

Report on Corporate Governance and shareholding structure pursuant to art. 123 bis of Legislative Decree 58 of 24 February 1998 and on the Code of Conduct.

Dear Shareholders,

the purpose of this report (the “Report”), which has been prepared in compliance with art. 123 bis of the Consolidated Law on Finance (the Testo Unico della Finanza or “TUF”) is to provide the information required by the TUF regarding the structure, organisation and functioning of the Company with respect to the requirements of art. 89 bis of Consob Regulation approved by Resolution 11971 of 14 May 1999 (the “Issuers Regulation”) and the Market Regulation of the markets organised and managed by Borsa Italiana S.p.A., Section IA.2.6.

For the ease of reading and comparison, the Report is divided into three parts, five sections and four tables and addresses the issues listed by art. 123 bis of the TUF. It is an integral part of the Directors’ Report at 31 December 2010 and has been prepared in compliance with the indications given in the “Code of Conduct” provided by Borsa Italiana S.p.A. (hereafter the “Code of Conduct” or the “Code” in its version of March 2006) which the company has adopted. The purpose of the Report is to describe the extent of the Company’s compliance with the Code during the year ended 31 December 2010 by giving the reasons for any departures from the Code and describing the action already taken and action planned to assure conformity.

The Company has continually improved the quality and quantity of the information it has provided on corporate governance every year ever since the presentation of the financial statements at 30 June 2000. The individual reports within the sections of the financial statements for the respective years can be viewed at www.kme.com. Starting with the Report for the year ended 31 December 2006, the Reports are also available in a specific section of the website.

We consider it worth recalling that during 2010 new and important provisions were introduced on corporate governance.

The first consists of the transposition of EU Directive no. 36/2007 through Legislative Decree no. 27/10, which came into force on 22 March 2010, which led to the introduction of the provisions of the so-called “shareholders’ rights directive” which required the adoption of a series of changes on:

- timeframes and means of calling Shareholders’ meetings;
- legitimacy and means of depositing shares to take part in Shareholders’ meetings;
- timeframes and means of presenting lists for the appointment of directors and statutory auditors;
- right of those with voting rights to ask for an addition to the order of business for Shareholders’ meetings;
- participation in Shareholders’ meetings via electronic means;
- right of those with voting rights to ask questions;
- conferment of proxies with voting instructions.

In reference to the similar transposition of EU Directive 43/06 on audit, through Legislative Decree no. 39/2010, which in its turn came into force as from 7 April 2010, we consider it worth recalling in particular that the Board of Statutory Auditors also acts as the “Committee for Internal Control and Audit”, with supervisory functions in the areas of financial disclosure, internal control and risk management systems, and audit.

Finally, CONSOB, with its Resolution no. 17221 of 12 March 2010, in force as from 9 April 2010, introduced new provisions on dealings with so-called “related parties”, by establishing that the related procedures should be operative as from 1 December 2010, while the system as a whole became fully operational as from 1 January 2011.

The company has largely adopted the new provisions and in particular the updating of the articles of association and the procedure on transactions with related parties were put for examination and approval by the Board of Directors, to the extent of its competence, at its meeting of 11 November 2010; other related changes will be put for the approval of the Shareholders’ meeting called for 27/28 April 2011 and the Directors’ Report prepared for it will provide the necessary updates.

Due to the number of references made to the Company Articles of Association, a copy has been attached to the end of the Report in addition to which they are also available from www.kme.com.

1. Regulatory environment

Legislators have introduced a number of changes to corporate governance over the years which, in 2008, was in a transitional phase. The most recent legislation in that respect came into full force on 31 December 2009.

That notwithstanding, last year's Report was prepared in compliance with the new rules and already contained information on the adoption of the corporate governance code recommended by companies managing regulated markets and sector associations in accordance with the timing and methods required by CONSOB.

CONSOB, in turn, also amended art. 89 bis of its Regulation 11971 (the "Issuers Regulation") in 2009 in conjunction with art. 123 bis of the TUF by requiring listed companies to publish information every year on corporate governance, shareholding structure and the adoption, where applicable, of a Code of Conduct.

CONSOB also required that this information either be an integral part of the Directors' Report or in the form of a stand-alone report and be made available on the internet. In regard to these provisions, the Report is included as an integral part of the Directors' Report on the financial statements as at and for the year ended 31 December 2010. This Report has, therefore, also been made available on the page "Report on Corporate Governance" at www.kme.com as well as on Borsa Italiana S.p.A.'s website (www.borsaitaliana.it) in its capacity as the manager of the market.

In preparing the Report account has been taken of the indications provided by ASSONIME as well as the "Guidelines" prepared by Borsa Italiana S.p.A. and the "Guide to the compilation of the report on corporate governance" again prepared by ASSONIME in cooperation with Emittenti Titoli S.p.A.

The Report based on the experimental format for reports on corporate governance published by Borsa Italiana S.p.A. for issuers, which, as explained by Borsa Italiana S.p.A., is not intended to be mandatory but rather a tool to assist 1) issuers to assure the report complies with art. 123 bis of the TUF and 2) statutory auditors in their examinations. The tables at the end of the report have also been prepared and updated in compliance with it.

2. Company profile

The core business of KME Group S.p.A. is the manufacture and sale of semi-finished products in copper and its alloys, in which sector it is a world leader.

Following execution of the partial, proportional reverse demerger of iNTEK S.p.A. (hereafter "iNTEK") in favour of KME Group S.p.A. which was completed on 22 March 2010 (hereafter the "Demerger"), the company extended its business to other sectors from its traditional core business and acquired significant stakes in the following companies:

- ErgyCapital S.p.A. (renewable energy);
- Drive Rent S.p.A. (services for company vehicle fleets);
- CULTI S.r.l. (furnishings).

The Directors' Report contains further information.

The Company maintained its structure of corporate governance with a Shareholders' Meeting, Board of Directors and Board of Statutory Auditors. The Remuneration and Internal Control Committees were also established both of which consist of only independent and non-executive directors.

The corporate governance structure of other group companies, however, is different with Germany's largest industrial company having a structure which is fully in line with German practice that entails a two tier management structure consisting of a Supervisory Board (Aufsichtsrat) and a Management Board (Vorstand).

As for the investees, there is a Shareholder Agreement in force between the KME Group and Aledia S.p.A. (hereafter "Aledia"), pursuant to article 122 of the TUF, regarding the ordinary shares of the investee ErgyCapital S.p.A., which was originally signed on 10 December 2007 between iNTEK and Aledia and subsequently modified and supplemented on 25 February 2010 by means of an additional corrective agreement, and so has been in force among the current shareholders since 22 March 2010, the date the Demerger became effective.

The Agreement, which is consultative in nature in addition to regulating voting, restricts the transfer of financial instruments and produces the joint exercise of dominant influence as per art. 122, para. 1 and para. 5, lett. a), b) and d), of the TUF.

This Agreement covers 39,328,835 ordinary shares of ErgyCapital S.p.A., or 51.846% of the share capital, of which 25,412,895 shares, or 26.80% of the share capital, are held by the KME Group and 13,915,940 shares, or 14.67% of the share capital, by Aledia.

By virtue of the Shareholders' Agreement, KME Group and Aledia jointly exercise dominant influence over the operations of ErgyCapital, while neither of them has the power to exercise control over the company individually pursuant to article 93 of the TUF.

As for Drive Rent S.p.A., it should be noted that the Shareholders' meeting of 15 March 2011 approved its merger into Cobra Automotive Technologies S.p.A., a company set up under Italian law and listed on the MTA, STAR segment, which operates in the field of integrated safety services for the prevention and management of vehicle-related risks. Following the merger, KME will become its majority shareholder with 42.68%.

It should be noted that the company and the current majority shareholder in Cobra Automotive Technologies S.p.A., i.e. Cobra A.T.S.A., have signed a "shareholders' agreement" pursuant to art. 122 of the TUF and which is based on the objectives being pursued with the merger, i.e. to create the best possible conditions to maximise the potential development and value of Cobra Automotive Technologies S.p.A. The agreements have been communicated to CONSOB, deposited at the Varese Companies Register and were published in "Italia Oggi" on 23 November 2010.

On 2 December 2009, the Shareholders approved resolutions for:

- the prolongation of the exercise period for KME Group ordinary share warrants 2006-2009 to 30 December 2011;
- an ordinary and savings share split by exchanging three ordinary shares for each two held and three savings shares for each two held thus necessitating a change in the number of shares issued for the exercise KME Group S.p.A. ordinary share warrants 2006/2009;
- the partial, proportional reverse demerger of iNTEk into KME;
- the cash share capital increase for a maximum of Euro 80 million;
- the authorisation of Directors pursuant to art. 2443 of the Italian Civil Code to increase share capital by an additional Euro 15 million to service the stock option plan approved at the same meeting.

These transactions were all carried out between the end of 2009 and 2010 and the equivalent Report for 2009 sets out the impact of the first three transactions as they were already complete at the time of that Report's preparation.

3. First part: shareholding structure

3.1 Structure of share capital

The share capital at 31 December 2010 was Euro 297,013,585.26, consisting of 490,978,019 shares, of which 447,278,603 were ordinary shares and 43,699,416 were savings shares, all of which with no par value.

During 2010, the share capital rose by Euro 6,764.10 due to the exercise of 19,326 "ordinary share warrants 2006/2011" which led to the issue of 9,663 ordinary shares, net of the exercise of 19,551 warrants, or 6,517 shares, for a total of Euro 6,842.85, which occurred in December 2009. The most recent exercise of warrants occurred in July.

We note that during the year the share capital was split on 8 February 2010, and followed by the share capital increase for the Demerger (22 March 2010), following which the share capital was Euro 273,761,740.66, consisting of a total of 418,117,631 shares, of which 381,367,530 were ordinary shares and 36,750,101 savings shares, all of which with no par value.

Subsequently, in the period 21 June - 23 July it was decided to carry out a cash share capital increase for a maximum amount of Euro 59,207,365.00 and a maximum issue of 604,389,069 shares, of which 169,619,800 were ordinary shares and 16,642,850 savings shares, offered to ordinary shareholders and savings shareholders, to the extent of their respective holdings, at a ratio of 5 new shares for every 11 shares held. The offer price was Euro 0.30 for each ordinary share and Euro 0.50 for each savings share.

At the end of the transaction, 65,901,410 ordinary shares, 38.85% of those on offer, and 6,949,315 savings shares, 41.76% of those on offer, had been subscribed for a total value of Euro 23,245,080.50.

The 447,278,603 outstanding ordinary shares are 91.11% of share capital and do not entail rights different or additional to the rights pursuant to legislation and the Company Articles of Association.

Each share carries unrestricted voting rights unless otherwise provided by law. Votes may be cast by mail in accordance with the procedure pursuant to article 11 of the Articles of Association.

Similarly, the 43,699,416 outstanding savings shares are 8.89% of share capital and do not entail rights different or additional to the rights pursuant to legislation and the Company Articles of Association.

The rights of Savings Shareholders are set out in articles 145 and following of the TUF and articles 5, 8 and 28 of the company articles of association. Their Joint Representative, who has a right to actively participate in meetings of ordinary shareholders as set out in article 26 of the articles of association, is Romano Bellezza who was appointed for 2009/2011 at the Special Meeting of Savings Shareholders held on 24 April 2009.

Savings shares entail the following preferential rights:

- the right to a preferred dividend of a maximum of Euro 0.07241 per share per annum subject to the right to other dividends of Euro 0.020722 per share more than savings share dividends. This, however, is without prejudice to the prorated increase in the preferred dividend in each of the two years following the payment of a preferred dividend of less than Euro 0.07241 per share;
- in the event the Company is wound up, savings Shareholders have a preferred right to the liquidation proceeds of Euro 1.001 per share.

There was also a total of 67,876,124 KME Group S.p.A. ordinary share warrants 2006/2011 outstanding at 31.12.10 that had been issued under the authorisation given at the Extraordinary Shareholders' Meeting of 19 May 2006.

The Shareholders approved the following resolutions in that connection at the Extraordinary Meeting of 2 December 2009:

- the prolongation of the term of the warrants from 11 December 2009 to 30 December 2011;
- the change of their terms and conditions of exercise from the previous one new ordinary share for each three warrants held at an exercise price of Euro 1.05 per share to the current one new ordinary share for each two warrants held at the exercise price of Euro 0.70 per share.

Their exercise (by 30 December 2011) may cause the issue of a maximum of 33,938,062 ordinary shares with no par value, with a consequent maximum share capital increase of Euro 23,756,643.40.

At that same Extraordinary Meeting of 2 December 2009, Shareholders also approved a resolution in connection with the demerger for the issuance of an additional 73,330,660 KME Group S.p.A. ordinary share warrants 2009/2011 in exchange for iNTEk S.p.A. ordinary share warrants 2005/2011. The exercise of the KME Group S.p.A. ordinary share warrants 2009/2011 (by 30 December 2011) entails the issuance of one ordinary share for each warrant held at an exercise price of Euro 0.892 per share, including a premium of Euro 0.632. An exercise of the warrants would result in a maximum nominal share capital increase of Euro 19,065,971.60 through the issuance of a maximum of 73,330,660 ordinary shares with no par value.

It should be recalled that the exercise price of these warrants was set on their issue at Euro 0.90 – of which Euro 0.64 was the premium – a price which was modified as from 21 June 2010 pursuant to art. 3, paragraph 1 of their regulation due to the share capital increase.

The warrants were issued to eligible parties on 22 March 2010 following the effectiveness of the demerger of the same date.

The rights and obligations entailed by both warrants are contained in their respective terms and conditions, copies of which are available on the relevant web page of the internet site.

All the above financial instruments are listed on the market which is regulated and managed by Borsa Italiana S.p.A. The ordinary shares are included in the “FTSE Italy Small Cap” index on the same market.

Any exercise of the warrants and options as granted under the Stock Option Plan described below could entail a change in share capital in the month of exercise. Any change in the composition of share capital is advised to the market by Stock Exchange Notice (see the section below on the processing of company information for details of the NIS system) and also made available on a special page of **www.kme.com**.

A resolution was also approved by Shareholders at the same Extraordinary Meeting of 2 December 2009 to authorise the Board of Directors in accordance with art. 2443 of the Italian Civil Code to implement a second share capital increase in one or more tranches for a maximum amount of Euro 15 million including any premium through the issuance of 31,000,000 ordinary shares reserved for beneficiaries of the Stock Option Plan (Executive Directors and Group Executives of Group companies) as approved in the ordinary session of the same meeting in accordance with the second sentence of art. 2441, para. IV of the Italian Civil Code.

The Shareholders approved a resolution to determine the issue price as the arithmetic mean of the official closing prices for the ordinary share on the Mercato Telematico Azionario organised and managed by Borsa Italiana S.p.A. (the “MTA”) during the period between the grant date of the options and the same date of the preceding calendar month with all powers by the Directors to determine, from time to time, the exact number of ordinary shares to be issued to service the Plan, the exact issue price including any premium in addition to the method and timing of any capital increase.

The authorisation in question was partially used by the Board of Directors, when the deadlines set at the Shareholders’ meeting of 2 December 2009 passed, on 7 October 2010 by executing the stock option plan approved by the Shareholders’ meeting as part of the project to reorganise the Group which was implemented in the previous months by means of the Demerger.

The Demerger in fact led to a greater focus on the Group’s activities by transforming the role of KME Group S.p.A. into that of an investment holding, which is responsible for three distinct business areas: copper, renewable energy and services, each of which has separate incentive systems.

The “KME Group S.p.A. Stock Option Plan 2010-2015” (hereafter the “Plan”) replaces the previous plan, which was approved in 2006, which, in light of the Group’s new corporate/organisational arrangements, was withdrawn at the same time; further details on the Plan are given in the following section on “the remuneration of the directors and other Group senior management” as well as the “Information Report” which was prepared at the time and is available on the company’s website.

The share capital increase servicing the Plan, with regard to the part which has already been approved at the date of this report, envisages the issue of a maximum of 25,500,000 KME Group S.p.A. ordinary shares, with dividend rights, at a price per share of Euro 0.295, for an overall amount of a maximum of Euro 7,522,500.00, excluding the option right pursuant to art. 2441, para. 4, lett. b, of the Italian Civil Code.

