's shareholders' meeting on 30 November 2020 and subsequently assigned following the approval, by the ordinary and extraordinary Shareholders' Meeting of 8 June 2021, of the Remuneration Policy for the three-year period 2021-2023 and the Incentive Plan for Executive Directors 2021-2024; a total of 37.5 million Management Warrants were assigned, 25 million of which in July 2021 and 12.5 million in June 2022.
- the comprehensive income items for Euro 6.9 million attributable to the combined effect of Euro 5.7 million due to changes in the fair value of financial instruments, a negative Euro 1.1 million relating to the exchange rate effect, a negative Euro 0.7 million for actuarial changes on pension funds and a positive Euro 0.6 million due to taxes.

  Information on treasury shares

As at 30 June 2023, the Company holds 6,937,311 ordinary treasury shares equal to 2.26% of the ordinary capital (2.15% of the total capital). There were no changes in this item during 2023.

4.14. Retirement benefits

This item relates to "*Post-employment benefits"*; the amount is determined based on the vested benefits at the end of the year under review, in compliance with law, employment contracts and IAS 19, and is composed as follows:

(in Euro thousand)	*30 Jun 2023*	*31 Dec 2022*	*Change*
Retirement benefits	**131,869**	**127,588**	**4,281**

The changes in the item during the half were as follows:

(in Euro thousand)	*31 Dec 2022*	*Changes in consolidated group*	*Reclassifications from IFRS 5*	*Increases*	*Decreases / payments*	*30 Jun 2023*
Retirement benefits	**127,588**	**4,058**	**2,836**	**4,198**	**(6,811)**	**131,869**

The Group has employees in Italy and abroad, mostly in Germany and the United Kingdom; 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 1 January 2018, employees will instead receive a contribution supplement for salary conversion as part of a defined contribution plan.

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".

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.

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.

4.15. Current and non current financial payables and liabilities

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

(in Euro thousand)	*30 Jun 2023*		*31 Dec 2022*	
	Current	*Non current*	*Current*	*Non current*
Liabilities to banks	56,866	133,190	80,132	138,610
Derivative financial instruments	5,381	-	10,652	-
Bonds	3,948	-	4,478	-
Factoring liabilities	4,958	-	1,424	-
Lease liabilities	4,378	11,012	4,709	11,169
Other financial liabilities	10,115	96,254	8,060	90,979
Financial payables and liabilities	**85,646**	**240,456**	**109,455**	**240,758**

As at 30 June 2023, the following main loans were outstanding:

- KME SE: Euro 330 million relating to the pooled bank loan that can be used on a revolving basis and maturing on 30 November 2023, plus an option for the extension of a further three years subject to the consent of the lenders involved in the transaction. This line meets the working capital financing needs of the KME SE Group, mainly linked to inventories.

  The credit facility was used with letters of credit for payments to metal suppliers in the amount of Euro 324.8 million (Euro 324.9 million as at 31 December 2022), 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.
- With reference to the KME SE Group and the 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 shares of KME Special Products GmbH & Co. KG and a mortgage on the industrial equipment of the Osnabrück plant (owned by KME Germany GmbH), it should be noted that said facility was repaid in April 2023. At the end of December 2022, the facility was outstanding for Euro 20 million.
- KME Group S.p.A.: Euro 20 million with a maturity of 18 months (stipulated in June 2022 and extended in June 2023 until 31 July 2024 with a partial repayment of Euro 10 million already made in July 2023), 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.

- 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 loan is amortised in equal instalments starting from the first quarter of 2023 until end of 2027 (the loan amounted to Euro 67.5 million as at 30 June 2023).
- 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 loan is amortised in equal instalments starting from the first quarter of 2023 until end of 2027 (the loan amounted to Euro 13.5 million as at 30 June 2023).
- 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.
- KME Mansfeld GmbH: 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, amounting to Euro 12.5 million as at 30 June 2023. 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.
- CULTI Milano S.p.A.: Euro 5.2 million with a duration of approximately 3 years (maturity 30 November 2025), of which 8 months of pre-amortisation, with quarterly repayment instalments, 3-month Euribor floating rate +2.25%. This loan 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 (Euro 2.0 million as at 30 June 2023 had a short-term expiry and Euro 3.2 million with expiry after one year).

