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KME Group S.p.A.

Report of the Board of Directors on the Group's Operations at September 30, 2012

Registered office: 2 via dei Barucci, Florence
www.kme.com

Share capital: 297,040,568.04 euros fully paid-in
Company Register of the Court of Florence and Tax I.D. Number: 00931330583

nContents

KME Group S.p.A.

Board of Directors (*)

Chairman	Vincenzo Manes[B] [(*)]
Deputy Chairman	Diva Moriani[B]
General Manager	Riccardo Garrè[B]
General Manager	Italo Romano[B]
	Mario d'Urso[A,C,D]
	Marcello Gallo
	Giuseppe Lignana[A,C,D]
Secretary to the Board of Directors	Gian Carlo Losi
	Alberto Pirelli[A,C,D]

A. Independent Director
B. Executive Director
C. Member of the Compensation Committee (Alberto Pirelli, Chairman)
D. Member of the Internal Control and Risk Committee (Mario d'Urso, Chairman)

Board of Statutory Auditors (**)

Chairman	Marco Lombardi
Statutory Auditors	Francesca Marchetti
	Lorenzo Boni

Corporate Accounting Documents Officer	Marco Miniati
Independent Auditors	KPMG S.p.A.
Common Representative of Savings Shareholders	Pietro Greco

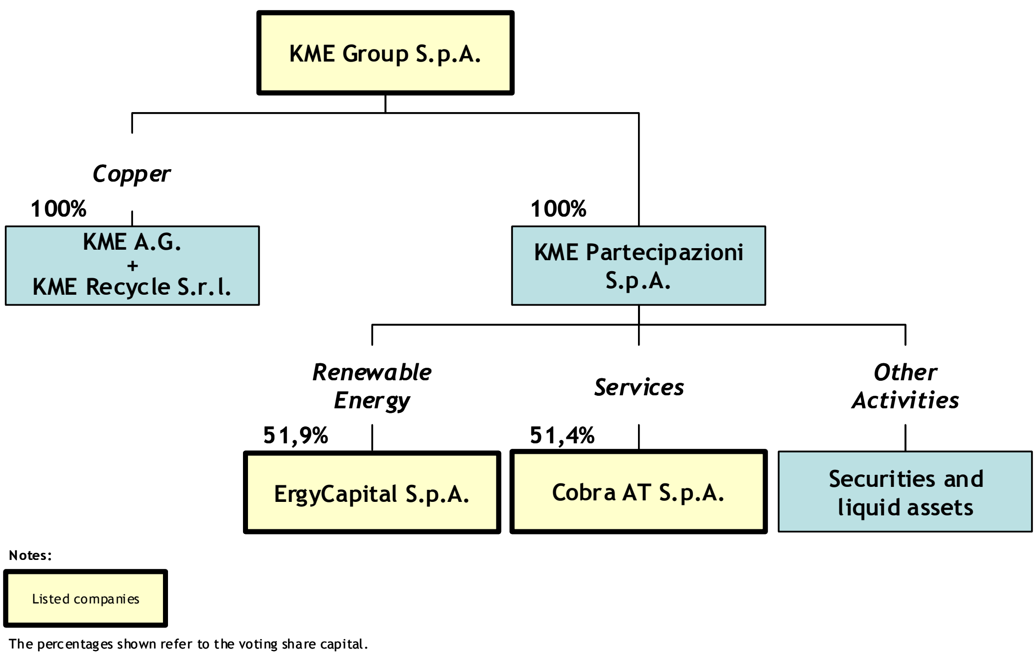
(*) On August 18, 2012, Salvatore Orlando, the Company's Chairman, unexpectedly passed away. On September 14, 2012, the Board of Directors elected Vincenzo Manes Chairman of the Company.
(**) On July 30, 2012, Riccardo Perotta, Chairman of the Board of Statutory Auditors, and Luca Bertoli, Alternate Auditor, resigned. The former was replaced by Alternate Auditor Lorenzo Boni; Statutory Auditor Marco Lombardi, the most senior member of the Board of Statutory Auditors, was appointed Chairman.

Report on Operations at September 30, 2012

Prior to proceeding with a review of the Group's operating performance, an overview of the Group's corporate structure, updated as of the date of this Report, showing the investment sectors of KME Group S.p.A. is provided below.
*In addition to its traditional activities in the "**copper**" sector, which encompass the production and distribution of copper and copper-alloy semifinished products (headed by the German subsidiary **KME A.G.**) and continue to be its core business, the Group's investments include the new sectors of "**renewable energy sources**" and energy conservation, headed by **ErgyCapital S.p.A.,** and integrated "**services**" in the field of risk management in connection with the possession, ownership and use of motor vehicles, headed by **Cobra A.T. S.p.A.** as of July 1, 2011.*
*These new investment sectors and sundry assets are held by **KME Partecipazioni S.p.A.**, a wholly-owned subsidiary of the Group.*
The carrying amounts of the investments held by KME Group S.p.A. are 390.5 million euros for the "Copper" Sector, 25.0 million euros for the "Renewable Energy" Sector and 39.8 million euros for the "Service" Sector.

In the consolidated financial statements of KME Group S.p.A., the results for the period of ErgyCapital S.p.A. are accounted for by the equity method. Those of Drive Rent S.p.A. (a company absorbed by Cobra A.T. S.p.A. effective July 1, 2011) are reflected in the consolidated financial statements at September 30, 2012 under the line item "Discontinued operations." The results of Cobra A.T. S.p.A. for the period from January 1, 2012 to September 30, 2012 are accounted for by the equity method.
Consequently, the accounting data for the period resulting from line-by-line consolidation refer to the companies engaged in Group's core business, i.e., the sector of copper and copper-alloy semifinished products, and KME Group S.p.A., the Group's Parent Company. Please consult the individual sections of this Report for additional information.

Overview of the Group's Corporate Structure



Economic activity remained quite weak in the major developed economies and the outlook for the coming months continues to be clouded by uncertainty about the evolution of the sovereign debt crisis in some countries, with an impact on spending decisions by businesses and consumer and the intensity of the slowdown in international trade.
Economic activity slowed in the emerging countries as well, feeing the impact of weak demand in the advanced economies and the effects of restrictive monetary policies implemented in the past.
In Europe, which is the area where the Group is most active, the growth rates continued to be unequal in the various countries, but the weakness spread also to the stronger economies in recent months. In the last quarter, economic activity contracted in Spain and Italy, remained substantially stagnant in France and grew at a slower pace in Germany. GDP dynamics were affected, on the one hand, by weakness in internal demand, hobbled by reduced consumption by households and lower business investments, and, on the other hand, by a reduced contribution to growth provided by foreign demand that reflected a slowing of global trade.