As required by the aforementioned provision, the independent auditors, KPMG S.p.A., has issued a specific report on the correspondence of the issue price of the new shares to their market value.

Another section of the Directors Report shows the performance of the Companies shares and market capitalisation during the year. In this regard, it should be noted that a specific section of the website www.kme.com is dedicated to these aspects and is continually updated and thus shows the real-time trend in trading.

Key data regarding financial instruments issued by the Company at the date of this Report is set out in the table below:

Table 1: information on shareholding structure

Structure of share capital				
	ISIN	number of shares	% of total share capital	
Ordinary shares	IT0004552359	447,278,603	91.11	
Bearer savings shares	IT0004552367	43,699,416	8.89	
Registered savings shares	IT0004552375			
Other financial instruments granting the right to subscribe new share issues				
	ISIN	in issue	Class of shares issued on exercise	Number of shares issued on exercise
<i>Warrant</i> 2006-11	IT0004077167	67,876,124	Ordinary shares	33,938,062
<i>Warrant</i> 2009-11	IT0004552383	73,330,660	Ordinary shares	73,330,660

3.2 Transferability

The Company Articles of Association impose no restrictions on the transferability of shares or warrants.

3.3 Significant shareholdings in the Company

During 2010, following the Demerger there was a change in the majority control of the company, a circumstance which was highlighted in the previous year's Report.

Prior to the Demerger and the share capital split, iNTEK S.p.A., a company which in its turn is 47.256% owned by Quattrodue Holding B.V., held 126,167,569 ordinary shares, or 53.574% of the shares issued in that category. iNTEK S.p.A. also held 896,906 savings shares, or 4.703% of the share issued in that category. In total, iNTEK S.p.A. therefore held 49.92% of the entire share capital.

After these transactions and taking into account the further purchases of Quattrodue Holding B.V. shares, at the date the Demerger became effective (22 March 2010), it held 120,397,452 ordinary shares, or 31.570% of the shares issued in that category. Of these 91,220,020 ordinary shares, 23.919%, were held directly and 29,177,432 ordinary shares, 7.651%, were held through the subsidiary IntekCapital S.p.A.

Subsequently, following the share capital increase, at the end of the following month of July Quattrodue Holding B.V.'s overall holding stood at 184,880,841 ordinary shares, 41.335%, held through its subsidiaries IntekCapital S.p.A. (52,197,171 ordinary shares or 11.670%) and Quattrodue S.p.A. (132,683,664 ordinary shares or 29.665%). The remaining 6 ordinary shares are held by Quattrodue Holding B.V.

Compared to the entire share capital, its overall holding is 37.7%

The Shareholders of Quattrodue Holding B.V. are Vincenzo Manes, through Mapa S.r.l. (Milan) with a shareholding of 35.12%, Ruggero Magnoni, through Likipi Holding S.A. (Luxembourg) with a shareholding of 32.44% and Hanseatic Europe S.a.r.l. (Luxembourg) with a shareholding of 32.44%. None of the Shareholders, all of whom are parties to a Shareholders' agreement, controls the Company pursuant to art. 93 of the TUF.

As far as the company is aware, the other shareholders who hold more than 2% of the share capital are Francesco Baggi Sisini, through the subsidiary Arbus S.r.l., with 12,593,898 ordinary shares or 3.302% (or 2.82% after the share capital increase), and Dimensional Fund Advisors L.P. with 8,952,227 ordinary shares, 2.0015%.

The company has 12,721 shareholders according to the updated entries in the Shareholders Register.

3.4 Securities conferring special rights

No securities have been issued conferring special rights of control.

3.5 Employee investment, voting rights

There is no system of employee investment.

3.6 Restrictions on voting rights

Apart from statutory requirements and the provisions of the Company Articles of Association, there are no restrictions imposed on voting rights. Each share carries one voting right (art. 11 of the Articles of Association).

In that connection, at their Meeting of 19 May 2006, the Shareholders resolved to vary art. 4 of the Company Articles of Association to permit the Shareholders to authorise a capital increase of up to 10% of existing share capital without rights to existing Shareholders pursuant to the second sentence of art. 2441, paragraph IV of the Italian Civil Code.

Furthermore, art. 27 of the Company Articles of Association provides that a resolution to extend the duration of the Company (currently 31 December 2050) gives no right of rescission pursuant to art. 2437 of the Italian Civil Code.

3.7 Shareholders' agreements

The Company has not been notified of the existence of Shareholders' agreements pursuant to art. 122 of the TUF.

3.8 Change of control clause

Neither the Company nor its subsidiaries has entered into arrangements the effectiveness, variation or termination of which are conditional to a change in the control of the Company.

3.9 Authorisations to increase capital and acquire treasury shares

The Board of Directors has not been authorised pursuant to art. 2443 of the Italian Civil Code to issue equity instruments, with the sole exception of the authorisation of the Directors at the Extraordinary Shareholders' Meeting of 2 December 2009 to increase share capital within five years of the date of the Meeting by a total of Euro 15 million for the issue of a maximum amount of 31,000,000 ordinary shares, without rights pursuant to the second sentence of art. 2441, para. 4 of the Italian Civil Code to service a Stock Option Plan for Executive Directors and Executives of the Company and the Group as approved in the ordinary session of the same Meeting, which has, as yet, not been used.

Further information is available at section 5 below on the remuneration of the Board of Directors.

Further to the authorisation by the Shareholders' Meeting to acquire the company's own ordinary and savings shares, the last of which was approved by the Shareholders' meeting of 29 April 2010, at 31 December 2010 and taking account of the fact that there were no purchases verified as from 26 February 2009, these holdings are respectively 8,212,755 ordinary shares (1.836% of the total of the category and 1.673% of the whole share capital) and 135,831 savings shares (0.311% of the total of the category and 0.028% of the whole share capital). Total treasury shares held at that date were 1.700% of total share capital.

Finally, it should be noted that at 31 December 2010 the Company held 8,212,755 own ordinary shares (corresponding to 5,475,170 ordinary shares held by the company prior to the share capital split) and 135,831 own savings shares (90,555 pre-split), or respectively 1.836% and 0.311% of the shares in those categories.

In February 2011, at the date of this Report 610,055 own ordinary shares had been sold. Consequently, the holding of own shares is 7,602,700 ordinary shares, or 1.70% of the ordinary share capital, while the holding of savings shares is unchanged and so overall equal to 1.699% of the entire share capital.

The subsidiaries do not hold shares of the parent.

One of the agenda items for the Shareholders' Meeting convened to approve the financial statements as at and

for the year ended 31 December 2010 will be the approval of a new authorisation of the Board of Directors to acquire and hold treasury shares.

3.10 Management and coordination

The company, although it is controlled by Quattrodue Holding B.V. as indicated above, is not subject to management and coordination, as envisaged by article 2497 and following articles of the Italian Civil Code as well as art. 37 of CONSOB Regulation no. 16191 of 29 October 2007 (hereafter “Market regulation”), due to the fact that:

- a. it has the autonomous powers of negotiation with respect to contractual arrangements with customers and suppliers;
- b. the Company does not participate in any centralised treasury arrangements operated either by iNTEK S.p.A. or Quattrodue Holding B.V. or any other company under the control of iNTEK S.p.A., Quattrodue Holding B.V. and KME Group S.p.A.;
- c. the number of independent Directors (4 out of 12) is such as to ensure that their opinions have a material influence on board decisions;
- d. the Internal Control Committee consists exclusively of independent directors pursuant to art. 37, para. 1 bis of the Market Regulation.

4. Second part: information on corporate governance

4.1 Compliance

It was announced at the Board of Directors’ Meeting of 10 November 2006 that the Company had adopted the Code of Conduct and that its relevant principles would be gradually introduced throughout the Company.

The text of the Code of Conduct is available from Borsa Italiana S.p.A. and can also be viewed at: <http://www.borsaitaliana.it/borsaitaliana/regolamenti/corporategovernance/corporategovernance.en.htm> (section: “Regulations – Corporate Governance”).

As required by art. 149, paragraph 1, letter c bis of the TUF, the Board of Statutory Auditors monitors the actual implementation of the Rules of Corporate Governance contained in the Code.

4.2 Board of Directors

4.2.1 Appointment and replacement of directors

The requirements for the appointment and replacement of members of the Board of Directors are those pursuant to law as amended and supplemented by the Company Articles of Association (art. 17) as are the procedures for their amendment. We also note that the provisions in question were modified by the Board of Directors at its meeting of 11 November 2010 in compliance with the aforementioned “shareholders’ rights directive”.

Directors’ terms may not be longer than three years but they may be re-elected (art. 17 of the Articles of Association). On nomination of a candidate for the position of Director, Shareholders are provided with the candidate’s curriculum vitae and a list of the positions held by the candidate at other companies as board director or statutory auditor.

The current Board of Directors was appointed by the Shareholders at their Meeting of 29 April 2009 for 2009, 2010 and 2011 with their appointment terminating on the date of the Shareholders’ Meeting held to approve the financial statements as at and for the year ending 31 December 2011.

The number of Directors may vary between a minimum of nine and a maximum of twelve.

The Shareholders at their above-mentioned Meeting of 29 April 2009 fixed the number at twelve which was unchanged from the previous Board. The section entitled “Composition of the Board of Directors” contains more detailed information.

A list of nominations for Directorships was presented on time by the then majority shareholder, iNTEK S.p.A. (53.82% Shareholder of ordinary capital) in compliance with the procedure required by art. 17 of the Company Articles of Association. The Shareholders unanimously elected iNTEK’s nominees with 57.691% of voting shares in attendance.

No Director was, consequently, selected from a non-controlling Shareholder list for appointment.

The procedure pursuant to art. 17 of the Articles of Association requires:

- the submission of lists of candidates at least 25 days prior to the first call of the Shareholders' meeting, so that they are available at least 21 days beforehand at the company offices, on the company's website and through Borsa Italiana S.p.A.;
- the shareholding percentage required for the submission of lists to be equal to the highest percentage required by regulation which is currently 4.5% of ordinary capital (as per CONSOB Resolution no. 17633 of 26 January 2011);
- when counting votes, the lists which have not obtained a percentage of votes equal to one half of the percentage required to submit a list, to be ignored;
- one Director to be appointed from the non-controlling Shareholder list that received the highest number of votes;
- the list to indicate the candidates for appointment as "Independent Directors" and art. 17 of the Articles of Association requires that their number be at least equal to the statutory minimum number of independent Directors and that they be in possession of the attributes required by law;
- the prerequisite for directors to be considered as independent to be assessed pursuant to art. 148, para. 3 of the TUF as well as, on the basis of the provisions regarding this prerequisite and also in reference to integrity and professionalism, pursuant to the other applicable provisions and the Code of Conduct.

The procedure pursuant to art. 17 of the company articles of association, which is updated on the basis of the new provisions in this regard, is also available on the relevant page of the website **www.kme.com**.

4.2.2 Composition of the Board of Directors

The names of the members of the Board of Directors are given below together with a description of their responsibilities including those of constituent Committees and a brief curriculum vitae. Such information is also available on the relevant web page of **www.kme.com**. Since 2005 there has been a single female director who took over as Deputy Chairwoman in 2010.

Their names normally appear at the beginning of the documents prepared for Shareholders' Meetings and in the annual and interim financial statements.

We note that, as from 22 March 2011, Domenico Cova left his position as director and General Manager of the Company and that, from the same date, Riccardo Garrè was co-opted in his place pursuant to art. 2386 of the Italian Civil Code and was appointed General Manager with responsibility for the sector of semi-finished products in copper and its alloys; the next Shareholders' Meeting of 27/28 April 2011 has been called partly to pass the consequent resolutions.

Information relating to both directors is set out below.

Salvatore Orlando (Chairman)

Salvatore Orlando was born in 1957 and holds a degree in Political Sciences. He joined the Group as an executive in 1984. He was subsequently appointed to the Boards of Directors of the largest industrial companies of the Group. He has been a Director of the Company since 24 April 1991 and of iNTEk S.p.A. since 2007.

Vincenzo Manes (Deputy Chairman)

Vincenzo Manes was born in 1960 and holds a degree in Economics and Business. He is Chairman and Chief Executive Officer of iNTEk S.p.A. and is a Shareholder of Quattrodue Holding B.V. in addition to being Chairman of Aeroporto di Firenze S.p.A. and a Director of ErgyCapital S.p.A. He was appointed to the Board of Directors of KME Group S.p.A. on 14 February 2005.

Diva Moriani (Deputy Chairwoman)

Diva Moriani holds a degree in Economics and Business. She joined the Board of Directors of the Company in 2002 and became Deputy Chairwoman in 2007; she is Chairwoman of iNTEkCapital S.p.A., Chief Executive Officer of I2 Capital Partners SGR S.p.A. and Deputy Chairwoman of ErgyCapital S.p.A. She was appointed to the Board of Directors of KME Group S.p.A. on 27 April 2005. The Board of Directors approved the appointment of Diva Moriani as Deputy Chairwoman on 25 March 2010, granting her full ordinary and extraordinary powers.

Domenico Cova (resigned on 22 March 2011)

Domenico Cova was born in 1949 and holds a degree in Electronic Engineering. He joined the Group following the acquisition of Trafileries e Laminatoi di Metalli S.p.A. (TLM) a member of the French Pechiney Group. He was appointed head of rod production at the Serravalle Scrivia plant in 1977 and its Manager in 1983. He was then transferred to the French subsidiary KME France S.A.S. becoming its Chairman in 2000. He became a member of the KME A.G.

Management Board in 1995. He was appointed Chief Operating Officer of KME A.G. in 2007 and subsequently Chief Executive Officer in 2010. He was appointed Director by Shareholders' resolution of 3 August 2007 and on the same date he was appointed General Manager. He resigned from these positions as well as those in other companies of the Group in March 2011.

Riccardo Garré (Director and General Manager)

Born in 1962, Riccardo Garré holds a degree in Experimental Physics and joined the Group in 1988, initially managing a number of Italian Research Centre operations and then taking over leadership of the Superconductors Division in 1992.

In 2000 he joined the Saint-Gobain Group as CEO of Saint-Gobain Euroveder Italia, also becoming General Manager of the worldwide Tempered Glass Division for the household appliances market.

He was appointed General Manager of Saint-Gobain Glass's Italian operations in 2003.

He became General Manager of Saint-Gobain Glass France in 2007.

In 2010 he returned to the KME Group as COO (Chief Operating Officer) of KME A.G.

On 22 March 2011 he was co-opted as a Company director, pursuant to art. 2386 of the Italian Civil Code, and as General Manager. He took over the industrial copper business as CEO (Chief Executive Officer) of KME A.G.

Italo Romano (Director and General Manager)

Italo Romano was born in 1958 and holds a degree in Economics and Business. He joined the Group in 1988 with responsibilities in the administrative area and controlling. He was appointed Corporate Group Controller in 2001 in charge of studying the restructuring of the entire IT and administrative sector of the Group. He was appointed General Manager of Administration, Control & Corporate Planning in 2004. He became a member of the Board of Directors of KME Italy S.p.A. in 2005, later becoming Executive Deputy Chairman. He also joined the Management Board of KME A.G. and was appointed Chief Financial Officer of KME Group S.p.A. in the same year. He was appointed Director by Shareholders' resolution of 3 August 2007 and on the same date he was appointed General Manager.

Vincenzo Cannatelli

Vincenzo Cannatelli was born in 1952 and holds a degree in Mechanical Engineering; he also has important international experience and began his career in the Stet and ElSag Bayle Groups to then move to ENEL where he held important positions in the operating companies as Chief Operating Officer in the Infrastructure & Networks as well as the Market Divisions.

He was co-opted as Director by resolution of the Board of Directors on 11 April 2006 and confirmed by the Shareholders at their Meeting of 19 May 2006 for the next three years. He was also appointed by the Board of Directors on the same date to the position of Chief Executive Officer, which he held until 31 March 2007, after which he continued to hold the position of Director. He is Chairman of ErgyCapital S.p.A.

