INTERIM FINANCIAL REPORT
AS AT 30 JUNE 2024
(1ST HALF 2024)

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

Board of Directors
26 September 2024

KME Group S.p.A.
Registered and Administrative Office:
20121 Milan - Foro Buonaparte, 44
Share Capital Euro 200.154.177,66 (fully paid up)
Tax Code and Milan Business
Register no. 00931330583
www.itkgroup.it

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Company Bodies

***Board of Directors** (appointed by the shareholders' meeting of 22 May 2024)*

Chairperson	Diva Moriani [B]
Deputy Chairperson	Vincenzo Manes [B]
Directors	Marcello Gallo
	James Macdonald
	Ruggero Magnoni
	Francesca Marchetti [A, C]
	Massimiliano Picardi [A]
	Alessandra Pizzuti [C]
	Serena Porcari
	Luca Ricciardi [A, C]

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

***Board of Statutory Auditors** (appointed by the shareholders' meeting of 22 May 2024)*

Chairperson	Gianluca Cinti
Standing Auditors	Giovanna Villa
	Alberto Villani
Alternate Auditors	Daniele Beretta
	Elena Beretta

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 22 April 2024)*	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
Common Representative of the "KME Group SpA 2024- 2029" Bond Holders	Rossano Bortolotti

Interim report on operations

Dear Shareholders,

the reduction in demand in the reference sectors also continued during the first half of 2024, whose first signs of deceleration had been detected starting from the fourth quarter of 2022 and which had progressively increased in the first few months of the second half of 2023.

This reduction clearly had an impact on the economic results of KME Group SpA ("KME" or the "Company") and its subsidiaries (the "KME Group" or the "Group"), which are in stark contrast to those of the first half of 2023, which had shown extremely positive results.

The Group managed to reduce the negative effects of this economic trend thanks to the strategic actions taken in the past to bolster its market positioning.

The current economic situation prompted management to focus on new acquisitions that allow a recovery of sales volumes, postponing completion of the delisting process that began in 2023.

Therefore, in order to allow finalisation of these acquisitions, it was also decided to postpone the procedure to reverse merger the KME Group SpA into the unlisted subsidiary KMH SpA, which would absorb financial resources for the exercise of the right of withdrawal. At present, it is therefore estimated that the merger could be finalised in the second half of 2025.

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

Indeed, in recent years the Company's activities focused on managing the shareholding in KME SE and its subsidiaries, through several acquisitions and disposal operations that have created a new strategic configuration of the copper sector, focused mainly on the rolled segment ("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 more effectively implement any opportunities for reorganisation and strengthening of the KME Group, more easily pursued as an unlisted company.

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 other situations of conflict and international tension.

Extraordinary finance transactions

Public Exchange Offer on Warrants

As previously announced, on 12 January 2024 the Company launched a partial voluntary Public Exchange Offer involving a maximum n. 78,635,148 outstanding "KME Group SpA 2021-2024" Warrants (the "Warrants"), with a consideration of n. 10 Ordinary Shares, in the Issuer's portfolio, for every n. 23 Warrants subscribed, i.e. n. 1 Ordinary Share in the Issuer's portfolio for every n. 2.3 Warrants subscribed (the "Warrants PEO Consideration"), for a total of n. 34,189,630 Ordinary Shares, pursuant to the Ordinary and Extraordinary Shareholders' Meeting resolution of 12 June 2023 (the "Maximum Total Consideration" and, together, the "Warrant PEO" or the "Offer"). The Warrants subject to the Public Exchange Offer on Warrants represented 94.42% of the n. 83,286,883 outstanding Warrants as at the Date of the Offer Document. The Warrant PEO was partial in nature, taking into account the limits imposed by the resolution of the Ordinary and Extraordinary Shareholders' Meeting of 12 June 2023, compared to the total number of outstanding Warrants.

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

KME, by virtue of the provisions of article 1, paragraph 4.f) of Regulation (EU) 2017/1129 (the "Prospectus Regulation") was exempt from the obligation to publish a prospectus for the offer of the Ordinary Shares set forth in Art. 3, paragraph 1, of the Prospectus Regulation, having prepared and published the Exemption Document together with the Offer Document, pursuant to article 34-ter, paragraph 2.a) and article 36, paragraph 3 of the Issuers' Regulation, in accordance with the Prospectus Regulation, as subsequently supplemented by Commission Delegated Regulation (EU) no. 2021/528 of 16 December 2020.

The Warrant PEO was held from 19 February to 8 March 2024. At the end of the offer period, a total of n. 76,545,610 Warrants were subscribed, representing 97.34% of the Warrants involved in the Warrant PEO and 92.07% of the outstanding Warrants at the closing date of the Offer. Quattroduedue SpA (hereinafter also "Quattroduedue") brought all n. 73,680,892 own Warrants into the Warrants PEO.

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

Issue of the "KME Group SpA 2024-2029" Bond Loan

Also in anticipation of the maturity in February 2025 of the "KME Group SpA 2020-2025" Bond Loan (the "2020 Bonds") listed on the Electronic Bond Market organised and managed by Borsa Italiana S.p.A. (the "MOT"), on 20 May 2024 the Company's Board of Directors approved a transaction that envisaged:

- a total voluntary public exchange offer on n. 4,297,158 2020 Bonds outstanding, with a nominal unit value of Euro 21.60 and consideration represented by a maximum n. 92,818,548 new KME Group SpA 2024-2029 Bonds, with a nominal unit value of Euro 1.00, (the "2024 Bonds") for a total of Euro 92.8 million, listed on the MOT (the "Bond Exchange Offer");
- a concurrent public subscription offer for KME Group SpA 2024-2029 Bonds for a total of Euro 57.2 million, which could have been increased to a maximum of Euro 150 million in consideration of the level of subscription to the Bond Exchange Offer (the "Subscription Offer" and, jointly with the Bond Exchange Offer, also the "Offers");

The 2024 Bonds, ISIN Code IT0005597874, have a 5-year maturity from the issue date (2 August 2024) and accrue interest at a fixed annual gross nominal rate of 5.75%. At the time of announcement of the Offers, the Board of Directors established a minimum rate of 5.25%, envisaging that the final rate would have been established before the Offers were launched. In this regard, the rate of 5.75% was set by the Board of Directors on 21 June 2024.

The 2024 Bonds are not backed by collateral or personal guarantees. No rating has been or is expected to be assigned to the 2024 Bonds. Starting from the end of the second year from the issue date, KME will have the right to fully or partially redeem the 2024 Bonds.

By letter dated 26 June 2024, protocol no. 0063689/24, Consob approved the Subscription Offer prospectus and the simultaneous admission to listing on the MOT of the 2024 Bonds.

The Bond Exchange Offer was instead launched with exemption from the application of laws and regulations on takeover bids or exchange tender offerings pursuant to article 101-bis, paragraph 3.b) of the Consolidated Law on Finance (TUF) and in compliance with article 35-bis, paragraph 4 of the Issuers' Regulation.

The Bond Exchange Offer was open from 1 July to 26 July 2024 and the Subscription Offer from 1 July to 31 July 2024. During the Offer periods, the original closing dates of 19 July and 23 July 2024, respectively, were extended.

As part of the Subscription Offer, subscription applications were received for n. 56,198,624 2024 Bonds, for a total nominal value of Euro 56.2 million compared to the Euro 57.2 million maximum for the Offer.

As part of the Bond Exchange Offer, n. 1,291,910 2020 Bonds were subscribed, with a 30.0% subscription rate, and consideration represented by n. 27,905,256 2024 Bonds for a total nominal value of Euro 27.9 million. Consequently, the 2020 Bonds still outstanding and traded on the MOT are n. 3,005,248 for a total nominal value of Euro 64.9 million. In the Company's opinion, the reasons for limited uptake of the Bond Exchange Offer lie in the fact that the maturity of the 2020 Bonds was not imminent and that the related bondholders, which on average have a small investment, therefore decided to wait before considering reinvestment.

Settlement of the Offers and the MOT listing took place on 2 August 2024 with the issue of a total of n. 84,103,880 2024 Bonds for a total nominal value of Euro 84.1 million.

Since the listing date, the 2024 Bonds have recorded a positive performance in terms of price (an average of Euro 101.3) and volumes traded (Euro 20.9 million in volumes).

In light of this market response and the fact that, in the coming months, a favourable market context is expected for bond issues, also due to forecasts of further interest rate cuts, in order to complete the debt funding envisaged from the July 2024 transaction the Company planned the promotion of a new Public Subscription Offer (the "New Subscription Offer") of 2024 Bonds for a total of Euro 70.5 million, reserving the right to define the subscription price nearer to the offer launch date, in consideration of the current market conditions.

In addition, to once again allow holders of 2020 Bonds to benefit from the opportunity to swap them for 2024 Bonds, the Company planned the promotion of a new partial Public Exchange Offer (the "New Exchange Offer") for a total of Euro 45.4 million (corresponding to 70% of the 2020 Bonds still outstanding), under the same conditions as the previous offer.

The New Subscription Offer may be increased by up to a maximum Euro 115.9 million depending on the performance of the New Exchange Offer.

Once the necessary authorisations are obtained, the Company expects the two new offers to be implemented simultaneously in November this year.

For more details on the transactions, please refer to the Press Releases available on the Company's website.

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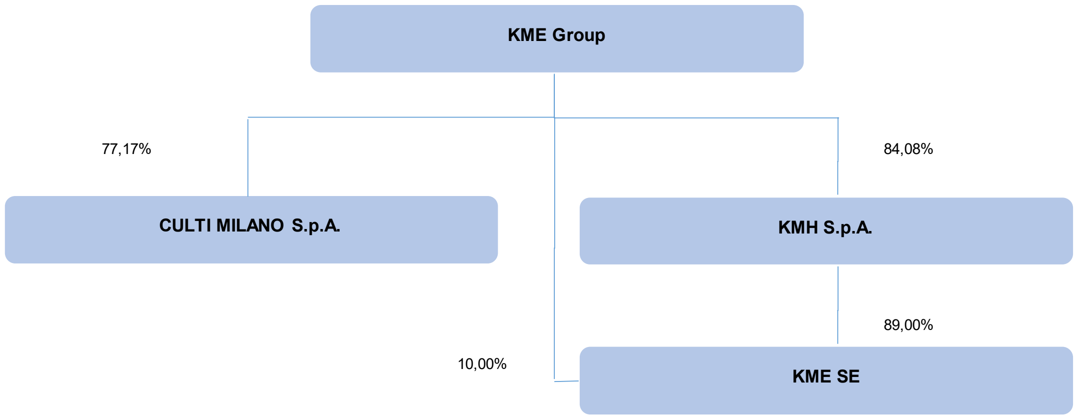
Summary of the corporate structure as at 30 June 2024

Continuing the corporate rationalisation process and the Parent Company's progressive focus on Copper business operations, during the period under review KME Group SpA sold its interest in Intek Investmenti SpA to its subsidiary KME SE.

The Group structure at 30 June 2024 can be illustrated as follows:



KME SE is the head of a global leading group in the production and marketing of semi-finished products in copper and its alloys focused on the Copper sector, following the transfer of control of the special products business (now headed up by the company cunova GmbH), in which it retains a 45% interest.

Culti Milano S.p.A., a company whose shares are listed on the Euronext Growth Milan market, is increasingly geared towards personal well-being, in addition to the consolidation of its traditional business in the environmental fragrance segment.

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Economic situation

In the first half of 2024, the main challenges for Europe's macroeconomic and commercial conditions were still linked to the ongoing conflict in Ukraine. This war, which is dragging on and will almost certainly persist throughout the year, continues to erode economic and political stability in Europe. Other conflicts and, more generally, the global geopolitical tensions create additional elements of instability.

Another potential problem is the slow macroeconomic development in the EU, where GDP growth was only 0.3% last year and is not expected to exceed 1% this year. Inevitably, this creates economic uncertainties, slows capital investments and, in general, does not support commercial activities.

In line with its previous forecasts, the IMF expects global GDP growth of around 3.2% this year, similar to the growth rate for 2023. Although the figure is not very high, it is a positive indicator of stable growth, unlike the last two years when global GDP actually fell.

The European Commission has maintained its 2024 GDP growth forecasts at 1% in the EU and 0.8% in the Eurozone. As in the first quarter of the year, GDP growth in the second quarter stood at 0.3%. This is a positive development, as it indicates stable GDP in the first half of this year (remember that EU GDP decreased by 0.1% in the fourth quarter of 2023). While some EU countries recorded positive GDP in the second quarter (Spain 0.8%, France and Italy 0.2%), Germany suffered an unexpected contraction of around 0.1%, practically cancelling out its first quarter growth. The largest decline in Germany was recorded in the construction, machinery and fittings sectors and in exports. The impact of this development on other European countries has yet to be confirmed. One unique aspect for KME is that Germany represents the largest market for copper and copper alloys (both in terms of production and consumption), and this development had a direct impact on the growth of KME's *business* in the second quarter.

The positive trends in the stability of energy costs and the reduction in inflation rates continued in the second quarter. According to the IMF, the global inflation rate is expected to reach 5.9% in 2024 and 4.5% in 2025. This figure is substantially in line with several previous estimates. Advanced economies are expected to reach their target inflation rates sooner than emerging markets. The continued decline in commodity prices, including energy prices, and the slow easing of restrictive monetary policies by global central banks should support this forecast.

The ECB finally cut interest rates in June and then in early September, with the BoE doing so in August. The Federal Reserve also reduced rates in September 2024.

The lower inflationary pressure, common in the first quarter of this year, also continued in the second quarter. In the EU, the inflation rate fell to 2.5% in the first quarter (5.4% in 2023) and remained at the same level at the end of the second quarter. The year-on-year inflation rate should be 2.7%. These latest IMF figures confirm the opinion that the usual 2% target will not be achieved this year. No further increase in interest rates is expected. On the contrary, the tendency to cut interest rates is expected to continue, although probably not as fast as expected at the beginning of the year.

In relation to energy, average crude prices (WTI) in the second quarter of 2024 were 81.71 USD/bbl, similar to those of the first quarter and slightly higher than the average of 77.58 USD/bbl in 2023. The expected average for 2024 is now 80.00 USD/bbl.

Gas prices in Europe stood at 41.25 €/MWh in 2023 and an average of 40 €/MWh is expected in 2024, but some sources suggest a lower average. This is positive news for industrial and private users, as energy costs are not expected to trigger significant inflationary pressure as they did in recent periods. As always, this type of development has a similar impact on electricity prices.

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Group results[1]

The consolidated results as at 30 June 2024 are fully comparable with those of the first half of last year, including both the income and cash flow statements of the consolidated companies for all six months. Therefore, we were able to overcome the limited comparability affecting the Group's financial statements following the launch of the new strategic approach announced by the Company on 22 April 2022, which had rendered the IFRS 10 consolidation exception for investment entities no longer applicable, with the subsequent obligation of line-by-line consolidation of controlling interests to be adopted prospectively from the date on which the change of status occurs.

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 99% of Group revenues.