In a macroeconomic context that remain challenging and is characterized by a fragile and uncertain outlook, all KME Group companies continued to implement and made even more incisive their programs to restructure and stimulate growth in the various investment sectors.
The Group's Parent Company is also engaged in implementing a strategic project that involves concentrating under a single holding company the corporate organizations of KME Group S.p.A. and Intek S.p.A., a company under joint control, so as to unify the management of the businesses headed by these two companies with the aim of dynamically maximizing their potential, while focusing on enhancing cash generation and creating value over time.
The benefits of this concentration, which will be accomplished by merging Intek S.p.A. into KME Group S.p.A., in accordance with the motions approved by the respective Shareholders' Meetings on May 9, 2012, will include, in addition to significant costs savings resulting from the fact that both KME and Intek are listed companies, a unified strategic management and the combined presence of expertise and specific competencies in a wide range of businesses.
Moreover, the merger will diversify the source of funds available to the two companies individually: the cash flow generated by KME, which, being tied mainly to its industrial activities, is significantly affected by the effects of the economic cycle, will be combined with the cash flow from the projected monetization of Intek's assets (buildings and receivables) and from its private equity operations, which are less affected by general economic conditions.
Within the framework of their planned merger, KME Group S.p.A. and Intek S.p.A. provided their shareholders with the option, even during this sharp downturn of the securities markets, to exchange their shares with listed debt financial instruments, issued by the offeror companies and characterized by a lower level of risk and a clearly attractive rate of return. At the same time, shareholders who chose to continue in such capacity and share the Group's new strategies will benefit from the fact that the shares acquired as a result of the exchange offer were purchased at a discount both to KME's shareholders' equity book value per share and to the fair value of the Company's assets.
The Voluntary Public Exchange Offer acceptance period ended on July 27, 2012; a total of 100,622,389 KME common shares, equal to 22.882% of the voting share capital and 39.481% of the KME common shares subject of the Offer were tendered, for a total consideration,

computed based on the face value of the Participatory Financial Instruments (PFIs) offered in exchange, amounting to 42.3 million euros.

Insofar as Intek S.p.A. is concerned, a total of 22,003,340 Intek common shares, equal to 17.407% of the voting share capital and 33.969% of the Intek common shares subject of the Offer were tendered, for a total consideration, computed based on the face value of the Bonds offered in exchange, amounting to 11.0 million euros.

The Boards of Directors of KME Group S.p.A. and Intek S.p.A. agreed to waive the condition precedent for the effectiveness of the Offer that established a minimum Offer acceptance threshold of 30%, finding that the acceptance level achieved was still significant. On August 3, 2012, the PFIs and the Bonds were delivered to the shareholders accepting the Offer; on the same date, the PFIs and the Bonds began trading on the Online Securities Market of Borsa Italiana S.p.A. The Offer acceptance period was reopened for a week, from August 6 to August 10, 2012, pursuant to Article 40 *bis* of the Issuers' Regulations; a Mandatory Tender Offer was then launched due to the fact that the controlling company Quattroduedue B.V. had exceeded the ownership thresholds set forth in Article 106, Section 3, Letter b), of the Uniform Financial Code and Article 46 of the Issuers' Regulations.

At the end of the various Offer acceptance periods, a total of 115,863,263 KME common shares, equal to 26.348% of the voting share capital and 45.461% of the KME common shares subject of the Offer were tendered, for a total consideration, computed based on the face value of the PFIs offered in exchange, amounting to 48.7 million euros.

Insofar as Intek S.p.A. is concerned, a total of 22,655,247 Intek common shares, equal to 17.922% of the voting share capital and 34.975% of the Intek common shares subject of the Offer were tendered, for a total consideration, computed based on the face value of the Bonds offered in exchange, amounting to 11.3 million euros.

The Boards of Directors of KME Group S.p.A. and Intek S.p.A., meeting on November 13, 2012, verified that the conditions precedent set forth in the Merger Proposal, concerning the absorption of Intek by KME had been satisfied.

The deed of merger will be executed in the coming days and this event will be announced to the market by means of a press release.

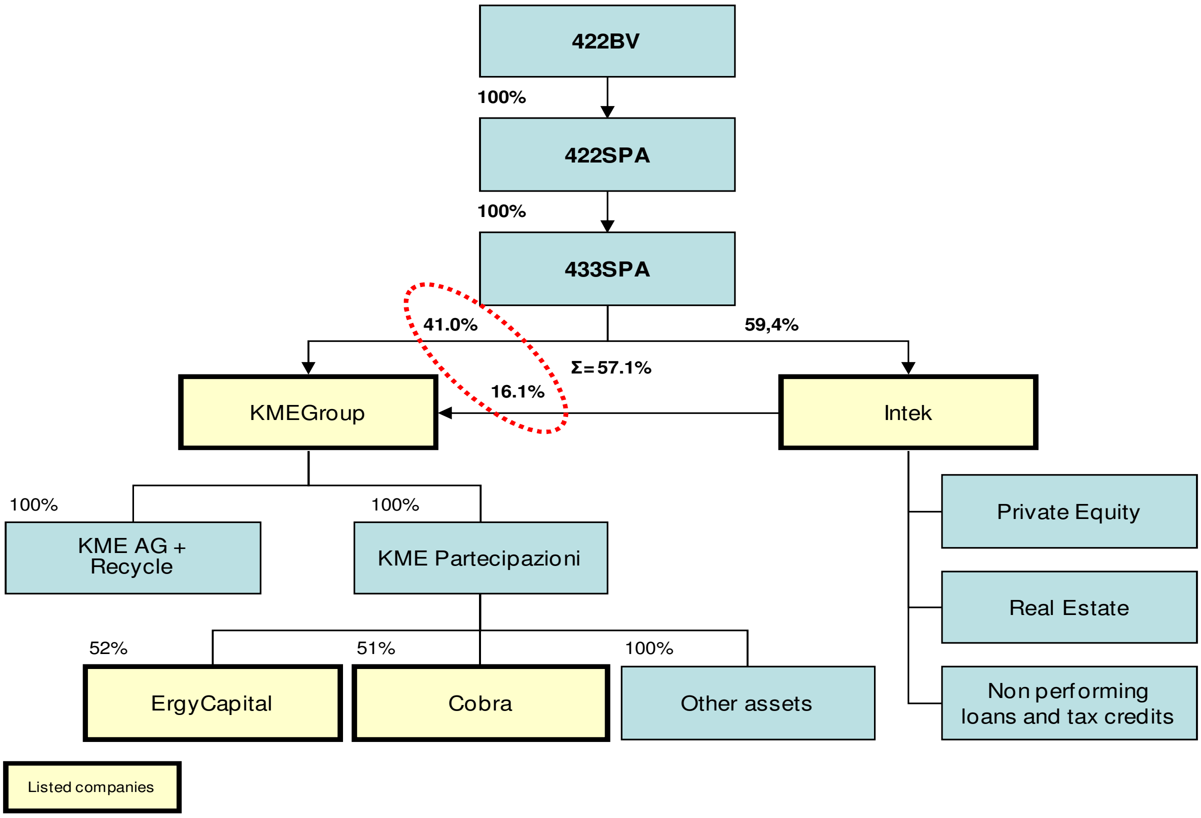
The merger will contribute to strengthening the Company's balance sheet and help meet the financial commitments related to the redemption of the debt securities offered in exchange by KME and Intek. Given this situation, the Board of Directors of KME Group S.p.A., in view of the analyses performed and the assumptions made by an independent advisor and updated data about the flows and amounts in question, concluded that the objectives pursued with the Exchange Offer are compatible with the assumption of the additional debt resulting from the implementation of the Offer and taking into account the effects of the Intek/KME merger and, therefore, Intek's level of debt (following the absorption of Quattrotretre) due also to the implementation of the Intek Exchange Offer.