Mario d'Urso (independent)

Mario d'Urso was born in Naples in 1940 and holds a degree in Law. He has held positions in the finance sector and government and was Senator of the Republic and an under-secretary in one of the past governments. He was appointed to the Board of Directors of KME Group S.p.A. on 14 February 2005.

Marcello Gallo

Marcello Gallo was born in Siracusa in 1958 and holds a degree in Political Economics. He is Chief Executive Officer of iNTekCapital S.p.A., which is a subsidiary of iNTek S.p.A. where he is currently Deputy Chairman after having served as General Manager from 1998 to 2003. He is a member of the Boards of Directors of companies controlled by iNTEK S.p.A.

He was appointed to the Board of Directors of KME Group S.p.A. on 14 February 2005.

Giuseppe Lignana (independent)

Giuseppe Lignana was born in 1937 and holds a degree in Electronic Engineering. He was Chief Executive Officer of CEAT Cavi S.p.A. and Director at Banca Commerciale Italiana S.p.A. and SIRT I S.p.A.. He joined Cartiere Burgo S.p.A. in 1984 where he served as General Manager, Chief Executive Officer and finally Chairman in 2004 and is currently Honorary Chairman.

He was appointed to the Board of Directors on 12 January 2005.

Gian Carlo Losi

Gian Carlo Losi was born in 1947 and holds a degree in Economics and Business. He joined the Group in 1973 after having been a university assistant in the Faculty of Business Administration at the University of Florence. He became an Executive in 1977 and was then made Head of Group Finance and Controlling. He was appointed General Manager of G.I.M - Generale Industrie Metallurgiche S.p.A. in 1990. After having served as director and statutory auditor in Italian and international companies of the Group, he is currently secretary of the Company's Board of Directors responsible for Corporate Affairs & Internal Control and was appointed Director by Shareholders' resolution of 3 August 2007.

Alberto Pecci (independent)

Alberto Pecci was born in 1943 and holds a degree in Political Sciences. He has been a member of the Boards of Directors of the Company and the Group for many years. He is Chairman of the Boards of Directors of Pecci Industrial Group Companies, which operates in the textile sector, and is a member of the Boards of Directors of El.En. S.p.A. and Alleanza Assicurazioni S.p.A.. He served as Chairman of Fondiaria S.p.A. and as Director at Assicurazioni Generali S.p.A., Mediobanca S.p.A. and Banca Intesa S.p.A. He joined the Board of Directors on 28 June 1996.

Alberto Pirelli (independent)

Alberto Pirelli was born in 1954 and obtained a degree in Ichthyology and Aquaculture in the United States. He has held operating positions in the Pirelli Group and is currently Deputy Chairman of Pirelli & C. S.p.A. and is a Director of Camfin S.p.A. and Olimpia S.p.A. He is Deputy Chairman of Gruppo Partecipazioni Industriali S.p.A. He joined the Board of Directors on 27 October 2000.

Set out below is a table showing positions as director or statutory auditor held by each Director at 31 December 2010 in joint-stock companies, limited partnerships and private limited companies.

Name	Company	Position
Salvatore Orlando	KME Italy S.p.A. ⁽¹⁾	Chairman of the Board of Directors
	KME A.G. ⁽¹⁾	Member of the Supervisory Board
	iNTEK S.p.A. ⁽³⁾	Member of the Board of Directors
Vincenzo Manes	iNTEK S.p.A. ⁽³⁾	Chairman/Chief Executive Officer
	iNTEKCapital S.p.A. ⁽²⁾	Member of the Board of Directors
	Fondazione Dynamo	Chairman of the Board of Directors
	I ₂ Capital Partners SGR S.p.A. ⁽²⁾	Deputy Chairman of the Board of Directors
	ErgyCapital S.p.A. ⁽¹⁾⁽³⁾	Deputy Chairman of the Board of Directors
	Società Editoriale Vita S.p.A.	Member of the Board of Directors
	Fondazione Laureus Sport for Good Italia	Member of the Board of Directors
	Fondazione W.W.F. Italia	Member of the Board of Directors
	Fondazione Vita	Chairman
	Meccano S.p.A.	Member of the Board of Directors
	Aeroporto di Firenze	Chairman of the Board of Directors
	Foundation "Hole in the Wall Camps"	Member of the Board of Directors
	Committee to Encourage Corporate Philanthropy	Member of the Committee
	Associazione Palazzo Strozzi	Member of the Strategic Committee and Management Committee
	Fondazione Umana Mente	Member of the Steering Committee
	Società italiana di Filantropia	Deputy Chairman
	Progetto 10Decimi	Member of the Advisory Committee
	422 Holding B.V.	Member of the Supervisory Board
	KME A.G. ⁽¹⁾	Member of the Supervisory Board
	Diva Moriani	IntekCapital S.p.A. ⁽²⁾
I ₂ Capital Portfolio S.p.A. ⁽²⁾		Chairwoman of the Board of Directors
iNTEK S.p.A. ⁽³⁾		Deputy Chairwoman of the Board of Directors
ErgyCapital S.p.A. ⁽¹⁾⁽³⁾		Deputy Chairwoman of the Board of Directors
I ₂ Capital Partners SGR S.p.A. ⁽¹⁾		Chief Executive Officer
Fondazione Dynamo		Member of the Board of Directors
Associazione Dinamo		Member of the Board of Directors
Meccano S.p.A.		Member of the Board of Directors
Dynamo Academy S.r.l.		Member of the Board of Directors
Franco Vago S.p.A.		Member of the Board of Directors
KME A.G. ⁽¹⁾		Member of the Supervisory Board

Domenico Cova	KME A.G. ⁽¹⁾	Member of the Supervisory Board
	KME Italy S.p.A. ^{(1) *}	Member of the Board of Directors
Italo Romano	KME Italy S.p.A. ⁽¹⁾	Executive Deputy Chairman of the Board of Directors
	KME A.G. ⁽¹⁾	Member of the Management Committee
	EM Moulds S.r.l.	Sole Director
	Istituto Italiano del Rame S.r.l.	Chairman
Vincenzo Cannatelli	Aledia S.p.A.	Chairman of the Board of Directors
	ErgyCapital S.p.A. ^{(1) (3)}	Chairman of the Board of Directors
	Ntv S.p.A.	Executive Deputy Chairman of the Board of Directors
Mario d'Urso	Fondi Gabelli (Gruppo Gamco)	Member of the Board of Directors
	Il Sole 24 Ore S.p.A.	Member of the Board of Directors
Marcello Gallo	FEB S.p.A.	Chairman and Chief Executive Officer
	iNTEK S.p.A. ⁽³⁾	Deputy Chairman of the Board of Directors
	IntekCapital S.p.A. ⁽²⁾	Chief Executive Officer
	I ₂ Capital Partners SGR S.p.A. ⁽²⁾	Chief Executive Officer
	Fondazione Dynamo Onlus	Member of the Board of Directors
	ISNO 3 S.r.l. ⁽²⁾	Sole Director
	ISNO 4 S.r.l.	Sole Director
	FEI S.r.l.	Sole Director
KME A.G. ⁽¹⁾	Member of the Supervisory Board	
Giuseppe Lignana	Museo Nazionale del Risorgimento Italiano	Member of the Board of Directors
Gian Carlo Losi	None	
Alberto Pecci	Gruppo Industriale Pecci	Chairman of the Board of Directors
	El.En. S.p.A. ⁽³⁾	Member of the Board of Directors
Alberto Pirelli	Pirelli & C. S.p.A. ⁽³⁾	Deputy Chairman of the Board of Directors
	Gruppo Partecipazioni Industriali S.p.A.	Deputy Chairman of the Board of Directors
	Camfin S.p.A. ⁽²⁾	Member of the Board of Directors
	Pirelli Tyre S.p.A.	Member of the Board of Directors
	FIN.AP di Alberto Pirelli & C. S.a.p.a.	Chairman of the Board of Directors

(1) company controlled by KME.

(2) company controlled by iNTEK.

(3) company listed on a regulated market.

* served until 22 March 2011.

As far as the Company is aware, none of the members of the Board of Directors or Group Executives with strategic responsibilities at group level have, in the past five years, been found guilty of fraud nor, in the performance of their duties, been associated with bankruptcy, receivership or liquidation proceedings nor, finally, have been formally indicted or sanctioned by public or regulatory authorities (including professional associations) nor prohibited by a court from membership of a board of directors, management board or supervisory board or engaging in the management of any issuer.

The Board of Directors with respect to:

- the personal attributes and professional qualifications of its members;
- the number and importance of the above-listed positions;
- the high number of Board of Directors meetings attended by its members.

chooses not to limit in the discretion in the number of positions that each of its members may hold.

4.2.3 Role of the Board of Directors

The Board of Directors has all of the broadest powers for the organisation and management as well as the ordinary and extraordinary administration of the Company for the achievement of its objects (art. 14 of the Company Articles of Association). It determines strategic guidelines and monitors implementation, assures management continuity and determines the powers of executive Directors (arts. 15 and 16 of the Company Articles of Association). The examination and approval of the Company's and the Group's strategic, business and financial planning, the Company's corporate governance and the Group structure are responsibilities reserved solely for the Board of Directors.

The Board of Directors financial reporting responsibilities are to present:

- the separate and consolidated financial statements at 31 December;
- the interim financial statements at 30 June;
- interim directors' reports at 31 March and 30 September.

4.2.4 Delegations

The Board of Directors has appointed a Chairman and two Deputy Chairpersons (Vincenzo Manes and Diva Moriani) and has appointed two Directors to also act as General Managers (Riccardo Garrè and Italo Romano) with non-conflicting specific responsibilities. This functional and operational policy avoids the concentration of responsibilities in one person and is in compliance with the Code of Conduct.

Pursuant to art. 20 of the Company Articles of Association, the Chairman is the legal representative of the Company and has full powers to represent the Company in dealings with third parties and in legal proceedings.

Art. 16 of the Articles of Association provides that the Deputy Chairpersons have the same powers as the Chairman in order to deal with urgent matters or to substitute the Chairman in the event of his absence and/or other impediment.

The Board of Directors has, furthermore, delegated, solely to Deputy Chairman Vincenzo Manes, the powers of:

- coordination and guidance of the activities of other executive directors;
- guidance, coordination and control of external communications including communications with Shareholders;
- in particular, including, but not limited to, and consistent with instructions and guidelines decided by the Board of Directors, all matters regarding the management of the Company's administrative, financial, control, legal, tax, insurance, human resources and information technology affairs in addition to industrial and commercial matters and services. The Deputy Chairman has the powers to guide and coordinate all such activities by Group companies through the relevant operational designees and always within the limits of the Board of Directors strategic policies.

In exercising such powers, the Deputy Chairman may determine rules for the various internal departments, assign responsibilities, appoint attorneys-in-fact with single or joint signing authorities in addition to issuing orders and requirements for the organisation and functioning of the Company. Such powers may be delegated with respect to amounts between Euro 5 million and Euro 30 million.

The Deputy Chairwoman Diva Moriani has the powers for the management of the Company's administrative, financial, control, legal, tax, insurance and information technology affairs in addition to industrial and commercial matters and services and also human resources and internal communication; the Deputy Chairwoman has the powers to guide and coordinate all such activities by Group companies through the relevant operational designees and always within the limits of the strategic policies decided by the Board of Directors and by the Deputy Chairman Vincenzo Manes.

In exercising such powers, the Deputy Chairwoman may determine rules for the various internal departments, assign responsibilities, appoint attorneys-in-fact with single or joint signing authorities in addition to issuing orders and requirements for the organisation and functioning of the Company. Such powers may be delegated with respect to amounts between Euro 2 million and Euro 15 million.

The General Managers have single signing authority powers with respect to the following responsibilities:

- Director Riccardo Garrè: management of the Company's and the Group's industrial and commercial operations in the copper sector within the limits and pursuant to the guidelines established by the Board of Directors and the Deputy Chairpersons;
- Director Italo Romano: management of the Company's and the Group's administration, finances, planning, control and information technology within the limits and pursuant to the guidelines established by the Board of Directors and the Deputy Chairpersons.

Limits are applied to the authorities of both Directors, when acting in their capacity as General Manager, ranging from Euro 1 million to Euro 10 million per transaction depending on its nature.

As already noted, Domenico Cova resigned his positions in the Company as from 22 March 2011. He had powers for the management of the Company's and the Group's industrial and commercial interests in the copper segment, again within the limits and in accordance with the guidelines established by the Board of Directors and by the Deputy Chairpersons.

Due to the nature of their powers, the Deputy Chairpersons and the Directors Riccardo Garrè and Italo Romano are considered Executive Directors.

As set out in more detail in the section below on transactions with related parties, the Board of Directors has given both the Deputy Chairpersons specific powers.

Due to the fact that the two Executive Directors, who also hold the position of General Manager, are also members of the Management Board of KME A.G., which is a controlled intermediate holding company of the industrial Group operating in the copper sector, they are under an obligation to provide quarterly reports to the Boards of Directors and Statutory Auditors on the operations, outlook and significant transactions of the Company and its subsidiaries.

As for investments in other sectors, we note that in ErgyCapital S.p.A. the director Vincenzo Cannatelli, formerly Chairman of the Company's Board of Directors, increased his delegated powers as from 1 January 2011, following the resignation of the Chief Executive Officer Luca d'Agnese. As for Drive Rent S.p.A. its Chief Executive Officer is Ludovico Maggiore.

The Board of Directors is satisfied that its composition, both with respect to the number of its members and their professional attributes, is adequate for the size of the Company and is in compliance with the provisions of art. 147 *ter*, paragraph 4 of the TUF due to the presence of four independent Directors (1/3 of its members) and is thus able to adequately handle the problems it confronts. The same reasoning is also applicable to its constituent Committees. Directors are required to provide prompt notice in the event that they no longer meet the requirement for integrity pursuant to art. 147 *quinquies* of the TUF.

The Board of Directors is also satisfied that the organisational, administrative and accounting structure of the Company and its strategically important subsidiaries are adequate particularly as a result of system of internal controls and the manner in which conflicts of interest are handled.

The presence of executive Directors with specific, thorough, multidisciplinary professional experience in financial, industrial and administrative matters means that all of the most important aspects of the Company's affairs are satisfactorily covered.

Non-executive Directors, in turn, make an important contribution to the Board of Directors and the Committees to which they belong in terms of their professionalism and experience.

There is no waiver to the prohibition of competition pursuant to art. 2390 of the Italian Civil Code.

4.2.5 Independent Directors

In compliance with the requirements of art. 3.C.1. of the Code of Conduct, arts. 147 *ter*, paragraph 4 and 148, paragraph 3 of the TUF and CONSOB communication DEM/9017893 of 26 February 2009, the Directors Mario d'Urso, Giuseppe Lignana, Alberto Pecci and Alberto Pirelli each confirmed that they continue to qualify as Independent Directors pursuant to the aforementioned provisions and both the Boards of Directors and Statutory Auditors are in agreement.

Although the meetings pursuant to art. 3.C.6. of the Code are not held, they have been appointed to two Committees that consist solely of non-executive and independent Directors and hold separate meetings during the year.

With respect to the independence of Alberto Pecci, it should be noted that he was appointed Director by resolution of the Shareholders at their Meeting of 28 June 1996 for the years ending 31 December 1996 and 1997 and has, therefore, held the position continuously for over nine years in apparent contradiction with the criterion for independence pursuant to art. 3.C.1. letter e) of the Code of Conduct. In addition, Mr Pecci was personally a member of the former parent G.I.M. – Generale Industrie Metallurgiche S.p.A. syndicate, and thus in conflict with the criteria set out at points a) and b) of the same article.

Similarly, there is an apparent violation of the same criteria with respect to Mr Pirelli, who was a non-executive director of G.I.M. – Generale Industrie Metallurgiche S.p.A. until its merger with iNTEK S.p.A. (31 March 2007) and member of Pirelli & C. S.p.A. which is a member of the shareholding syndicate in G.I.M. – Generale Industrie Metallurgiche S.p.A. and KME Group S.p.A. He also joined the Board of Directors in 2000.

