



KME Group SpA

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

Share capital Euro 200,076,932.10, fully paid up

Tax Code and Milan Company Register no. 00931330583

www.itkgroup.it

PRESS RELEASE

- **THE HALF-YEARLY FINANCIAL REPORT AS OF 30 JUNE 2023 HAS BEEN APPROVED, WHICH CLOSES WITH A GROUP EQUITY OF EURO 575.7 MILLION (569.5 MILLION AT THE END OF 2022) AND A NET FINANCIAL DEBT OF EURO 207.7 MILLION (EURO 267.5 MILLION AT THE END OF 2022).**
- **FIRST HALF OF COMPLETE CONSOLIDATION OF INDUSTRIAL SHAREHOLDINGS: REVENUES OF EURO 1,083.4 MILLION, EBITDA OF EURO 102.9 MILLION AND NET RESULT OF EURO 21.2 MILLION.**
- **KME SE, THE MAIN SUBSIDIARY, CLOSED THE HALF-YEAR WITH A SIGNIFICANT CONTRACTION IN SALES VOLUMES (-26.4% ON A LIKE-FOR-LIKE BASIS) COMPARED TO THE PREVIOUS YEAR, BUT WITH A ROBUST RECOVERY IN PROFITABILITY (EBITDA AT EURO 103.2 MILLION, COMPARED TO EURO 45.6 MILLION IN THE FIRST HALF OF 2022). THE TREND OF FALLING VOLUMES IS ACCELERATING IN THE SECOND HALF OF THE YEAR.**

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Milan, 18 September 2023 - The Board of Directors of KME Group SpA (hereinafter also the “Company” or the “Parent Company”) today approved the half-yearly financial report as of 30 June 2023, which presents a consolidated net equity of Euro 575.7 million (Euro 569.5 million at 31 December 2022) and a net result of Euro 21.2 million (Euro 6.7 million for the first half of 2022). The net financial debt stands at Euro 207.7 million (Euro 267.5 million as at 31 December 2022) and includes liability of Euro 94.5 million linked to the accounting, pursuant to IFRS, of the sale and leaseback transaction on the KME SE property in Osnabrück.

With reference to the comparative data of the first half of 2022, it should be noted that the new strategic process announced by the Company on 22 April 2022 has rendered the exception to the consolidation set forth in IFRS 10 for investment entities no longer applicable, with the subsequent obligation of line-by-line consolidation of controlling interests to be carried out prospectively from the date on which the change of status is verified.

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

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The main events that have characterised the Company's activities and those of its subsidiaries in the first half of 2023 are outlined below:

(i) Extraordinary finance transactions

Please note that the takeover bids for ordinary shares, savings shares and “KME Group SpA 2021-2024” warrants are currently underway, with the acceptance period expiring on 25 September 2023, aimed at the delisting of these financial instruments.

(ii) KME SE

In this area, also in 2023, transactions were carried out in order to implement the KME SE group's strategy of concentrating on copper and copper alloy rolled products, in which the

group is the European leader and in which it intends to focus its energy and grow in the future, given the attractive growth rates expected for the main reference markets:

- in June, following the fulfilment of the conditions precedent set out in the agreement, KME SE executed the agreement signed with Golden Dragon Precise Copper Tube Group Inc., regarding the sale of its 50% share of the joint venture KMD (HK) Holdings Limited and the purchase of 100% of the shares of KMD Connectors Stolberg GmbH. The execution of the transaction, as provided per contract signed in December 2022, allowed the net cash in of around USD 53 million, of which approximately USD 43 million related to the purchase and sale of equity investments and the payment of commercial positions, and USD 10 million for the repayment of loans in place (already included in the net financial position);
- in July 2023, KME SE and S.A. Eredi Gnutti Metalli SpA (“EGM”) signed and executed a purchase and sale contract for the repurchase by KME SE of the 16% of KME Italy SpA (“KI”) held by EGM. EGM had actually transferred the rolled business to KI in June 2021, becoming the owner of a minority shareholding of 16%. The transaction, which involves the total repurchase of the shareholding for a consideration equal to Euro 22.5 million - of which Euro 8.4 million paid at closing and the remaining part over the following twenty-four months - represents the last step of the process launched in 2021 for the integration of EGM’s rolled activities into those of KI;
- in August KME SE signed a non-binding letter of intent (“LOI”) relating to the specialty products business managed by Cunova GmbH (“Cunova”), of which KME SE holds 55%. The LOI was signed with a special purpose vehicle for acquisitions (“SPAC”), with securities listed on the NYSE and sets forth that, should the transaction be successful, KME SE will convert the stake held in Cunova into listed shares, further increasing its shareholding through the transfer of its aerospace business, an engineering business that presents many similarities and potential synergies with Cunova's business. In the event of completion, KME SE would hold a majority stake of approximately 51% in the combined entity listed on the NYSE (equal to approximately 46% fully diluted following the possible exercise of the private and public warrants issued by the SPAC). The feasibility of the transaction depends on the success of the SPAC's fundraising activity and the refinancing of Cunova's current debt.