The coverage of the potential financial obligations, both for principal and interest, arising from the KME and Intek Exchange Offers was determined based on the cash flows of KME and Intek, such as the dividends from the main subsidiary KME A.G., and the cash flows from the divestments and/or net proceeds from the main assets of Intek and its subsidiaries. The analysis was also broadened to include the potential monetization of non-strategic equity investments held by KME and other Intek investments.

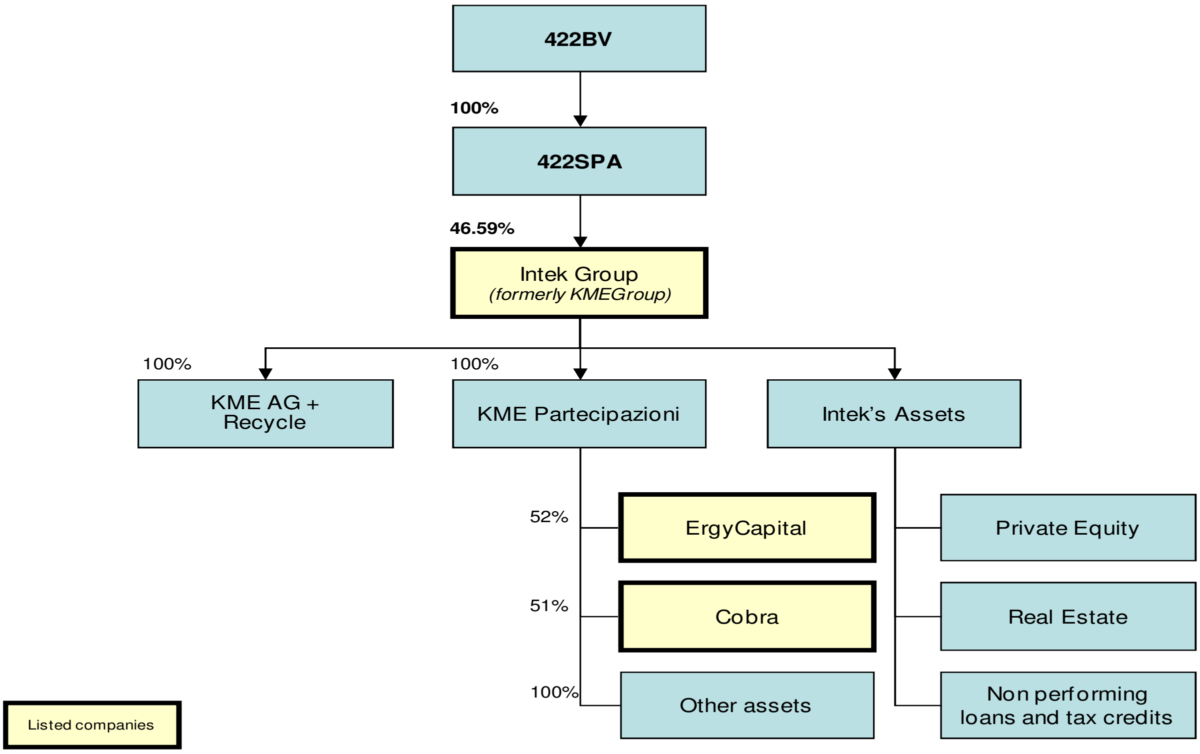
For additional information about the corporate transactions described above please consult the documents available on the Company website: *www.kme.com*.

The diagram that follows shows the corporate structure of the KME and Intek groups on the date of this Report and after completion of the combination process.

CURRENT CORPORATE STRUCTURE OF THE GROUP



CORPORATE STRUCTURE OF THE GROUP POST MERGERS



Tutte le percentuali sono espresse sul capitale votante

Note: All percentages shown refer to the voting share capital.

In this new configuration, KME Group S.p.A. will thus function even more as a true holding company, whose goal will be to maximize the value of the assets and investments in its portfolio, also using asset divestments, when they are functional to the implementation of new growth strategies, which will include a broad-based reassessment of all Group businesses and a reevaluation of the return on invested resources, seeking alternative solutions for those activities that cannot deliver an acceptable rate of return.

Already for some years, against the backdrop of a macroeconomic context dominated by significant recessionary conditions and widespread causes of uncertainty, KME has been guiding and coordinating important programs to restructure and develop the companies that operate in its different investment sectors, with the aim of improving their competitiveness and bring their profitability back to a level providing an adequate return on invested resources.

The programs launched to streamline the operating units in the "**Copper" Sector,** which are headed by the KME A.G. subsidiary, pursue the twin objectives of refocusing the activities of the manufacturing and distribution operations, in order to strengthen their business diversification, while increasing operating efficiency and optimizing costs at all levels. These programs are being implemented concurrently with the adoption of a highly disciplined approach to investment decisions and an organizational structure designed in accordance with flexible operating models that respond quickly to change, are aimed at promoting innovation and are intensely focused on customer and market needs.

The companies that are at the helm of the new investment sectors are also engaged in implementing radical reorganization programs.

In the second half of 2010, ErgyCapital S.p.A., a company active in the **"Renewable Energy Source" Sector,** began the process of redefining the mission of its group and downsizing its operations through the closure of operating locations and a reduction in staff levels, with an attendant significant decrease in operating expenses.
The programs implemented began to produce positive results in 2011, which became more noticeable in 2012.
These new strategic guidelines were adopted to enable ErgyCapital S.p.A. to regain its profitability and financial balance, which are the prerequisites for effectively developing collaboration/ aggregation opportunities with other players in the renewable energy sector that could hasten the company's expansion and boost value creation.

In the **"Service" Sector,** with the merger by absorption, effective July 1, 2011, of the Drive Rent S.p.A. subsidiary into Cobra Automotive Technologies S.p.A., a company based in Varese, which is the holding company of a group listed on Borsa Italiana, KME Partecipazioni S.p.A., which acquired a 42.7% interest in the new entity resulting from this transaction, helped lay the groundwork for an expansion of vehicle management services and enhanced the value of the new entity by combining the services, products and distinctive knowhow of the two groups. This new corporate entity is one of the main operators in Europe, capable of providing integrated services to manage the risks associated with the possession, ownership and use of vehicles, through the use of information technology and satellite technology.