Following the same reasoning as applied to two members of the Board of Statutory Auditors, set out hereinafter, the Board of Directors, in agreement with the Board of Statutory Auditors, does not believe that the independence of Alberto Pecci and Alberto Pirelli is diminished and recognises, in fact and in substance, their full autonomy in reasoning and decision-making.

4.2.6 Lead Independent Director

The Board of Directors is satisfied that it is not necessary to appoint a “lead independent director” for the coordination of requests and contributions made by non-executive and, particularly, independent Directors because of the division of corporate responsibilities among four executive Directors and the existence of the two Committees that consist solely of independent Directors.

4.2.7 Internal procedures of the Board of Directors

The Board of Directors holds at least four meetings a year (art. 18 of the Company Articles of Association) which made also be held in the form of teleconferences or video conferences (art. 19 of the Company Articles of Association) and which are convened with sufficient advance notice of the agenda for the meeting (art. 18 of the Articles of Association). The relevant documentation is forwarded with due regard to the confidentiality of each of the agenda items.

Resolutions are validly approved when a majority of serving Directors are in attendance and there is an absolute majority of votes in favour cast by the attendees. In the event of a tie, the Chairman casts the deciding vote (art. 19 of the Company Articles of Association).

In the exercise of its powers to establish Committees and to determine their responsibilities and powers (art. 14 of the Company Articles of Association), the Board of Directors has created the following Committees which, pursuant to the Code of Conduct, must consist of non-executive Board Directors:

- Internal Control Committee;
- Remuneration Committee;

their composition and functioning are described below.

The Board of Directors, on the other hand, is satisfied that it is not necessary to establish an Executive Committee because it gave preference to the appointing two Directors as General Managers with specific and separate responsibilities with Deputy Chairman Vincenzo Manes coordinating their activities as well as the activities of the other Deputy Chairwoman.

An Appointments Committee was not created due to the presence of the controlling Shareholder on the Board of Directors.

In 2010, the Board of Directors met six times, the same number as in 2009. In 2011 four meetings have been planned as shown below:

- 16 March (examination of draft financial statements)⁽¹⁾;
- 12 May (examination of the 31 March interim directors’ report);
- 4 August (examination of the interim financial statements at 30 June);
- 10 November (examination of the 30 September directors’ report).

(1) The meeting was then postponed to 22 March

Meetings scheduled for the year are advised in January of each year and published on the Company's website.

Although the number of meetings attended by each Director are analysed in the table at the end of this Report, you are advised that attendance record for Directors and Statutory Auditors was 92% (compared to 93%) and 78% (compared to 90%), respectively; all absences were excused.

4.2.8 Processing of company information

In order to demonstrate that markets must be promptly, fully, adequately and not selectively notified of corporate actions, the Company adopted the "Code of Conduct regarding Information on Important Corporate Actions" in 2002 as recommended by the Code of Conduct and in compliance with the principles of Borsa Italiana's guidelines for market information.

The subsequent amendments introduced by legislation in connection with the TUF and by CONSOB and, therefore, Borsa Italiana S.p.A. rules led to its revision in March and November 2006 and again in November 2007. As a result of the reworded art. 114 of the TUF and in compliance with the art. 115 *bis* of the TUF, the so-called "relevant persons" identified with access to so-called "privileged information" are recorded in an electronic register created on 1 April 2006.

The procedure requires first and foremost that Directors and Statutory Auditors observe the confidentiality of privileged information which is also required of other persons with access to such information and ensuring that such information is only processed by persons aware of the nature and need for compliance and who have knowledge of the procedures required by CONSOB and Borsa Italiana S.p.A.

The role of an investor relations manager is performed by the individual company units for their respective areas. This decision takes account of the actual internal resources and structures of the Company and ensures that information is provided as and when required.

4.2.8.1 Transactions with related parties

Directors holding delegated powers notify transactions entailing potential conflicts of interest to the Board of Directors and the Board of Statutory Auditors as required by art. 14 of the Company Articles of Association.

The internal Rules adopted in March 2003 and first revised in November of the same year and then in 2005 and 2006 and finally on 11 November 2010 implement statutory requirements and comply with the Regulation adopted by CONSOB in its resolution no. 17221 of 12 March 2010 (hereafter the "Related Parties Regulation") which in particular requires that transactions with related parties, which are realised directly or through subsidiaries, must be carried out in compliance with the principles of:

- transparency;
- correctness in substance;
- correctness in procedures.

The Board of Directors are satisfied that the procedures required by the Rules, which may be viewed on the relevant page of www.kme.com are sufficient to safeguard against conflicts of interest.

Here below are the most important provisions of the Rules which are available in full in the specific section of the Company website.

4.2.8.1.1 Identification of parties

Related parties are those indicated by CONSOB, but the Board of Directors has identified as further "executives with strategic responsibilities" (under the corresponding CONSOB definition contained in the "Related Parties Regulation") also the executive directors of KME A.G., ErgyCapital S.p.A. and Drive Rent S.p.A. and has extended application of the procedure to them.

Specifically, the Directors and the Statutory Auditors of the Company, where they have an interest, either on their own behalf or on that of third parties, must inform the Board of Directors of this, in the person of its Chairman, detailing its nature, timeframes, origin and weight. Those Directors who have such an interest are also obliged to abstain from voting regarding it and they must absent themselves during the related procedure, except in the case where a different and unanimous resolution is passed by the Board of Directors regarding it.

An internal procedure is envisaged to draw up, manage and maintain the list of related parties and the list is updated every six months taking into account the equity investments owned and the information received from the Directors and the Statutory Auditors, as well as from the other executives with strategic responsibilities.

Group companies are required to comply with the internal Rules and ensure the flow of information to the Company.

4.2.8.1.2 Identification of transactions

“Transactions with related parties” means any transfers of resources, services or obligations between related parties, regardless of the fact that the action has been carried out for consideration.

This includes:

- merger, demerger or strictly non-proportional demerger transactions, if carried out with related parties;
- any decision on the allocation of compensation and economic benefits, in whatever form, for members of the administrative and control bodies and managers with strategic responsibilities.

In compliance with the indications in the CONSOB Regulation and its attachments, transactions are divided into:

- important transactions;
- less important transactions;
- exempt transactions.

4.2.8.1.3 Internal Control Committee

The Internal Control Committee, which is appointed by the Board of Directors and consists solely of independent and non-executive directors:

- watches over the fact that the procedures regarding transactions with related parties conform to the related legislative and regulatory measures that are applicable to them, as well as the fact that they are fully observed in practice;
- provides the Board of Directors with its opinion regarding the Company’s interest in undertaking transactions with related parties as well as regarding the cost-effectiveness and correctness of the related conditions.

Regarding important transactions, the Committee must be involved in both the investigative and negotiation stages through the complete and speedy receipt of all the related information.

The Committee has the discretionary power of being able to ask for information and making its comments to the delegated bodies and the parties assigned to carry out the related negotiations, as well as being assisted by its own independent experts, at the Company’s expense, for the purpose of evaluating the characteristics of the transaction.

Regarding the compensation of the executives who have strategic responsibilities for the Company and the Group, the competencies foreseen by the Related Parties Regulation for the Internal Control Committee are exercised by the Remuneration Committee to which the same provisions envisaged for the Internal Control Committee are applied and its decisions are communicated to the Internal Control Committee for the purpose of ensuring the best possible coordination between the two bodies.

The Chairman of the Board of Directors and the Chairman of the Board of Statutory Auditors are invited to take part in the Committee meetings. Executives, members of the administration and controls bodies of subsidiaries and associates, their executives, as well as representatives of the Independent Auditors may also be invited.

The resolutions of the Committee are validly passed with a majority vote and specific alternative procedures are envisaged for transactions in which members of the Committee are related parties.

The Minutes of the Committee meetings are drafted by the Secretary to the Board of Directors and, where applicable, must contain the reasons for the assumption that it is in the Company’s interest to carry out the transaction, as well on the basic appropriateness and correctness of the related conditions.

Important transactions are submitted for the prior approval of the Board of Directors that passes a resolution on them, observing the procedures laid down by article 19 of the Articles of Association, after having heard the reasoned opinion of the Internal Control Committee on the Company's interest in carrying out the transaction, as well as on the basic appropriateness and correctness of the related conditions.

The Committee's opinion is binding, with the warning that important transactions that have not had prior approval from the Committee cannot be carried out by the Board of Directors.

If the Board of Directors intends to carry out such a transaction without prior approval, it must call an ordinary Shareholders' Meeting, without delay, putting the approval of said transaction onto the meeting agenda. The Shareholders' Meeting passes valid resolutions regarding this with the majorities laid down by the Articles of Association.

The transaction is held to be not approved and, therefore, cannot be carried out, only if the majority of the voting non-related shareholders cast their votes against the transaction and if the non-related shareholders present at the Shareholders' Meeting represent at least 10% of the share capital with voting rights.

The less important transactions referred to in article 11 of the internal Rules are examined and resolved upon by the competent Company body in accordance with the related procedures currently in force.

4.2.8.1.4 Powers of the Deputy Chairpersons

The procedure envisages that Deputy Chairman Vincenzo Manes and, in the case of his absence or impediment, or where urgency is required, the Deputy Chairwoman Diva Moriani and as long as they, individually, have no conflict of interest regarding the transaction in question, have the power to approve transactions of the Company and its subsidiaries for an amount that is no higher than Euro 5 million.

Furthermore, the corresponding transactions of a higher amount than Euro 5 million as well as those for a lesser amount for which there exists a conflict of interest involving the Deputy Chairperson called upon to approve them, must be submitted to the Board of Directors for its prior approval.

In both cases the transactions must be submitted for the prior, non-binding and reasoned approval of the Internal Control Committee regarding the interest in carrying out the transaction, as well as regarding the basic appropriateness and correctness of the related conditions.

In the case of transactions that fall within the area of those decisions reserved for the Deputy Chairperson and regarding which the Committee has expressed a negative reasoned opinion, the Deputy Chairperson called upon to approve them must, without delay, inform the Chairman of the Board of Directors, who then has to inform the other Board members. Each one of the non-executive members of the Board of Directors, excluding the members of the Internal Control Committee, has the faculty of being able to call a meeting of the Board, within three days, for the purpose of passing a resolution regarding the approval of this type of transaction.

4.2.8.1.5 Exempt transactions

The internal Rules are not applicable to the following:

1. resolutions regarding the compensation of those directors invested with special duties, which fall within the total amount approved, in advance, by the Shareholders' Meeting pursuant to article 2389, paragraph 3, of the Italian Civil Code;
2. transactions of less than Euro 100,000.00 with physical persons and no higher than Euro 500,000.00 with other persons, as long as they do not present any risks linked to the characteristics of the transaction itself and also with the requirement that these transactions cannot have a significant impact on the financial position of the Company. In both cases the above amounts are meant to represent a year's transactions and, therefore, they are cumulative;
3. "Incentive Plans", based on financial instruments, approved by the Shareholders' Meeting, pursuant to article 114 bis, of the TUF (Consolidated Finance Act) and the related executive transactions;
4. resolutions regarding the compensation of directors invested with special duties, other from those in point 1 above, but only in the case where the conditions laid down by the measures regarding this matter as set out in article 13, paragraph 3, letters a) and b) of the Related Parties Regulation are observed;
5. ordinary transactions finalised at conditions equivalent to normal market conditions, or standard practice;
6. transactions with, or between, subsidiaries, as well as transactions with associates as long as, within the subsidiaries or associates that are the counterparts to the transaction, there are no interests, qualified as significant pursuant to the internal Rules, of other related parties of the Company.

Since important transactions are not subject to the obligation of publication in the “Information Document” pursuant to the applicable provisions, the Company shall:

1. communicate to CONSOB, within the timeframes laid down by the applicable measures, the name of the counterpart, the subject and the amount of the transactions.
2. show in the Interim and Annual Directors’ Reports which transactions, subject to the information obligations, have been finalised while taking advantage of the exclusion.

For the purposes of the non-application of the internal Rules, the following shall not be considered to be “significant interests”:

1. the mere sharing of one or more directors, or executives with strategic responsibilities, between the Company and subsidiaries and associates;
2. the existence of relations of an equity nature, excluding those referred to in the following point 3 and, in general, those arising from the compensation of executives with strategic responsibilities that is no greater than Euro 200,000.00, calculated cumulatively on a yearly basis, between subsidiaries and associates, on the one hand, and other related parties of the Company, on the other hand and that, in any case, impact, or are impacted by, the transaction in question;
3. the existence of incentive plans based on financial instruments or, in any case, on variable compensation, which depend upon the results achieved by the subsidiaries or associates with which the transaction has been carried out and whose beneficiaries are directors or executives with strategic responsibilities, also of the Company, and when the transaction in question is less than 5% of the results achieved by the subsidiaries and associates, on which the incentives are calculated;
4. when the subsidiary or associate is invested in by the party that controls the Company, if the effective weight of that equity investment is not higher than the effective weight of the equity investment owned by the same party in the Company.

Whenever it is foreseen that a series of homogenous transactions will be carried out with specific categories of related parties within the same year, they can all be authorised by a “Framework Resolution”.

4.2.8.1.6 Information

The Company supplies information, in its Interim and Annual Reports, regarding the following matters:

- on the individual important transactions finalised during the accounting period;
- on any other individual transactions with related parties, as defined pursuant to article 2427, paragraph 2, of the Italian Civil Code, also finalised during the accounting period, which have had a relevant impact on the financial position, or on the results of operations, of the Company;
- on any change or development regarding transactions with related parties, which were described in the last Annual Report and that have had a relevant impact on the financial position, or on the results of operations, during the accounting period.

In the case of a negative opinion by the Committee regarding a less important transaction, the Company shall make publicly available, within 15 days from the closing date of each quarter of the financial year and observing the conditions, timeframes and methodologies of the CONSOB Regulations, a “Document” containing the description of the aforesaid transaction.

Each quarter both the Board of Directors and the Board of Statutory Auditors must receive from the executive directors of the Company, a specific information report regarding the transactions with related parties that are not subject to the prior approval of the Board of Directors. The information report must explain the nature of the relationship, the conditions, specifically the economic conditions, the methodologies and the timeframes for the completion of the transaction, the evaluation procedure followed, the interest and the motivation underlying it and the reasons for it.

Furthermore, there must also be supplied a specific information document regarding the carrying out of those transactions that have had the prior approval of the Board of Directors, also through “Framework Resolutions”.

When important transactions take place, also when carried out by Italian and foreign subsidiaries, pursuant to article 114, paragraph 5, of the TUF, an “Information Document”, is drawn up in conformity with Attachment 4 of the Related Parties Regulation, and is attached to the internal Rules as letter c) and forms a substantial part of them.

4.2.8.1.7 Procedure for verifying the Rules

The Board of Directors will periodically check the effectiveness of the procedure that has been put in place and, in any case, see to it that it is reviewed together with the Board of Statutory Auditors every two years, while there always remains the possibility of making more timely and speedy interventions, for the purpose of ensuring the highest possible level of efficiency of the internal Rules.

4.2.8.1.8 Proposals to modify the Rules

To complete the work undertaken at the end of 2010, the Board of Directors decided to put for the approval of the next Shareholders' Meeting called for 27/28 April 2011 changes to articles 10 (Calling of Shareholders' Meetings) and 14 (Management of the Company) of the Articles of Association to enable the Board of Directors, should the transaction with the related party be urgent and need not be put for approval to the Shareholders' Meeting, to carry it out immediately in compliance with the conditions envisaged by the Related Parties Regulation.

If the transaction is then carried out by a subsidiary, the Board of Directors must be informed at its next meeting. In addition, given transactions to be put to the approval of the Shareholders' Meeting which are urgent and which are connected to critical situations in the Company, the transaction may be carried out by way of exception to the relevant provisions, provided that, at the subsequent Shareholders' Meeting called to pass resolutions in this regard, the provisions envisaged by the Related Parties Regulation for such situations are applied.