  It should be noted that this loan is backed by compliance with financial covenants, defined with reference to the consolidated financial statements at the end of each year (starting from 31 December 2023). These parameters were all fully respected also as at 31 December 2022.
- CULTI Milano S.p.A.: Euro 2.5 million with a duration of 6 years (maturity 31 March 2026), of which two years of pre-amortisation, with quarterly repayment instalments, 3-month Euribor floating rate +1.15% spread converted through a specific derivative instrument (IRS Swap) at 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 closing date of each year. As at 30 June 2023, the residual debt amounted to Euro 1.7 million, of which Euro 0.6 is due within the year.

  The loan is guaranteed at 80% of its initial value (Euro 2 million) by Mediocredito Centrale.

As at 30 June 2023, the current portion of the item amounted to Euro 56.9 million (Euro 80.1 million as at 31 December 2022) and included:

- Euro 3.7 million for the short-term portion of the long-term loans in place in the CULTI group (Euro 2.6 million relating to CULTI, Euro 0.8 million relating to Bakel S.r.l. and Euro 0.3 million relating to Scent Company);
- Euro 10.5 million for the short-term portion, repaid in July 2023, of the loan stipulated by the Parent Company in June 2022, in place with Banco BPM S.p.A., with initial maturity in December 2023 and extended in June 2023 until 31 July 2024;
- Euro 42.7 million for the current financial payables of the KME SE group.

As at 30 June 2023, the non current portion of the item amounted to Euro 133.1 million (Euro 138.6 million) and included:

- Euro 6.6 million for the amount of long-term loans in place in the CULTI group (Euro 4.3 million relating to CULTI, Euro 1.8 million relating to Bakel S.r.l. and Euro 0.5 million relating to Scent Company);
- Euro 9.9 million for the amount of the loan due beyond one year pertaining to the Parent Company;
- Euro 116.7 million in loans pertaining to the KME SE group.

The "*Derivative financial instruments*" pertain to the KME SE group.

The item "*Bonds*" as at 30 June 2023 includes the value of the coupons on outstanding bonds, listed on the MOT and being accrued:

- Euro 2.4 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 31 December 2022);
- Euro 1.5 million on the KME Group S.p.A. 2022/2027 Bond (IT0005503393), issued on 23 September 2022 with a fixed rate of 5% (Euro 0.9 million as at 31 December 2022).

"*Factoring liabilities*" relate to the operations of the KME SE group relating to the credit facilities in place recently extended: together with the renewal of the pool facility, the factoring lines in place with Factofrance were also renewed for Euro 150 million until 30 November 2023 (with an automatic extension of one year in the event of extension of the maturity of the pool loan), and with Intesa Sanpaolo S.p.A., for Euro 126.5 million, until 30 September 2024. Both lines have an option for an extension of a further two years, subject to the consent of the factor. KME Mansfeld GmbH also has a non-recourse factoring credit facility with TARGO Commercial Finance AG (a subsidiary of Factofrance) expiring in February 2023, for a total amount of up to Euro 150 million with a built-in option of a further one-year extension. On 25 November 2022, the credit facility was extended for Euro 100 million until January 2025 and can also be used by KME Germany, if necessary.

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

As at 30 June 2023, the liabilities deriving from factoring with recourse vis-à-vis the factoring company amounted to Euro 2.7 million (Euro 0.3 million as at 31 December 2022).

The loans mentioned above contain similar financial covenants, subject to quarterly verification. The Group has complied with these covenants throughout the reporting period.

The item *"Lease liabilities"* includes the financial liabilities recognised due to the application of IFRS 16.