Subsequent to the effective date of the business combination, Cobra, within the framework of a program to strengthen the new entity's financial position, carried out a capital increase, with KME Partecipazioni S.p.A. underwriting its pro rata share and increasing its interest in Cobra from 42.7% to 51.5%.
In February 2012, Cobra A.T. S.p.A. entered into an agreement to sell to its Electronic Systems Division to a private equity fund. As announced on August 1, 2012, one of the agreement's conditions precedent could not be fulfilled by the stipulated deadline and the agreement was cancelled. Nevertheless, the company is continuing to pursue the strategy of divesting its Electronic Systems Division, in order to focus on its telematic business, which has greater value added, offering services to protect vehicle ownership, manage maintenance costs, and monitor driver behavior and safety.
On July 31, 2012, as part of the effort to simplify and streamline the Group's organization, Cobra A.T. and Tracker signed an agreement pursuant to which the service companies Drive Service SpA e Easydriver Car Service Espana SLU, already wholly owned subsidiaries of Cobra A.T. S.p.A., will be transferred to Cobra Service Network SA, a company owned 80% by Cobra and 20% by Tracker. The transfer will take place on December 31, 2012, subject to the fulfillment of certain conditions precedent.

* * *

The industrial and commercial programs implemented, while they strengthened the competitiveness of the KME Group, were not sufficient to offset the impact of an unfavorable market environment and weak demand. Consequently, in the first nine months of 2012, the Group's profitability will be lower than in the same period last year.

Consolidated Financial Highlights

(in millions of Euros)	*9 months 2012*	*9 months 2011*
Revenue	**1,982.5**	**2,323.6**
Revenue (net of raw materials)	**547.5**	**614.8**
EBITDA	**37.7**	**75.5**
EBIT	**3.6**	**42.6**
Profit before extraordinary items	**(14.5)**	**30.9**
Extraordinary income/(expense)	***(16.9)***	***4.0***
Impact of IFRS measured inventories	***(0.3)***	***4.3***
Losses of companies valued by equity method	***(3.4)***	***(3.3)***
Consolidated loss before taxes attributable to owners of Parent	**(35.7)**	**35.8**
Reclassified net debt	**228.3** ***(at 9/30/12)***	**197.6** ***(at 12/31/11)***
Participatory financial instruments	**46.1** ***(at 9/30/12)***	**---** ***(at 12/31/11)***
Shareholders' equity	**349.1** ***(at 9/30/12)***	**431.0** ***(at 12/31/11)***

- **Consolidated revenue** totaled 1,982.5 million euros in the first nine months of 2012, down 14.7% compared with 2011, when it amounted to 2,323.6 million euros.
  This decrease reflects the impact of a reduction in sales volumes (- 14.3%) and lower average raw material prices. Net of the value of raw materials, the revenue amount shows a decreases of 10.9%, falling from 614.8 million euros to 547.5 million euro; a

comparison with the trend in unit sales shows the effect of higher prices and of a product mix with a greater value-added component.

- **EBITDA**(*) totaled 37.7 million euros at September 30, 2012, for a decrease of 50.0% compared with the 75.5 million euros earned in the first nine months of 2011.
  EBITDA for the third quarter of 2012 were lower than those reported in the previous two quarters, confirming that the deterioration in profitability of recent months is continuing.
  On a relative basis, the ratio of EBITDA to net revenue contracted from 12.3% in the first nine months of 2011 to 8% in the first half of 2012 and 6.9% in the first nine months of 2012.

- **EBIT**(*) decreased to 3.6 million euros (42.6 million euros in 2011).

- The **loss before extraordinary items**(*) amounted to 14.5 million euros (profit of 30.9 million euros at September 30, 2011).

- **Net extraordinary expense,** which totaled 16.9 million euros, refers mainly to charges for additional programs to restructure and streamline production units in the Copper Sector. The benefits of these programs will be felt over the coming months.

- The **effect of valuing raw material inventories and commitments**(*) at current prices, as required by IFRS accounting principles, was negative by 0.3 million euros (positive by 4.3 million euros at September 30, 2011) due to the different prices of raw copper during the two periods under comparison.

- The **consolidated loss before taxes attributable to the owners of the Parent** amounted to 35.7 million euros (profit of 35.8 million euros in 2011).
  This amount is after losses from investee companies consolidated by the equity method totaling 3.4 million euros, which include 0.2 million euros for the Group's interest in the loss reported by ErgyCapital S.p.A., and 3.2 million euros for the Group's interest in the loss incurred by Cobra A.T. S.p.A. in the first nine months of 2012.

- On the balance sheet side, the **net financial position**(*) was negative by 275.0 million euros at September 30, 2012 (negative by 197.6 million euros at the end of December 2011 and negative by 229.1 million euros at June 30, 2012).
  The rise in debt in the third quarter of 2012 is due exclusively to the issuance of participatory financial instruments with a carrying amount of 46.1 million euros, offered in exchange for the common shares tendered in acceptance of the Public Exchange Offer launched in July 2012. Net of this component, at September 30, 2012, the level of net debt was the same as the end of June 2012.

(*) Reclassified indicators the computation of which is explained in the sections of this Report on the Group's operating performance and financial position.

Consolidated **shareholders' equity**(*) totaled 349.1 million euros at September 30, 2012 (431.0 million euros at December 31, 2011). This reduction reflects the utilization of available reserves to cover the retirement of treasury shares tendered in acceptance of the Public Exchange Offer of July 2012, in exchange for which the Company issued participatory debt financial instruments with a carrying amount of 46.1 million euros.

(*) Reclassified indicators the computation of which is explained in the sections of this Report on the Group's operating performance and financial position.

Copper Sector

Demand for copper and copper-alloy semifinished products in the construction industry (the consolidated revenues generated in this area account for slightly more than one-fourth of the total revenues of the KME Group) continues to be characterized by an underlying weakness, fueled by the ongoing negative effect of the high level and volatility of raw copper prices, which cause uncertainty affecting spending decisions by customers and makes other metals that are less penalized by price trends more competitive.

In response to this scenario, the KME Group continued to promote innovative solutions, offering to designers of interior furnishings next-generation surfaces that can be used for coverings and objects made of copper or copper alloys in a number of variations for different applications and aesthetic effects.
Special attention is being paid to the composition of the products offered in terms on their impact on health and the environment.
Projects launched in these areas produced substantial increases in value added and prices, but a sharp contraction in sales volumes starting in the fourth quarter of 2011 reduced their beneficial effect, particularly in the construction sheet-metal area, which suffered a decline of about 27% in unit sales over the first nine months of 2012.

In the market segment of brass bars, the trend of healthy gains in sales volumes recorded in the early quarters of 2011 suffered a considerable loss of momentum that continued in 2012. However, price adjustment programs are continuing to have a positive effect.

The slowdown in demand for semifinished products in the industrial sector (the consolidated revenue generated in this area account for just under three-quarters of total revenues) that started in last year’s second half continued in the third quarter of 2012. The downturn was particularly pronounced in Italy and Spain, with greater stability in the French market and a major correction in Germany compared with the earlier months.
An analysis by market segments shows that demand remained stagnant in the home appliance and air conditioning areas, but was more stable in the electrical, mechanical components and automotive industries. As a result, sales of industrial sheet-metal products and tubing for industrial applications were down sharply.