4.2.9 Composition and functioning of Board of Directors constituent Committees

4.2.9.1 Remuneration Committee

It should be noted that in March 2010 a new text was adopted for art. 7 of the Code of Conduct which deals with "remuneration" and which states that the Remuneration Committee consists of the directors Alberto Pirelli (Chairman), Mario d'Urso and Giuseppe Lignana, all of whom are non-executive and independent.

Directors' remuneration is determined by the Shareholders' Meeting on their appointment (see section on "The remuneration of directors and Group executives") and already includes differentiated remuneration for those who are part of the Committees.

The Board of Directors, pursuant to principle 7, point 3 of the Code, believes that all the members of the Committee have adequate know-how and experience of financial matters.

The Committee submits proposals to the Board of Directors for the remuneration of the Chairman, the Deputy Chairpersons, Chief Executive Officers and Directors with specific responsibilities and then monitors the application and relevant decisions.

It also assesses the criteria used for the determination of pay of executives with key responsibilities and makes general recommendations thereon to the Board of Directors and then monitors application.

Regarding the remuneration of Company and Group executives with strategic responsibilities, the Committee exercises the powers envisaged by the Related Parties Regulation for the Internal Control Committee in compliance with the provisions envisaged for the Committee itself. Its decisions are communicated to the Internal Control Committee in order to ensure the best possible coordination between the two Committees.

Its meetings, which are minuted, are attended by the regular members of the Board of Statutory Auditors thus assuring the coordination required by art. 21 of the Company Articles of Association. Although the Committee has the requisite powers, it has not deemed it necessary to use external consultants since it has considered as sufficient the information brought to its attention by the Company's divisions with respect to their decisions.

Two meetings were held in 2010, as in 2009, and both meetings were attended by all the members. In the meetings it formulated recommendations for the variable component of the pay for the Deputy Chairman Vincenzo Manes for 2010, as well as examining, on the basis of information supplied by the Chairman, the criteria adopted for the Group's senior management.

4.2.9.2 Internal Control Committee

The Internal Control Committee is appointed by the Board of Directors and is responsible for the system of internal controls. The members of the Committee are the Directors Mario d'Urso (Chairman), Giuseppe Lignana and Alberto Pecci.

All three members are non-executive, independent Directors with professional experience including accounting and finance deemed by the Board of Directors to be appropriate.

As already noted, the Internal Control Committee watches over the fact that the procedures regarding transactions with related parties conform to the related legislative and regulatory measures that are applicable to them, as well as the fact that they are fully observed in practice.

Further information regarding the Committee's activities is contained in the section entitled "Proceedings of the Internal Control Committee".

4.3 Board of Statutory Auditors

The Board of Statutory Auditors oversees compliance with the law and the Company Articles of Association with respect to the propriety of administration and, particularly, the adequacy of the organisational, administration and accounting structure of the Company as it actually functions.

4.3.1 Composition of the Board of Statutory Auditors

The current Board of Statutory Auditors was appointed by iNTEK S.p.A. (the then majority shareholder of the Company with 53.58% of voting capital) and appointed by the Shareholders at their Meeting on 29 April 2009 for 2009, 2010 and 2011 with their appointment terminating on the date of the Shareholders' Meeting held to approve the financial statements as at and for the year ending 31 December 2011. Shareholders resolved to unanimously elect the nominees with 55.42% of voting capital in attendance.

None of the Statutory Auditors, therefore, were appointed from a list submitted by a non-controlling Shareholder, which, pursuant to art. 22 of the Articles of Association, would be the highest non-controlling shareholding in accordance with arts. 147 ter, para. 1 of the TUF and 144 quater of the Issuers Regulation, which is currently identified at 4.5%, as per CONSOB Resolution no. 17633 of 26 January 2011.

The Board is comprised of three Standing Auditors and two Alternates. As with the Directors, their names are included in the documentation provided by the Company. A brief *curriculum vitae* follows for each of Statutory Auditors which is also available at www.kme.com:

Marco Lombardi (Chairman)

Marco Lombardi was born in 1959 and holds a degree in Political Sciences and is a registered certified accountant and Auditor with a professional practice in Florence. He also holds positions on other Boards of Statutory Auditors and acts at times on behalf of the courts and has also published several papers on taxation.

He joined the Board of Statutory Auditors on 1 September 2008.

Pasquale Pace (Standing Auditor)

Pasquale Pace was born in 1938 and holds a degree in Business Administration and is a registered certified accountant and Auditor with a professional practice in Bari. He also holds positions on other Boards of Statutory Auditors and, moreover, acts on behalf of the courts. He is a registered court technical expert with respect to administrative and criminal law.

He joined the Board of Statutory Auditors on 19 May 2006.

Vincenzo Pilla (Standing Auditor)

Vincenzo Pilla was born in 1961 and holds a degree in Economics and Business and is a registered certified accountant and Auditor with a professional practice in Florence. He is the author of publications and papers on company and tax matters. He also holds positions on other Boards of Statutory Auditors, including Group companies and acts on behalf of the courts.

He joined the Board of Statutory Auditors on 29 April 2009.

Lorenzo Boni (Alternate Auditor)

Lorenzo Boni was born in 1968 and holds a degree in Economics and Business and is a registered certified accountant and auditor with a professional practice in Florence. He is the author of publications and papers on company and tax matters and also engaged in activities at the University of Florence. He was appointed for the first time as Alternate Auditor on 29 April 2009.

Angelo Garcea (Alternate Auditor)

Angelo Garcea was born in 1969 and holds a degree in Economics and Business and is a registered certified accountant and Auditor with a professional practice in Florence. He is the author of numerous papers on taxation. He was appointed for the first time as Alternate Auditor on 28 October 1999.

As far as the Company is aware, none of the members of the Board of Statutory Auditors has, in the past five years, been found guilty of fraud nor, in the performance of their duties, has been associated with bankruptcy, receivership or liquidation proceedings nor, finally, has been formally indicted or sanctioned by public or regulatory authorities (including professional associations) nor has been prohibited by a court from membership of a board of directors, management board or supervisory board or engaging in the management of any issuer.

Art. 22 of the Company Articles of Association, which is entirely dedicated to the Board of Statutory Auditors, sets out the requirements in addition to the procedure for their appointment which includes:

- the submission of a list for the appointment and the curriculum vitae of each candidate at least 25 days before the Shareholders' Meeting in first call and so made available at least 21 days beforehand at the Company offices, on the Company website and through Borsa Italiana S.p.A.;
- if only one list has been presented by this deadline or lists which are interconnected pursuant to the laws in force, lists may be submitted up to the fifth subsequent day (a deadline reduced to the third day by the new provisions which are being adopted as part of the changes to the Articles of Association put to the extraordinary Shareholders' Meeting). In this case, the threshold is halved;
- the addition to the list of one alternate auditor designated by non-controlling Shareholders as a substitute, if required, for the standing auditor also selected from a non-controlling Shareholder list;
- in the event of a tie in the votes for two or more lists, the auditors in the list submitted by the Shareholder with the largest shareholding or, if this is not possible, the highest number of Shareholders, shall be deemed elected.

In particular, it is noted that In accordance with arts. 148 *bis* of the TUF and 144 *terdecies* of the Rules, Statutory Auditors may not hold more than five positions as Statutory Auditor in issuers.

The requirements of the Company Articles of Association with respect to the appointment of Statutory Auditors are available at www.kme.com and we would remind you that the procedure has been updated and made compliant with the new provisions by means of the resolutions of the Board of Directors' meeting of 11 November 2010 and that further detailed changes will be put to the Shareholders' Meeting called for 27/28 April 2011.

On appointment to the Board of Statutory Auditors, each member represents to be in possession of the prerequisites of professionalism and integrity required by regulation and the Company Articles of Association and to not be subject to any of the impediments listed in art. 148 of the TUF and undertakes to notify the Company within thirty days of any changes. The Boards of Directors and of Statutory Auditors periodically verify that each of their members still qualifies as independent in accordance with law and arts. 10.C.2. and 3.C.1., letter c) of the Code.

This verification was of particular relevance to the Chairman of the Board of Statutory Auditors, Marco Lombardi, and the Standing Auditor, Vincenzo Pilla due to the fact that they are members of other boards of Statutory Auditors.

The Board of Statutory Auditors, with the abstention of the interested parties, was of the opinion that their situation did not limit their independence because of their personal attributes and due to the fact that the memberships were not material seen within the overall context of their professional activities.

This assessment is also confirmed in the ethical conventions in force as from 1 January 2011 and approved by the Italian accounting profession, which invite the Board of Statutory Auditors to verify the existence of a “concrete threat” to the independence of its members on a case by case basis and on the basis of an assessment of the risks which may compromise its integrity and objectivity.

The Board of Statutory Auditors consequently announced the findings of the verification that was also conducted for the purposes of art. 149, paragraph 1, letter *c bis* of the TUF requiring verification of the actual implementation of the Code of Conduct.

Other positions as board directors and statutory auditors held by the Company’s Statutory Auditors held at other companies or in the Group are shown below and were provided to Shareholders when the Statutory Auditors were appointed. Their current number and importance for each auditor are below the thresholds envisaged by CONSOB and by the aforementioned ethical conventions.

The Board of Statutory Auditors conducts its activities as required, attends meetings of the Board of Directors and other constituent Committees and maintains an ongoing, fully independent direct relationship with all units of the Company.

Its relationship with the independent auditors is collaborative and entails the exchange of information.

In that connection, furthermore, the Board of Statutory Auditors oversees the independence of the independent auditors and confirmed in its Reports on the separate and consolidated Financial Statements that no other mandates had been concluded with the independent auditors either by the Company or the Group with the exception of those indicated in its Reports on the separate and consolidated Financial Statements.

We note the novelty that the aforementioned Directive 2006/43/EC on the legally-required audit introduced into the organisation of listed companies, i.e. the “Internal Control and Audit Committee”, a body identified with the Board of Statutory Auditors, with oversight of:

- financial reporting;
- the effectiveness of systems of internal control, internal audit and risk management;
- the legally-required audit of annual and consolidated financial statements;
- the independence of Auditors.

The remuneration of the Board of Statutory Auditors is disclosed in the following table as required by CONSOB (“Model 1” of attachment 3C of the Issuers Regulation):

Name (in Euro)	Position	Term of office	Expiry of the position	Emoluments	Nonmonetary benefits	Bonuses and other incentives	Other compensation ⁽¹⁾
Marco Lombardi	Chairman	01.01.10 - 31.12.10	31.12.2011	32.620	-	-	19.583
Pasquale Pace	Standing Auditor	01.01.10 - 31.12.10	31.12.2011	23.163	-	-	-
Vincenzo Pilla	Standing Auditor	01.01.10 - 31.12.10	31.12.2011	22.140	-	-	22.649

(1) Emoluments paid by subsidiaries.

The Board of Statutory Auditors met seven times during the year as it did in 2008. Its members’ rate of attendance was 95% (compared to 93%).

Set out below is a table showing the positions held by each Statutory Auditor as director or statutory auditor at 31.12.10 in joint-stock companies, limited partnerships and private limited companies.

Name	Company	Position
Marco Lombardi	RECS S.r.l.	Sole Director
	Brandini S.p.A.	Chairman of the Board of Statutory Auditors
	D&D La Certosa Firenze S.p.A.	Chairman of the Board of Statutory Auditors
	KME Italy S.p.A. ⁽¹⁾	Standing auditor
	Grifoni & Masini S.p.A.	Standing auditor
	SAIF Servizi Ass.ni Industriali Firenze S.r.l.	Standing auditor
	Associazione Partners Palazzo Strozzi	Internal auditor
Pasquale Pace	Baia San Giorgio – Villaggio turistico sportivo San Giorgio S.r.l.	Chairman of the Board of Statutory Auditors
	Primiceri S.p.A.	Chairman of the Board of Statutory Auditors
	Fidanzia Sistemi S.r.l.	Standing auditor
	Marzocca S.r.l.	Standing auditor
Vincenzo Pilla	KME Recycle S.p.A. ⁽¹⁾	Chairman of the Board of Statutory Auditors
	EL.EN. S.p.A. ⁽²⁾	Chairman of the Board of Statutory Auditors
	Deka Mela S.r.l.	Chairman of the Board of Statutory Auditors
	Lasit S.p.A.	Chairman of the Board of Statutory Auditors
	Affitto Firenze S.p.A.	Chairman of the Board of Statutory Auditors
	KME Italy S.p.A. ⁽¹⁾	Chairman of the Board of Statutory Auditors
	Cut Lite Penta S.r.l.	Standing auditor
	Geikos S.p.A.	Standing auditor
Lorenzo Boni	KME Italy S.p.A. ⁽¹⁾	Standing auditor
Angelo Garcea	no other positions held	

(1) company controlled by KME.

(2) company listed in a regulated market.

4.4 Shareholders' Meetings: powers, procedures and rights other than those provided by law

The Shareholders' Meeting's powers and responsibilities are those set out in the Italian Civil Code and the TUF.

As noted previously, the transposition of EU Directive no. 36/2007, commonly known as the "shareholders' rights directive", has profoundly changed the provisions regarding the involvement of shareholders in the activities of listed companies.

The Shareholders' Meeting in fact now consists of those who have voting rights and whose prepared communication, sent by authorised intermediaries, has reached the company, pursuant to the provisions in force, on the basis of the entries in the accounting records relating to the end of the accounting day on the seventh day of trading prior to the date set for the Shareholders' Meeting in first call, and which has reached the company within the legal deadlines.

The consequent changes which were introduced into the Articles of Association and into internal procedures by the Board of Directors aim to confirm and ensure equality of treatment for all the Shareholders so that they are in the same position as regards participation in and exercise of voting rights at Shareholders' Meetings and will be completed with further changes which will be put for the approval of the extraordinary Shareholders' Meeting called for 27/28 April 2011, to which reference should be made via the subsequent Directors' Report.

The Company Articles of Association (arts. 2 and 14) empower the Board of Directors to determine the registered and any secondary offices, to approve mergers and demergers of subsidiaries, to reduce share capital in the event of a withdrawal by a Shareholder and to adjust share capital as a result of any changes in law. In addition, at the Shareholders' Meeting called for 27/28 April 2011, it will be proposed to extend the decision and the discretion of the Board of Directors for particular cases regarding transactions with related parties, naturally in compliance with the exceptions allowed by the laws in force.

We note that art. 10 of the Articles of Association envisaged that the call of the meeting be made via publication on the Company's website, but that it has also been decided to still publish the related announcement in a newspaper (which are currently: "Il Sole 24 Ore" - "MF - Milano Finanza" - "Italia Oggi"), in addition to the announcement in the Official Gazette.

In any case, we note that the website www.kme.com contains a specific area dedicated to corporate governance and is constantly renewed and updated. For the Shareholders' Meeting called for 27/28 April 2011, part of the website has been dedicated to the related documentation, including not only the documentation on the items on the agenda but also that for the exercise of Shareholders' rights as envisaged by art. 125 quater of the TUF, such as, for example, the format for proxy voting, the documentation for the appointment of the Designated Representative, and that for voting by correspondence.

As regards the provisions for the deposit of shares in order to participate at Shareholders' Meetings, art. 11 (Participation and representation at Shareholders' Meetings) of the Articles of Association already includes the principle of the "record date", and is a revolution compared to the previous procedure. Effectively participation at Shareholders' Meetings is now connected to the entries in the accounting records as at the seventh open trading day preceding the date set for the Shareholders' Meeting in first call.

We also note the new provisions regarding the issue of proxies and electronic notification of the same which are contained in art. 11 of the Articles of Association.

The same article of the Articles of Association contains the provisions to exercise voting rights by correspondence, provisions which moreover are subject to examination by the aforementioned Shareholders' Meeting in order to be in line with the new laws in this regard.

Naturally, the Shareholders' Meeting called for 27/28 April 2011 is subject to these laws.

The other methods of participating in Shareholders' Meetings are contained in art. 10 (Calling of Shareholders' Meetings) of the Articles of Association, particularly with reference to the protection of non-controlling Shareholders with respect to the appointment of Directors and Statutory Auditors.

In a departure from the Code, the Company has decided to dispense with Shareholder Meeting Rules and Regulations due to the existence of the provisions of Chapter III of the Company Articles of Association.