"*Other financial liabilities*" include the liabilities for Euro 90 million originating from the Sale & Lease-back transaction, carried out in December 2022 on the Osnabrück properties. Specifically, on 29 December 2022, following the completion of the conditions precedent set forth in the agreement, the subsidiaries KME Real Estate GmbH & Co. KG, as transferor ("KME RE"), and KME Germany GmbH ("KME Germany"), as lessee, have finalised the sale and leaseback contract with Crescendo Real Estate Advisors LLP ("Crescendo"), principal English investing and advisory group. The conclusion of the transaction saw the transfer from KME RE to Crescendo of the ownership of the entire property perimeter of Osnabrück ("Property"), which has an area of over 570,000 square meters, occupied by the industrial plant and the offices and the contextual conclusion of the lease agreement of the entire Property by KME Germany for a period of 30 years in addition to the possible extension of 10 years (exercisable twice, 30+10+10). As part of the lease agreement (in the form of the triple net agreement), KME Germany is the sole operator of the site, and will continue to manage the entire industrial plant as well as the offices. The annual rent agreed between the parties amounts to Euro 7.08 million plus VAT and is subject to annual revaluation based on the CPI index (German index used for lease agreements). KME Germany will continue to lease to the current sub-tenants the respective areas of the Property, already leased to them, for a total revenue of approximately Euro 2.5 million plus VAT.

The execution of the transaction allowed the collection of Euro 90 million, entirely used for the partial repayment of the loan in place with Goldman Sachs Bank USA, for a total of Euro 110 million, used on 8 December 2022 by the sub-holding KME SE to the early repayment of its guaranteed senior bond maturing in 2023.

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.

The increase in "*Other financial payables*" is essentially attributable to the interest on the liability of Euro 90 million.

Financial debt

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

As at 30 June 2023, there are no financial payables and liabilities to related parties.

4.16. Bonds

(in Euro thousand)	*30 Jun 2023*	*31 Dec 2022*	*Change*
KME Group S.p.A. 2020/2025 Bonds	92,565	92,506	59
KME Group S.p.A. 2022/2027 Bonds	63,489	63,485	4
Bonds	**156,054**	**155,991**	**63**

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.

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.

4.17. Other non current liabilities

(in Euro thousand)	*30 Jun 2023*	*31 Dec 2022*	*Change*
Other non current liabilities	**1,272**	**482**	**790**

The item refers to positions related to the copper sector.

4.18. Provisions for risks and charges

(in Euro thousand)	*30 Jun 2023*	*31 Dec 2022*	*Change*
Provisions for non current risks and charges	5,231	3,543	1,688
Provisions for current risks and charges	13,540	3,865	9,675
Provisions for risks and charges	**18,771**	**7,408**	**11,363**

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 1 January 2023	**1,300**	**1,150**	**4,958**	**7,408**
Changes in consolidated group	-	-	177	**177**
Utilized	(2,972)	-	(645)	**(3,617)**
Released	-	-	(26)	**(26)**
Allocations	1,491	-	1,492	**2,983**
Reclassifications from IFRS 5	10,354	-	1,492	**11,846**
Balance as at 30 June 2023	**10,173**	**1,150**	**7,448**	**18,771**
Non current	***-***	***-***	***5,231***	***5,231***
Current	***10,173***	***1,150***	***2,217***	***13,540***

Other provisions mainly 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 the provision net of utilizations for the period of Euro 3.0 million relating to the closure of the production of tubes at Givet announced in February 2022 by Tréfimétaux.

The item "*Other provisions*" includes Euro 857 thousand mainly relating to customer complaints.

4.19. Trade payables

(in Euro thousand)	*30 Jun 2023*	*31 Dec 2022*	*Change*
Trade payables - third parties	563,131	530,577	32,554
Trade payables - non consolidated subsidiaries	503	615	(112)
Trade payables - equity-accounted investments	14,673	9,423	5,250
Trade payables - other related parties	84	110	(26)
Trade payables	**578,391**	**540,725**	**37,666**

At the balance sheet date, Euro 324,858 thousand (Euro 324,934 thousand in the previous year) of the recorded liabilities from trade payables are supported by letters of credit; the letters of credit are issued by the consortium banks credit facility. These trade payables relate to the purchase of metal.

All liabilities have a remaining term of up to one year.