Orders for specialty products decreased in the third quarter of 2012, feeling the impact of slower economic activity in the emerging countries and the postponement of investment projects, particularly for ingot molds.

For a review of the Copper Sector’s operating and financial performance, please see the accounting data resulting from line-by-line consolidation, the entire amount of which, as explained at the beginning of this Report, refers to the copper sector and KME Group S.p.A., the Group’s Parent Company.

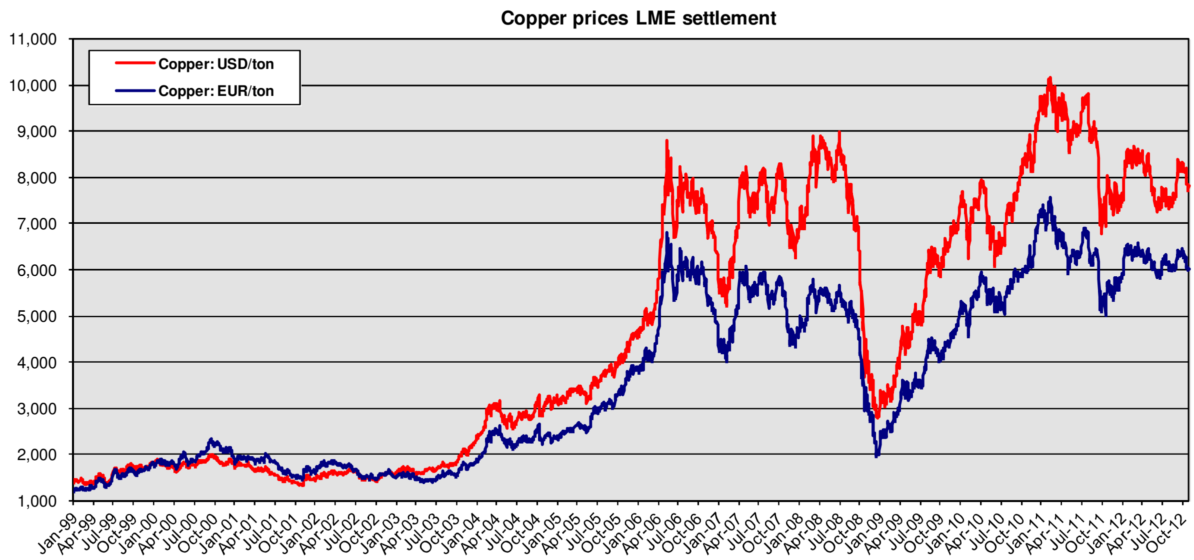
As for the **business outlook,** following a first half of the year that saw a continuation of the decline in sales that started in the second half of 2011 and a third quarter that further

confirmed this trend, the projections for the coming months of the year provide no indication of an upturn. Therefore, the operating result for the full year will be lower than in the previous year.
The adoption of programs to streamline the manufacturing and administrative organization, including those already implemented and those currently under way, will enable the Group to increase its competitiveness level, which is a prerequisite for resuming a path to improved operating results, once more favorable business conditions are restored in the various markets in which the Group operates.

In the first nine months of 2012, the **investments** of the Sector's manufacturing units totaled 26.3 million euros (53.1 million euros in all of 2011).

At September 30, 2012, the Copper Sector had 6,073 **employees** (6,249 employees at the end of 2011).

In the first nine months of 2012, the **price of raw copper,** which is the main metal used in the Group's semifinished products, was lower on average than in the same period last year, showing a decrease of 13.9% when stated in U.S. dollars (from USD 9,256/ton to USD 7,964/ton) and of 5.7% when stated in euros (from EUR 6,589/ton to EUR 6,211/ton), with the appreciation of the U.S. dollar during the period accounting for this disparity.
Looking at price trends, average copper prices were higher in the third quarter of 2012 than in the fourth quarter of 2011, increasing by 6.6% in US dollars (from USD 7,489/ton to USD 7,984/ton) and by 11.8% in euros (from EUR 5,555/ton to EUR 6,211/ton).
In October 2012, the price of copper averaged USD 8,070/ton, equal to EUR 6,220/ton.



“Renewable Energy Source” Sector

In the first nine months of 2012, the ErgyCapital Group reported consolidated **revenue** of 14.5 million euros, for a gain of about 4% compared with the first nine months of 2011.

Consolidated **EBITDA** were positive and sharply higher, rising from 5.4 million euros in the first nine months of 2011 to 7.2 million euros in the same period this year, as the net result of the following factors:

- Higher revenues from the production of electric power from photovoltaic systems (+11%), due to a solid performance by existing facilities and the contribution for the full period by two power plants in the municipality of Circello (BN) that were operative for three months in 2011; the capacity of the facilities currently in service totals 19.6 Mwp;
- Revenues from the first biogas system (1.6 million euros), which, combined with other revenues and income, generated mainly by the sale of four authorized projects, brought the Sector’s revenues to about 2.7 million euros;
- Further progress in implementing the programs to contain operating costs, which produced a further, significant reduction of about 15%, compared with the same period last year;
- On the negative side, adverse business conditions in the housing industry, within which the E.Geo S.p.A. subsidiary operates as a developer of geothermal facilities, caused a significant reduction in production value, which contracted to 1.2 million euros, down from 3.6 million euros in the same period in 2011.

The **consolidated net loss** for the first nine months of 2012 amounted to 0.8 million euros (loss of 1.2 million euros at September 30, 2011). In the third quarter of 2012, the ErgyCapital Group reported a profit before taxes of 0.3 million euros (virtual breakeven in the third quarter of 2011).

The **net financial position** shows indebtedness growing to 93.2 million euros, up from 85.8 million euros at December 31, 2011. Financing received in connection with investments in the biogas area account for this increase.

Shareholders’ equity totaled 14.1 million euros at September 30, 2012.
On September 27, 2012, the Board of Directors of ErgyCapital S.p.A., exercising the powers it received from the Shareholders’ Meeting on June 26, 2012, resolved to carry out, in one or more installments, a contributory capital increase of up to 14 million euros, through the issuance of new common shares made available to eligible shareholders by means of a rights offering pursuant to Article 2441 of the Italian Civil Code, which may also be paid-in through the conversions of receivables owed by the company. The specific terms and conditions of the transaction will be determined at a meeting of the Board of Directors that will be held immediately before the start of the rights offering. KME has agreed to underwrite its pro rata share of the capital increase.

As for the **business outlook,** the company expects to report in the fourth quarter of 2012 a better consolidated economic result than in the same period in 2011, owing in part to the contribution for the full period of a 1 MWe biogas power plant that was commissioned in the third quarter of 2012 and a further reduction in operating costs.

For additional information about the operating performance of ErgyCapital S.p.A., please consult the documents made available by the company.

As mentioned at the beginning of this Report, because ErgyCapital Group is a company under joint control, its result for the reporting period is shown in the consolidated income statement of KME Group S.p.A. under the line item “Losses of companies valued by the equity method.”

