

KME Group SpA

Registered office: 20121 Milan (MI) - Foro Buonaparte 44

Share capital Euro 335,069,967.44, fully paid-up

Tax Code and Milan Companies Register no. 00931330583

www.itkgroup.it

PRESS RELEASE

- **THE HALF YEAR FINANCIAL REPORT AS AT 30 JUNE 2022 HAS BEEN APPROVED, WITH THE SEPARATE FINANCIAL STATEMENTS SHOWING THE FOLLOWING:**

	IN MILLIONS OF EURO	
	30/06/2022	31/12/2021
▪ NET INVESTMENTS	651.3	643.1
▪ HOLDING COMPANY NET FINANCIAL DEBT	92.3	91.4
▪ SHAREHOLDERS' EQUITY	558.9	551.7
▪ NET PROFIT (LOSS)	6.7	31.6 ¹

– **KME SE:**

EXTRAORDINARY TRANSACTIONS CARRIED OUT INVOLVING THE DISPOSAL OF ASSETS (TRANSFER OF CONTROL OF THE SPECIAL PRODUCTS BUSINESS, SALE OF WIRES BUSINESS AND ACQUISITION OF AURUBIS' LAMINATES BUSINESS)

EARLY PARTIAL REDEMPTION FOR EURO 190 MILLION OF THE BOND AND NET FINANCIAL POSITION DOWN FROM EURO 249.5 MILLION TO EURO 59.5 MILLION

EBITDA OF EURO 45.6 MILLION AS AT 30 JUNE 2022; 78.1% HIGHER COMPARING TO THE 30 JUNE 2021, ON A LIKE-FOR-LIKE BASIS

NET CONSOLIDATED PROFIT OF EURO 98.9 MILLION (EURO 6.7 MILLION IN 2021)

– **CULTI MILANO:**

CONSOLIDATED EBITDA OF EURO 2.3 MILLION (EURO 1.7 MILLION IN THE FIRST HALF OF 2021)

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The Board of Directors of KME Group SpA, called Intek Group SpA up until 23 September 2022 (hereinafter also the “**Company**” or the “**Parent Company**”), today approved the half-year financial report as at 30 June 2022, the first document of this type published following the Company’s decision to focus its activities on the business management of the equity investment in KME SE.

In order to ensure better comparability and understanding, considering the recent launch of the new strategic process, the effects of which have still not fully materialised, analysis continued to be focussed on the Parent Company, on the individual equity investments and their results, in continuity with the disclosure presented in the previous financial reports.

As at 30 June 2022, the net investments held by the Company amounted to Euro 651.3million (Euro 643.1 million at the end of 2021), of which 89% in the “copper” sector and the remainder in the perfumes and cosmetics sector and in financial assets.

¹Figures relating to 30 June 2021. Said amount reflects the restatement of some figures in order to retroactively consider the effects of an update of the “Fair value measurement policy” applied to “Investments in equity interests and fund units”. Specifically, this amendment relates to the elimination of the provision according to which no changes in the carrying amount of investments are recognised when the result of their valuation in the interim financial statements differs, in absolute value, from the pre-valuation carrying amount by less than 10%. In addition, some calculation provisions were restructured to take account of the lower availability of interim information items. Said change involved an increase of Euro 35.5 million in profit in the first half of 2021. For more details, please refer to the press release of 18 February and the 2021 annual financial report.

The Company maintains a sound financial structure: Shareholders' Equity as at 30 June 2022 amounted to Euro 558.9 million compared to Euro 551.7 million as at 31 December 2021. The change is to be attributed primarily to the result of the period, positive by Euro 6.7 million (Euro 31.6 million in the first half of 2021).