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

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

4.20. Other current liabilities

(in Euro thousand)	*30 Jun 2023*	*31 Dec 2022*	*Change*
Liabilities to customers	55,568	60,426	(4,858)
Tax liabilities	29,285	19,831	9,454
Liabilities to personnel and employees	25,078	21,969	3,109
Liabilities to social security institutions	4,503	4,051	452
Liabilities to directors for end of office indemnity	804	793	11
Liabilities to related companies	1,178	322	856
Other liabilities	13,395	21,888	(8,493)
Other current liabilities	**129,811**	**129,280**	**531**

"*Liabilities to customers*" mainly include the balances of the KME SE group and specifically the advance payments of customers, bonuses credited to customers and credit balances due to overpayments. The 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.

At the reporting date, Euro 2,257 thousand relates to the change in the scope of consolidation and Euro 5,302 thousand to the reclassification of Tréfimétaux and Serravalle Copper Tubes from the item "Liabilities associated with assets held for sale".

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

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

"Liabilities to directors for end of office indemnity" refer to the residual amount due to the Chairman for the end of office indemnity (TFM) accrued to 31 December 2012, the date on which the office ended. The amount in question has been accruing interest of 5% since 2014. The Chairman has allowed the payment due date to be extended to 31 December 2023.

"Liabilities to related parties" as at 30 June 2023 mainly include the VAT payable for companies included in the Group VAT but not in the scope of consolidation; the item also includes payables to directors for accrued remuneration.

4.21. Deferred tax assets and liabilities

(in Euro thousand)	*30 Jun 2023*	*31 Dec 2022*	*Change*
Deferred tax assets	75,362	88,478	(13,116)

Deferred tax liabilities	(107,052)	(117,752)	10,700
Deferred tax assets (liabilities), net	**(31,690)**	**(29,274)**	**(2,416)**

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*	
	30 Jun 2023	*31 Dec 2022*	*30 Jun 2023*	*31 Dec 2022*
Temporary differences				
Property, plant and equipment	1,792	3,089	(78,742)	(84,146)
Investment property	-	5,209	(2,983)	(2,970)
Intangible assets	1,911	1,937	(18,739)	(19,514)
Investments	502	512	(521)	(529)
Other non current assets	13	14	-	-
Non current financial assets	569	-	(50)	(57)
Inventories	831	602	(17,997)	(21,026)
Trade receivables	2,292	2,410	(206)	(687)
Current financial assets	(9)	1	(1,252)	(1,838)
Other receivables and current assets	278	186	(165)	(65)
Cash and cash equivalents	-	-	-	(1)
Non current assets held for sale	-	-	(2,075)	(2,075)
Retirement benefits	1,544	1,210	(8)	-
Non current financial payables and liabilities	1,097	1,665	-	-
Other non current liabilities	60	37	(58)	(54)
Provisions for risks and charges	1,677	1,548	(4,287)	(4,475)
Current financial payables and liabilities	1,035	1,448	-	-
Trade payables	17	-	(172)	(733)
Other current liabilities	1,318	1,379	(393)	(167)
Deferred taxes on tax loss carryforward	81,058	87,854	-	-
Total	**95,985**	**109,101**	**(127,648)**	**(138,337)**
Offsetting	(20,623)	(20,623)	20,596	20,585
Total deferred tax assets (liabilities)	**75,362**	**88,478**	**(107,052)**	**(117,752)**

5. ***Income Statement***

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

It should be noted that the 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 22 April 2022 resulted in the loss of the status of “investment entity” and the consequent expansion of the Group's scope of consolidation which, from 30 April 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 the income statement flows relating to the months of May and June 2022 of the fully consolidated companies, other than the Parent Company, are not directly comparable with the related balances of 2023 which included six whole months in the scope of consolidation.

5.1. Revenues from sales and services

The breakdown of the item is as follows:

(in Euro thousand)	*1st half 2023*	*1st half 2022*
Europe	907,556	306,025
Asia	46,794	15,567
America	93,315	22,394
Other countries	35,752	3,790
Revenues from sales and services	**1,083,417**	**347,776**

Breakdown of revenues was made based on the location of the customers.

During the current period and in the previous one, the Group did not generate sales of more than 10% of Group sales with any customer.

In the first half of the year, revenues from related parties amounted to Euro 113,307 thousand:

- Euro 110,368 thousand from equity-accounted investees (of which approximately Euro 104.9 million from Cunova GmbH, an entity controlled by Magnet JV);
- Euro 2,939 thousand from non consolidated subsidiaries.