(iii) Culti Milano S.p.A.

In February 2023, the remaining 49% of Scent Company S.r.l. was also acquired, with an outlay of Euro 2.8 million.

In the first half of 2023, the Culti Milano group achieved revenues of Euro 11.1 million, higher than the Euro 10.8 million of the first half of 2022, and an EBITDA of Euro 1.8 million, a decrease compared to the Euro 2.3 million of 30 June 2022, as a result of the significant costs incurred both in the area of *branding* and in relation to new professional personnel for the group companies.

Operating performance of the main business sectors

KME SE (Copper sector)

Like all other operators in this market, KME SE has also been affected by the ongoing major macroeconomic, political and commercial developments, which started in the second half of 2022 and continued until the end of the first half of 2023. During this period, the copper market in Europe was marked by uncertainty and a slowdown compared to the corresponding period of the previous year.

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

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

Consolidated revenues in June 2023 totalled Euro 1,072.3 million, up by 4.6% compared to 2022 (Euro 1,025.3 million). Net of the value of raw materials, revenues rose from Euro 229.0 million to Euro 348.2 million, with an increase of 52.0%.

On a like-for-like basis (i.e. considering the consolidation of Trefimetaux and Serravalle Copper Tubes, previously classified as discontinued operations, from 1 January 2023 and of the companies acquired by Aurubis on 1 August 2022), shows that revenues decreased by 20.5%, while revenues net of the value of raw materials recorded an increase of Euro 47.3 million (+15.7%).

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

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

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

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

Net consolidated profit of Euro 32.5 million (profit of Euro 98.9 million in 2022) was recorded.

The **Reclassified Net Financial Position** as of 30 June 2023, excluding leasing liabilities based on IFRS 16, the fair value measurement of financial instruments and the IFRS financial liability originating from the sale & leaseback transaction, carried out in December 2022 with reference to the Osnabrück properties, was positive for Euro 61.9 million compared to Euro 1.1 million at the end of December 2022. The change is mainly attributable to the cash in of the extraordinary disinvestment transactions from the KMD joint venture (Euro 39.5 million) and the cash flow deriving from operations.

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

Culti Milano (Perfumes and Cosmetics sector)

The main consolidated indicators can be summarised as follows:

- **overall sales:** Euro 11.1 million (Euro 10.8 million in the first half of 2022) with an increase of 3.6% compared to the corresponding period of 2022;
- **sales achieved on the domestic market:** Euro 3.9 million in line with the first half of 2022;
- **sales achieved on international markets** (equal to 64% of total turnover): Euro 7.2 million (+5% compared to the first half of 2022, when they came to Euro 6.8 million);
- **EBITDA** equal to Euro 1.8 million, marking a decrease of 22.6% compared to the corresponding period of the previous year (when it stood at Euro 2.3 million), due to the significant costs incurred both in the branding area and in relation to new professional personnel for group companies;
- **EBIT** equal to Euro 1.4 million (Euro 2.1 million in the first half of 2022), marking a decrease of 31.4% compared to the corresponding period of the previous year, due to the structural charges indicated above;
- **Consolidated net result:** loss of Euro 0.1 million (when it had been a profit of Euro 0.9 million in the first half of 2022) also as a consequence of a higher tax burden than the last period, also given the greater incidence in the half-year in question of some consolidation entries that do not give rise to the recognition of deferred tax assets;
- **net financial position:** negative for Euro 4.5 million. (Euro 2.0 million as of 31 December 2022), with an increase compared to 31 December 2022, due to the cash acquisition of the remaining 49% of SCENT Company Srl (Euro 2.8 million) and the payment of dividends of Euro 0.3 million.

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Business outlook

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

The Group is monitoring the evolution of the general political and economic situation, also in relation to the effects of the evolution of the conflict in Ukraine, and has showed signs of deceleration starting from the fourth quarter, becoming gradually more accentuated in the first few months of the second half of the year. There appears to be a clear destocking strategy being implemented by customers in almost all industrial sectors, aimed at disposing of the high levels of inventory accumulated during 2022 to counteract the supply chain disruption suffered post-lockdown. At the moment, management is not able to predict when the trend will reverse and has therefore prepared all the flexibilisation/cost-cutting actions available in the various countries, in order to mitigate as much as possible the potential negative effects on profitability and the generation of financial resources of the Group. With certainty, however, we predict - based on the current order book and the collection trend of the same in the first few months of the second half of the year - that the profits of the second part of the year will be lower than those of the first half.