Invested Capital

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

Consolidated net invested capital		
(in Euro thousand)	*30 Jun 2024*	*31 Dec 2023*
Net non-current assets	1,061,943	1,080,728
Net working capital	(251,553)	(178,949)
Net deferred taxes	(7,820)	(24,745)
Provisions	(137,046)	(148,928)
Net invested capital	**665,524**	**728,106**
Total equity	310,279	358,815
Net financial position	355,245	369,291
Funding sources	**665,524**	**728,106**

"Net invested capital" is a financial indicator which is not defined by IFRS and should not be considered 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 items considered in the definition of "Net financial debt".*
- *"Provisions" include the items "Retirement benefits" and "Provisions for risks and charges".*

[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 remained consistent over time and were not redefined compared to preceding years.*

Income Statement

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

Consolidated income statement		
(in Euro thousand)	*1st half 2024*	*1st half 2023*
Revenues from sales and services	795,105	1,083,417
Change in inventories of finished and semi-finished products	4,157	6,066
Own work capitalised	934	538
Other income	7,527	12,768
Purchases and change in raw materials	(541,884)	(748,803)
Labour cost	(120,009)	(122,276)
Amortisation, depreciation, impairment and write-downs	(26,966)	(27,375)
Other operating costs	(115,367)	(137,671)
Operating profit/(loss)	**3,497**	**66,664**
Financial income	6,728	7,838
Financial expense	(46,706)	(42,659)
Net financial expense	*(39,978)*	*(34,821)*
Result of investments	*(3,258)*	*(531)*
Profit/(loss) before taxes	**(39,739)**	**31,312**
Current taxes	7,839	(9,723)
Deferred taxes	694	(374)
Total income taxes	**8,533**	**(10,097)**
Net profit (loss) for the period	**(31,206)**	**21,215**
Profit (loss) from discontinued operations	-	-
Net profit (loss) for the period	**(31,206)**	**21,215**
- non-controlling interests	(2,390)	2,599
- shareholders of the parent company	(28,816)	18,616
Comprehensive income items	**224**	**(6,887)**
Comprehensive income pertaining to non-controlling interests	(2,357)	2,571
Comprehensive income of the shareholders of the Parent Company	(28,625)	11,757

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 between the FIFO cost and the 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, IFRS 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 under EBITDA/EBIT.

The table below shows the effects on the first half of 2024 of the different measurement and presentation methods used.

Reclassified consolidated income statement			
(in Euro million)	*1st half of 2024 IFRS*	*Reclassifications*	*1st half of 2024 Reclassified*
Sales revenues	795.10	-	795.10
Cost of raw materials	-	(517.30)	(517.30)
Revenues, net of raw material cost	**-**		**277.80**
Labour cost	(120.00)	3.10	(116.90)
Other consumption and costs	(644.70)	538.20	(106.50)
Gross Operating Income (EBITDA) (*)	**30.40**	**24.00**	**54.40**
Depreciation/Amortisation	(27.00)	-	(27.00)
Net Operating Income (EBIT)	**3.40**	**24.00**	**27.40**
Net financial expense	(40.00)	(0.10)	(40.10)
Profit (loss) before non-recurring items	**(36.60)**	**23.90**	**(12.70)**
Non-recurring (expenses)/income	-	(5.40)	(5.40)
Current taxes	7.80	-	7.80
Deferred taxes	0.70	(4.80)	(4.10)
Net profit (loss) (IFRS stock)	**(28.10)**	**13.70**	**(14.40)**
IFRS effect on the valuation of inventories and forward contracts	-	(18.50)	(18.50)
Tax effect of the IFRS valuation of inventories and forward contracts	-	4.80	4.80
Profit (loss) from equity-accounted investments	(3.30)	-	(3.30)
Consolidated net profit (loss)	**(31.40)**		**(31.40)**
Profit attributable to non-controlling interests	(2.40)		(2.40)
Net profit attributable to the shareholders of the Parent Company	**(29.00)**	**(0.00)**	**(29.00)**
Comprehensive income items	0.20	-	0.20
Comprehensive income	**(31.20)**	**(0.00)**	**(31.20)**
of which attributable to non-controlling interests	(2.40)		(2.40)
of which attributable to the shareholders of the Parent Company	(28.60)		(28.60)

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

Reclassified consolidated income statement				
(in Euro million)	*1st half of 2024 Reclassified*		*1st half of 2023 Reclassified*	
Sales revenues	795.10		1,083.40	
Cost of raw materials	(517.30)		(724.10)	
Revenues, net of raw material cost	**277.80**	**100.0%**	**359.30**	**100.0%**
Labour cost	(116.90)		(120.00)	
Other consumption and costs	(106.50)		(136.40)	
Gross Operating Income (EBITDA) (*)	**54.40**	**19.6%**	**102.90**	**28.6%**
Depreciation/Amortisation	(27.00)		(26.70)	
Net Operating Income (EBIT)	**27.40**	**9.9%**	**76.20**	**21.2%**
Net financial expense	(40.10)		(31.70)	
Profit (loss) before non-recurring items	**(12.70)**	**-4.6%**	**44.50**	**12.4%**
Non-recurring (expenses)/income	(5.40)		(9.00)	
Current taxes	7.80		(9.70)	
Deferred taxes	(4.10)		(3.40)	
Net profit (loss) (IFRS stock)	**(14.40)**	**-5.2%**	**22.40**	**6.2%**
IFRS effect on the valuation of inventories and forward contracts	(18.50)		(3.70)	
Tax effect of the IFRS valuation of inventories and forward contracts	4.80		3.00	
Profit (loss) from equity-accounted investments	(3.30)		(0.50)	
Consolidated net profit (loss)	**(31.40)**	**-11.3%**	**21.20**	**5.9%**
Profit attributable to non-controlling interests	(2.40)		2.60	
Net profit attributable to the shareholders of the Parent Company	**(29.00)**	**-10.4%**	**18.60**	**5.2%**
Comprehensive income items	0.20		(6.90)	
Comprehensive income	**(31.20)**	**-11.2%**	**14.30**	**4.0%**
of which attributable to non-controlling interests	(2.40)		2.60	
of which attributable to the shareholders of the Parent Company	(28.60)		11.70	

Consolidated financial debt

As at 30 June 2024, the Group had a Reclassified Consolidated Financial Position of Euro 230.7 million, compared to Euro 261.4 million as at 31 December 2023. This figure does not consider financial liabilities pursuant to IFRS 16, including those deriving from sale and leaseback transactions, and financial instruments measured at fair value.

The reconciliation between the Reclassified Consolidated Financial Position and Consolidated Net Financial Debt is provided below:

Reconciliation of Reclassified Net Financial Position		
(in Euro thousand)	*30 Jun 2024*	*31 Dec 2023*
Reclassified Net Financial Position	**230,724**	**261,358**
Financial liabilities for Sales and Lease Back	105,957	94,638
Financial liabilities pursuant to IFRS 16	13,101	12,944
Financial instruments measured at fair value	5,463	351
	124,521	***107,933***
Total net financial debt	**355,245**	**369,291**

The Consolidated Net Financial Debt (*) as at 30 June 2024, compared to 31 December 2023, can be broken down as follows:

Consolidated net financial debt			
	(in Euro thousand)	*30 Jun 2024*	*31 Dec 2023*
A	Cash and cash equivalents	112,774	118,609
B	Cash equivalents	-	-
C	Other financial assets	113,232	94,012
D	**Cash and cash equivalents (A+B+C)**	**226,006**	**212,621**
E	Current financial debt	38,680	67,820
F	Current portion of non-current financial debt	225,993	59,466
G	**Current financial debt (E+F)**	**264,673**	**127,286**
H	**Net current financial debt (G-D)**	**38,667**	**(85,335)**
I	Non-current financial debt	215,943	223,916
J	Debt instruments	100,635	230,710
K	Trade payables and other non-current payables	-	-
L	**Non-current financial debt (I + J + K)**	**316,578**	**454,626**
M	**Total financial debt (H + L)**	**355,245**	**369,291**

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

The total financial debt includes a liability of Euro 124.5 million linked to the accounting, pursuant to IFRS 16, of the sale and leaseback transactions on properties.

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Financial position and results of operations of the Parent Company

The Parent Company's financial highlights as at 30 June 2024, compared to 31 December 2023, are summarised below.

Condensed separate statement of financial position

(in Euro thousand)	*30 Jun 2024*		*31 Dec 2023*	
KME SE investment	*58,410*		*58,410*	
KMH investment	*480,000*		*480,000*	
Other	*(600)*		*(141)*	
Total KME	537,810	94.95%	538,269	91.07%
Culti Milano	37,990	6.71%	37,988	6.43%
Ducati Energia	-	0.00%	-	0.00%
Intek Investimenti	-	0.00%	13,518	2.29%
Other investments	1,684	0.30%	1,774	0.30%
Other assets/liabilities	(11,093)	-1.96%	(468)	-0.08%
Net investments	**566,391**	**100.00%**	**591,081**	**100.00%**
Outstanding bonds (*)	160,165		160,616	
IPO financing	124,873		115,186	
Net cash	10,934		17,701	
Holding company net financial debt	**295,972**	**52.26%**	**293,503**	**49.66%**
Total equity	**270,419**	**47.74%**	**297,578**	**50.34%**

Notes:

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

Net investments

The net investments held by the Company amounted to Euro 566.4 million as at 30 June 2024 (Euro 591.1 million at the end of 2023), of which around 90% concentrated in KME SE.

Equity

The equity of the holding company amounts to Euro 270.4 million, compared to Euro 297.6 million as at 31 December 2023; the loss for the current period (Euro 12.4 million) and the purchase of management warrants (Euro 16.8 million) for the cash-settled portion contributed to the reduction. In contrast, the exercise of the KME Group SpA 2021-2024 Warrants (the "Warrants") had the opposite effect.

As at 30 June 2024, the share capital amounted to Euro 200,123,081.82 and was divided into 281,333,228 shares, of which 267,121,966 ordinary shares and 14,211,262 savings shares. The share capital increased by Euro 18,372.62 compared to 31 December 2023 following the exercise of 1,837,262 warrants between January and May.

In July 2024, following the exercise of 3,109,584 warrants in June, an equal number of ordinary shares were also issued, with a share capital increase of Euro 31,095.84.

During the first half of 2024, 45,114,520 ordinary treasury shares were cancelled. The cancellation had no effects on share capital.

As at the date of preparation of this Report, the share capital amounts to Euro 200,154,177.66 and is composed of 284,442,812 shares, of which 270,231,550 ordinary shares and 14,211,262 savings shares; the 53,243,219 ordinary treasury shares held account for 18.72% of the ordinary capital.

Financial management

Net financial debt of the holding company (excluding intra-group loans and lease liabilities) totalled Euro 296.0 million as at 30 June 2024. The balance as at 31 December 2023 was Euro 293.5 million.

The Parent Company's financial debt (*) as at 30 June 2024, compared to 31 December 2023, can instead be broken down as follows:

	Financial debt		
	(in Euro thousand)	*30 Jun 2024*	*31 Dec 2023*
A	Cash and cash equivalents	1,712	3,214
B	Cash equivalents	-	-
C	Other financial assets	23,730	24,803
D	**Cash and cash equivalents (A+B+C)**	**25,442**	**28,017**
E	Current financial debt	31,733	37,749
F	Current portion of non-current financial debt	102,699	10,521
G	**Current financial debt (E+F)**	**134,432**	**48,270**
H	**Net current financial debt (G-D)**	**108,990**	**20,253**
I	Non-current financial debt	131,961	117,423
J	Debt instruments	63,497	156,139
K	Trade payables and other non-current payables	-	-
L	**Non-current financial debt (I + J + K)**	**195,458**	**273,562**
M	**Total financial debt (H + L)**	**304,448**	**293,815**

(*) Determined in compliance with the provisions of ESMA document ref. 32-382-1138 of 4 March 2021 − Guidelines on disclosure obligations under the prospectus regulation, as highlighted in CONSOB warning notice 5/21 of 29 April 2021.

Cash flows

The cash flows for the first half of 2024 and the first half of 2023 can be summarised as follows:

Statement of cash flows – indirect method			
(in Euro thousand)		*1st half 2024*	*1st half 2023*
(A) Cash and cash equivalents at the beginning of the year		**3,214**	**508**
Profit (loss) before tax		(13,065)	(5,539)
Depreciation and amortisation		449	340
Changes in pension funds, post-employment benefits (TFR) and stock options		79	549
Change in provisions for risks and charges		19	-
Change in investments		11,200	-
Change in current receivables		(1,937)	1,620
Change in current payables		(915)	2,841
(B) Cash flow from operating activities		**(4,170)**	**(189)**
(Increases) in non-current tangible and intangible assets		(10,722)	(176)
Decreases in non-current tangible and intangible assets		1,791	-
(C) Cash flow from investing activities		**(8,931)**	**(176)**
Dividend distribution		-	(3,312)
Exercise of warrants		1,838	88
Change in current and non-current financial payables		8,688	6,309
Change in current and non-current financial receivables		1,073	(2,503)
(D) Cash flow from financing activities		**11,599**	**582**
(E) Change in cash and cash equivalents	**(B) + (C) + (D)**	**(1,502)**	**217**
(F) Cash and cash equivalents at the end of the period	**(A) + (E)**	**1,712**	**725**

Reclassified income statement

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

Reclassified income statement		
(in Euro thousand)	*1st half 2024*	*1st half 2023*
Fair value changes and other gains/losses from investment management	1,381	357
Investment management costs	(36)	(115)
Gross profit/(loss) from investments	**1,345**	**242**
Commission income on guarantees given (a)	433	430
Net operating costs (b)	(2,691)	(2,729)
Overheads (a) - (b)	*(2,258)*	*(2,299)*
Reclassified operating profit (loss)	**(913)**	**(2,057)**
Net financial expense	**(11,325)**	**(1,923)**
Profit before tax and non-recurring items	**(12,238)**	**(3,980)**
Non-recurring income/(expenses)	(827)	(1,558)
Profit (loss) before tax	**(13,065)**	**(5,538)**
Taxes for the year	635	1,488
Net profit (loss) for the period	**(12,430)**	**(4,050)**

"*Non-recurring income/(expenses)*" include the depreciation of lease-related rights of use from subsidiaries linked primarily to the Milan property at Foro Buonaparte 44, the registered office of the Company and of other investees.

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

* * *

Business outlook

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

The reference market economic performance recorded from the second half of 2023 onwards - and which is expected to reverse as early as the beginning of 2025 - does not, however, affect the sector performance estimates on which assumptions of the New Strategy are based.

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

* * *

Trend in investments and operating segments

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

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 copper and copper-alloy rolled products, in which the group is the European leader and intends to focus its energy and future growth, given the appealing growth rates expected for the main reference markets.

During the first few months of 2024, the following transactions were carried out to further develop production know-how and the product portfolio, to generate operating efficiencies and provide the best possible service to customers:

- in February 2024, KME SE signed a contract relating to the acquisition of 100% of the shares of Blackhawk Holding GmbH, a German holding company that holds 100% of Sundwiger Messingwerk GmbH (“Transaction”). Sundwiger Messingwerk GmbH (“SMW”) is a European leader in the sector of semi-finished rolled bronze products as well as a manufacturer of semi-finished rolled brass products. With around 320 employees in Hemer (Rheinland), where the headquarters and the main plant are located, in 2022 SMW achieved a turnover of around Euro 245 million and an EBITDA of around Euro 16 million. Historically part of the Diehl Group, SMW was acquired about three years ago by a group of investors gathered in the company Blackhawk Holding GmbH, now acquired by KME SE. The expected acquisition price will be approximately Euro 62 million (including the metal stock) and will be paid for Euro 41 million at closing and for the remainder through a three-year interest-free vendor loan. The Transaction will be financed from own funds as regards the equity value and with a third-party loan for the working capital. The closing of the Transaction is subject to the fulfilment of conditions precedent, including approval by the relevant antitrust authorities: the Transaction is currently under second-level review by the German Federal Cartel Office;
- in July 2024, KME SE became the sole shareholder of Azienda Metalli Laminati SpA (“AML”), through KME Italy SpA, which completed the acquisition of the remaining 75.76% of AML share capital, and of KME Mansfeld GmbH, which already held 24.24%.