Revenues derive mainly from the sale of copper and copper alloy products.

Of the Euro 907 million relating to the geographical area Europe, approximately Euro 154.4 million is attributable to Italy.

5.2. Other income

(in Euro thousand)	*1st half 2023*	*1st half 2022*
Lease income	4,632	416
Provision of services to related companies	39	32
Other	8,097	1,079
Other income	**12,798**	**1,527**

"Lease income" mainly includes rental income from investment property. The remaining "Other" revenues mainly contain:

- Euro 2.8 million relating to insurance reimbursements;
- Euro 0.9 million relating to reimbursements for taxes on energy and energy costs.

5.3. Personnel cost

(in Euro thousand)	*1st half 2023*	*1st half 2022*
Wages and salaries	(96,286)	(27,955)
Social security contributions	(21,079)	(5,991)
Other personnel costs	(4,911)	(1,114)
Personnel cost	**(122,276)**	**(35,060)**

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 period. The mandatory statutory contributions to be borne by the Group, including in particular social security contributions, are reported under "*Social security contributions*".

"*Other personnel costs*" mainly include costs for pensions and severance pay.

5.4. Other operating costs

(in Euro thousand)	*1st half 2023*	*1st half 2022*
Directors' and Statutory Auditors' fees	(3,057)	(2,695)
Professional services	(9,688)	(2,276)
Freight cost	(21,163)	(7,707)
Other personnel expense	(865)	(121)
Legal and company disclosure	(1,506)	(329)
Electricity, heating, postal and telephone costs	(46,535)	(10,735)
Insurance premiums	(6,478)	(201)
Property leases	(3,970)	(807)
Maintenance	(19,589)	(4,343)
Rent and lease expense	(9)	(8)
Other taxes	(2,050)	(841)
Membership fees	(117)	(124)
Other net costs	(8,281)	(2,107)
Donations	(27)	(13)
Bank fees	(424)	(122)
Loss from disposal of fixed assets	(865)	(1,581)
	(124,624)	**(34,010)**
Commissions	(5,056)	(1,057)
Allocation to provisions for risks	(1,595)	(263)
Production and sales costs	(5,873)	(1,525)
Charges on Management Warrants	(523)	(481)
Other operating costs	**(137,671)**	**(37,336)**

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 note 4.13).

5.5. Net financial expense

(in Euro thousand)	*1st half 2023*	*1st half 2022*
Interest income from related parties	*632*	*261*
Interest income	*2,426*	*1,108*
Commissions on guarantees issued (related parties)	*-*	*300*
Gains from currencies and derivatives	*4,366*	*219*
Other financial income	*414*	*123*
Total financial income	**7,838**	**2,011**
Interest expense to related parties	*(32)*	*(10)*
Interest expense	*(18,980)*	*(1,477)*
Interest expense on securities issued	*(3,710)*	*(3,415)*
Financial and guarantee fees	*(15,631)*	*(2,397)*
Losses from currencies and derivatives	*(3,547)*	*(2,372)*
Impairment of financial instruments	*(22)*	*-*
Other financial expenses	*(737)*	*(49)*
Total financial expenses	**(42,659)**	**(9,720)**
Financial result	**(34,821)**	**(7,709)**

With reference to interest relating to bonds issued, it should be noted that as at 30 June 2023 they include the amount pertaining to the Parent Company for outstanding bonds (one of which issued in September 2022), and that as at 30 June 2022 they also included the amount of KME SE pertaining to the bond loan that was outstanding at the gross annual nominal rate of 6.75%, a bond that as at 30 June 2022 had a residual nominal value of Euro 110 million (note that this loan was repaid on 8 December 2022).

5.6. Result of investments

(in Euro thousand)	*1st half 2023*	*1st half 2022*
Result of the investees at equity	(531)	1,502
Measurement of investments at fair value	-	9,078
Dividends	-	993
Result of investments	**(531)**	**11,573**

The result of investees at equity for 2023 contains the portion of the profit for the period of the Magnet Joint Venture (for the sake of completeness, please refer to the explanatory note 4.4 "Investments").