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

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Statement of financial position and income statement of the Parent Company

As at 30 June 2023, the net investments held by the Company amounted to Euro 646.5 million (Euro 653.4 million at the end of 2022), of which roughly 90% in the copper sector and the remainder in the perfumes and cosmetics sector and in financial assets.

The Company maintains a sound capital structure: Shareholders' Equity as at 30 June 2023 amounted to Euro 482.1 million compared to Euro 494.3 million as at 31 December 2022. The change is determined by the result for the period, negative for Euro 4.1 million (positive for Euro 6.7 million in the first half of 2022), by the effects of the valuation of Ducati Energia (adjustment of Euro 5.5 million recorded under the components of comprehensive income) and from dividends distributed to savings shares (Euro 3.3 million).

The main equity data of the Company as at 30 June 2023, compared with those as at 31 December 2022, are summarised in the following table.

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

Notes:

- Investments are expressed net of any financial receivable/payable transactions outstanding with the Company.

- (*) Including accruing interest.

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Equity

The Company's equity amounted to Euro 482.1 million, compared to Euro 494.3 million at 31 December 2022; the change is mainly determined by the result for the period, by the effects of the valuation of Ducati Energia and by the dividends distributed to savings shares.

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

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

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

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

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Financial management

Holding company net financial debt (excluding intra-group loans and lease liabilities) totalled Euro 164.4 million as at 30 June 2023, said balance as at 31 December 2022 came to Euro 159.1 million. It increased as a result of financial expenses and management costs for the period. The increase is a result of the use of financial resources to cover financial expenses and management costs.

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

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

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

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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 income statement		
<i>(in Euro thousand)</i>	<i>1st half 2023</i>	<i>1st half 2022</i>
Fair value changes and other gains/losses from investment management	357	10,129
Investment management costs	(115)	(65)
Gross profit/(loss) from investments	242	10,064
Guarantee fees assets (a)	430	431
Net operating costs (b)	(2,729)	(2,700)
<i>Overheads (a) - (b)</i>	<i>(2,299)</i>	<i>(2,269)</i>
Reclassified operating profit	(2,057)	7,795
Net financial expense	(1,923)	(2,428)
Profit before tax and non-recurring items	(3,980)	5,367
Non-recurring income/(expenses)	(1,559)	1,176
Profit before tax	(5,539)	6,543
Taxes for the year	1,488	148
Net profit (loss) for the period	(4,051)	6,691

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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.it.

Annexes:

- 1) Consolidated statement of financial position
- 2) Consolidated income statement

Annex 1) Consolidated statement of financial position

Assets

<i>(in Euro thousand)</i>	<i>30-Jun-23</i>	<i>31-Dec-22</i>
Property, plant and equipment	532,411	499,957
Investment property	71,383	68,175
Intangible assets	449,356	424,064
Investments in subsidiaries	23,331	23,281
Equity-accounted investments	24,701	76,654
Investments in other companies	11,965	17,405
Other non current assets	5,383	3,106
Non current financial assets	3,271	3,245
Deferred tax assets	75,362	88,478
Total non-current assets	1,197,163	1,204,365
Inventories	434,038	404,903
Trade receivables	81,164	95,359
Current financial assets	121,476	110,101
Other receivables and current assets	25,993	16,675
Cash and cash equivalents	153,258	128,844
Total current assets	815,929	755,882
Non-current assets held for sale	11,947	107,198
Total assets	2,025,039	2,067,445

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

Annex 1) Consolidated statement of financial position

Liabilities

<i>(in Euro thousand)</i>	<i>30-Jun-23</i>	<i>31-Dec-22</i>
Share capital	200,072	200,070
Other reserves	288,193	287,267
Treasury shares	(2,133)	(2,133)
Retained earnings	28,296	1,143
Other comprehensive income reserve	6,363	13,188
Profit/(loss) for the period	18,616	35,456
Shareholders' equity attributable to shareholders of the Parent Company	539,407	534,991
Non-controlling interests	36,301	34,546
Total Group equity	575,717	569,537
Retirement benefits	131,869	127,588
Deferred tax liabilities	107,052	117,752
Non-current financial payables and liabilities	240,456	240,758
Bonds	156,054	155,991
Other non-current liabilities	1,272	482
Provisions for risks and charges	5,231	3,543
Total non-current liabilities	641,934	646,114
Current financial payables and liabilities	85,646	109,455
Trade payables	578,391	540,725
Other current liabilities	129,811	129,280
Provisions for risks and charges	13,540	3,865
Total current liabilities	807,388	783,325
Liabilities directly associated with assets held for sale	-	68,469
Total liabilities and equity	2,025,039	2,067,445

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

Annex 2) Consolidated Income Statement

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

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

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