With reference to the Business Combination Agreement (“BCA”) signed in February 2024 with Paragon and SDCL EDGE Acquisition Corporation (“SEDA”), a special purpose acquisition company (SPAC) with securities listed on the NYSE, involving the special products business of cunova GmbH (“cunova”), in which KME SE currently holds an indirect interest of 45%, and the aerospace business (“KME Aerospace”), note that the BCA expired in July 2024. Given the strategic importance of the transaction and the current inability to finalise the listing, the parties are exploring alternative solutions for its implementation.

Operating performance

Europe is KME SE's main reference market and therefore all macroeconomic, political and other developments affecting this market directly affect its business.

The reduction in market demand for semi-finished copper products in Europe that began in 2023 continued in the first and second quarters of this year, affecting all of KME SE's production and most of the industrial sectors in which its customers operate.

The weakness of the German economy in the construction, machinery and equipment sectors and the low level of exports had a direct impact on KME SE's order intake, but did not affect revenue per tonne. Though there is no official data on market trends, the overall reduction in demand for 2023 and 2024 could reach levels above double digits. The trend observed during the first half of the year is continuing into the third quarter of 2024.

As part of its commercial transformation projects, KME SE carried out the following activities in the first half of 2024:

- continuous monitoring and fine-tuning of commercial actions and initiatives introduced in this period;
- continuous analysis of the cost elements in certain locations and their impact on sales prices;
- constant focus on achieving the unit value-added and EBITDA targets at Group level, for the entire group of products and customers.

In addition to the commercial actions mentioned above, cost optimisation projects were also enhanced at all Group plants.

Copper price trends

At the end of the first quarter of 2024, the price of copper had reached USD 8,689 per ton. The second quarter of 2024 recorded a spike in copper prices on the London Metal Exchange (LME), due to the scarcity of supply and high demand outside Europe, particularly from the energy sector.

Copper started April at the price of USD 8,728 per ton and rose to USD 9,973.50 per ton at the end of that same month.

During May, the improved macroeconomic scenario in the United States that increased the likelihood of an interest rates cut, along with the continuous cuts in Chinese refineries, created new pressures to increase prices, which reached the record level of USD 11,104.50 on the LME on 20 May. However, this performance did not last long and copper prices subsequently fell, closing the second quarter at USD 9,418.

The main results of KME SE for the first half of 2024, 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 2024*		*1st half 2023*		*Change*
Revenues	783.1		1,072.3		-27.0%
Revenues (net of raw materials)	265.9	100.0%	348.2	100.0%	-23.6%
EBITDA	55.6	20.9%	103.2	29.6%	-46.1%
EBIT	32.1	12.1%	80.2	23.0%	-60.0%
Profit (loss) before non-recurring items	4.5	1.7%	52.0	14.9%	-91.3%
Non-recurring income/(expenses)	(4.4)		(3.1)		
Effect of IFRS measurement of inventories	(13.7)		(0.7)		
Result of the investees at equity	(3.7)		(0.5)		
Consolidated net profit (loss)	(14.3)		32.5		
Comprehensive income items	0.2		(1.3)		
Comprehensive income	(14.1)		31.2		
Net debt *	45.0		72.7		
Group equity *	232.7		250.6		

Consolidated revenues in June 2024 totalled Euro 783.1 million, marking a reduction of 27.0% compared to the first half of 2023.

Net of the value of raw materials, revenues decreased by 23.6% from Euro 348.2 million to Euro 265.9 million.

Gross operating profit (**EBITDA**) as at 30 June 2024 was Euro 55.6 million, compared to Euro 103.2 million in the first half of 2023, down by 46.2%.

Net operating profit (**EBIT**) stood at Euro 32.1 million, whereas it was Euro 80.2 million in the first half of 2023.

Profit before non-recurring items stood at Euro 4.5 million (Euro 52.0 million in 2023).

The valuation of inventories and forward contracts net of taxes had a negative impact of Euro 13.7 million, compared to a negative impact of Euro 0.7 million recorded in 2023.

The result for the first half of 2024 was negatively affected by non-recurring costs of Euro 4.4 million (Euro 3.1 million in 2023). The main non-recurring costs in 2024 refer to cost restructuring/optimisation and M&A projects in progress.

The **consolidated net loss** was Euro 14.3 million (compared to a profit of Euro 32.5 million in 2023).

The **Group comprehensive income** recorded a loss of Euro 31.2 million (compared to profit of Euro 31.2 million in 2023).

Financial management

The **Reclassified Net Financial Position** as at 30 June 2024, 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 71.5 million compared to Euro 35.2 million at the end of December 2023.

Net Financial Debt is equal to approximately Euro 45.0 million, compared to approximately Euro 72.7 million at the end of 2023.

At the end of November 2023, the banks pool facility was extended until 30 November 2025, with an option for a further one-year extension with the consent of the lenders, for a total of up to Euro

460 million. In May 2024, with the accession of Bank of China (UK) Limited, the banking consortium was increased to Euro 485 million.

The credit facility was used through letters of credit for payments to metal suppliers for Euro 478.8 million (Euro 412.5 million as at 31 December 2023). The related payables to suppliers are still indicated under trade payables and other payables.

The following guarantees are securing the banks pool:

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

On 28 November 2023, the Factofrance facility (a non-recourse and - in part - recourse factoring facilities up to 150M€ to be used by non Italian Group companies) with an automatic one-year extension if the bank consortia/other factoring facilities extension, the Intesa Sanpaolo S.p.A. (a non-recourse factoring facility and - in part - recourse factoring facility up to approximately Euro 126.5 million, used mainly by Italian and French companies) and the TARGOBANK (a non-recourse factoring facility up to approximately Euro 100 million used mainly by German companies) have been extended until November 2025.

The liabilities due to the factoring company deriving from recourse factoring amounted to Euro 5.7 million (Euro 7.2 million as at 31 December 2023).

The above mentioned facilities contain similar financial covenants, subject to quarterly verification. As at 30 June 2024, the KME SE Group had fully respected all covenants.

As at 30 June 2024, **equity** was Euro 232.7 million.

Total investments amounted to Euro 14.1 million (Euro 11.3 million in 2023).

The number of **Employees** at 30 June 2024 was 3,221 (3,356 at the end of 2023).

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

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

CULTI's business is focused 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 environments (home, car, boats, etc.) to personal products (perfumes, personal hygiene, cosmetics).

The CULTI Group consists of:

- CULTI Group, comprising CULTI Milano SpA, which designs, manufactures and sells its iconic products in more than 30 countries, with values of originality, quality and design, SCENT Company Srl, active in the olfactory branding and fragrancing sector, and CULTI Milano Asia Ltd, which with its subsidiary CULTI Milano China Ltd distributes the Group's products in the China and Hong Kong markets;
- BAKEL Group, comprising BAKEL Srl (50.01% owned by CULTI), which designs, manufactures and distributes high-end anti-aging cosmetics, characterised by a unique

formulation philosophy and in line with the emerging Clean Beauty trend, and BAKEL Inc, established to distribute BAKEL branded products in the North American market.

As regards the first half of 2024 for the CULTI Group, the retail sector was particularly significant with the opening of a second monobrand store in the prestigious Avenues shopping mall in Kuwait. At wholesale level, the presence in certain countries was strengthened, in particular with the change of distribution on the US market with a new important partner, SFERRA. On the other hand, the Chinese market suffered during the first half of 2024 due to the persistent drop in consumption. For wholesale activities, domestic growth was recorded thanks to the complementary nature of the channels and the collaboration with customers such as OVS for olfactory branding. As regards international wholesale, note the continued partnership with MSC's EXPLORA luxury cruises, with the launch of a second ship on which CULTI is present with special olfactory branding.

At product level, the capsule project has stepped up the release of certain limited series of new fragrances. The launch of the Onde di Tessuto collection in conjunction with Maison&Objet in January quickly led to a stock shortage. The three-year renewal of the partnership with Automobili Lamborghini was finalised.

The BAKEL Group has intensified its multi-channel approach, strengthening the commercial networks of outlet channels (perfumery and pharmacy). The expansion proceeded by balancing brick & mortar development (consultancy vehicle) with digital development (contact and information vehicle). A commercial expansion project was launched in foreign countries where the group already has consolidated commercial relations. In particular, an important high-quality collaboration with a distributor for the Taiwanese market has begun.

The main consolidated indicators in the first half of 2024 can be summarised as follows:

- total consolidated sales of Euro 12.0 million (Euro 11.1 million as at 30 June 2023), up 8.0% compared to the corresponding period of the previous year. Sales on the domestic market, amounting to Euro 4.4 million, increased by 12% compared to the first half of 2023;
- consolidated EBITDA of Euro 2.1 million (Euro 1.8 million in the first half of 2023), an increase of 17.6%. The EBITDA margin was 17.5%; while in the first half of 2023 it was 16.2%;
- EBIT stood at Euro 1.7 million (Euro 1.4 million in the first half of 2023, up 19.9%);
- consolidated net profit: Euro 0.9 million compared to a loss of Euro 0.1 million in the first half of 2023;
- net financial position: negative for Euro 2.5 million (negative for Euro 3.2 million as at 31 December 2023, an improvement of 21.8%).

* * *

Governance Updates

Shareholders' Meeting

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

The Shareholders' Meeting of 22 May 2024 approved the Board of Directors' report on operations and the financial statements as at 31 December 2023, resolving to cover the entire loss for the year of Euro 14,547,728 through partial use of the Extraordinary Reserve.

The corporate bodies were also re-appointed, with appointment of the Board of Directors consisting of ten members (one of whom from the minority list) and the Board of Statutory Auditors (whose chairperson and one alternate auditor were taken from the minority list). The new bodies will remain in office until the date of the Shareholders' Meeting called to approve the financial statements as at 31 December 2026.

The Shareholders' Meeting also resolved to approve the Report on 2024 remuneration policy and on remuneration paid in 2023, drawn up pursuant to article 123-ter of Italian Legislative Decree 58/98 as well as the “KME Group 2024-2027 Share Incentive Plan” for Executive Directors of KME Group and KME SE.

Lastly, the Ordinary Shareholders' Meeting resolved to authorise the purchase, for a period of 18 months, and the disposal, without time limits, of ordinary and savings shares as well as of Warrants and *Management Warrants*.

The Extraordinary Shareholders' Meeting resolved to amend the Extraordinary Shareholders’ Meeting resolution of 12 June 2023 relating to the cancellation of ordinary KME Group SpA shares.

Previously, on 22 April 2024, the Special Meeting of Savings Shareholders was held, which appointed the new common representative who will remain in office until the date of the Shareholders' Meeting called to approve the financial statements as at 31 December 2026.

<u>Share capital</u>

In the first six months of 2024, due to the exercise of 1,837,262 warrants, 183,726 ordinary shares were issued, with an increase in share capital of Euro 18,372.62.

After 30 June 2024, 3,109,584 ordinary shares were issued due to the exercise of the same number of Warrants. The share capital therefore increased by an additional Euro 31,095.84.

As required by the Shareholders' Meeting resolution of 22 May 2024, 45,114,520 ordinary shares were also cancelled with no effect on total share capital.

As a result of these transactions, as at the date of preparation of this Report, the share capital amounted to Euro 200,154,177.66, represented by 284,442,812 shares, of which 270,231,550 ordinary shares and 14,211,262 savings shares.

In addition, as at 28 June 2024, all rights lapsed and therefore, to all intents and purposes invalidating the residual 2,241,100 Warrants outstanding.

* * *

Additional information

<u>Treasury shares</u>

As at 31 December 2023, the Company held 131,638,439 ordinary treasury shares.

During the first half of 2024, the Company did not purchase ordinary or savings shares. As part of the aforementioned partial voluntary Public Exchange Offer on Warrants, 76,545,610 Warrants were subscribed, with consideration represented by 33,280,700 ordinary shares in the Company's portfolio.

As required by the Shareholders' Meeting resolution of 22 May 2024, 45,114,520 ordinary shares were subsequently cancelled.

As at 30 June 2024, the Company therefore held a total of 53,243,219 ordinary shares (equal to 19.93% of shares in this category and 18.92% of the total capital). These percentages became 19.70% and 18.72%, respectively, due to the capital increase deriving from the latest exercises of Warrants.

Lastly, note that, as partial consideration for purchase of the total 37,500,000 Management Warrants, 5,650,000 ordinary treasury shares must be delivered by 31 December 2024.

<u>Parent company and ownership structure</u>

The Company is controlled by Quattroduedue S.p.A., with registered office in Milan - Foro Buonaparte, 44.

As at 30 June 2024, Quattroduedue S.p.A. held 177,813,368 ordinary shares of the Company (66.57% of the Company’s voting share capital) and 1,424,032 savings shares (10.02% of the shares in this category). During the year, the ordinary shares owned by Quattroduedue S.p.A. increased by 32,035,170 following its subscription to the Public Exchange Offer on Warrants.

Due to the increase in voting rights, Quattroduedue held a percentage of voting rights equal to 78.37% as at 30 June 2024.

KME Group S.p.A. holds no shares or units of the parent company and during 2024 it made no purchases or sales of such shares or units.

For any other information regarding ownership structures, the Company's governance and the fulfilment of any other obligations, refer to the specific report prepared for 2023 pursuant to art. 123-bis of Legislative Decree 58/98, which is included in the 2023 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 2024, there were no transactions that could be qualified as of greater importance pursuant to the "Procedure applicable to related party transactions". Note that the disclosure regarding the purchase of *Management Warrants* was prudently equated to a transaction of greater importance, with publication of an information document.

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 disputes involving KME Group.

As part of the civil disputes with some savings shareholders, dating back to the first half of 2016, the last two civil proceedings against the same savings shareholder and, in particular, the opposition to an injunction and the negative assessment proceedings, after their meeting, were settled with the Court of Bari ruling of 10 July 2024, which upheld KME's arguments in full and ordered the counterparty to reimburse legal costs. Note that, at present, the deadline for a possible filing of an appeal by the losing party has not yet been reached.

In the civil case before the Court of Messina, introduced by the Bazia Gardens bankruptcy against Futura Funds Sicav PLC, Demetrio Porcino and Fabio Porcino, where integration of the adversarial process was requested and obtained in relation to the KME Group and Immobiliare Pictea as parties to the assignment of a receivable that would have formed the basis for sale of the property located in Taormina (in the court's jurisdiction) between the defendants Demetrio and Fabio Porcino and Futura Funds and for which the bankruptcy plaintiff requests annulment by simulation/declaration of ineffectiveness by revocation, an application for the suspension of proceedings was recently filed by a plaintiff due to the death of the defendant in absentia, Demetrio Porcino. To this end, by measure of 10 September 2024, the Judge brought forward the conclusions clarification hearing originally set for 12 November 2024 to 13 September 2024 for the incumbents in relation to the claim for suspension of the proceedings. In the proceedings, no direct questions were formulated against KME Group and/or Immobiliare Pictea. Subsequently, given the appeal for the resumption of this case, the Judge set the hearing for continuation and for the same activities as 18 February 2025.

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

Personnel

The number of employees of the Group as at 30 June 2024, also including the KME SE group and the CULTI Milano group, is 3,315.