In that connection, art. 12 (Chairmanship of the Shareholders' Meeting) of the Articles of Association expressly requires the Chairman of the Shareholders' Meeting to assure the propriety of the proceedings by directing and regulating deliberations and limiting the length of individual contributions.

Savings Shareholders are not permitted to participate in meetings of ordinary Shareholders.

Each share carries unrestricted voting rights unless otherwise provided by law.

In 2010, one ordinary Shareholders' Meeting was held on 29 April.

4.4.1 Company Articles of Association and protection of non-controlling Shareholders

Unless otherwise provided by law or the Articles of Association, the Company Articles of Association may not be amended unless approved by Shareholders' resolution in the manner and with the majority prescribed by legislation.

The Company Articles of Association contain provisions for the protection of non-controlling Shareholders with respect to the calling of Shareholders' Meetings, inclusion of agenda items (art. 10) and appointment of the Boards of Directors (art. 17) and Statutory Auditors (art. 22) the appointment of proxies, voting by mail (art. 11), the Board of Statutory Auditors reporting requirements (arts. 14 and 18) and the Joint Representative of Savings Shareholders (art. 24).

In particular, arts. 17 (Appointment and Composition of the Board of Directors, term of office of members) and 22 (Board of Statutory Auditors) of the Company Articles of Association were amended in 2007 through the introduction of non-controlling Shareholders' voting lists.

Among the changes to the Articles of Association (respectively art. 13 and art. 5) to be put to the Shareholders' Meeting called for 27/28 April 2011, are mention of the right of Shareholders to put forward questions before the Shareholders' Meeting (art. 125 bis, para. 4, lett. b), no. 1) of the TUF) and the right to require identification of Shareholders (art. 83 duodecies of the TUF).

4.4.1.1 Additions to the Agenda

Art. 10 of the Articles of Association highlights, in compliance with art. 126 bis of the TUF, that shareholders who represent at least one fortieth of the share capital may ask, within 10 days of publication of the call notice for the Shareholders' Meeting, for an addition to the list of items to be addressed. The request must be presented in writing and must contain an indication of the items to be addressed. The deadline of 5 days which is currently indicated in the Articles of Association may be changed by the extraordinary Shareholders' Meeting called for 27/28 April 2011 in order to align it to the new law in force, and since it conflicts with this law, is henceforth no longer applicable.

The request for an addition is published in the same way as the call notice within the legal deadlines.

Agenda items may not be added with respect to matters for resolution by Shareholders as required by law, proposed by Directors or with reference to a project or report proposed by Directors, other than those specified in art. 125 ter, paragraph 1 of the TUF.

4.4.1.2 Request to call Shareholders' Meeting

As noted by art. 10 of the Articles of Association, and as envisaged by art. 2367 of the Italian Civil Code, Shareholders who represent a twentieth of the share capital in terms of ordinary shares can ask the Chairman of the Board of Directors to call a Shareholders' Meeting.

The request must be made by registered post and must contain the list of the items to be included on the Agenda and the detailed list of those requesting the meeting, attaching a copy of the communication issued by the authorised intermediaries bearing witness to ownership of the shares and their number.

4.5 System of Internal Controls

4.5.1 Proceedings of the Internal Control Committee

The Internal Control Committee is responsible for fixing the guidelines and areas of internal controls for the identification and management of the principal risks to which the Company is exposed. It consequently:

- assists the Board of Directors in the execution of its duties with respect to internal control;
- assesses, together with the Manager Responsible for Financial Reporting and the internal auditors, the correct application of accounting policies and their consistency for the purposes of presenting consolidated financial statements;
- opines, at the request of the executive Director responsible for the system of internal controls, on specific aspects of the identification of the principal risks to which the Company is exposed in addition to planning, implementing and managing the system of internal controls;
- examines the internal audit plans and the periodic reports prepared by the internal control officers;
- assesses the independent audit plan and the findings reported and any letters of recommendations;
- oversees the effectiveness of the process of auditing the financial statements.

The Committee has access to the information required for its work and reports on its activities to the Board of Directors at least once every six months.

The Chairman, Deputy Chairman Vincenzo Manes and the Director and General Manager Italo Romano (the last two with respect to their specific responsibilities for internal control) and the Chairman of the Board of Statutory Auditors (or any other standing auditor designated by that Chairman) are invited to attend the Committee's meetings.

The Committee met twice in 2010 as in 2009 and two-thirds of its members were present. The Chairman of the Board of Statutory Auditors was present at both meetings which were minuted.

The Board of Directors is satisfied that the Company's system of internal controls is, as required by art. 8 of the Code, adequate for the types of risks typical of the Company's business and is sufficient to safeguard the Company's assets, the efficiency and effectiveness of its operations, the reliability of financial information and compliance with laws and regulations.

4.5.2 Executive director responsible for the system of internal controls

The Deputy Chairman, Vincenzo Manes, is responsible for overseeing the system of internal controls.

4.5.3 Head of Internal Control

The appointment of the Head of Internal Control has been delegated by the Board of Directors to the Deputy Chairman to whom the Head reports. Organisationally, the Head of Internal Control is independent of all operational units and, in turn, has no operational responsibilities. The Head also reports to the Internal Control Committee and the Board of Statutory Auditors and their work is equivalent to internal audit.

The Head of Internal Control has direct access to all information required for the performance of his duties which are the verification and assessment of the adequacy and effectiveness of the Company's system of internal controls and the compliance of the operations of the various units of the Company with procedures, corporate policy, laws and regulations as may be in force from time to time, particularly with respect to the reliability and integrity of information processed, the safeguard of the Company's assets and, together with the Manager Responsible for Financial Reporting, the adequacy and consistency of accounting policies for the purposes of presenting financial statements.

4.5.4 Internal Audit

The Head of Internal Control is responsible for internal controls as well as internal audit.

4.5.5 Role of the Board of Directors with respect to the system of internal controls

As required under criterion 8.C.1 of the Code, the Board of Directors defines the guidelines for the system of internal controls in such a manner as to assure the principal risks to which the Company is exposed are correctly identified and monitored in accordance with sound management practices.

4.5.6 Manager Responsible for Financial Reporting

At its meeting of 29 April 2009 and in accordance with the provisions of art. 16 of the Company Articles of Association and after having ascertained the possession of the necessary professional and personal attributes and the individual's integrity, the Board of Directors, with the agreement of the Board of Statutory Auditors, re-appointed Marco Miniati as the Manager Responsible for Financial Reporting who was originally appointed on 21 June 2007. Mr. Miniati was made responsible for the performance of the relevant duties and was given all necessary powers for which he is separately remunerated.

Marco Miniati was born in 1960 and has been a Group Executive since 1997. His activities have been focused on the control of operations of the French and German companies. He became the General Manager of Administration, Controlling & Planning in 2005.

The term of the appointment is the same as that for the Board of Directors, in other words to the date of the approval of the financial statements as at and for the year ending 31 December 2011.

The first declaration pursuant to art. 154 bis, paragraph 2 of the TUF was made by the then Manager Responsible with respect to the quarterly report of 30 September 2007, with the first declaration pursuant to paragraph 5 of the same article having been made with respect to the financial statements as at and for the year ended 31 December 2007.

The Manager Responsible provides periodic reports to the Internal Control Committee and the Board of Statutory Auditors on his work and has an ongoing relationship with the independent auditors.

The Board of Directors annually checks possession of the necessary prerequisites for the Manager Responsible.

4.5.7 Risk management system with respect to financial reporting

To assure compliance with art. 123 bis, paragraph 2, letter b) regarding the reliability of separate and consolidated financial statements, the Company had the internal control department undertake a project under the supervision of the Internal Control Committee and with the assistance of Ernst & Young to verify the system of internal controls over the Group's financial reporting in order to assure consistence with international financial reporting standards and compliance with the requirements of the "Law on Saving" 262/05. The project was fully completed and implementation verified for the 2008 financial statements.

KME's risk management system should not be seen in isolation from the System of Internal Controls since both are components of the same system.

The purpose of the system is to assure the reliability, accuracy, and timeliness of financial reporting.

The Company's guidelines for the development, implementation, monitoring and updating of the system over time are based on recognised international best practice (Committee of Sponsoring Organisations of the Treadway Commission - COSO Report) that defines Systems of Internal Controls as the combination of rules and procedures, techniques and tools used to manage the company to assure the achievement of its objectives.

The principles followed in accordance with the COSO Report are those to assure: a) the efficiency and effectiveness of operations; b) accuracy of financial reporting; and, c) compliance with laws and regulations.

The COSO Report also sets out the essential components of an effective System of Internal Controls:

- *control environment*: the basis of the System of Internal Controls characterised by the sensitivity of the Company's senior management to procedures and structure (formalisation of job descriptions, responsibilities, internal communication systems and the timeliness of information) consistent with corporate strategies and objectives;
- *risk assessment*: management's identification and analysis of risks inherent in the achievement of predefined objectives as well as the determination of risk management methods;
- *control activities*: the methods, procedures and practices used to define and implement the organisation's controls for the purposes of mitigating risks and assuring the achievement of targets set by management;
- *information and communication*: the provision of support for all other aspects of control by communicating control responsibilities to personnel and by providing information in the form and at the time required for individuals to continue their work;
- *monitoring*: the activity performed by various parties in the company for the ongoing control of the propriety of the System of Internal Controls in order to overcome critical contingencies and to prepare for the maintenance, updating and improvement of the System.

4.5.7.1 Description of the key aspects of the existing risk management system and the system of internal controls in connection with financial reporting

a) Description of the key aspects of the existing risk management system and the system of internal controls in connection with financial reporting

- Identification of financial reporting risks: KME Group S.p.A. has determined the units and processes at risk in terms of the potential impact on financial reporting in addition to the consequent risk of not achieving control objectives (e.g., the assertions of financial statements and other objectives of financial reporting). These risks relate to unintentional or fraudulent errors that are likely to have a significant impact on financial reporting.
- Prioritisation of financial reporting risks: KME has identified the key criteria to be used for the assessment of the previously identified risks inherent in financial reporting.
- Identification of controls addressing risks identified: this entails KME marshalling data on the system of internal controls over financial reporting as actually implemented and the key characteristics of the controls identified mitigating financial reporting risks.

- Assessment of controls addressing the risks identified: in this step, KME evaluates the key characteristics of its monitoring process or the manner in which controls over risks identified are periodically prioritised (both in terms of purpose as well as effectiveness).

In order to assure that the system of internal controls over financial reporting is highly reliable, the Company:

- implements and continually updates the combined administrative and accounting procedures (accounting policies, rules regarding the presentation of Consolidated Financial Statements and interim reports, etc.) by which the Parent ensures that information is efficiently exchanged with subsidiaries under its direct coordination. Subsidiaries, moreover, are given detailed operational instructions with respect to the Parent's guidelines;
- evaluates, monitors and continually revises the System of Internal Controls over financial reporting taking a top-down risk-based approach consistent with the COSO Framework that focuses attention on the key risks of unintentional or fraudulent errors in the financial statements and notes thereto;
- classifies controls used in the Group into two principal categories in accordance with best international practice:
 - *entity level controls* at group or individual subsidiary level (assignment of responsibilities, inherent and delegated powers, separation of duties and assignment of privileges and rights of access to IT applications);
 - *process level control*, (authorisations, reconciliations, verifications of consistency, etc.), with respect to operational processes, closing the books and so-called "transversal" processes relating to the Group's IT services.

The controls can be either preventive or detective in nature depending on whether they are intended to prevent or detect unintentional or fraudulent irregularities in the financial statements; and either manual or automatic such as the validations run by software on the business systems;

 - has the effectiveness of the design and implementation of controls verified by internal audit or dedicated units at subsidiary-level using random sampling techniques in accordance with best international practice;
 - identifies any backup controls, remedial action or planned improvements in the monitoring of controls.

The findings are periodically examined by the Manager Responsible for Financial Reporting and notified to senior management and the Internal Control Committee, which in turn reports them to the Parent's Boards of Directors and Statutory Auditors.

b) Related roles and company units

KME clearly identifies roles and the units involved in the design, implementation, monitoring and revision of the System of Internal Controls particularly with respect to the staff (Manager Responsible, Head of Internal Control, Process Owner, Control Owner, Testers).

4.5.8 Independent auditors

KPMG S.p.A. has been appointed to perform the audit, pursuant to arts. 155 and following of the TUF, of the separate and consolidated financial statements as well as the interim separate and consolidated financial statements of KME Group S.p.A.

KPMG S.p.A. is the "principal auditor". The current mandate was approved by Shareholders on 23 May 2007 on the recommendation of and for the reasons cited by the Board of Statutory Auditors and will terminate with the presentation of the financial statements as at and for the year ending 31 December 2015.

The director of audit for the independent auditors is Riccardo Cecchi who has held this role since 25 October 2007 with the certification issued in relation to the interim financial statements at 30 June 2007.

Total fees paid to KPMG were Euro 137,000. Total fees paid by the Group were Euro 1,378,000. The relevant details have been annexed to the notes of the separate financial statements.

The only additional services KPMG was engaged to provide during the year have been included in the schedule pursuant of art. 149 duodecies of the Issuers Regulation shown below:

- preparation of the compliance opinion for the “KME Group S.p.A. Stock Option Plan 2010-2015”;
- verification of the financial ratios relating to the medium to long-term loan agreement;
- other services in connection with administrative and tax returns.

As part of its duties, the Board of Statutory Auditors is also responsible for monitoring the independence of Auditors.

4.5.9 The Oversight Body and “Model 231”

The Company has adopted the organisational and management model pursuant to Legislative Decree 231/01 which has been revised in accordance with the amendments to the Decree. An Oversight Body comprising multiple Company and Group units which, in addition to assuring that the model is continually up to date, monitors its effectiveness through specific verifications of those corporate segments considered to be the most sensitive. The Chairman of the Board of Statutory Auditors participates in its meetings.

4.6 Investor relations

To underline the importance of Shareholders’ Meetings as the best method for the Board of Directors to provide information to Shareholders on the Company’s performance and outlook, in order to facilitate better informed participation in Shareholders’ Meetings, besides the deposit of documents envisaged by the provisions in force, the Company sends Shareholders who have taken part in the last three Shareholders’ Meetings (or who have requested it) an “IT support” (previously it was a printed collection of documents) containing the related documentation at least one week before the holding of the meeting. In addition, during all Shareholders’ Meetings, all those participating are given a folder with the related documentation which, for the Shareholders’ Meeting for the financial statements, is accompanied by a copy of the Articles of Association in force.

The quality and timeliness of public announcements, which are fundamental for the provision of information to Shareholders and the market, have been assured through the development and use of the website **www.kme.com** which contains all information on the industrial companies of the Group which was previously available from a separate site through links. There is unrestricted access to the site and all information can be easily found with the most recent being highlighted.

The site is updated as and when information is released through the electronic NIS (Network Information System) managed by Borsa Italiana S.p.A.. NIS was developed for the dissemination to the public of Companies’ press releases to media companies tied into the system, to Borsa Italiana S.p.A., which replicates them as stock market notifications, and to CONSOB.

The site not only contains archived documentation, accounting and financial documents (annual, half-year and quarterly financial statements, share performance with graphs) and information on corporate actions (annual schedule, corporate governance reports, exercise of rights, callings of Shareholders’ Meetings and methods of participating, procedures for the appointment of the Board of Directors and the Board of Statutory Auditors), but also information and data on the range of products, their application and information of interest to suppliers and customers.

An ample section of the site is dedicated to corporate governance (bodies, Company Articles of Association, Warrant Terms and Conditions, Procedures and Internal Codes, minutes), with special pages dedicated to any pending, non-routine matters. The site also contains the annual information documents from 2005 required by art. 54 of the Issuers Regulation.

A considerable amount of the information is now also available in English particularly press releases, financial statements and interim reports.

During 2010, the website **www.kme.com** was accessed over one and a half million times by over 700 thousand visitors with over 4.5 million pages visited, a marked increase on 2009. In particular, it is noted that the interactive version of the 2009 financial statements received over 4,500 visits both in Italian (60%) and in English (40%).