“Service” Sector

Following the transaction involving the spin-off of the Electronic Systems Division, the Cobra Group, as required by IFRS 5, no longer consolidates this Division line by line.

The consolidated economic and financial data of the Cobra Group at September 30, 2012, stated in accordance with the new scope of consolidation, show **revenue** of 55.6 million euros, up 32% compared with the same period in 2011, due mainly to the contribution of the additional revenue generated by the merger with Drive Rent in July 2011.

Consolidated **EBITDA** totaled 3.3 million euros, up sharply compared with a loss of 0.7 million euros in the first nine months of 2011. Excluding extraordinary charges, consolidated EBITDA amount to 6.3 million euros, equal to 11.4% of total revenue.

Consolidated **EBIT** were negative by 4.9 million euros. When the data are restated excluding extraordinary charges, consolidated EBIT, while negative by 1.8 million euros, represent a considerable improvement over the negative EBIT of 5.0 million euros reported at September 30, 2011.

The group’s **net loss** decreased to 7.3 million euros, down from a loss of 11.3 million euros in the first nine months of 2011.

The **consolidated net financial position** totaled 23.3 million euros at September 30, 2012.

The **number of subscribers** (direct and indirect) of the group’s telematic services increased by 18.4% compared with December 31, 2011 to a total of more than 234,000 subscribers. The main reason for this improvement is a consolidation of the *“Smart Insurance”* business, which grew by 108.5% compared with December 31, 2011.

As for the **business outlook,** the Cobra A.T. Group plans to increase its profit margins and consolidate its competitive position in Italy and the main European markets, despite the continuation of unsettled macroeconomic conditions. It intends to accomplish this goal by strengthening its financial and managerial structure, with the aim of creating a group focused exclusively on telematic services with a high value added.

Please note that the Company also presented pro forma consolidated economic-financial data based on the old scope of consolidation, before the abovementioned spin-off.

For additional information about the operating performance of Cobra A.T. S.p.A. please consult the document made available by the company.

As mentioned at the beginning of this Report, the result of the Drive Group at June 30, 2011 is shown in the consolidated financial statement of KME Group S.p.A. at September 30, 2011 under the line item “Discontinued operations.” The economic result of Cobra AT S.p.A. for the first nine months of 2012 is accounted for by the equity method, because KME does not exercise control over this company.

Operating Results of the Group

The review of the Group's operating results provided below, particularly in the case of the Copper Sector, include, in addition to an IFRS income statement, a reclassified ("RECL.") income statement that is deemed to be more representative of the actual results from operations. The data included in the "RECL." income statement constitute a restatement of historical data aimed at presenting the Group's economic results consistent with an operational approach and using information taken from alternative internal reporting systems that differ from those of the IFRSs, mainly in terms of measurement and presentation.
The main items subject to recomputation, restatement and reclassification for measurement and presentation purposes, are reviewed below:

1. *Revenues are shown net of the value of raw materials to eliminate the impact of fluctuations in raw material prices.*
2. *When valuing the ending inventory of the Copper and Copper-Alloy Semifinished Product Sector, the portion representing the structural inventory (i.e., the portion of the inventory that was not set aside to fill customer orders) was valued by the LIFO method. The portion of inventory set aside for customer orders was valued based on the value of the corresponding orders, which is deemed to be the realizable value. Under the IFRS method, the inventory is valued at the lower of the cost computed by the FIFO method or net realizable value. The IFRS principles also require that inventory buy and sell commitments and the corresponding hedges executed on the LME be disclosed separately and shown in the financial statements as financial instruments measured at fair value.*
   The IFRS, by not allowing the measurement of the Sector's ending inventory by the LIFO method, which is the method used for internal management controlling activities, introduced an exogenous economic component the variability of which makes it impossible to compare homogeneous data for different periods and does not allow an accurate presentation of the actual results from operations.
3. *Extraordinary items are shown below the EBITDA line.*

The reconciliation schedule that follows shows the impact of the different measurement and presentation criteria used on the data for the first nine months of 2012.

(in millions of euros)	September 30, 2012 IFRS		Reclassifi-cations	Restate-ments	September 30, 2012 RECL.	
Gross revenues	1,982.5	**100.0%**			1,982.5	
Raw material costs	-		(1,435.0)		(1,435.0)	
Revenues net of raw material costs	**-**				**547.5**	**100%**
Labor costs	(245.3)		7.1		(238.2)	
Other materials and costs	(1,714.7)		1,442.8	0.3	(271.6)	
EBITDA(*)	**22.5**	**1.1%**			**37.7**	**6.9%**
Depreciation and amortization	(35.5)		1.4		(34.1)	
EBIT	**(13.1)**	**-0.7%**			**3.6**	**0.7%**
Net financial expense	(18.7)		0.6		(18.1)	
Result before extraordinary items	**(31.8)**	**-1.6%**			**(14.5)**	**-2.6%**
Extraordinary income (expense)	-		(16.9)		(16.9)	
Impact of IFRS valuation of inventory and financial instruments	-			(0.3)	(0.3)	
Interest in the result of companies valued by the equity method	(3.4)				(3.4)	
Net result from discontinued operations	-				-	
Consolidated gross profit	**(35.2)**	**-1.8%**			**(35.1)**	**-6.4%**
Minority interest in gross profit	0.6				0.6	
Group interest in gross profit	**(35.8)**	***-1.81%***			**(35.7)**	***-6.53%***

The table that follows provides an overview of the consolidated operating results of the KME Group in the first nine months of 2012 and shows a comparison with the corresponding data for the same period in 2011.

In order to allow a comparison between homogeneous data, those for the first quarter of 2011 were restated without the data for the Drive Group. which are concentrated in a single line item called “Result from discontinued operations.”

KME Group – RECL. Consolidated Income Statements

2011 full year RECL.	(in millions of euros)	September 30, 2012 RECL.		September 30, 2011 RECL.		% change
3,011.6	Gross revenues	1,982.5		2,323.6		-14.7%
(2,205.7)	Raw material costs	(1,435.0)		(1,708.8)		-16.0%
805.9	**Revenues net of raw material costs**	**547.5**	**100%**	**614.8**	**100%**	***-10.9%***
(337.1)	Labor costs	(238.2)		(251.7)		-5.4%
(378.2)	Other materials and costs	(271.6)		(287.6)		-5.6%
90.6	**EBITDA(*)**	**37.7**	**6.9%**	**75.5**	**12.3%**	***-50.0%***
(45.6)	Depreciation and amortization	(34.1)		(32.9)		3.7%
45.0	**EBIT**	**3.6**	**0.7%**	**42.6**	**6.9%**	***-91.5%***
(15.4)	Net financial expense	(18.1)		(11.7)		54.7%
29.6	**Result before extraordinary items**	**(14.5)**	**-2.6%**	**30.9**	**5.0%**	***n.m.***
(24.6)	Extraordinary income (expense)	(16.9)		4.0		n.m.
7.6	Impact of IFRS valuation of inventory and financial instruments	(0.3)		4.3		n.m.
(7.1)	Interest in the result of companies valued by the equity method	(3.4)		(2.7)		26.0%
(0.6)	Net result from discontinued operations	-		(0.6)		n.m.
(13.2)	**Consolidated gross profit**	**(35.1)**	**-6.4%**	**35.9**	**5.8%**	***n.m.***
1.1	Minority interest in gross profit	0.6		0.1		
(14.3)	**Group interest in gross profit**	**(35.7)**	***-6.53%***	**35.8**	***5.82%***	***n.m.***

(*) EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) is an indicator that is not mentioned in the IFRS accounting principles. However, it provides a useful yardstick to assess the Group's operating performance. It is an intermediate income statement item equal to EBIT before deducting depreciation and amortization and extraordinary items.