The Parent Company employed a total of 14 staff as at 30 June 2024, of which 3 managers and 11 office workers/middle managers.

Compliance with Section VI of the Markets Regulation - CONSOB Regulation no. 16191/2007

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

- in relation to the provisions of article 36 of the Markets Regulation, does not hold significant investments, pursuant to article 151 of the Consob Issuers' Regulation, in non-EU Countries;
- though a subsidiary of Quattroduedue S.p.A., considers itself not subject to management and coordination as defined in article 2497 et seq. of the Italian Civil Code and article 37 of the Markets Regulation, as:
    - 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;
- it does not fall within the scope of application of the provisions of article 38 of the Markets Regulation, 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 in article 70, paragraph VIII, and article 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 offer no 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 could result in performance that trails 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, held directly or indirectly, the absence of risks connected mainly to the liquidability of these investments and their valuation cannot be guaranteed, in consideration of: (a) the possible absence in these companies of control systems similar to those required of companies with listed shares, and consequently potential unavailability of information flows that are at least equal, in quantity and quality terms, to those available from companies with listed shares; and (b) 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 management of the investments in order to promote their growth, including through relations with the management and shareholders of the investee, could be limited.

The gradual shift in focus to the industrial activity of KME SE has seen the Company more directly subject to the risks associated with KME SE business activities.

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 2024

No noteworthy events occurred after the reporting date, other than those stated above.

KME Group SpA

Condensed consolidated interim financial statements as at 30 June 2024

KME Group S.p.A.
Registered and Administrative Office:
20121 Milan - Foro Buonaparte, 44
Share Capital Euro 200,154,177.66 (fully paid up)
Tax Code and Milan Business
Register no. 00931330583
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KME Group SpA – Condensed consolidated interim financial statements as at 30 June 2024

Consolidated statement of financial position – Assets

(in Euro thousand)	*Ref. Note*	*30-Jun-24*	*of which related parties*	*31-Dec-23*	*of which related parties*
Property, plant and equipment	*4.1*	520,531		529,206	
Investment property	*4.2*	66,981		66,724	
Goodwill	*4.3*	394,833		394,833	
Intangible assets	*4.4*	48,757		50,430	
Investments in subsidiaries	*4.5*	9,358	*9,358*	18,126	*18,126*
Equity-accounted investments	*4.5*	12,493	*12,493*	13,977	*13,977*
Investments in other companies	*4.5*	1,872		884	-
Other non-current assets	*4.6*	5,490		4,870	-
Non-current financial assets	*4.7*	3,138		3,167	-
Deferred tax assets	*4.22*	102,759		82,751	
Total non-current assets		**1,166,212**		**1,164,968**	
Inventories	*4.8*	460,887		374,179	
Trade receivables	*4.9*	81,943	*25,195*	55,158	*10,978*
Current financial assets	*4.10*	113,504	*76,386*	94,284	*69,974*
Other receivables and current assets	*4.11*	24,237	*521*	26,465	*243*
Cash and cash equivalents	*4.12*	112,774		118,609	
Total current assets		**793,345**		**668,695**	
Non-current assets held for sale	*4.13*	11,947		11,947	
Total Assets		**1,971,504**		**1,845,610**	

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 2024

Consolidated statement of financial position – Liabilities

(in Euro thousand)	*Ref. Note*	*30-Jun-24*	*of which related parties*	*31-Dec-23*	*of which related parties*
Share capital		200,123		200,105	
Other reserves		137,458		244,287	
Treasury shares		(48,439)		(126,834)	
Retained earnings		(6,818)		20,069	
Other comprehensive income reserve		(408)		(614)	
Profit/(loss) for the period		(28,616)		(40,335)	
Equity attributable to shareholders of the Parent Company	*4.14*	**253,100**		**296,678**	
Non-controlling interests		57,179		62,137	
Total Group equity		**310,279**		**358,815**	
Retirement benefits	*4.15*	120,534		126,639	
Deferred tax liabilities	*4.22*	110,579		107,496	
Non-current financial payables and liabilities	*4.16*	215,943		223,916	-
Bonds	*4.17*	100,635		230,710	
Other non-current liabilities	*4.18*	1,510		1,489	
Provisions for risks and charges	*4.19*	5,032		6,168	
Total non-current liabilities		**554,233**		**696,418**	
Current financial payables and liabilities	*4.16*	264,673	*550*	127,286	-
Trade payables	*4.20*	704,558	*46,720*	551,180	*45,514*
Other current liabilities	*4.21*	126,281	*18,191*	95,790	*127*
Provisions for risks and charges	*4.19*	11,480		16,121	
Total current liabilities		**1,106,992**		**790,377**	
Liabilities directly associated with assets held for sale	*4.13*	-		-	
Total liabilities and equity		**1,971,504**		**1,845,610**	

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 2024

Consolidated statement of profit or loss and other comprehensive income

(in Euro thousand)	*Ref. Note*	*1st half 2024*	*of which related parties*	*1st half 2023*	*of which related parties*
Revenues from sales and services	*5.1*	795,105	*88,101*	1,083,417	*113,307*
Change in inventories of finished and semi-finished products		4,157		6,066	
Own work capitalised		934		538	
Other income	*5.2*	7,527	*38*	12,768	*39*
Purchases and change in raw materials		(541,884)	*(46,931)*	(748,803)	*(60,863)*
Labour cost	*5.3*	(120,009)	*(451)*	(122,276)	*(225)*
Depreciation, amortisation, impairment and write-downs		(26,966)		(27,375)	
Other operating costs	*5.4*	(115,367)	*(1,096)*	(137,671)	*(2,522)*
Operating profit/(loss)		**3,497**		**66,664**	
Financial income		6,728	*3,090*	7,838	*2,891*
Financial expense		(46,706)	*(21)*	(42,659)	*(11)*
Net financial expense	*5.5*	*(39,978)*		*(34,821)*	
Result of investments	*5.6*	(3,258)	*(3,258)*	(531)	*(531)*
Profit/(loss) before taxes		**(39,739)**		**31,312**	
Current taxes		7,839		(9,723)	
Deferred taxes		694		(374)	
Total income taxes	*5.7*	**8,533**		**(10,097)**	
Net profit (loss) for the period from operating activities		**(31,206)**		**21,215**	
Profit (loss) from discontinued operations		-		-	
Net profit (loss) for the period		**(31,206)**		**21,215**	
Other comprehensive income:					
Measurement of employee defined benefits		*1,352*		*(699)*	
Taxes on other comprehensive income		*(955)*		*451*	
Fair value measurements		*-*		*(5,500)*	
Items that cannot be reclassified to profit or loss for the period		**397**		**(5,748)**	
Foreign currency translation gains/(losses)		*133*		*(1,104)*	
Net change in cash flow hedge reserve		*(346)*		*(186)*	
Taxes on other comprehensive income		*40*		*151*	
Items that may be reclassified to profit or loss for the period		**(173)**		**(1,139)**	
Total other comprehensive income, net of tax effect		**224**		**(6,887)**	
Total comprehensive income for the period		**(30,982)**		**14,328**	
Net profit (loss) for the period attributable to:					
- non-controlling interests		*(2,390)*		*2,599*	
- shareholders of the parent company		*(28,816)*		*18,616*	
Net profit (loss) for the period		**(31,206)**		**21,215**	
Total comprehensive income attributable to:					
- non-controlling interests		*(2,357)*		*2,571*	
- shareholders of the parent company		*(28,625)*		*11,757*	
Total comprehensive income for the period		**(30,982)**		**14,328**	
Earnings per share (in Euro)					
Basic earnings/(loss) per share		(0.1351)		0.0573	
Diluted earnings/(loss) per share		(0.0999)		0.0358	

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.

Consolidated statement of changes in equity as at 30 June 2024

(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 2023	**200,105**	**244,287**	**(126,834)**	**20,069**	**(614)**	**(40,335)**	**296,678**	**62,137**	**358,815**
Allocation of Parent Company's result	-	(14,644)	-	(25,725)	-	40,335	**(34)**	-	**(34)**
Assignment of shares vs warrants post-PEO	-	(33,281)	33,281	-	-	-	**-**	-	**-**
Cancellation of treasury shares	-	(45,114)	45,114	-	-	-	**-**	-	**-**
Exercise of Parent Company Warrants	18	1,820	-	-	-	-	**1,838**	-	**1,838**
Warrant management	-	(16,577)	-	-	-	-	**(16,577)**	-	**(16,577)**
Other movements	-	982	-	(1,162)	-	-	**(180)**	(2,601)	**(2,781)**
Comprehensive income items	-	(15)	-	-	206	-	**191**	33	**224**
Profit (loss) for the period	-	-	-	-	-	(28,816)	**(28,816)**	(2,390)	**(31,206)**
Total comprehensive income	-	(15)	-	-	206	(28,816)	**(28,625)**	(2,357)	**(30,982)**
Equity as at 30 June 2024	**200,123**	**137,458**	**(48,439)**	**(6,818)**	**(408)**	**(28,816)**	**253,100**	**57,179**	**310,279**
Reclassification of treasury shares	(48,439)	-	48,439	-	-	-	**-**	-	**-**
Equity as at 30 June 2024	**151,684**	**137,458**	**-**	**(6,818)**	**(408)**	**(28,816)**	**253,100**	**57,179**	**310,279**

As at 30 June 2024, the Parent Company directly held 53,243,219 ordinary shares. The decrease compared to 31 December 2023 is due to the allocation of 33,280,700 ordinary shares to holders of warrants who took part in the public exchange offer on KME Group 2021-2024 warrants and the cancellation of 45,114,520 ordinary shares carried out in compliance with resolutions of the extraordinary shareholders' meeting of 12 June 2023 and the extraordinary shareholders' meeting of 22 May 2024, which partly amended its content. 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 December 31, 2022	**200,070**	**287,267**	**(2,133)**	**1,143**	**13,188**	**35,456**	**534,991**	**34,546**	**569,537**
Allocation of prior year's result	-	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 comprehensive income	**-**	**(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 2024

Consolidated statement of cash flows – indirect method

(in Euro thousand)	*1st half 2024*	*1st half 2023*
(A) Cash and cash equivalents at the beginning of the period	**118,609**	**128,844**
Profit (loss) before tax	(39,739)	31,312
Depreciation, amortisation, impairment and write-downs	26,966	27,375
Change in inventories	(86,554)	15,629
Change in trade receivables	(25,234)	5,526
Change in trade payables	53,438	(19,190)
Change in provisions for personnel, provisions for risks and charges	(9,933)	(3,450)
Change in other assets and liabilities	144,368	(6,893)
Other non-monetary changes	(362)	9,385
(B) Cash flow from operating activities	**62,950**	**59,694**
(Increases) in non-current tangible and intangible assets	(9,222)	(11,854)
Decreases in non-current tangible and intangible assets	(3,522)	53
Change in other non-current assets/liabilities	29	-
Change in investments	(1,450)	27,735
Interest received	5,105	2,457
Dividends received	420	-
(C) Cash flow from investing activities	**(8,640)**	**18,391**
Changes in equity against payment	1,838	88
Dividends paid	(34)	(3,346)
Change in current and non-current financial payables	4,834	(41,506)
Change in current and non-current financial receivables	(33,335)	11,519
Interest payments	(33,597)	(22,497)
(D) Cash flow from financing activities	**(60,294)**	**(55,742)**
(E) Change in cash and cash equivalents	**(5,984)**	**22,343**
(F) Change in scope of consolidation and reclassification from IFRS 5	108	1,888
(G) Exchange rate-related changes in cash and cash equivalents	41	183
(H) Cash and cash equivalents at the end of the year	**112,774**	**153,258**

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 2024

Notes to the Condensed consolidated interim financial statements as at 30 June 2024

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's registered office is at Foro Buonaparte 44 - Milan.

The condensed consolidated interim financial statements as at 30 June 2024 (the "Financial Statements" or "Consolidated Financial Statements") were approved by the Board of Directors on 26 September 2024 and will be published in accordance with the legal and regulatory requirements.

Though a subsidiary of Quattroduedue S.p.A., the Company is not subject to management and coordination, as defined in article 2497 et seq. of the Italian Civil Code and article 37 of the Markets Regulation, as:

- 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. Drafting criteria

The Condensed consolidated interim financial statements as at 30 June 2024 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 period and other comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity and the Notes.

In addition to amounts relating to the reporting period, the Condensed consolidated interim financial statements and the Notes include the corresponding comparative data for the previous year.

These Financial Statements were prepared on a going concern basis, in accordance with IAS 1. In order to confirm this assumption, analyses were carried out in relation to effects of the ongoing Russia-Ukraine conflict and the Arab-Israeli conflict in the Middle East, which could also have significant economic and commercial implications for Western countries.

In preparing the consolidated financial statements, the Directors applied the principles 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 2023, to which reference should be made for their description, except for accounting standards that entered into force on 1 January 2024 as 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 European Union's endorsement process.

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 Delegated Regulation (EU) 2019/815 (the "ESEF Regulation") as these provisions only apply to consolidated annual financial reports.

2.2. *Significant events after 30 June 2024*

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.*

2.3. *Basis of presentation*

With reference to the consolidated financial statement layouts, there are no changes compared to those presented in the 2023 annual financial report and in the 2023 interim financial report.

2.4. *Consolidation principles*

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

2.4.1. *Subsidiaries*

Subsidiaries are all companies over which the Parent Company simultaneously has:

- power, i.e. it holds legitimate rights that bestow upon it the actual capacity to manage *core business activities*, i.e. activities that have a significant effect on returns;
- exposure or rights to variable returns arising from relations with the company;
- 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.

Scope of consolidation

The following table lists the companies consolidated on a line-by-line basis as at 30 June 2024, indicating changes from the scope in 2023:

Name	**Registered office**	**Currency**	**% ownership**	
			direct	**indirect**
KME Group S.p.A.	Italy	Euro	Parent company	
KMH SpA	Italy	Euro	84.08%	
KME SE	Germany	Euro	10.00%	74.83%
CULTI Milano S.p.A.	Italy	Euro	87.64%	
Bakel Inc	United States	USD		43.83%
Bakel S.r.l.	Italy	Euro		43.83%
Bertram's GmbH	Germany	Euro		84.83%
CULTI Milano Asia Ltd.	Hong Kong	HKD		52.58%
CULTI Milano China Ltd.	China	RMB		52.58%
Immobiliare Pictea S.r.l.	Italy	Euro		84.83%
Intek Investimenti S.p.A. [Note 1]	Italy	Euro		84.83%
KM Copper Bars GmbH	Germany	Euro		84.83%
KME AssetCo GmbH	Germany	Euro		84.83%
KME France	France	Euro		84.83%
KME Germany GmbH	Germany	Euro		84.83%
KME Grundstücksgesellschaft SE & Co. KG	Germany	Euro		84.83%
KME Italy S.p.A.	Italy	Euro		84.83%
KME Mansfeld GmbH	Germany	Euro		84.83%
KME Netherlands B.V.	Netherlands	Euro		84.83%
KME Rolled France S.A.S.	France	Euro		84.83%
KME S.r.l.	Italy	Euro		84.83%
KME Service Centre Italy S.p.A.	Italy	Euro		84.83%
KME Service Centre Slovakia s.r.o.	Slovakia	Euro		84.83%
KME Service Centre UK Ltd	Great Britain	GBP		84.83%
KME Spain S.A.U.	Spain	Euro		84.83%
KME Special Holding GmbH	Germany	Euro		84.83%
KME Special Products GmbH & Co. KG	Germany	Euro		84.83%
KME Stolberg GmbH	Germany	Euro		84.83%
KME Yorkshire Ltd.	Great Britain	GBP		84.83%
KMETAL S.p.A.	Italy	Euro		84.83%
Natural Capital Italia S.p.A. Benefit Company	Italy	Euro		70.76%
Scent Company S.r.l.	Italy	Euro		87.64%
Serravalle Copper Tubes Srl	Italy	Euro		84.83%
Tréfimétaux SAS	France	Euro		84.83%
Valika S.A.S.	France	Euro		43.26%

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.