Around 5,000 pdf files of the financial statements alone were downloaded and the presentation of the Group, which is updated whenever quarterly figures are published, was downloaded, primarily in English, over 2,800 times.

There is also a continual dispatch service of announcements and documents issued by the Company to persons on a mailing list. Over 22,000 items were sent during the year (1,184 names on the mailing list compared to 1,221 for 2009).

It is of course possible to e-mail requests to the Company at investor.relations@kme.com.

For the Shareholders' Meeting of 27/28 April 2011, the website has a specific section where it is possible to easily find all the documentation on the items on the Agenda as well as that relating to the means of participating in the Shareholders' Meeting, as also indicated by art. 125 quater of the TUF.

The Board of Directors is satisfied that the website has improved and incremented the quality and quantity of information available on the Company, the Group, their industrial operations and that it is increasingly facilitating the timely dissemination of information to Shareholders and financial and other markets.

4.7 Other Corporate Governance issues

4.7.1 Internal Dealing Code

As of 1 April 2006 following the entry into force of the requirements in connection with internal dealing introduced by Law 62 of 18 April 2005 and the consequent amendments to CONSOB's Issuers Regulation, the Board of Directors decided at its meetings of March and November 2006 and then in November 2007 to amend and subsequently keep up to date the procedure regarding internal dealing for the purposes of:

- assuring the dissemination to and facilitating the awareness of "relevant persons" with respect to the amended requirements;
- maintaining the procedure's efficiency and updating.

As an aside, the black-out periods with respect to trading in the Company's financial instruments by "relevant persons" has been maintained.

Note that the table below has been "enhanced" with further details compared to that envisaged by CONSOB (in other words "Model 3" of Attachment 3C of the Issuers Regulation) to enable an easier comparison on an annual basis and a better understanding of the impact of operations which affected the Company's shares during 2010, the investments held in the Company and in its subsidiaries by the directors and Statutory Auditors are indicated below:

First and last names	Investee	Number of shares held at the end of 2009 pre-split	No. shares allocated following the split (08.02.2010)	No. KME 06/11 warrants allocated by iNTEK S.p.A. following the free distribution (15.02.2010)	No. shares allocated following the demerger (22.03.2010)	Number of shares bought during 2010	Number of shares sold during 2010	Number of shares held at the end of 2010
Salvatore Orlando	Kme Group S.p.A.	==	==	n. 737,849 w. 06/11	n. 3,293,995 az. ord. n. 156,875 w. 09/11		==	n. 3,293,995 az. ord. n. 737,849 w. 06/11 n. 156,875 w. 09/11
Diva Moriani	Kme Group S.p.A.			n. 44,240 w. 06/11	n. 197,500 az. ord. n. 73,145 w. 09/11	n. 73,330 az. ord.(b) n. 161,326 diritti d'opz.	n. 44,240 w. 06/11 n. 73,145 w. 09/11	n. 270,830 az. ord.
Domenico Cova	Kme Group S.p.A.	n. 75,000 az. ord.	n. 37,500 az. ord.	==	==	n. 51,135 az. ord. (b)	==	n. 163,635 az. ord.
Italo Romano	Kme Group S.p.A.	n. 75,000 az. ord.	n. 37,500 az. ord.	==	==	n. 51,135 az. ord. (b)	==	n. 163,635 az. ord.
Vincenzo Cannatelli	Kme Group S.p.A.	n. 97,663 az. ord. n. 104,218 w. 06/11	n. 48,831 az. ord.	==	==		==	n. 146,494 az. ord. n. 104,218 w. 06/11
Marcello Gallo	Kme Group S.p.A.	==		n. 86,940 w. 06/11	n. 388,125 az. ord. n. 127,312 w. 09/11	n. 180,000 az. ord (b) n. 396,000 diritti d'opz.		n. 568,125 az. ord. n. 86,940 warrant n. 127,312 warrant
Gian Carlo Losi	Kme Group S.p.A.	n. 64,788 az. ord.	n. 32,394 az. ord.	==		n. 44,175 az. ord. (b)	==	n. 141,357 az. ord.
Alberto Pecci	KME Group S.p.A.	n. 1,399 az. ord. n. 7,166 az. risp. n. 65,317 az. risp. (a) n. 24,176 warrant	n. 698 az. ord. n. 3,583 az. risp. n. 32,658 az. risp.(a)	n. 132,587 w. 06/11	n. 591,920 az. ord. n. 161,430 w. 09/11	n. 4,855 az. risp. (b) n. 22,270 az. risp. (a) b)	n. 594,017 diritti d'opz. n. 48,981 diritti d'opz.(a)	n. 594,017 az. ord. n. 15,634 az. risp. n. 120,245 az. risp.(a) n. 156,763 w. 06/11 n. 161,430 w. 09/11

(a) indirect holding through subsidiary;

(b) shares received by subscribing share capital increase.

A description of the procedure is available in a separate section of www.kme.com which also includes a list of transactions by name that are subject to reporting.

4.7.2 Protection of personal data

A Data Security Planning Document has been adopted for the protection of personal data in accordance with art. 26 of Annex B - Minimum Specifications for Data Security of Legislative Decree 196 of 30 June 2003 (the Personal Data Protection Code). The relevant unit is headed by Lorenzo Cantini.

4.8 Changes after the end of the reporting period

After the end of the year, no extraordinary transactions were undertaken, while work continued to verify the efficiency of and update the provisions and procedures of the Company in light of the numerous changes introduced on governance. The work will expand further due to the changes to the Articles of Association put for the approval of the Shareholders' Meeting called for 27/28 April 2011. Particular attention has been dedicated to the organisation of the Company website in order to facilitate the involvement of Shareholders in the activities of the Company and to increase their knowledge of it.

For the sake of completeness, we note that at KME Group S.p.A., as from 22 March 2011 Domenico Cova resigned his positions as Director and General Manager and Riccardo Garrè was co-opted on the same date pursuant to and in application of art. 2386 of the Italian Civil Code and also took over as General Manager. As from the same date, the Deputy Chairwoman Diva Moriani took over as Chairwoman of the Board of Directors of ErgyCapital S.p.A. from Vincenzo Cannatelli who was appointed Chief Executive Officer at the same time.

5. Third part: remuneration of Directors and other Group senior management

The issue of the remuneration of directors and executives with strategic responsibilities is closely followed and subject to significant legislative changes.

In particular, in February 2011 Legislative Decree no. 259 of 30 December 2010, which transposes the Recommendations of the European Commission no. 913 of 2004 and no. 385 of 2009, came into force and led to the introduction in the TUF of the new art. 123 ter. In particular, the law envisages the obligation to prepare a "Remuneration Report" to be presented at the Shareholders' Meeting for the separate financial statements, an obligation which will start next year. The related resolution of the Shareholders' Meeting will not be binding.

Previously, on 18 January 2011 CONSOB started a consultation process on remuneration, self-assessment of the Board of Directors and succession plans in anticipation of the issue of a communication and recommendation on these matters. The consultation ended recently on 24 February 2011 with communication no. DEM/1101984 with which CONSOB requires listed companies to indicate in their Report a number of pieces of information with practically immediate effect.

The first series of requests made by CONSOB regards the possible existence, and the related details, of the agreements indicated in art. 123 bis, para. 1, lett. i) of the TUF, in other words in regard to agreements which envisage compensation for directors in the case of resignation or dismissal without just cause or if the employment relationship has ceased following a takeover bid. In this regard refer to paragraph 5.2.2 below.

The second series of requests from CONSOB concerns the preparation of the so-called "Model 1" contained in Attachment 3C of the Issuers Regulation, with the recommendation to listed companies to implement it fully and promptly. The Model in question is set out in paragraph 5.2.1 below.

Art. 7 of the Code of Conduct was also completely revised during 2010 and its new provisions will become applicable during 2011, with a communication in the same Report which will be presented next year.

Starting with this Report the Company is already therefore beginning to update the format used for "remuneration" and to supplement its content in the sense indicated in the new provisions.

5.1 The provisions of the Articles of Association regarding the remuneration of directors

Art. 8 of the Company Articles of Association requires the distribution of 2% of earnings after allocation to the Legal Reserve to the Directors. Art. 21 empowers the Shareholders' Meeting to determine a fixed payment to Directors whereas an additional payment to those Directors with additional specific powers may be authorised by the Board of Statutory Auditors.

The annual fixed payment to Directors, to be divided equally among the Directors subject to a 50% increase payable to Directors who are members of the Board of Directors' constituent committees was set at Euro 195,000.00 by the Shareholders' Meeting of 29 April 2009. The fixed payment, however, shall be treated as payment on account of the amount pursuant to art. 8 of the Articles of Association. The fixed payment is therefore Euro 13,000.00 for each Director, plus Euro 6,500.00 if they are member of a Committee.

The responsibilities of the "Remuneration Committee" were described in the previous section.

5.2 Remuneration policy and the procedures used

Remuneration policy is a key tool to create sustainable corporate value. It contributes to maintaining a high level of professional skills and aligning individual targets and conduct to the Group's medium to long-term strategies and plans.

An overall pay structure which is balanced consists of:

- an adequate balance between fixed and variable pay. Variable pay must not be predominant and must envisage maximum limits. Particular attention should be paid to the fixed element of pay, as a safeguard for professional skills, in close connection with the role covered, the breadth of responsibility and maintaining positive results over time;
- an appropriate formulation of variable pay, which looks at the medium to long-term goals and avoids only considering short-term actions. The connection between pay and performance must be based on preset, measurable parameters which are connected not only to quantitative evaluations but also to qualitative judgments, with particular attention paid to the clear weighting of risks;
- focus on the creation of value for Shareholders over the medium to long-term.

Remuneration policy for executive directors and the criteria for the remuneration of executives with strategic responsibilities are put for the approval of the Board of Directors at the proposal of the Remuneration Committee, which consists solely of independent directors, and with the favourable opinion of the Board of Statutory Auditors.

5.2.1 Directors' remuneration

The breakdown of directors' remuneration in 2010, including in subsidiaries, is shown in the table below which has been prepared in accordance with CONSOB indications (in other words "Model 1" as set out in Attachment 3 C of the Issuers Regulation).

The table also shows the combined total of remuneration for other "executives with strategic responsibilities" who – for the purposes of this paragraph – are identified for 2010 as two further members of the Vorstand of KME A.G. (Roelf Evert Reins and Riccardo Garrè) and the Chief Executive Officer of Drive Rent S.p.A. (Ludovico Maggiore).

Name (in Euro)	2010 Position	Period in charge	Expiry of the charge	Emoluments	Nonmonetary benefits incentives	Bonuses and other	Other remuneration
Salvatore Orlando	Chairman	01.01.10-31.12.10	31.12.2011	238,000	4,349		125,052 ⁽¹⁾
Vincenzo Manes	Deputy Chairman	01.01.10-31.12.10	31.12.2011	1,143,000 ⁽²⁾	18,311		80,104 ⁽³⁾
Diva Moriani	Deputy Chairwoman	01.01.10-31.12.10	31.12.2011	213,000	3,001		25,104 ⁽⁴⁾
Domenico Cova	Director/ Gen. Man	01.01.10-31.12.10	31.12.2011	13,000			837,396 ⁽⁵⁾
Italo Romano	Director/ Gen. Man	01.01.10-31.12.10	31.12.2011	13,000			834,726 ⁽⁶⁾
Vincenzo Cannatelli	Director	01.01.10-31.12.10	31.12.2011	14,200			
Mario d'Urso	Director	01.01.10-31.12.10	31.12.2011	26,000 ⁽⁷⁾			
Marcello Gallo	Director	01.01.10-31.12.10	31.12.2011	15,400			25,104 ⁽⁸⁾
Giuseppe Lignana	Director	01.01.10-31.12.10	31.12.2011	26,600 ⁽⁹⁾			
Gian Carlo Losi	Director	01.01.10-31.12.10	31.12.2011	46,570 ⁽¹⁰⁾			371,833 ⁽¹¹⁾
Alberto Pecci	Director	01.01.10-31.12.10	31.12.2011	19,500 ⁽¹²⁾			
Alberto Pirelli	Director	01.01.10-31.12.10	31.12.2011	19,500 ⁽¹³⁾			
Executives with strategic responsibilities							1,602,682 ⁽¹⁴⁾

(1) Remuneration received as Chairman of KME Italy S.p.A. for Euro 100,000 and as member of the Supervisory Board of KME A.G. for Euro 25,052

(2) Of which Euro 405,000 in variable pay for 2010 to be paid in 2011

(3) Remuneration received as Deputy Chairman of the Supervisory Board of KME A.G.

(4) Remuneration received as member of the Supervisory Board of KME A.G.

(5) Of which Euro 231,075 in variable pay for 2010 to be paid in 2011, as member of the Vorstand of KME A.G.

(6) Of which Euro 231,075 in variable pay for 2010 to be paid in 2011, as member of the Vorstand of KME A.G.

(7) Of which Euro 13,000 for participation in the Remuneration and Internal Control Committees

(8) Remuneration received as member of the Supervisory Board of KME A.G.

(9) Of which Euro 13,000 for participation in the Remuneration and Internal Control Committees

(10) Of which Euro 33,570 for acting as Secretary to the Board

(11) Remuneration received as executive of subsidiary

(12) Of which Euro 6,500 for participation in the Internal Control Committee

(13) Of which Euro 6,500 for participation in the Remuneration Committee. Alberto Pirelli is paid by Pirelli & C. S.p.A.

(14) Of which Euro 359,962 in variable pay for 2010 to be paid in 2011

For the Deputy Chairman Vincenzo Manes and the executive directors (Domenico Cova and Italo Romano) who are also part of the Vorstand of KME A.G. as well as for Riccardo Garrè and Roelf Evert Reins, who are also members of the Vorstand of KME A.G., in addition to fixed remuneration variable remuneration is also recognised which takes into account the achievement of specific objectives in the copper sector, linked for 50% to financial parameters and 50% to annual operating profit parameters which are drawn up in line with those of the long-term business plans.

In reference to the overall remuneration in 2010, the variable amount of the Deputy Chairman Vincenzo Manes was around 33%, while the variable share of the remuneration of other executives with strategic responsibilities was around 27%.

The pay policy adopted is in line with paragraphs 7.P.2. and 7.C.1. of the Code of Conduct.

Currently there is no plan to defer payment of part of the variable remuneration, except for the part which accumulates in the form of leaving entitlements of the recipient. The application of this principle of the Code of Conduct will be taken into consideration once the corporate reorganisation process is complete and which involves the KME Group following the division which became effective as from 22 March 2010, with changes in senior management in the main sectors in which the Company operates as well as the adoption of new business plans for the aforementioned sectors.

The remuneration of non-executive directors is included due to their involvement in the existing Committees.

5.2.2 Directors post-employment benefits and termination benefits paid on resignation, dismissal or separation following a takeover bid

At their Meeting of 14 March 2008, the Board of Directors resolved to pay Directors' post-employment benefits to the Deputy Chairman, Vincenzo Manes, on vacating his position, of an amount equal to total average remuneration for each three year period of his service. This marked the finalisation of the Deputy Chairman's total remuneration package that in 2007 was treated as the first phase of the restructuring of the Group that entailed

the implementation of the most urgent of the measures to reinstate the Group's financial soundness following the severe downturn of 2004.

This treatment will not be recognised should the position of Deputy Chairman be revoked for just cause.

Besides the above and in specific reference to art. 123 bis, para. 1 lett. i) of the TUF, the Directors' service contracts with the Company do not provide for payments in the event of resignation or dismissal without just cause or in the event of separation following a takeover bid.

No fee or compensation is envisaged for "non-competition commitments", and equally for the allocation or maintenance of non-cash benefits or the signing of consultancy contracts following the end of the employment relationship.

5.3 Stock option plan

5.3.1 The "KME Group S.p.A. Stock Option Plan 2006-2011"

The "KME Group S.p.A. Stock Option Plan 2006-2011", which was established in July 2006 for executive Directors of the Company and Group Executives and amended in 2007 (following resignations and new appointments of Directors and Executives and the regrouping of share capital, which, however, was not tantamount to a restructuring of capital), was revoked by resolutions of the Board of Directors of 7 October 2009 and by the Shareholders' Meeting of 2 December 2009.