Consolidated revenues amounted to 1,982.5 million euros in the first nine months of 2012, or 14.7% less than the 2,323.6 million euros reported in 2011.
The decrease in revenues reflects the impact of lower sales volumes and higher average raw material prices. Net of the value of raw materials, revenues show a decrease of 10.9%, falling from 614.8 million euros to 547.5 million euros. Sales volumes were also down, contracting by 14.3%. A comparison with the trend in unit sales shows the positive effect on the change in revenues of higher prices and of a product mix with a greater value-added component.
The value of raw materials accounted for 72% of total revenues.

EBITDA totaled 37.7 million euros at September 30, 2012 compared with EBITDA of 75.5 million euros on the same date in 2011 (- 50.0%).
At 7.5 million euros, EBITDA for the third quarter of 2012 were lower than those reported in the previous two quarters (about 15.0 million euros each quarter).

On a relative basis, the ratio of EBITDA to net revenue contracted from 12.3% in the first nine months of 2011 to 8% in the first half of 2012 and 6.9% in the first nine months of 2012.

EBIT totaled 3.6 million euros (42.6 million euros in 2011).

The **loss before extraordinary items** amounted to 14.5 million euros (profit of 30.9 million euros at September 30, 2011).

Net extraordinary expense, which totaled 16.9 million euros at September 30, 2012, refers primarily to additional programs to restructure and streamline the Group's industrial operations in the Copper Sector.

The impact before tax effect of **valuing the raw material inventory and commitments** at current prices, in accordance with IFRS accounting principles (instead of using a LIFO valuation), deteriorated from a positive 4.3 million euros in 2011 to a negative 0.3 million euros in 2012, reflecting the impact of the difference in raw material prices between the two periods under comparison.

The **Group's interest in consolidated loss** before taxes amounted to 35.7 million euros (profit of 35.8 million euros in 2011).
This amount is after losses from investee companies consolidated by the equity method totaling 3.4 million euros, representing the Group's interest in the loss reported by ErgyCapital S.p.A. (0.2 million euros) and in the loss incurred by Cobra A.T. S.p.A. in the first quarter of 2012 (3.2 million euros).

Shareholders' Equity and Financial Position of the Group

The table below provides a breakdown of **consolidated shareholders' equity**:

(in millions of euros)	**At September 30, 2012**	**At December 31, 2011**
Share capital	297.0	297.0
Reserves	87.8	148.3
Profit (Loss) for the period	(35.7)(*)	(14.3)
Minority interest	6.0	6.1
Total shareholders' equity	**355.1**	**437.1**

(*) Before taxes.

At September 30, 2012, the Company's **share capital** amounted to 297,040,568.04 euros, divided into 367,445,272 shares, including 323,881,687 common shares and 43,563,585 savings shares, both classes of shares being without par value.

The **reserves** decreased due to the coverage of the consolidated loss reported in 2011 and the utilization of available reserves to cover the retirement of the treasury shares tendered in acceptance of the Public Exchange Offer launched in July 2012, as described earlier in this Report.

The Group's **reclassified net financial position** was negative by 275.0 million euros at September 30, 2012 (negative by 197.6 million euros at December 31, 2011 and negative by 229.1 million euros at June 30, 2012).
The rise in debt in the third quarter of 2012 is due exclusively to the issuance of participatory financial instruments for a carrying amount of 46.1 million euros, offered in exchange for the common shares tendered in acceptance of the Public Exchange Offer launched in July 2012, as described earlier in this Report.
The level of liquidity varies, reflecting temporary end-of-period surpluses of liquid assets in the Group's regular operating activity.

A breakdown of **consolidated net financial debt** is provided below:

Net Financial Debt(*)

(in thousands of euros)		9/30/12 (RECL.)	12/31/11 (RECL.)
Short-term debt		82,299	228,524
Bonds and Participatory financial instruments		46,072	-
Medium- and long-term debt		315,093	266,669
Borrowings from Group companies		833	2,418
(A) Total debt due to financial institutions		**444,297**	**497,611**
Cash and cash equivalents		(59,982)	(66,483)
Other financial assets		-	-
Short-term financial receivables		(99,933)	(201,742)
Financial receivables from Group companies		(11,909)	(7,182)
(B) Total cash and cash equivalents and current financial assets		**(171,824)**	**(275,407)**
Fair value of LME contracts/metal commitments		2,693	(9,280)
Fair value of other financial instruments		3,617	(10,690)
(C) Financial instruments measured at fair value		**6,310**	**(19,970)**
Consolidated net financial position (A)+(B)+(C)	**(1)**	**278,783**	**202,234**
Non-current financial assets		**(3,735)**	**(4,589)**
Total net financial debt		**275,048**	**197,645**

(1) As defined in Consob Communication DEM/6064293 issued on July 28, 2006 to implement the CESR recommendations of February 10, 2005.

(*) This financial structure indicator is equal to gross indebtedness less cash and cash equivalents and loans receivable.

The table below shows an overview of the reclassified **Net invested capital(*)**:

(in millions of euros)	At September 30, 2012	At December 31, 2011
Capital invested in net non-current assets	792.3	804.1
Net working capital	201.2	210.0
Other liabilities	(94.3)	(105.2)
Net provisions	(269.1)	(274.1)
Net invested capital	**630.1**	**634.7**

(*) "Net invested capital" is a financial measurement not provided in the IFRSs and should not be treated as an alternative to those provided in the IFRSs. It is comprised of the following components:

- *"Capital invested in net non-current assets", which is the sum of "Property, plant and equipment and intangible assets," "Investments in associates" and "Other non-current assets."*
- *"Net working capital," which is the sum of "Inventories" and "Trade receivables," net of "Trade payables."*
- *"Other liabilities," which are net of the items used to compute "Net financial debt."*
- *"Net provisions," which include "Provisions for employee benefits," "Net deferred-tax liabilities" and other "Provisions for risks and charges."*

Updated Information About Pending Litigation

- In 2011, in the lawsuit for damages filed by Toshiba Carrier UK Ltd and 15 other companies of the same group before the English High Court of Justice – Chancery Division against KME Yorkshire Ltd, KME AG, KME France S.a.s. and KME Italy S.p.A., together with five other producers of LWC pipe, in connection with violation of laws on competition, the affected companies of the KME Group filed a motion for exclusion from the proceedings and lack of jurisdiction, which was denied by the High Court of Justice – Chancery Division. The abovementioned companies then filed an appeal with the Court of Appeals; this appeal was also denied and, in October 2012, the affected companies of the KME Group challenged this decision before the Supreme Court of the United Kingdom.