The main events that have characterised the Company's activities and those of its subsidiaries in the first half of 2022 are outlined below:

(i) Extraordinary financial transactions

From 25 July of this year, three voluntary public exchange offers were made for ordinary shares, savings shares and warrants of the Company, which were announced on 22 April 2022. The offer period closed on 13 September for savings shares and warrants and on 16 September for ordinary shares. A total of 82.3 million ordinary shares were tendered, 1.1 million savings shares and 20.2 million warrants. In exchange, 63,533,259 "KME Group S.p.A. 2022 – 2027" Bonds were issued as consideration, for a total nominal value of Euro 63.5 million.

(ii) Copper sector

In this area, over the course of 2021 and the early months of 2022, significant transactions were carried out in order to implement the KME group's strategy of concentrating 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:

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

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

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

(iii) Culti Milano SpA

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

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

* * *

Statement of financial position and income statement of the Parent Company

The main equity data of the Company as at 30 June 2022, compared with those as at 31 December 2021, are summarised in the following table.

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

Notes:

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

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Shareholders' Equity

The Company's shareholders' equity amounted to Euro 558.9 million compared to Euro 551.7 million as at 31 December 2021; the change is determined primarily by the result for the period.

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

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

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

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

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

* * *

Financial management

Net financial debt of the holding company (excluding intra-group loans and leasing liabilities) totalled Euro 92.3 million as at 30 June 2022. The balance as at 31 December 2021 was Euro 91.4 million. It increased as a result of financial expenses and management costs for the period.

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

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

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

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

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

(*) see the note shown on page 1.

* * *

Trend in main equity investments

KME SE

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

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

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

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

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

During the half under review, non-recurring items had a positive impact of Euro 106.5 million, of which Euro 114.0 million deriving from the capital gain from the transfer of control of the special products and disposal of wires businesses. The valuation of inventories and forward agreements net of taxes had a negative impact of Euro 0.2 million compared to a positive impact of Euro 21.5 million recorded in 2021.

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

The **net financial position** as at 30 June 2022 showed a clear improvement, up from Euro 249.5 million to Euro 59.5 million. The reduction is mainly due to the income from the transfer of control of the special products and disposal of wires businesses. In the first half of 2022, three partial early redemptions were carried out for a total of Euro 190 million on the Bond issued in 2018 by KME SE. The current amount of the bond, maturing in February 2023, stands at Euro 110 million.

Culti Milano

The main consolidated indicators can be summarised as follows:

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

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Consolidated financial statements

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

The resulting consolidated financial statements which, at income statement and cash flows level, include solely two months of activities of the consolidated subsidiaries, is not only partially comparable with the values reported in previous financial statements, but also unrepresentative of the operating results of the Parent Company and the consolidated subsidiaries.

The main balances of the consolidated financial statements as at 30 June 2022 are:

- **total assets:** Euro 1,972.3 million;
- **total shareholders' equity** (including the portion pertaining to minority interests): Euro 603.5 million;
- **profit for the period:** Euro 6.7 million;
- **net financial debt:** Euro 152.1 million.

* * *

The Manager in charge of Financial Reporting, Giuseppe Mazza, hereby declares that, pursuant to article 154-bis, paragraph 2 of the Consolidated Law on Finance (Italian Legislative Decree no. 58/1998), the accounting information contained in this press release corresponds to the company's documents, books, and accounting records.

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The press release is available on the website www.itkgroup.it, where it is possible to request information directly from the Company (phone: +39 02-806291; email: info@itk.it) and on the authorised “eMarket STORAGE” system at www.emarketstorage.com.

Milan, 28th September 2022

The Board of Directors

Annexes:

- 1) Condensed separate statement of financial position
- 2) Reclassified separate income statement
- 3) Consolidated statement of financial position
- 4) Consolidated income statement

Annex 1) Condensed separate statement of financial position

<i>(in thousands of Euro)</i>	<i>30 Jun 2022</i>		<i>31 Dec 2021</i>	
KME SE	581,714	89.32%	581,546	90.43%
Culti Milano	37,990	5.83%	28,904	4.49%
Ducati Energia	16,700	2.56%	16,700	2.60%
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Other investments	1,877	0.29%	1,995	0.31%
Other assets/liabilities	855	0.13%	1,990	0.31%
Net investments	651,295	100.00%	643,119	100.00%
Outstanding bonds	93,938		95,988	
Net cash	(1,590)		(4,572)	
Holding company net financial debt	92,348	14.18%	91,416	14.21%
Total shareholders' equity	558,947	85.82%	551,703	85.79%

Note Data not audited.