The result of investees at equity for 2022 of Euro 1,502 thousand related to the investments belonging to the KME SE group and was made up of a negative Euro 1.0 million relating to KMD JV and a positive Euro 2.5 million relating to Magnet Joint Venture GmbH.

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 22 April 2022, the exception to consolidation set forth in paragraph 31 of IFRS 10 as it holds the qualification of "investment entity". Specifically, the amount of the item as at 30 June 2022 relates to the increase in the value of the controlling interest in CULTI Milano (at the stock market price as at 22 April 2022, the date of change of status of investment entity) compared to 31 December 2021.

The 2022 dividends mainly relate to the investee Ducati Energia S.p.A., which in 2023 did not approve further dividends.

5.7. Current and deferred taxes

(in Euro thousand)	*1st half 2023*	*1st half 2022*
Current taxes	(9,723)	(4,895)
Deferred taxes	(374)	3,076
Current and deferred taxes	**(10,097)**	**(1,819)**

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.

6. Additional information

6.1. Financial instruments by category

(in Euro thousand)	*30-Jun-23*	*31-Dec-22*	*Change*
Financial assets at fair value through profit or loss	16,976	*11,139*	5,837
Financial assets at fair value through other comprehensive income	12,173	*17,641*	(5,468)
Amortised cost	355,790	*333,435*	22,355
Total financial assets	**384,939**	**362,215**	***22,724***
Financial liabilities at fair value through profit or loss	(5,381)	(10,652)	5,271
Financial payables and liabilities at amortised cost	(1,100,744)	(1,085,316)	(15,428)
Total financial liabilities	**(1,106,125)**	**(1,095,968)**	***(10,157)***

6.2. Financial instruments by financial statement item

A summary of financial instruments is provided below along with a reconciliation with financial statement items as at 30 June 2023:

(in Euro thousand) *Values as at 30 June 2023*	Carrying amount	*Measurement method* *Cost*	*Fair value*	*Outside the scope of IFRS 7*	Fair Value
Equity-accounted investments	24,701	-	-	*24,701*	24,701
Investments in other companies	11,965	-	*11,965*	-	11,965
Other non current assets	5,383	*5,383*	-	-	5,383
Non current financial assets	3,271	*3,063*	*208*	-	3,271
Trade receivables	81,164	*81,164*	-	-	81,164
Current financial assets	121,476	*104,500*	*16,976*	-	121,476
Other receivables and current assets	24,450	*8,422*	-	*16,028*	8,422
Cash and cash equivalents	153,258	*153,258*	-	-	153,258
Financial instruments - Assets	**425,668**	***355,790***	***29,149***	***40,729***	**384,939**
Non current financial payables and liabilities	(240,456)	*(240,456)*	-	-	(240,456)
Bonds	(156,054)	*(156,054)*	-	-	(156,054)
Other non current liabilities	-	-	-	-	-
Current financial payables and liabilities	(85,646)	*(80,265)*	*(5,381)*	-	(85,646)
Trade payables	(578,391)	*(578,391)*	-	-	(578,391)
Other current liabilities	(74,243)	*(45,578)*	-	*(28,665)*	(45,578)
Financial instruments - Liabilities	**(1,134,790)**	***(1,100,744)***	***(5,381)***	***(28,665)***	**(1,106,125)**

A summary of financial instruments is provided below along with a reconciliation with financial statement items as at 31 December 2022:

(in Euro thousand) *Values as at 31 December 2022*	Carrying amount	*Measurement method* *Cost*	*Fair value*	*Outside the scope of IFRS 7*	Fair Value
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)
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. There are three levels of fair value:

- Level 1 – quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 – inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices);
- Level 3 – unobservable market inputs for the asset or liability.

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

(in Euro thousand)	*Fair Value as at 30/06/2023*	*Fair Value Levels*		
		1	*2*	*3*
Investments	11,965	-	-	11,965
Non current financial assets	208	-	208	-
Current financial assets	16,976	-	16,804	172
Total financial assets	**29,149**	**-**	**17,012**	**12,137**
Non current financial payables and liabilities	-	-	-	-
Current financial payables and liabilities	5,381	-	5,381	-
Total financial liabilities	**5,381**	**-**	**5,381**	**-**

(in Euro thousand)	Fair *Value as at 31/12/2022*	*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**	**-**

In the first half of 2023, there were no transfers between the levels mentioned.