Intek Investimenti S.p.A. was also added to the line-by-line scope of consolidation from 30 June 2024, following the sale by KME Group to KME SE for internal reorganisation reasons. Until 31 December 2023, Intek Investimenti S.p.A. was consolidated at cost as it was considered that the effect on the consolidated financial statements would have been immaterial for financial reporting; approximately 0.6% of the "Total Assets" of the consolidated financial statements as at 31 December 2023 were represented for the most part by non-controlling interests due to be merged – also in view of their line-by-line consolidation – into the item "Investments". The first consolidation, through the sub-consolidated KME SE, entailed the recognition in equity of a positive reserve for Euro 982 thousand, equal to the difference between the carrying amount of the company and its fair value at the time of disposal. This fair value, in consideration of the composition of the net assets of the company, represented mostly by a portfolio of non-controlling interests that has not recorded significant changes in the last two years, is believed to be a good approximation of the fair value of the company at the date that KME ceased to be an investment entity (22 April 2022). Therefore, even if the company had been included in the scope of consolidation from 22 April 2022, the present value of its net assets in the consolidated financial statements would not have been significantly different from the value recognised.

Some subsidiaries are not included in the scope of consolidation as the effect in the Consolidated Financial Statements would be immaterial for financial reporting[1].

During the first half of 2024 there were no changes of interest within the Group that affected the scope of consolidation.

The consolidation was carried out starting from the sub-consolidated financial statements of KME SE and CULTI Milano (the latter adapted to IFRS), whose data in these consolidated financial statements are represented as the KME SE Group and the CULTI Group.

2.4.2. *Associated companies*

The associates are all companies over which the Group exercises significant influence but not control. Significant influence is presumed when the Group directly holds 20% or more of voting rights at shareholders' meetings of the investee. Investments in associates are consolidated using the equity method. With this method, the investment is initially recognised at cost and subsequently adjusted to record the parent company's share of profits or losses accrued after the acquisition date and/or any impairment. The dividends received reduce the carrying amount of the investment.

Name	Registered office	Currency	% ownership	
			direct	indirect
Azienda Metalli Laminati S.p.A.	Italy	Euro		20.53%
Dynamo Academy S.r.l. Impresa Sociale	Italy	Euro		37.26%
Il Post S.r.l.	Italy	Euro		22.46%

With respect to 2023, note the investment in Il Post S.r.l., recognised following the line-by-line consolidation of Intek Investimenti.

2.4.3. 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.

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

The following companies are included in the consolidated financial statements as at 30 June 2024 using the equity method in accordance with IAS 28:

Name	Registered office	Currency	% ownership	
			direct	indirect
Magnet Joint Venture GmbH	Germany	Euro		37.73%

The entity Magnet Joint Venture GmbH relates to the Special Products business, control of which (55%) was sold by KME SE to Paragon, with effective date as of 31 January 2022.

2.5. Foreign currency transactions

The Group's functional currency is the Euro, 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 foreign currency translation are as follows:

	30/06/2024	31/12/2023	1st half of 2024	1st half of 2023
	Closing rate	*Closing rate*	*Average rate*	*Average rate*
GBP - Pound sterling	0.8461	0.8689	0.8547	0.8764
RMB - Chinese yuan	7.8097	7.4705	7.8039	7.3417
HKD - Hong Kong dollar	8.3945	8.5301	8.4536	8.4107
USD - US dollar	1.0695	1.1051	1.0811	1.0729

2.6. Use of estimates

The preparation of the consolidated financial statements and notes in accordance with IFRS 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 to 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 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 costs 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 believe that the estimates and assumptions adopted did not require any material adjustments to the carrying amounts of assets and liabilities.

With reference to the conflict between Russia and Ukraine and the outbreak of conflict in the Middle East, which have significantly changed the macroeconomic scenario (i.e. rising inflation, difficulties in sourcing certain commodities, sharp increase in gas and energy costs), note that the Group is not directly exposed to these contingencies as it does not have nor has it had significant trade relations with Russia, Ukraine, Israel and Palestine and the other countries involved in the Arab-Israeli conflict.

The Group constantly monitors developments in the global geopolitical context that could require a review of the corporate strategies already defined and/or the adoption of mechanisms to safeguard its competitive positioning and performance.

2.7. Implementation of the global minimum tax rules for multinational and domestic groups under Pillar 2 and related amendments to IAS 12 on income taxes

In 2013, as part of the Base Erosion and Profit Shifting (BEPS) project, a complex process of reform of international tax standards was launched at the initiative of the OECD and the G20 countries to address the main gaps in national and international regulations and eliminate the asymmetries generated by the interaction of individual tax systems. Two projects are part of this process:

a) Pillar 1 aimed at revising the rules for the allocation of profits of the largest and most profitable multinational companies;

b) Pillar 2 designed to ensure a level playing field between companies globally, stop companies from competing on tax rates and encourage efficient investment and business location decisions.

This competitive parity would be achieved by applying a system of common rules to ensure that the transnational group pays an effective tax rate of no less than 15 per cent (OECD agreed rate) in each jurisdiction in which it is established.

The Pillar 2 system of rules developed at international level on the basis of the OECD guidance was implemented at EU and single market level with Directive no. 2022/2523/EU, adopted by the Council of the European Union on December 14, 2022, and published in the Official Journal of the European Union L 328/2022 of December 22, 2022.

Therefore, the European provisions were implemented in Italy by Italian Legislative Decree no. 209 of December 27, 2023, published in the Official Gazette of the Italian Republic no. 301 General Series of December 28, 2023 (the "Decree"). However, in order to define the full regulatory framework, it is necessary to await the publication of an implementing ministerial decree, which has not yet been issued. In particular, the Decree establishes a minimum top-up tax to be paid by the parent company located in Italy of multinational or domestic groups in relation to the companies belonging to the group subject to an effective tax rate of less than 15%, and a national minimum tax levied by the companies of a multinational or domestic group located in Italy subject to a low tax rate, until the minimum effective tax rate of 15% is reached. The purpose of this second tax is to allow an additional tax to be levied in the country where a low level of taxation has occurred, thus avoiding that all tax is levied in the country where the direct or indirect parent company is located.

The scope of application of the new taxes is limited to companies that are part of multinational and domestic groups with annual revenues of Euro 750 million or more.

The provisions of the Decree apply to financial years beginning on or after 1 January 2024.

Before the entry into force of the new Pillar 2 tax provisions in some jurisdictions, the IASB approved a number of amendments to IAS 12 - Income Taxes.

The KME Group subjectively meets the quantitative requirements of the new Pillar 2 rules and is therefore potentially affected by them.

In 2023, the KME Group carried out an assessment of its potential exposure to the Pillar 2 additional tax. The above assessment is based on the available financial information of KME Group companies: Country-by-Country Reporting and the 2022 Financial Statements.

This analysis revealed a potential additional tax for a limited amount of less than Euro 1 million. This analysis is confirmed as at the date of preparation of these financial statements, even though it must be considered an estimate as it is based on 2022 data, and any differences in the amounts of revenues, costs, local taxes, etc. could affect the conclusions reached.

It is confirmed that the necessary activities are underway to enable the Group to implement the organisational and procedural structures required to determine the effective tax rate and to manage any additional tax that may be due.

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 2024:

- On 23 January 2020, the IASB published "**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**". These amendments aim to clarify how to classify payables and other liabilities as current or non-current. In addition, the amendments also improve the information that an entity must provide when its right to defer settlement of a liability for at least twelve months is subject to satisfying certain metrics (i.e. covenants).
- On 22 September 2022, the IASB published "**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 any income or loss that relates to retained right of use. The adoption of these amendments did not impact the Group's consolidated financial statements.

  On 25 May 2023, the IASB published the "***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 arrangements that allow users of the financial statements to assess how financial arrangements with suppliers may affect the entity's liabilities and cash flows and to understand the effect of such arrangements on the entity's exposure to liquidity risk. 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 reporting date, the competent bodies of the European Union had not yet completed the endorsement process required for adoption of the amendments and the standards described below.

- On 9 May 2024, the IASB published a new ***standard: IFRS 19 Subsidiaries without Public Accountability: Disclosures***. The new standard introduces a number of simplifications with reference to the reporting required under other IAS/IFRS. This standard can be applied by an entity that meets the following main criteria:
  - It is a subsidiary;
  - It has not issued equity or debt instruments listed on a market and is not in the process of issuing them;
  - It has its own parent company that prepares IFRS-compliant consolidated financial statements.

  The new standard will enter into force from 1 January 2027, but early application is permitted. This standard will not apply to consolidated financial statements and therefore the Directors do not expect any impact on the Group's consolidated financial statements.

- On 30 May 2024, the IASB published the "***Amendments to the Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7***". The document clarifies certain problematic aspects emerging from the post-implementation review of IFRS 9, including the accounting treatment of financial assets whose returns vary on achieving ESG objectives (i.e. green bonds). In particular, the amendments aim to:

- clarify the classification of financial assets with variable returns linked to environmental, social and corporate governance (ESG) objectives and the criteria to be used for assessment of the SPPI test;
- determine that the date of settlement of the liabilities through electronic payment systems is that on which the liability is paid in full. However, an entity is allowed to adopt an accounting policy that offers derecognition of a financial liability before delivering liquidity on the settlement date if certain specific conditions are met.

With these amendments, the IASB has also introduced additional reporting requirements, particularly regarding investments in equity instruments designated at FVOCI.
The amendments will apply from financial statements for years beginning on or after 1 January 2026. The directors do not expect the adoption of this amendment to have any significant effect on the Group's consolidated financial statements.

- On 9 April 2024, the IASB published a new standard, ***IFRS 18 Presentation and Disclosure in Financial Statements***, which will replace IAS 1 Presentation of Financial Statements. The new standard aims to improve the presentation of the main financial statement layouts and introduces important changes to the income statement layout. In particular, the new standard requires:
  - revenues and costs to be classified into three new categories (operating, investment and financial sections), as well as into the categories taxes and discontinued operations already present in the income statement layout;
  - two new sub-totals to be presented, the operating profit (loss) and earnings before interest and taxes (i.e. *EBIT*).

  The new standard also:

  - Requires more information on the performance indicators defined by management;
  - introduces new criteria for the aggregation and disaggregation of information; and,
  - introduces a number of changes to the cash flow statement, including the requirement to use the operating result as a starting point for presenting the statement of cash flows prepared by the indirect method and the removal of certain classification options for some existing items (for example, interest paid, interest collected, dividends paid and dividends collected).

  The new standard will enter into force from 1 January 2027, but early application is permitted. The directors are currently evaluating the possible effects of the introduction of this new standard on the Group's consolidated financial statements.

- On 15 August 2023, the IASB published ***"Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability"***. The document requires an entity to apply a consistent method for assessing whether one currency is convertible into another and, if not, how to determine the exchange rate to be used and the disclosures to be provided in the notes to the financial statements. The amendment will be effective for periods beginning on or after 1 January 2025. Earlier application is permitted.

  The directors do not expect the adoption of this amendment to have any significant effect 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 recognising amounts related to rate regulated activities based on the previous accounting standards adopted. As the Group is not a first-time adopter, the standard does not apply.

2.10. Segment reporting

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

The management and organisational structure of the Group reflects the segment reporting for the business activities described above. The operating segments are identified on the basis of 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 2024 are reported in the Interim report on operations.

2.11. Disclosure on climate change

The International Sustainability Standards Board (ISSB), an IFRS Foundation body, is finalising the general reporting requirements for sustainability and climate-related disclosures.

In March 2022, the ISSB published the "Exposure Draft IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information", which proposes the general requirements for financial disclosure on sustainability-related risks and opportunities and the "Exposure Draft IFRS S2 Climate-related Disclosures" to determine the disclosure requirements on climate-related risks and opportunities by sector.

The ISSB has decided to require both IFRS S1 and IFRS S2 to enter into force for years beginning on or after January 1, 2024 and both were issued in June 2023.

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

- to climate-related risks to which the company is exposed, including:
    (i) physical risks resulting from climate change (physical risks); and
    (ii) risks related to the transition to a low-carbon economy (transition risks);
- to climate-related opportunities that the company could take advantage of.

Therefore, the company must provide information that allows to understand:

(a) governance: the governance processes, controls and procedures used to monitor and manage climate-related risks and opportunities;

(b) strategy: the company's strategy to address significant climate-related risks and opportunities (which influence decision-making, the financial position, financial results, the resilience to climate change, ...);

(c) risk management: the processes by which climate-related risks and opportunities are identified, assessed and managed.

(d) metrics and objectives: how an entity measures, monitors and manages its significant climate-related risks and opportunities, including how the entity assesses its performance to monitor progress towards established objectives.

The European Parliament approved the Corporate Sustainability Reporting Directive (CSRD) in December 2022 and the European Council approved the directive that will be adopted by Member States within the next 18 months. The companies subject to the CSRD will need to prepare their financial statements according to the European Sustainability Reporting Standards (ESRS), which will enter into force in January 2023. Companies must adopt the new rules for the first time in 2024, for financial statements to be published in 2025.

3. ***Financial risk management policy***

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

With reference to the impacts arising from the Russia-Ukraine and the Middle East conflicts and the related risks, please refer to the *Report on operations*.

Credit risk

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

Throughout the operating business, receivables are locally monitored on an ongoing basis. Valuation allowances are recorded to reflect credit risks. The maximum exposure to credit risk is reflected by the carrying amounts of the financial assets reported in the statement of financial position. The Group tackles credit risk by constantly monitoring receivables from commercial partners and by means of insurance aimed at minimising the risk of insolvency. The Group uses standard market instruments, such as letters of credit and guarantees.

For trade receivables much of the risk is 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 banks through our 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 2024, the Group had three bonds "KME Group S.p.A. 2020-2025" (nominal value Euro 92.8 million, reduced to Euro 64.9 million following the Public Exchange Offer "(PEO)" which took place in July 2024) and "KME Group S.p.A. 2022-2027" (nominal Euro 63.5 million), both with fixed interest rates, and one issued by KMH (nominal value Euro 110.8 million) maturing on 31 December 2025 with a step-up rate (the interest rate increases from 10% to 15%). In August 2024, the KME Group issued a new bond maturing 2 August 2029, for a nominal amount of Euro 84.1 million at a fixed rate of 5.75%, of which Euro 56.2 million in new subscriptions and Euro 27.9 million deriving from the PEO.

In addition, contractual clauses, commitments and covenants are applied to certain funding sources of the Group, non-compliance with which can be considered a contractual default, prompting lenders to request immediate repayment 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 2024*	*31 Dec 2023*	*Change*
Land and buildings	261,657	263,421	(1,764)
Plant and equipment	210,691	223,310	(12,619)
Other assets	29,412	29,615	(203)
Advances and assets under development	18,771	12,860	5,911
Property, plant and equipment	**520,531**	**529,206**	**(8,675)**

The breakdown between owned and leased assets is provided below.