Annex 2) Reclassified separate income statement

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

Note Data not audited.

Annex 3) Consolidated statement of financial position

Assets

<i>(in thousands of Euro)</i>	<i>30-Jun-22</i>	<i>31-Dec-21</i>
Property, plant and equipment	331,269	3,493
Investment property	73,043	32
Intangible assets	485,670	12
Equity investments	141,835	637,123
Other non-current assets	3,085	3
Non-current financial assets	3,119	5
Deferred tax assets	40,332	2,762
Total non-current assets	1,078,353	643,430
Inventories	362,537	-
Trade receivables	131,221	5,039
Current financial assets	162,346	26,444
Other current receivables and assets	31,288	5,680
Cash and cash equivalents	85,793	4,698
Total current assets	773,185	41,861
Non-current assets held for sale	120,724	-
Total assets	1,972,262	685,291

Note At the current state of play, the Independent Auditors have not yet completed their audit of the above figures.

Annex 3) Consolidated statement of financial position

Liabilities

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

Note At the current state of play, the Independent Auditors have not yet completed their audit of the above figures.

Annex 4) Consolidated Income Statement

<i>(in thousands of Euro)</i>	<i>1st half 2022</i>	<i>1st half 2021</i>
Revenues from sales and services	331,628	-
Change in inventories of finished goods and semi-finished products	1,144	-
Capitalised internal work	89	-
Other income	1,505	116
Purchases and change in raw materials	(260,853)	-
Labour costs	(31,020)	(926)
Amortisation, depreciation, impairment and write-downs	(5,163)	(325)
Other operating costs	(32,226)	(2,006)
Operating profit/(loss)	5,104	(3,141)
Financial income	1,568	641
Financial expense	(8,923)	(1,994)
<i>Net financial expense</i>	<i>(7,355)</i>	<i>(1,353)</i>
Gains/losses on equity investments	11,573	35,941
Profit/(loss) before taxes	9,322	31,447
Current taxes	(4,419)	874
Deferred taxes	3,035	(688)
Total income taxes	(1,384)	186
Net profit (loss) for the period from operating activities	7,938	31,633
Profit/(loss) from discontinued operations	(1,183)	-
Net profit (loss) for the period	6,755	31,633
Other comprehensive income:		
<i>Measurement of employee defined benefits</i>	<i>16,697</i>	<i>11</i>
<i>Tax on other comprehensive income</i>	<i>(3,648)</i>	<i>-</i>
Items that cannot be reclassified to profit or loss for the period	13,049	11
<i>Foreign currency translation gains/(losses)</i>	<i>1,071</i>	<i>-</i>
<i>Net change in cash flow hedge reserve</i>	<i>(73)</i>	<i>-</i>
<i>Taxes on other comprehensive income</i>	<i>45</i>	<i>-</i>
Items that may be reclassified to profit or loss for the period	1,043	-
Total other comprehensive income, net of tax effect:	14,092	11
Total comprehensive income for the period	20,847	31,644
<i>Net profit/(loss) for the period attributable to:</i>		
<i>- non-controlling interests</i>	<i>451</i>	<i>-</i>
<i>- owners of the Parent</i>	<i>6,304</i>	<i>31,633</i>
Net profit (loss) for the period	6,755	31,633
Total comprehensive income attributable to:		
<i>- non-controlling interests</i>	<i>457</i>	<i>-</i>
<i>- owners of the Parent</i>	<i>20,390</i>	<i>31,644</i>
Total comprehensive income for the period	20,847	31,644

Note At the current state of play, the Independent Auditors have not yet completed their audit of the above figures.