- In the closing days of this past July, IMI plc and IMI Kynoch sent to KME Yorkshire Limited, and KME AG, KME Italy S.p.A. and KME France SAS so-called "pre-action correspondence," i.e., a letter informing the abovementioned companies that they intended to file suit against them as joint co-debtors in the legal proceedings filed in England by some companies of the Travis Perkins Group against IMI plc, IMI Kynoch and Boliden AB, in their capacity as producers of plumbing pipes, also with regard to the abovementioned violations of laws on competition. In October 2012, IMI plc and IMI Kynoch, together with Boliden AB, served notice of the filing of a contribution claim against the companies of the KME Group and other producers of plumbing pipes affected by the September 3, 2004 decision of the European Commission. These proceedings are pending before the High Court of Justice – Chancery Division.

Based on available information, KME believes that the risk of an unfavorable resolution of these disputes is not probable and, in any case, cannot be quantified. Consequently, it did not recognize any provisions to cover any liabilities that may arise from the abovementioned pending proceedings. However, the possibility that the litigation pending before the English High Court of Justice – Chancery Division could generate prior-period liabilities greater than anticipated, with a negative impact on KME's income statement, equity and financial position, cannot be excluded.

Significant Events Occurring After September 30, 2012

There are no significant events requiring disclosure beyond those discussed above in the different sections of this Report.

Florence, November 13, 2012

The Board of Directors

Financial statement schedules at September 30, 2012 are annexed to this Report.

Financial Statements of the Interim Report on Operations at September 30, 2012

This Interim Report on Operations at September 30, 2012, which was not audited, was prepared in accordance with Article 154 *ter* of the Uniform Financial Code, enacted with Legislative Decree No. 195/2007.

The data in the consolidated statement of financial position are those at September 30, 2012 and at December 31, 2011.
Consolidated income statement data are provided for the first nine months of 2012 and the third quarter of 2012. They are also compared with the data for the corresponding period in the previous year. The presentation of the financial statements is consistent with the presentation used in the semiannual consolidated financial statements and the annual financial statements.

The Interim Report on Operations at September 30, 2012 was prepared in accordance with the valuation and measurement criteria set forth in the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission, in accordance with the procedure set forth in Article 6 of Regulation (EC) No. 1606/2002 of July 19, 2002 of the European Parliament and Council, and the legislation enacted to implement Article 9 of Legislative Decree No. 38/2005, if applicable.

Consolidated Statement of Financial Position

(in thousands of euros)	**9/30/12**	**12/31/11**
Property, plant and equipment	572,763	580,114
Investment property	30,838	30,812
Goodwill and consolidation difference	118,364	118,367
Other intangible assets	2,944	2,982
Investments in associates	15,723	15,152
Investments in other companies	258	258
Investments valued by the equity method	43,724	47,826
Other non-current assets	7,735	8,560
Non-current financial assets	3,735	4,589
Deferred-tax assets	31,726	31,491
NON-CURRENT ASSETS	**827,810**	**840,151**
Inventories	587,515	607,483
Trade receivables	109,519	129,489
Other receivables and current assets	32,070	31,980
Current financial assets	130,080	251,902
Cash and cash equivalents	59,982	66,483
CURRENT ASSETS	**919,166**	**1,087,337**
TOTAL ASSETS	**1,746,976**	**1,927,488**
Share capital	297,041	297,041
Other reserves	128,088	186,674
Treasury stock	(359)	(2,680)
Retained earnings (Loss carryforward)	72,188	72,188
Technical consolidation reserves	(110,989)	(107,852)
Reserve for other components of the Comprehensive Income Statement	(1,112)	(80)
Net profit (loss) for the period	(35,788)	(14,292)
Group interest in shareholders' equity	**349,069**	**430,999**
Minority interest in shareholders' equity	6,019	6,062
TOTAL SHAREHOLDERS' EQUITY	**355,088**	**437,061**
Provisions for employee benefits	153,846	153,439
Deferred-tax liabilities	119,197	119,133
Borrowings and other financial liabilities	361,165	266,669
Other non-current liabilities	20,777	20,320
Provisions for risks and charges	14,832	17,128
NON-CURRENT LIABILITIES	**669,817**	**576,689**
Borrowings and other financial liabilities	102,505	247,776
Trade payables	495,823	526,938
Other current liabilities	110,732	123,009
Provisions for risks and charges	13,011	16,015
CURRENT LIABILITIES	**722,071**	**913,738**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1,746,976**	**1,927,488**

Consolidated Comprehensive Income Statement

(in thousands of euros)	9/30/12	6/30/12	3rd Q. 2012	9/30/11	6/30/11	3rd Q. 2011
Sales and service revenues	1,982,451	1,365,562	616,889	2,323,648	1,595,738	727,910
Change in inventories of finished goods and semifinished products	(1,383)	(913)	(470)	6,630	3,788	2,842
Capitalization of internally produced assets	2,577	1,852	725	2,742	1,471	1,271
Other operating income	10,779	6,911	3,868	13,791	8,781	5,010
Purchases and change in inventory of raw materials	(1,489,246)	(1,019,059)	(470,187)	(1,752,630)	(1,171,542)	(581,088)
Labor costs	(245,259)	(167,769)	(77,490)	(257,241)	(177,226)	(80,015)
Depreciation, amortization, impairment losses and writedowns	(35,531)	(24,788)	(10,743)	(32,884)	(22,443)	(10,441)
Other operating expenses	(237,439)	(161,737)	(75,702)	(268,643)	(190,378)	(78,265)
EBIT	**(13,051)**	**59**	**(13,110)**	**35,413**	**48,189**	**(12,776)**
Financial income	12,443	7,512	4,931	32,396	10,831	21,565
Financial expense	(31,145)	(18,573)	(12,572)	(28,574)	(13,904)	(14,670)
Result of companies valued by the equity method	(3,403)	(2,750)	(653)	(2,718)	(580)	(2,138)
Result before taxes	**(35,156)**	**(13,752)**	**(21,404)**	**36,517**	**44,536**	**(8,019)**

Declaration by the Corporate Accounting Documents Officer Pursuant to Article 154* bis, *Section 2, of Legislative Decree No. 58/1998 (Uniform Financial Code)

Marco Miniati, the Company's Corporate Accounting Documents Officer, acting in accordance with the requirements of Article 154 *bis,* Section 2, of the Uniform Financial Code (Legislative Decree No. 58/1998), declares that the accounting information contained in this Report on Operations at September 30, 2012 is consistent with the data in the supporting documents and in the Company's books of accounts and accounting records.

Florence, November 13, 2012

(signed: Marco Miniati)

Corporate Accounting Documents Officer