6.3. Notional value of financial instruments and derivatives

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

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

The Group operates 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.

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. 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 maturing after one year and are distributed as follows:

- derivative liabilities: 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).

7. ***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".

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

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

As at 30 June 2023, there was a commitment for investments in tangible fixed assets of Euro 8.7 million (Euro 5.4 million as at 31 December 2022).

As at 30 June 2023, a letter of patronage was in place, signed by KME SE for the benefit of the company KME Metale S.p.z.o.o.; at present, by virtue of the company's current situation, it is unlikely that this letter will be used.

Annexes to the notes:

Statement of reconciliation of the profit/(loss) and equity of the Parent Company KME Group S.p.A. and the consolidated profit/(loss) and equity for the first half of 2023

(in Euro thousand)	*30 Jun 2023*
Parent company’s equity (including profit/(loss) for the period)	**482,105**
Equity of consolidated companies	785,163
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)	(4,455)
Share of equity of consolidated companies to be attributed to third parties	(3,603)
Equity attributable to the shareholders of the Parent Company	**539,407**

(in Euro thousand)	*30 Jun 2023*
Profit/(loss) of the separate financial statements of the Parent Company	**(4,051)**
Profit/(loss) of fully consolidated companies	27,397
Elimination of dividends received	(239)
Other consolidated entries	363
Cancellation of effect of IFRS 16 on intra-group transactions	1
Cancellation of effect of IFRS 9 on intra-group transactions	(37)
Reclassification of property to tangible fixed assets	(148)
Consolidation entries (PPA)	(2,071)
Consolidated net profit (loss)	**21,215**
of which Profit/(loss) for the period attributable to non-controlling interests	*2,599*
of which Profit/(loss) for the period attributable to the shareholders of the parent company	*18,616*

CERTIFICATION OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154-BIS, PARAGRAPH 5 OF ITALIAN LEGISLATIVE DECREE 58/98 AND PURSUANT TO ARTICLE 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999 AS SUBSEQUENTLY AMENDED AND SUPPLEMENTED

1. Having regard to the requirements of article 154-*bis*, paragraphs 3 and 4 of Italian Legislative Decree no. 58 of 24 February 1998, the undersigned Vincenzo Manes, Chairman, and Giuseppe Mazza, Manager in charge of Financial Reporting of KME Group S.p.A., hereby certify:

   - the adequacy with respect to the characteristics of the Company and
   - the effective application

   of the administrative and accounting procedures for the preparation of the condensed consolidated interim financial statements in the period from 1 January 2023 to 30 June 2023.

2. No material findings emerged in this regard.

3. Moreover, they certify that:

   3.1. the condensed consolidated interim financial statements:

   a) were prepared in accordance with the applicable set of international accounting standards as endorsed by the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;

   b) reflect the balances recorded in the accounting books and records;

   c) give a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer and the undertakings included in the consolidation taken as a whole;

   3.2 the interim Report on operations includes a reliable analysis of the references to the important events that took place in the first six months of the year and their impact on the condensed consolidated interim financial statements, along with a description of the main risks and uncertainties for the remaining six months of the year. The interim Report on operations also includes a reliable analysis of the information on significant transactions with related parties.

Milan, 18 September 2023

The Chairman

signed Vincenzo Manes

The Manager in charge of Financial Reporting

signed Giuseppe Mazza

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REPORT ON REVIEW OF THE HALF-YEARLY CONSOLIDATED FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying half-yearly consolidated financial statements of KME Group S.p.A. and subsidiaries (the "KME Group"), which comprise the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and explanatory notes thereto as at June 30th, 2023. The Directors are responsible for the preparation of the half-yearly consolidated financial statements in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on the half-yearly consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the criteria recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("Consob") for the review of the half-yearly financial statements under Resolution n° 10867 of July 31, 1997. A review of half-yearly consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-yearly consolidated financial statements of KME Group S.p.A. and subsidiaries as at June 30th, 2023 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Luca Franchino
Partner

Milan, Italy
September 21st, 2023