(in Euro thousand)	*Owned*	*Leased*	*Total*
Land and buildings	260,008	1,649	261,657
Plant and equipment	209,379	1,312	210,691
Other assets	24,223	5,189	29,412
Advances and assets under development	18,771	-	18,771
Property, plant and equipment	**512,381**	**8,150**	**520,531**

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 which was the subject of a leaseback transaction in the first half of 2024. The finance lease on the property envisages a buy option for the Parent Company. As at the date of preparation of these financial statements, it is reasonably certain the option will be exercised.

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

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

The change in owned assets for the first half of 2024 is shown below:

(in Euro thousand)	*Land and buildings*	*Plant and equipment*	*Other assets*	*Advances and PP&E under development*	*Total*
Gross amount	354,166	729,492	78,510	12,860	1,175,028
Accumulated depreciation	92,039	508,203	54,515	-	654,757
Total as at 31 December 2023	**262,127**	**221,289**	**23,995**	**12,860**	**520,271**
Gross amount as at 31 December 2023	**354,166**	**729,492**	**78,510**	**12,860**	**1,175,028**
Purchases in the period	9,260	1,049	1,164	10,254	21,727
Reclassifications	1,209	2,037	1,131	(4,343)	34
Increases in cost due to foreign exchange differences	1	4	3	-	8
Disposals (cost)	(8,900)	(267)	(93)	-	(9,260)
Gross amount as at 30 June 2024	**355,736**	**732,315**	**80,715**	**18,771**	**1,187,537**
Accumulated depreciation as at 31 December 2023	**92,039**	**508,203**	**54,515**	**-**	**654,757**
Reclassifications	1	(8)	289	-	282
Depreciation, amortisation, impairment and write-downs	4,171	14,992	1,791	-	20,954
Incr. in depreciation due to foreign exchange diff.	1	2	4	-	7
Disposals (accumulated depreciation)	(484)	(253)	(107)	-	(844)
Accumulated depreciation as at 30 June 2024	**95,728**	**522,936**	**56,492**	**-**	**675,156**
Gross amount	355,736	732,315	80,715	18,771	1,187,537
Accumulated depreciation	95,728	522,936	56,492	-	675,156
Total as at 30 June 2024	**260,008**	**209,379**	**24,223**	**18,771**	**512,381**
of which finance leases	*8,722*	-	-	-	*8,722*

Leased assets changed as follows:

(in Euro thousand)	*Land and buildings*	*Plant and equipment*	*Other assets*	*Total*
Gross amount	8,421	3,805	18,211	30,437
Accumulated depreciation	7,127	1,784	12,591	21,502
Total as at 31 December 2023	**1,294**	**2,021**	**5,620**	**8,935**
Gross amount as at 31 December 2023	**8,421**	**3,805**	**18,211**	**30,437**
Purchases in the period	1,134	-	1,191	2,325
Reclassifications	125	-	1	126
Increases in cost due to foreign exchange differences	14	-	2	16
Disposals (cost)	-	-	(259)	(259)
Gross amount as at 30 June 2024	**9,694**	**3,805**	**19,146**	**32,645**
Accumulated depreciation as at 31 December 2023	**7,127**	**1,784**	**12,591**	**21,502**
Reclassifications	124	-	-	124
Depreciation, amortisation, impairment and write-downs	786	709	1,570	3,065
Increases in depreciation due to foreign exchange differences	8	-	-	8
Disposals (accumulated depreciation)	-	-	(204)	(204)
Accumulated depreciation as at 30 June 2024	**8,045**	**2,493**	**13,957**	**24,495**
Gross amount	9,694	3,805	19,146	32,645
Accumulated depreciation	8,045	2,493	13,957	24,495
Total as at 30 June 2024	**1,649**	**1,312**	**5,189**	**8,150**

As at 30 June 2024, the sub-item "Plant and equipment" includes Euro 45 thousand relating to finance leases (Euro 69 thousand as at 31 December 2023).

The amount of leased assets represents the value of rights of use relating to lease/rental contracts on 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*"*. Note 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 2024*	*31 Dec 2023*	*Change*
Investment property	**66,981**	**66,724**	**257**

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 2023	**66,724**
Increases	663
Decreases	(406)
Total as at 30 June 2024	**66,981**

The breakdown by geographic area is as follows:

(in Euro thousand)	*Italy*	*Germany*	*Other foreign countries*	***Total***
Investment property	59,029	7,952	-	**66,981**

More specifically, the item includes a series of property complexes mainly related to the Italian subsidiaries operating 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 in Florence and an industrial complex 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 level 3.

The valuation model takes into account the present value of net cash flows generated by the properties, including expected percentage rent increases, vacant periods, occupancy rates, costs of incentives to tenants, e.g. rent-free periods, and all other costs 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), vacant periods were shorter (longer), the occupancy rate were higher (lower) and the risk-adjusted discount rate were lower (higher).

4.3. Goodwill

(in Euro thousand)	*30 Jun 2024*	*31 Dec 2023*	*Change*
Goodwill	**394,833**	**394,833**	**-**

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

(in Euro thousand)	*30 Jun 2024*	*31 Dec 2023*	*Change*
Copper Cash Generating Unit	367,057	367,057	-
Perfumes and Cosmetics Cash Generating Unit	27,776	27,776	-
Goodwill	**394,833**	**394,833**	**-**

The above table 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.

During the first half of 2024, there were no changes compared to the values recorded as at 31 December 2023.

The goodwill recognised as at 30 June 2024 derives from business combinations completed in 2022 in relation to the change in investing entity status of the Parent Company and, more specifically, following consolidation of the KME SE Group, active in the copper sector, and the CULTI Milano Group, operating in the cosmetics sector.

Impairment test on the value of goodwill recognised in the financial statements as at 30 June 2024

Goodwill acquired in 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 Russia-Ukraine conflict and that in the Middle East.

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

- *Copper CGU*

The impairment test on the Copper CGU, whose goodwill as at 30 June 2024 amounted to Euro 367.1 million (unchanged compared to 31 December 2023), was already carried out as at 31 December 2023 using 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 certain statement of financial position items included in the KME SE 2024-2028 Business Plan (the "Plan", drafted and approved by the administrative bodies of KME SE on 8 April 2024).

The terminal value was calculated by assuming the long-term EBITDA equal to the average of the Plan's EBITDA (explicit period, January 1, 2024 - December 31, 2028), with a level of amortisation corresponding to investment using a long-term growth rate "g" equal to zero and a WACC of 9.91% taking into account recorded historical data.

The results of the impairment test had ascertained that there were no impairment losses on the Copper CGU, with a post-testing recoverable value of the CGU approximately Euro 700 million higher than the carrying amount.

In light of the deviations detected in the first half of 2024 between the final data and those of the plan, sensitivity analyses were carried out based on the EBITDA performance, considering the final data as at 30 June 2024, and using a WACC updated to that date (equal to 9.89%). In particular, three different scenarios were developed: in the first case, it was assumed that the deviation remains constant in absolute value terms throughout the Plan period, in the second case that the deviation progressively decreases both in percentage terms and in absolute value and, lastly, in the third case that the deviation in absolute value increases to 50% of the level of growth in individual years of the plan with respect to the 2024 forecast.

Note that even in the worst case envisaged in the third scenario (therefore reducing the EBITDA value on average by Euro 100 million), the recoverable value of the CGU remains positive compared to the carrying amount.

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.

- *Perfumes and Cosmetics CGU*

The impairment test on the Perfumes and Cosmetics CGU, whose goodwill as at 30 June 2024 amounted to Euro 27.8 million (unchanged compared to 31 December 2023), was already carried out as at 31 December 2023 using the Unlevered Discounted Cash Flow (UDCF) method, 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 in 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, 1 January 2024 - 31 December 2028), using a long-term growth rate "g" equal to zero and 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 was around 10.86% (10.86% in the assessments as at 31 December 2023).

The results of the impairment test had ascertained that there were no impairment losses on the Perfumes and Cosmetics CGU, with a post-testing recoverable value of the CGU approximately Euro 20 million higher than the carrying amount.

Again for the Perfumes and Cosmetics CGU, a sensitivity analysis was carried out as at 30 June 2024, considering the final data as at 30 June 2024, also with an update of the WACC equal to 10.23% for each part essentially confirming the recoverable amounts recorded as at 31 December 2023.

- *Results of the test on the CGUs identified*

The results of the impairment tests did not reveal any impairment of the goodwill recorded, both in the reference scenario and in those hypothesised by the sensitivity analyses carried out (combined deterioration of EBITDA and WACC), with a recoverable amount of the CGU always higher than the carrying amount shown in these Consolidated Financial Statements.

4.4. Intangible assets

(in Euro thousand)	*30 Jun 2024*	*31 Dec 2023*	*Change*
Software, patents and licences	21,596	22,738	(1,142)
Advances and assets under development	3,535	2,562	973
Other	23,626	25,130	(1,504)
Intangible assets	**48,757**	**50,430**	**(1,673)**

The changes during the first half of 2024 are analysed below:

(in Euro thousand)	*Software, patents and licences*	*Intangible assets under development*	*Other*	***Total***
Gross amount	47,309	2,562	30,669	80,540
Accumulated amortisation	24,571	-	5,539	30,110
Total as at 31 December 2023	**22,738**	**2,562**	**25,130**	**50,430**
Gross amount as at 31 December 2023	**47,309**	**2,562**	**30,669**	**80,540**
Purchases in the period	91	741	65	897
Reclassifications	42	232	(52)	222
Decreases (cost)	-	-	(33)	(33)
Gross amount as at 30 June 2024	**47,442**	**3,535**	**30,649**	**81,626**
Accumulated amortisation as at 31 December 2023	**24,571**	**-**	**5,539**	**30,110**
Depreciation, amortisation, impairment and write-downs	1,275	-	1,564	2,839
Reclassifications	-	-	(50)	(50)
Decreases (accumulated amortisation)	-	-	(30)	(30)
Accumulated amortisation as at 30 June 2024	**25,846**	**-**	**7,023**	**32,869**
Gross amount	47,442	3,535	30,649	81,626
Accumulated amortisation	25,846	-	7,023	32,869
Total as at 30 June 2024	**21,596**	**3,535**	**23,626**	**48,757**

Intangible assets have a finite useful life and are represented by the cost net of accrued amortisation. As at 30 June 2024, the item recorded no reductions in value.

4.5. Investments

(in Euro thousand)	*30 Jun 2024*	*31 Dec 2023*
Investments in subsidiaries	9,358	18,126
Equity-accounted investments	12,493	13,977
Investments in other companies	1,872	884
Investments	**23,723**	**32,987**

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 2023	**18,126**	**884**	**13,977**	**32,987**
Decreases	-	-	(1,629)	(1,629)
Total as at 1 January 2024	**18,126**	**884**	**12,348**	**31,358**
Increases	2,609	988	3,753	7,350
Change in fair value OCI	-	-	70	70
Other movements	(11,377)	-	-	(11,377)
Share of profits/losses in the income statement			(3,678)	(3,678)
Total as at 30 June 2024	**9,358**	**1,872**	**12,493**	**23,723**

Compared to 31 December 2023, the rise in investments of Euro 7,350 million relates to the increases of Euro 1,450 thousand in the investment in the investees Oasi Agricola (Euro 1,200 thousand) and Oasi Foodco (Euro 250 thousand) and to the investments arising from the line-by-line consolidation of Intek Investimenti for Euro 5,900 thousand.

The decrease recorded in "Other changes" is mainly due to the line-by-line consolidation of Intek Investimenti S.p.A. (Euro 11,200 thousand).

The decrease in the share of profit/loss from investments in the income statement refers to Magnet Joint Venture GmbH, an investment held by KME SE.

The breakdown of the item as at 30 June 2024 is as follows:

Name	Registered office	% ownership as at 30/06/2024		30/06/2024	31/12/2023
		direct	indirect	*(in Euro thousand)*	*(in Euro thousand)*
Intek Investimenti S.p.A.	Italy		84.83%	-	11,200
Ergyca Tracker 2 Srl	Italy	51.00%		24	24
Newint Srl	Italy	100.00%		10	10
Nextep Srl Benefit company	Italy	60.00%		6	6
KME America Inc.	USA		84.83%	7	7
KME India Private Ltd. (in liquidation)	India		84.83%	92	92
KME Metals (Shanghai) Trading Ltd.	China		84.83%	81	81
KME Metale Sp. z.o.o.	Poland		84.83%	-	-
KME (Suisse) S.A.	Switzerland		84.83%	1,138	1,138
Oasi Dynamo Società Agricola S.r.l.	Italy		69.84%	6,110	4,910
Oasi Dynamo FoodCo S.r.l.	Italy		69.84%	650	400
KME Middle East FZE	UAE		84.83%	81	-
Isno 3 srl (in liquidation)	Italy		51.51%	1,159	-
Investments in subsidiaries				**9,358**	**18,126**
Azienda Metalli Laminati S.p.A.	Italy		20.53%	36	36
Dynamo Academy S.r.l.	Italy		37.26%	1,264	1,264
Il Post S.r.l.	Italy		22.46%	3,753	-
Magnet Joint Venture GmbH	Germany		37.73%	7,440	12,677
Equity-accounted investments				**12,493**	**13,977**
Vita Società Editoriale S.p.A.	Italy	13.22%		222	222
Metal Interconnector ScpA	Italy		0.36%	436	436
Other minor investments			n/a	1,214	226
Investments in other companies				**1,872**	**884**
Total investments				**23,723**	**32,987**

4.6. 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 2024*	*31 Dec 2023*	*Change*
Guarantee deposits	1,500	1,489	11
Other receivables	3,990	3,381	609
Other non-current assets	**5,490**	**4,870**	**620**

4.7. Non-current financial assets

(in Euro thousand)	*30 Jun 2024*	*31 Dec 2023*	*Change*
Other non-current financial assets	3,041	3,052	(11)
Derivative financial instruments	97	115	(18)
Non-current financial assets	**3,138**	**3,167**	**(29)**

The value of derivative financial instruments, equal to Euro 97 thousand, refers to the CULTI group companies and in particular to the value of the IRS Swaps to hedge 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 as at 30 June 2024	1,104	515	917
Fair value	38	17	42
Expiry date	2026	2026	2029

4.8. Inventories

(in Euro thousand)	*30 Jun 2024*	*31 Dec 2023*	*Change*
Raw materials, consumables and supplies	405,544	322,573	82,971
Work in progress and semi-finished products	22,598	20,511	2,087
Finished goods and merchandise	32,745	31,095	1,650
Inventories	**460,887**	**374,179**	**86,708**

The item mainly includes the balances of the copper sector (Euro 454 million), relating mainly to metal stocks, in particular copper, aluminium, nickel, zinc, tin, scrap and other metals; the remainder relates to the CULTI group (Euro 7 million). Note that 45.2 thousand tonnes of metal stocks (previous year: 40 thousand tonnes) are pledged as collateral for financial liabilities.

During the period under review, impairment losses on metal stocks were recognised as costs for Euro 2.6 million (Euro 1.9 million in the same period of 2023).

4.9. Trade receivables

(in Euro thousand)	*30 Jun 2024*	*31 Dec 2023*	*Change*
Receivables – third parties	55,632	42,970	12,662
Receivables - leases/factoring	1,116	1,210	(94)
Receivables – parent company	29	19	10
Receivables – non consolidated subsidiaries	2,962	3,783	(821)
Receivables – equity-accounted investments	22,204	7,176	15,028
Trade receivables	**81,943**	**55,158**	**26,785**

"*Receivables - third parties*" refer for roughly Euro 51.1 million (Euro 38.4 million as at 31 December 2023) to the KME SE group and for Euro 4.5 million (Euro 4.7 million as at 31 December 2023) to the CULTI Group.

Note that, as part of its factoring programme, the KME SE group regularly assigns trade receivables through non-recourse factoring transactions (assignment of 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 assigned receivables in full and recognises a receivable from the factoring company for the same amount until payment is received.

In addition to non-recourse factoring, the KME SE Group also assigns receivables through 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 expected recovery of the related cash flows. Euro 50 thousand was collected during the first half of 2024.

4.10. Current financial assets

(in Euro thousand)	*30 Jun 2024*	*31 Dec 2023*	*Change*
Financial receivables due from related parties	76,386	69,974	6,412
Receivables due from factoring companies	20,992	17,292	3,700
Derivative financial instruments	13,606	4,636	8,970
Investments in securities	272	272	-
Other current financial assets	2,248	2,110	138
Current financial assets	**113,504**	**94,284**	**19,220**

"*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 2024 include an amount of Euro 0.7 million (Euro 1.1 million as at 31 December 2023) 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), note that the Group has no investments in sovereign debt securities.

4.11. Other receivables and current assets

(in Euro thousand)	*30 Jun 2024*	*31 Dec 2023*	*Change*
Tax receivables	12,859	18,464	(5,605)
Advances to suppliers	461	787	(326)
Prepayments and accrued income	5,778	4,048	1,730
Receivables due from associates	521	243	278
Other receivables	4,618	2,923	1,695
Other receivables and current assets	**24,237**	**26,465**	**(2,228)**

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 scope of consolidation, 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.

4.12. Cash and cash equivalents

The item consists of bank deposits and cash on hand.

(in Euro thousand)	*30 Jun 2024*	*31 Dec 2023*	*Change*
Cash and cash equivalents	**112,774**	**118,609**	**(5,835)**

"Cash and cash equivalents" consist essentially of bank accounts and cash on hand. As at 30 June 2024, Euro 12 million was pledged (amount unchanged with respect to 31 December 2023). For details of the cash generated and absorbed during the period, please refer to the consolidated statement of cash flows.

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

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

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

(in Euro thousand)	*30 Jun 2024*	*31 Dec 2023*	*Change*
Property, plant and equipment held for sale	11,947	11,947	-
Non-current assets held for sale	**11,947**	**11,947**	**-**

As at the date of these interim consolidated financial statements, assets 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.

4.14. Group equity

As at 30 June 2024, the share capital amounted to Euro 200,123,081.82 and was divided into 281,333,228 shares, of which 267,121,966 ordinary shares and 14,211,262 savings shares. The share capital increased by Euro 18,372.62 compared to 31 December 2023 due to the exercise of 837,262 warrants and the consequent issue 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 2024*". The changes in equity include not only the result for the period but primarily the following effects:

- allocation of the Parent Company's Euro 14,548 thousand loss for 2023 as a decrease in the extraordinary reserve, as approved by the Shareholders' Meeting of 22 May 2024;
- the increase in equity following the exercise of warrants for Euro 1,838 thousand with the issue of 4,946,846 ordinary shares. As at 28 June 2024, the warrants not exercised by that date expired;
- the allocation to a reserve of costs on Management Warrants deriving from the actuarial calculation in application of the provisions of IFRS 2. These costs are included in the item "Other operating costs".

  The Euro 37.5 million in Management Warrants, assigned in execution of the Company's shareholders' meeting resolution of 8 June 2021, were transferred to the Company by the executive directors at the price of Euro 0.60 per warrant, Euro 5.7 million of which will be settled through the allocation of Company shares and Euro 16.85 million in cash;
- a reduction of Euro 1.2 million due to other changes in equity of the KME SE Group;
- an increase of Euro 0.98 million following the recognition of an equity reserve equal to the difference between the fair value and the cost of the investment of Intek Investimenti S.p.A.;
- the change in comprehensive income items for Euro 0.2 million attributable to the combined effect of a Euro 0.3 million negative change in the fair value of financial instruments, a positive Euro 0.1 million relating to the exchange rate effect, a positive Euro 1.3 million for actuarial changes on pension funds and a negative tax effect of Euro 0.9 million.

Information on treasury shares

As at 30 June 2024, the Company holds 53,243,219 ordinary treasury shares equal to 19.93% of the ordinary capital (18.93% of total capital). During the first half of 2024, the number of treasury shares in the portfolio was reduced following the allocation of 33,280,700 ordinary shares to all holders of warrants who took part in the public exchange offer of KME Group 2021-2024 warrants and the cancellation of 45,114,520 ordinary shares carried out in compliance with resolutions of the extraordinary shareholders' meeting of 12 June 2023 and the extraordinary shareholders' meeting of 22 May 2024, which partly amended its content.

4.15. Retirement benefits

This item relates to "*Post-employment benefits*"; the amount is determined based on the benefits vested 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 2024*	*31 Dec 2023*	*Change*
Retirement benefits	**120,534**	**126,639**	**(6,105)**

The Group has employees in Italy and abroad, mostly in Germany and the United Kingdom; most employees in the KME Group have retirement benefits, with the form of disbursement varying from country to country according to the national legal, economic and tax regulations. 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 is in any event a "Board of Directors".

The defined pension benefit plans in Italy include the regulatory payment of a principal amounts according to the period of service and post-employment benefit payable on termination.

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.

4.16. *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 2024*		*31 Dec 2023*	
	Current	*Non-current*	*Current*	*Non-current*
Payables due to banks	54,580	92,912	59,084	113,056
Derivative financial instruments	19,069	-	5,179	-
Financial payables to related companies	549	-	-	-
Payables on bonds issued	170,429	-	41,196	-
Factoring payables	7,344	-	7,282	-
Lease payables	4,067	10,748	4,162	10,816
Other financial payables	8,635	112,283	10,383	100,044
Financial payables and liabilities	**264,673**	**215,943**	**127,286**	**223,916**

As at 30 June 2024, the following main bank loans were outstanding:

- KME SE: Euro 460 million relating to the pooled bank loan that can be used on a revolving basis and maturing on 30 November 2025, plus an option for a 1-year extension subject to consent from the lenders involved in the transaction. In May 2024, with the entry of Bank of China Limited (UK) into the pool of banks, the credit line was increased to Euro 485 million.

  The credit facility was used with letters of credit for payments to metal suppliers in the amount of Euro 478.7 million (Euro 412.5 million as at 31 December 2023), the liabilities on which are recorded under trade payables and other payables.

  The extended bank consortium credit facility benefits from the following 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 on part of the equipment and machinery of KME Mansfeld GmbH and KM Copper Bars GmbH in Hettstedt;
  - a pledge on inventories and on part of the non-factored trade receivables and short-term receivables of the European industrial companies of the KME SE group;
  - a pledge on certain factoring and insurance contracts.
- KME Group S.p.A.: Euro 10 million maturing on 31 July 2024, with a pledge on CULTI Milano S.p.A. shares and financial covenants subject to half-yearly verification, linked to the NFP-equity ratio, total equity and cross default clauses.
- KME Italy S.p.A. and Serravalle Copper Tubes S.r.l.: Euro 75 million relating to the 6-year loan agreement signed in March 2022 with a pool of Italian banks, backed by a SACE guarantee. The loan is amortised in equal instalments from the first quarter of 2023 until the end of 2027 (the loan amounted to roughly Euro 52.5 million as at 30 June 2023).
- KME Italy S.p.A.: Euro 15 million relating to an additional 6-year loan agreement, signed in July 2022 and backed by a SACE guarantee. The loan is amortised in equal instalments from the first quarter of 2023 until the end of 2027 (the loan amounted to around Euro 10.5 million as at 30 June 2023).
- KME Italy S.p.A.: Euro 59 million, relating to the 6-year loan agreement signed in November 2022 and backed by a SACE guarantee. The loan is amortised in equal instalments from the fourth quarter of 2023 until the end of the third quarter of 2028. At the end of June 2024, the residual amount of the loan was approximately Euro 50 million.
- Serravalle Copper Tubes Srl: signed a 5-year loan agreement for a total of Euro 10 million, backed by a SACE guarantee. The loan is repaid in equal instalments from the first quarter of 2024 until the third quarter of 2028. As at 30 June 2024, the residual debt was approximately Euro 9 million.
- CULTI Milano S.p.A.: Euro 5.2 million with a duration of approximately 3 years (maturity 30 November 2025), of which 8 months as grace period, with quarterly repayment instalments at the

3M Euribor floating rate + 2.25%. This loan was to finance the purchase of treasury shares of CULTI Milano S.p.A. and secured by a pledge on the treasury shares acquired (as at 30 June 2024 the short-term portion was Euro 1.3 million with Euro 0.7 million due after one year).

Note that this loan requires compliance with financial covenants, defined with reference to the consolidated financial statements at the end of each year (starting from 31 December 2023). These covenants were all fully respected also as at 31 December 2023.

- CULTI Milano S.p.A.: Euro 2.5 million with a duration of 6 years (maturity 31 March 2026), of which two years as grace period, with quarterly repayment instalments at the 3M Euribor floating rate + 1.15% spread converted through a specific IRS Swap with a fixed rate of 1.01%. It requires compliance with financial covenants, defined with reference to the annual financial statements of CULTI Milano at the closing date of each year. As at 30 June 2024, the residual debt amounted to Euro 1.1 million, of which Euro 0.6 due within one year.

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

- During the first half, *Tranche B* of the basic credit line was fully repaid by KME Mansfeld GmbH.

As at 30 June 2024, the current portion of payables due to banks amounted to Euro 54.6 million (Euro 59.1 million as at 31 December 2023) and included:

- Euro 3.2 million as the short-term portion of long-term loans in place in the CULTI group (Euro 1.9 million relating to CULTI, Euro 1.0 million to Bakel S.r.l. and Euro 0.3 million to Scent Company);
- Euro 10.4 million as the portion of the loan stipulated by the Parent Company in June 2022 with Banco BPM S.p.A., initially maturing in December 2023 and extended to 31 July 2024 in June 2023;
- Euro 40.9 million in loans of the Copper CGU, of which Euro 32.7 million as the short-term portion of long-term loans.

As at 30 June 2024, the non-current portion amounting to Euro 215.9 million (Euro 223.9 million at the end of 2023) included:

- Euro 2.8 million as the total of long-term loans in place in the CULTI group (Euro 1.2 million relating to CULTI, Euro 1.4 million to Bakel S.r.l. and Euro 0.2 million to Scent Company);
- Euro 204.7 million relate to the KME SE Group, more details of which are provided in previous paragraphs.

"*Derivative financial instruments*" mainly refer to the fair value of derivatives held by the KME SE Group and include commitments to sell and purchase LME (London Metal Exchange) contracts.

The item "*Payables on bonds issued*" as at 30 June 2024, includes:

- The KME Group 2020-2025 bond, maturing within twelve months and issued in February 2020 with a fixed rate of 4.5%, has a nominal outstanding amount of Euro 75,854 thousand, plus a nominal Euro 16,965 thousand added in 2021 as a result of the public exchange offer on savings shares. In July 2024, the parent company launched a Public Exchange Offer (PEO) and a Public Subscription Offer (PSO) in relation to the KME Group 2020-2025 bonds. The PSO was launched on all bonds and its objective was to replacing maturing securities with newly issued securities maturing in August 2029, at a rate of 5.75% per year. The PSO was only partially accepted by about one third of the bondholders. Therefore at the date of preparation of these financial statements there are still KME Group 2020-2025 Bonds outstanding for Euro 64,914 thousand. However, Euro 56,198 thousand was collected through the PEO;
- the value of coupons on outstanding bonds, listed on the MOT and being accrued:
  - Euro 1.5 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 2023);
  - Euro 2.4 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 2023);
- Euro 2.8 million as coupon on the Bond issued by KMH, maturing 31 December 2025 and with a fixed rate of 12% until 28 February 2025;

- The first and second repayment tranches of the KMH Bond, maturing 28 February 2025, totalled Euro 73.9 million.

"*Factoring payables*" regard KME SE Group operations and relate to the existing credit lines extended to 30 November 2025 (concurrently with the renewal of the pool loan*)*. In particular, factoring lines in place were renewed with Factofrance for Euro 150 million (with automatic one-year extension if the pooled loan expiry is extended), with Intesa Sanpaolo SpA for Euro 126.5 million and with TARGOBANK for Euro 100 million (credit line mostly used by the German companies of the group). 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 2024, the liabilities due to the factoring company deriving from recourse factoring amount to Euro 5.7 million (Euro 7.2 million as at 31 December 2023).

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

The item *"Lease payables"* includes the financial liabilities recognised in application of IFRS 16.

"*Other financial payables*" mainly include the liabilities originating from two sale & leaseback transactions: the first carried out in December 2022 on the Osnabrück properties for Euro 90 million and the second in the first quarter of 2024 on the headquarters of KME Group for Euro 8.0 million. The increase in the item is attributable to the interest on KME SE Group liabilities and to the new transaction on the parent company's headquarters.

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 2024, "*Payables to related companies*" are represented by cash of Isno 3 srl in liquidation used by the Parent Company for Euro 549 thousand.

4.17. Bonds

(in Euro thousand)	*30 Jun 2024*	*31 Dec 2023*	*Change*
KME Group S.p.A. 2020-2025 Bonds	-	92,648	(92,648)
KME Group S.p.A. 2022-2027 Bonds	63,497	63,491	6
KMH S.p.A. Up to Euro 135,100,000.00 Senior Guaranteed and Secured Fixed Rate Notes due 31 December 2025	37,186	74,571	(37,385)
Bonds	**100,683**	**230,710**	**(130,027)**

The item refers to:

- 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;
- the amount of the third repayment tranche of the Bond loan issued by KMH, maturing 31 December 2025.

Given their maturity within twelve months, the KME Group SpA 2020-2025 Bonds were reclassified under current financial liabilities.

All bonds are shown net of the issue costs, which are deferred along the duration of the security so as to determine a constant effective interest rate.

4.18. Other non-current liabilities

(in Euro thousand)	*30 Jun 2024*	*31 Dec 2023*	*Change*
Other non-current liabilities	**1,510**	**1,489**	**21**

The item refers to positions related to the copper sector.

4.19. Provisions for risks and charges

(in Euro thousand)	*30 Jun 2024*	*31 Dec 2023*	*Change*
Provisions for non-current risks and charges	5,032	6,168	(1,136)
Provisions for current risks and charges	11,480	16,121	(4,641)
Provisions for risks and charges	**16,512**	**22,289**	**(5,777)**

Changes in the provisions for risks and charges can be summarised as follows:

(in Euro thousand)	*Provisions for restructuring*	*Provisions for guarantee risks*	*Other provisions*	***Total***
Balance as at 31 December 2023	**12,193**	**1,086**	**9,010**	**22,289**
Utilised	(2,163)	-	(1,032)	**(3,195)**
Released	(11)	-	(7)	**(18)**
Allocations	167	-	29	**196**
Reclassifications	(2,760)	-	-	**(2,760)**
Balance as at 30 June 2023	**7,426**	**1,086**	**8,000**	**16,512**
Non-current	***-***	***-***	***5,032***	***5,032***
Current	***7,426***	***1,086***	***2,968***	***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 uses for the period relating to closure of tubes production in Givet announced by Tréfimétaux in February 2022.

4.20. Trade payables

(in Euro thousand)	*30 Jun 2024*	*31 Dec 2023*	*Change*
Trade payables – third parties	657,790	505,666	152,129
Trade payables – non-consolidated subsidiaries	196	693	(497)
Trade payables – equity-accounted investments	46,525	44,821	1,704
Trade payables – other related parties	47	-	42
Trade payables	**704,558**	**551,180**	**153,378**

As at 30 June 2024, Euro 290,163 thousand (Euro 322,427 thousand as at 31 December 2023) of the liabilities recorded under trade payables are supported by letters of credit; the letters of credit are issued by the bank consortium credit facility. These trade payables relate to metal purchases.

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.

4.21. Other current liabilities

(in Euro thousand)	*30 Jun 2024*	*31 Dec 2023*	*Change*
Payables to personnel and employees	24,330	18,909	5,421
Payables to social security institutions	4,393	5,113	(720)
Tax payables	21,763	16,152	5,611
Payables to related companies	18,191	943	17,248
Payables to customers	39,648	39,747	(99)
Other payables	17,956	14,926	3,030
Other current liabilities	**126,281**	**95,790**	**30,491**

"*Payables to customers*" refer to the KME SE group and specifically include advances from 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.

"*Tax payables*" mainly refer to Group companies that do not participate in the tax consolidation of the Parent Company.

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

"Payables to related parties" as at 30 June 2024 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 and the amount payable in cash stemming from the purchase of management warrants (Euro 16.8 million).

4.22. Deferred tax assets and liabilities

(in Euro thousand)	*30 Jun 2024*	*31 Dec 2023*	*Change*
Deferred tax assets	102,759	82,751	20,008
Deferred tax liabilities	(110,579)	(107,496)	(3,083)
Net deferred taxes	**(7,820)**	**(24,745)**	**16,925**

Deferred tax assets and liabilities can be broken down by financial statement items as follows:

(in Euro thousand)	*Deferred tax assets*		*Deferred tax liabilities*	
	30 Jun 2024	*31 Dec 2023*	*30 Jun 2024*	*31 Dec 2023*
Temporary differences				
Property, plant and equipment	2,509	2,398	(74,754)	(76,481)
Investment property	735	-	(2,970)	(4,534)
Intangible assets	1,602	1,896	(9,382)	(9,923)
Investments	502	712	(496)	(521)
Other non-current assets	26	432	-	-
Non-current financial assets	-	-	(23)	(28)
Inventories	977	1,077	(39,720)	(31,510)
Trade receivables	2,002	1,987	(193)	(609)
Current financial assets	5	(23)	(918)	(400)
Other receivables and current assets	486	451	-	(79)
Cash and cash equivalents	-	-	-	-
Non-current assets held for sale	-	-	(2,075)	(2,075)
Retirement benefits	10,058	13,085	(6)	(6)
Non-current financial payables and liabilities	1,386	913	-	-
Other non-current liabilities	51	75	(11)	(92)
Provisions for risks and charges	2,098	351	-	-
Current financial payables and liabilities	1,958	1,854	-	-
Trade payables	169	293	(146)	(248)
Other current liabilities	1,329	1,260	(528)	(873)
Deferred taxes on tax loss carried forward	97,509	76,645	-	-
Total	**123,402**	**103,406**	**(131,222)**	**(127,379)**
Adjustments	(20,643)	(20,655)	20,643	19,883
Total deferred tax assets (liabilities)	**102,759**	**82,751**	**(110,579)**	**(107,496)**

5. ***Income Statement***

Pursuant to Consob Communication no. 6064293/06, note that the Group did not carry out any "atypical and/or unusual transactions" in the period under review.

5.1. Revenues from sales and services

The breakdown of the item is as follows:

(in Euro thousand)	*1st half 2024*	*1st half 2023*
Europe	671,865	907,556
Asia	23,327	46,794
America	68,764	93,315
Other countries	31,149	35,752
Revenues from sales and services	**795,105**	**1,083,417**

The revenues performance is mainly due to the reduction in market demand for copper semi-finished products in Europe, which took hold in 2023 and continued in the first and second quarters of 2024, affecting the entire production of KME SE and most of the industrial sectors in which its customers operate.

Revenues were broken down by customer location.

During the current and previous periods, 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 90.307 thousand:

- Euro 89,869 thousand due to equity-accounted investees;
- Euro 278 thousand from non-consolidated subsidiaries.

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

5.2. Other income

(in Euro thousand)	*1st half 2024*	*1st half 2023*
Income from "special situations"	129	-
Lease receivables	3,804	4,632
Provision of services to related companies	38	39
Other	3,556	8,097
Other income	**7,527**	**12,798**

"Lease receivables" mainly include rental income from investment property. The remaining "*Other*" revenues contain a broad variety of revenues whose individual amounts are immaterial.

5.3. Labour cost

(in Euro thousand)	*1st half 2024*	*1st half 2023*
Wages and salaries	(95,682)	(96,286)
Social security contributions	(19,814)	(21,079)
Other personnel costs	(284)	(4,911)
Labour cost	**(120,009)**	**(122,276)**

The majority of personnel expenses relate to remuneration, which comprises wages, salaries, allowances and all other remuneration for work performed by Group employees 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 2024*	*1st half 2023*
Directors' and Statutory Auditors' fees	(2,848)	(3,057)
Professional services	(9,836)	(9,688)
Freight cost	(14,661)	(21,163)
Other personnel expense	(737)	(865)
Advertising and other commercial costs	(3,443)	(3,759)
Electricity, heating, postal and telephone costs	(33,769)	(46,535)
Other production and sales costs	(8,475)	(5,873)
Insurance premiums	(6,150)	(6,478)
Property leases	(2,235)	(3,970)
Maintenance	(15,814)	(19,589)
Other taxes	(2,241)	(2,050)
Other net costs	(10,089)	(8,434)
Bank service charges	(452)	(424)
Losses on disposal of fixed assets	(326)	(865)
Commissions	(3,802)	(2,803)
Allocation to provisions for risks	(216)	(1,595)
Charges on Management Warrants	(273)	(523)
Other operating costs	**(115,367)**	**(137,671)**

"*Charges on management warrants*", held by the Parent Company, include the effects of the actuarial calculation in application of the provisions of IFRS 2 and have an increase in equity as a balancing entry.

The item "*commissions*" mainly consists of commissions for factoring transactions (Euro 3.8 million).

5.5. Net financial expense

(in Euro thousand)	*1st half 2024*	*1st half 2023*
Interest income from related parties	*1,020*	*632*
Other interest income	*3,250*	*2,426*
Gains from currencies and derivatives	*2,071*	*4,366*
Other financial income	*387*	*414*
Total financial income	**6,728**	**7,838**
Interest expense to related parties	*(171)*	*(32)*
Other interest expense	*(22,421)*	*(18,980)*
Interest expense on securities issued	*(11,251)*	*(3,710)*
Fees and commission expense on guarantees and loans	*(11,533)*	*(15,631)*
Losses on currencies and derivatives	*(1,156)*	*(3,547)*
Impairment of financial instruments	*-*	*(22)*
Other financial expense	*(174)*	*(737)*
Total financial expense	**(46,706)**	**(42,659)**
Total net financial expense	**(39,978)**	**(34,821)**

With reference to interest on bonds issued, note that as at 30 June 2024 this includes the amount pertaining to the Parent Company and the subsidiary KMH on outstanding bonds.

5.6. Result of investments

(in Euro thousand)	*1st half 2024*	*1st half 2023*
Profit (loss) from equity-accounted investments	(3,678)	(531)
Dividends	420	-
Result of investments	**(3,258)**	**(531)**

The profit (loss) from equity-accounted investees for 2024 contains the portion of profit for the period of the Magnet Joint Venture (for the sake of completeness, please refer to Note 4.5 “Investments”). In the first half of 2023, the portion amounted to Euro 531 thousand.

5.7. Current and deferred taxes

(in Euro thousand)	*1st half 2024*	*1st half 2023*
Current taxes	7,839	(9,723)
Deferred taxes	694	(374)
Current and deferred taxes	**8,533**	**(10,097)**

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-24*	*31-Dec-23*	*Change*
Financial assets at fair value through profit or loss	13,778	4,808	8,970
Financial assets at fair value through other comprehensive income	1,969	999	970
Amortised cost	307,063	273,908	33,155
Total financial assets	**322,810**	**279,715**	**43,095**
Financial liabilities at fair value through profit or loss	(19,069)	(5,179)	(13,890)
Financial payables and liabilities at amortised cost	(1,333,620)	(1,167,804)	(165,816)
Total financial liabilities	**(1,352,689)**	**(1,172,983)**	**(179,706)**

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 2024:

(in Euro thousand)		*Measurement method*			Fair Value
Values as at 30 June 2024	Carrying amount	*Cost*	*Fair value*	*Outside the scope of IFRS 7*	
Investments	14,365	-	*1,872*	*12,493*	1,872
Other non-current assets	5,490	*5,490*	-	-	5,490
Non-current financial assets	3,138	*3,041*	*97*	-	3,138
Trade receivables	81,943	*81,943*	-	-	81,943
Current financial assets	113,504	*99,726*	*13,778*	-	113,504
Other receivables and current assets	23,528	*4,089*	-	*19,439*	4,089
Cash and cash equivalents	112,774	*112,774*	-	-	112,774
Total financial assets	**354,742**	***307,063***	***15,747***	***31,932***	**322,810**
Non-current financial payables and liabilities	(215,943)	*(215,943)*	-	-	(215,943)
Bonds	(100,635)	*(100,635)*	-	-	(100,635)
Other non-current liabilities	-	-	-	-	-
Current financial payables and liabilities	(264,673)	*(245,604)*	*(19,069)*	-	(264,673)
Trade payables	(704,558)	*(704,558)*	-	-	(704,558)
Other current liabilities	(86,633)	*(66,880)*	-	*(19,753)*	(66,880)
Total financial liabilities	**(1,372,442)**	***(1,333,620)***	***(19,069)***	***(19,753)***	**(1,352,689)**

(in Euro thousand) Values as at December 31, 2023	Carrying amount	Measurement method			Fair Value
		Cost	*Fair value*	*Outside the scope of IFRS 7*	
Investments	14,861	*-*	*884*	*13,977*	884
Other non-current assets	4,870	*4,870*	*-*	*-*	4,870
Non-current financial assets	3,167	*3,052*	*115*	*-*	3,167
Trade receivables	55,158	*55,158*	*-*	*-*	55,158
Current financial assets	94,284	*89,476*	*4,808*	*-*	94,284
Other receivables and current assets	25,756	*2,743*	*-*	*23,013*	2,743
Cash and cash equivalents	118,609	*118,609*	*-*	*-*	118,609
Financial instruments – Assets	**316,705**	***273,908***	***5,807***	***36,990***	**279,715**
Non-current financial payables and liabilities	(223,916)	*(223,916)*	*-*	*-*	(223,916)
Bonds	(230,710)	*(230,710)*	*-*	*-*	(230,710)
Current financial payables and liabilities	(127,286)	*(122,107)*	*(5,179)*	*-*	(127,286)
Trade payables	(551,180)	*(551,180)*	*-*	*-*	(551,180)
Other current liabilities	(56,043)	*(39,891)*	*-*	*(16,152)*	(39,891)
Financial instruments – Liabilities	**(1,189,135)**	***(1,167,804)***	***(5,179)***	***(16,152)***	**(1,172,983)**

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 30/06/2024*	*Fair Value levels*		
		1	*2*	*3*
Investments	1,872	-	-	1,872
Non-current financial assets	97	-	97	-
Current financial assets	13,778	-	13,606	172
Total financial assets	**15,747**	**-**	**13,703**	**2,044**
Non-current financial payables and liabilities	-	-	-	-
Current financial payables and liabilities	19,069	-	19,069	-
Total financial liabilities	**19,069**	**-**	**19,069**	**-**

(in Euro thousand)	Fair value *as at 31/12/2023*	*Fair Value levels*		
		1	*2*	*3*
Investments	884	-	-	884
Non-current financial assets	115	-	115	-
Current financial assets	4,808	-	4,636	172
Total financial assets	**5,807**	**-**	**4,751**	**1,056**
Non-current financial payables and liabilities	-	-	-	-
Current financial payables and liabilities	5,179	-	5,179	-
Total financial liabilities	**5,179**	**-**	**5,179**	**-**

As at 30 June 2024, 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. Note that certain credit positions are secured (i.e. for trade receivables much of the risk is secured by factoring).

The credit risk concentration in trade receivables is limited due to the broad and diversified customer base.

Allocations to the bad debt provision are made specifically on credit positions that present non-standard 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.

Note that there are three bonds outstanding, two of the Parent Company and one of the subsidiary KMH SpA:

- *KME Group 2020-2025*, issued in February 2020 for a nominal amount of Euro 92,819 thousand, with a fixed rate of 4.5% (annual coupon). As at the date of preparation of this report, a nominal amount of Euro 64,914 is outstanding, as a nominal Euro 27,905 thousand was subscribed to the Public Exchange Offer held in July 2024;

- *KME Group 2022-2027*, issued in September 2022 and outstanding for a nominal amount of Euro 63,533 thousand, with a fixed rate of 5.0% (annual coupon);
- *KMH S.p.A. Up to Euro 135,100,000.00 Senior Guaranteed and Secured Fixed Rate Notes due 31 December 2025*, issued in the fourth quarter of 2023 for a nominal amount of Euro 110.8 million, with quarterly step-up coupons (12% until 28 February 2025 and 15% until 31 December 2025), maturing 31 December 2025.

*7. **Disclosure on 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 the first half of 2024, 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 2024, there was a commitment to investments in property, plant and equipment for Euro 33.9 million (Euro 5.4 million as at 31 December 2023).

As at 30 June 2024, a letter of patronage was in place, signed by KME SE to the benefit of KME Metale S.p.Z.o.o. At present, given the company's current position, it is unlikely that this letter will be used.

In December 2015, KME Group S.p.A. indicated its willingness to issue a guarantee of up to Euro 5.0 million for Associazione Dynamo for the granting of a mortgage loan for the restructuring of certain properties located in Limestre. This mortgage is also secured by other collateral; as at 30 June 2024, it amounted to Euro 1.3 million.

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 2024

(in Euro thousand)	*30 Jun 2024*
Parent company's equity (including profit/(loss) for the period)	**270,419**
Equity of consolidated companies	761,256
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)	(5,873)
Share of equity of consolidated companies attributable to minority interests	(52,899)
Equity attributable to the shareholders of the Parent Company	**253,100**

(in Euro thousand)	*30 Jun 2024*
Profit/(loss) in the separate financial statements of the Parent Company	**(12,430)**
Profit/(loss) of fully consolidated companies	(14,268)
Elimination of dividends received	(239)
Other consolidation entries	(2,153)
Cancellation of effect of IFRS 16 on intra-group transactions	(320)
Consolidation entries (PPA)	(1,796)
Consolidated net profit (loss)	**(31,206)**
of which Profit/(loss) for the period attributable to non-controlling interests	*(2,390)*
of which Profit/(loss) for the period attributable to the shareholders of the parent company	*(28,816)*

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, Italian Legislative Decree no. 58 of 24 February 1998, the undersigned Diva Moriani, Deputy Chairperson, 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 2024 to 30 June 2024.

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 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, 26 September 2024

Deputy Chairperson	Manager in charge of Financial Reporting
__________________	____________________

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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 30, 2024. 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 30, 2024 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 30, 2024