Due to the fact that no stock options were exercised in 2008 or 2009, 6,802,713 options were exercised before the revocation (leaving a remainder of 33,144,453 unexercised options).

Directors have, therefore, exercised 2,137,998 options resulting in the issue of 712,666 shares valued at Euro 733,333.31, whereas Executives have exercised 4,664,715 options corresponding to 1,554,905 shares valued at Euro 1,599,997.25.

In total, therefore, 2,267,571 ordinary shares were issued resulting in a capital increase of Euro 2.3 million.

5.3.2 The new "KME Group S.p.A. Stock Option Plan 2010-2015"

The new incentive and loyalty plan was approved at the Shareholders' Meeting of 2 December 2009 and is exclusively for the executive directors and managers of KME and its direct and indirect subsidiaries.

The new plan is for the grant of options to subscribe or acquire, as the case may be:

- newly issued KME ordinary shares arising from the share capital increase delegated to the Board of Directors pursuant to art. 2443 of the Italian Civil Code, excluding the option right pursuant to art. 2441, para. 4, point 2, of the Italian Civil Code;
- ordinary treasury shares held by the Company.

The "information document" on the Plan required by art. 84 bis of the Issuers Regulation has been made available to the public in accordance with the timing and in the manner required by law and is also available on the relevant web page of www.kme.com.

The Plan entails the free grant of options to each of the beneficiaries to subscribe to or acquire, as the case may be, ordinary shares on the exercise of options in the ratio of 1 share for each option exercised at a price equal to the arithmetic mean of the official MTA closing prices of ordinary KME shares during the period between the grant and the same date of the preceding calendar month.

The total maximum number of KME ordinary shares to be granted to the beneficiaries under the Plan may be no more than 31,000,000 out of, at the Board of Directors sole discretion, either a fresh issue or shares held in portfolio by the Company or partly out of a fresh issue and partly out of shares held in portfolio in the proportion as may be established from time to time by the Board of Directors in the best interests of the Company.

It was approved at the extraordinary session of the Shareholders' Meeting held on 2 December 2009 to authorise the Board of Directors, pursuant to art. 2443 of the Italian Civil Code, to increase capital for payment by a maximum, including any premium, of Euro 15 million, without rights pursuant to the second sentence of art. 2441, para. 4 of the Italian Civil Code through a fresh issue of a maximum of 31,000,000 ordinary KME shares without par value solely for subscription by Plan beneficiaries at a subscription price equal to the arithmetic mean of the official MTA closing prices of ordinary KME shares during the period between the grant to the same date of the preceding calendar month. More information on the proposed increase in capital to service the Plan is contained in the Report presented in accordance with art. 72 of the Issuers Regulation made available to the public in accordance with the timing and in the manner required by the law.

The Plan is intended for parties who, at the grant date, were:

- (i) executives under permanent employment by the Company or its subsidiaries;
- (ii) executive directors of the Company.

At the grant date, the Board of Directors will select the beneficiaries from the above groups and determine the number of options to grant to each beneficiary with the professional expertise and responsibilities of each within the organisational structure of the Group.

It should be noted that the granting and exercise of options are not subordinate to achieving particular results nor is it envisaged to achieve specific performance levels and to keep shares for preset periods of time or until the end of service, as is required by art. 7 of the Code of Conduct in its new version approved in March 2010, and so subsequent to the Plan which was approved on 2 December 2009.

The Plan specifically provides that in the event of a separation from the Company by bad leavers all options granted to such persons will be cancelled and will be without effect and validity. Bad leavers are persons who separate from the Company in the following circumstances:

- (i) dismissal, revocation of appointment as director and/or of the beneficiary's powers, non-renewal of the appointment as director and/or the beneficiary's powers each for cause;
- (ii) resignation of the beneficiary for reasons other than those of a good leaver.

In the event of a separation of a good leaver, the beneficiary or their heirs shall maintain the right to exercise the options granted subject to the obligations, methods and timing of Plan.

The options may be exercised, in one or more tranches, at any time between the first date and last date (31 December 2015) of the exercise period as shown below:

"First date" means:

- (a) for the number of options equal to 1/3 of the options granted, the first business day following the first year from the grant date;
- (b) for the number of options equal to 1/3 of the options granted, the first business day following the second year from the grant date;
- (c) for the number of options equal to 1/3 of the options granted, the first business day following the third year from the grant date.

It is understood that, should the exercise of options, on the basis of the right granted by the Shareholders' Meeting of 2 December 2009, occur prior to the initial date of exercise as established herein, the shares subscribed and/or purchased following the exercise of the options will be subject to a twenty-four month lock-up period from the subscription date (for fresh issues) or the acquisition date (for shares held in portfolio by the Company).

"Lock-up" means the requirement that the Beneficiary be restricted from transferring shares obtained from the Company under the Plan to incentivate and promote loyalty through subscription or acquisition on exercise of the Options.

Shares subscribed and/or acquired on the exercise of an option and subject to lock-up will remain in the custody of the Company (or other entity acting for the Company) for the entire duration of the lock-up period.

The Plan requires the suspension of the exercise of the options by beneficiaries every year for the period between the date of the meeting of the Board of Directors convening the Shareholders' Meeting for the approval of the annual financial statements and the date of the Meeting itself (both dates inclusive) or the relevant ex-dividend date, without, however, prejudice to the Board of Directors' right to suspend, at certain times of the year in the interests of the Company or if apparently needed for the protection of the market, the beneficiaries' exercise of options.

It is, however, possible for beneficiaries to exercise options prior to the above exercise period in the event of a change in control, or:

- 1) the occurrence of any transaction or event entailing the acquisition of a shareholding in KME exceeding the thirty per cent threshold pursuant to art. 106 of the TUF (a) by one party, or (b) by persons acting in concert as defined in art. 101 *bis* of the TUF;
- 2) the promotion of a takeover bid or exchange tender offering pursuant to art. 102 et seq. of the TUF to the extent that the Board of Directors has received the notification pursuant to art. 102 of the TUF from the offerer.

Any lock-up obligations are cancelled in the event of a change in control and may not be enforced by the Company and the beneficiary may transfer shares without restriction from that date.

Options are granted to and may only be exercised by the named beneficiary except in the event of the decease of the beneficiary. Options granted may not be transferred for any reason except mortis causa or subject to any encumbrance or other security interest and/or pledged by the beneficiary or by deed inter vivos or through the operation of law.

Any restrictions on the transfer of ordinary KME shares shall be subject to the same provisions as those in connection with lock-ups as described above.

5.3 .3 Execution of the "KME Group S.p.A. Stock Option Plan 2010-2015"

At its meeting of 7 October 2010, the Board identified the Plan beneficiaries and determined the amount of options granted to each of them, for a total number of 25,500,000 options (the maximum number of options authorised by the Shareholders' Meeting is 31,000,000). The decision was taken, at the proposal of the Remuneration Committee, with the vote in favour of the independent directors and the favourable opinion of the Board of Statutory Auditors; the directors who were beneficiaries of the Plan abstained from voting.

The grant was as follows:

to Vincenzo Manes - Deputy Chairman	n. 14,500,000 options
to Diva Moriani - Deputy Chairwoman	n. 9,000,000 options
to Gian Carlo Losi - Director/Executive	n. 2,000,000 options

The Board reserved the right to subsequently grant the remaining options.

The options grant beneficiaries the right to subscribe or buy from the Company an equivalent number of KME Group S.p.A. ordinary shares at the price per share of Euro 0.295:

- 1/3 as from 10 October 2011;
- 1/3 as from 8 October 2012;
- 1/3 as from 8 October 2013.

The final exercise date is set at 31 December 2015.

As an alternative to the above, the Board of Directors granted beneficiaries, on the basis of the right approved at the Shareholders' Meeting, the possibility of exercising the options as from 8 December 2010; in the case of early exercise, the shares subscribed and/or bought will be subject to a twenty-four month lock-up in compliance with the incentive goals of the Plan.

The exercise price for the options, in compliance with the decision of the Shareholders, was set at equal to the average of the official closing prices for KME Group S.p.A. ordinary shares recorded on the Mercato Telematico Azionario which is organised and managed by Borsa Italiana in the period from the grant date to the same day one month previous.

Also at the meeting of 7 October 2010, the Board of Directors partly used the delegated power it received at the extraordinary Shareholders' Meeting of 2 December 2009, pursuant to art. 2443 of the Italian Civil Code, by deciding on the cash share capital increase to be organised in tranches, through the issue of a maximum of 25,500,000 KME Group S.p.A. ordinary shares with regular dividend rights, at the price per share of Euro 0.295, for a total maximum amount of Euro 7,522,500.00, excluding option rights pursuant to art. 2441, para. 4, point 2, of the Italian Civil Code.

As required by the aforementioned provision, the independent auditors, KPMG S.p.A., issued a specific report on the correlation to the market value of the issue price of the new shares.

The breakdown of the Plan is set out below in compliance with the model ("Model 2" as set out in Attachment 3 C of the Issuers Regulation) required by CONSOB.

Attachment 3C - Model 2 to the Issuers Regulation no. 11971 of 14/05/1999

Stock options granted to members of the Board of Directors, General Managers and executives with strategic responsibilities

First and last names	Position	Options held at the start of the year			Option granted in year			Options exercised in year			Options expired in year	Options held at year-end		
		Number of options	Average exercise price	Average expiry ⁽¹⁾	Number of options	Average exercise price	Average expiry ⁽¹⁾	Number of options	Average exercise price	Average market price in year	Number of options	Number of options	Average exercise price	Average expiry ⁽¹⁾
Vincenzo Manes	Deputy Chairman	-	-	-	14,500,000	0.295	31/12/2015	-	-	-	-	14,500,000	0.295	31/12/2015
Diva Moriani	Deputy Chairwoman	-	-	-	9,000,000	0.295	31/12/2015	-	-	-	-	9,000,000	0.295	31/12/2015
Giancarlo Losi	Director/Executive	-	-	-	2,000,000	0.295	31/12/2015	-	-	-	-	2,000,000	0.295	31/12/2015
Total		-			25,500,000			-			-	25,500,000		

(1) - The date indicated corresponds to that of the final date by which options may be exercised.

Florence, 22.03.11

Board of Directors

Table 2: Structure of the Board of Directors and its Constituent Committees

Board of Directors											Internal Control Committee		Remuneration Committee	
Position	Members	Serving since	Serving until	List (M/m)*	Executive	Non executive	Indip. as per Civil Code	Indip. as per TUF	% **	N. of other positions***	****	**	****	**
Chairman	Salvatore Orlando	29.04.2009	31.12.2011	M		x			100	3				
Deputy Chairman	Vincenzo Manes	29.04.2009	31.12.2011	M	x				100	9				
Deputy Chairwoman	Diva Moriani	29.04.2009	31.12.2011	M	x				100	8				
Director Gen. Man.	Domenico Cova	29.04.2009	16.03.2011	M	x				83	2				
Director Gen. Man.	Italo Romano	29.04.2009	31.12.2011	M	x				100	3				
Director	Vincenzo Cannatelli	29.04.2009	31.12.2011	M					100	3				
Director	Mario d'Urso	29.04.2009	31.12.2011	M		x	x	x	100	1	x	100	x	100
Director	Marcello Gallo	29.04.2009	31.12.2011	M		x			83	8				
Director	Giuseppe Lignana	29.04.2009	31.12.2011	M		x	x	x	83	==	x	100	x	100
Director	Gian Carlo Losi	29.04.2009	31.12.2011	M		x			100	==				
Director	Alberto Pecci	29.04.2009	31.12.2011	M		x	x	x	67	2	x	0		
Director	Alberto Pirelli	29.04.2009	31.12.2011	M		x	x	x	83	4			x	100
Directors whose appointment ceased during the year														
==	==	==	==	==	==	==	==	==	==	==	==	==	==	==

Indicate the quorum required to present lists for the most recent appointment: 2.5%

Number of meetings held during the year	Board Directors 6	Internal Control: 2	Remuneration: 2
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Notes

The table indicates attendance at minuted meetings, and it should be recalled that all the member of the Board and the participants at the meetings receive documentation promptly and information regarding items on the Agenda, and take part in their examination in preparation for the resolutions to be passed.

- * This column indicates M/m depending on whether the member has been elected from the majority backed list (M) or from a minority list (m).
- ** This column indicates the percentage of involvement of directors in the meetings respectively of the Board and the committees (no. of presences/no. of meetings held during the effective period of service of the person in question).
- *** Number of positions as Director or Statutory Auditor held in other finance, banking, insurance or other companies of considerable size listed in regulated markets in Italy or abroad. In the Report is the list of these companies with a reference to each director, specifying whether the company in which the position is held is part or not of the Group which controls it or of which the Issuer is part.
- **** "x" indicates membership of the Board Director of the Committee.

Table 3: Structure of the Board of Statutory Auditors

Board of Statutory Auditors							
Position	Componenti	Serving from	Serving until	List (M/m)*	Independence as per Italian Civil Code	%**	Number of other positions ***
Chairman	Marco Lombardi	29.04.2009	31.12.2011	M	X	100	6
Standing auditor	Pasquale Pace	29.04.2009	31.12.2011	M	X	86	4
Standing auditor	Vincenzo Pilla	29.04.2009	31.12.2011	M	X	100	8
Alternate auditor	Lorenzo Boni	29.04.2009	31.12.2011	M	X	==	1
Alternate auditor	Angelo Garcea	29.04.2009	31.12.2011	M	X	==	==
Statutory auditors whose appointment ceased during the year							
==	==	==	==	==	==	==	==

Indicate the quorum required for the presentation of lists for the most recent appointment: 2.5%

Number of meetings held during the year: 7
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Notes

- * This column indicates M/m depending on whether the member has been elected from the majority backed list (M) or from a minority list (m).
- ** This column indicates the percentage of involvement of Statutory Auditors in the meetings of the Board of Statutory Auditors (no. of presences/no. of meetings held during the effective period of service of the person in question).
- *** This column indicates the number of positions as director or statutory auditor held by the person concerned which are relevant pursuant to art. 148 bis TUF.

Table 4: Other provisions of the Code of Conduct

	YES	NO	Reasons for any compliance with the Code's recommendations
Powers and transactions with related parties			
Has the Board of Directors delegated powers stipulating:			
a) limits?	x		
b) methods of exercise?	x		
c) frequency of reporting?	x		
Has the Board of Directors retained the power to examine and approve transactions of significant relevance for financial position and results of operations (including transactions with related parties)?	x		
Has the Board of Directors given guidelines and criteria for the identification of "significant" transactions?	x		
Have the above guidelines and criteria been described in the Report?	x		
Has the Board of Directors established specific procedures for the examination and approval of transactions with related parties?	x		
Have the procedures for the approval of transactions with related parties been described in the Report?	x		They are fully available on the internet
Procedure of the most recent appointments as Directors and Statutory Auditors			
Were nominations for the position of Director submitted at least fifteen days in advance?	x		
Were nominations for the position of director accompanied by exhaustive information?	x		
Were nominations for the position of director accompanied by a statement of the eligibility of the nominee as an independent?	x		
Were nominations for the position of Statutory Auditor submitted at least fifteen days in advance?	x		
Were nominations for the position of Statutory Auditor accompanied by exhaustive information?	x		
Shareholders' Meetings			
Has the Company approved a set of Shareholder Meeting Rules and Regulations?		x	See Chapter III of the Company Articles of Association a full copy of which is available on the internet
Have the Rules and Regulations been annexed to the Report (or is there information as to where it is available or can be downloaded)?	x		See Chapter III of the Company Articles of Association a full copy of which is available on the internet
Internal Control			
Has the Company appointed internal control officers?	x		
Are the internal control officers organisationally independent of operational department heads?	x		
Organisational unit in charge of internal control (ex art, 9-3 of the Code)	x		Head of Internal Control
Investor relations			
Has the Company appointed a head of investor relations?		x	Day to day activities supported by the relevant corporate units
Organisational unit and contacts (address/telephone/fax/e-mail) for the head of investor relations	x		All contact details are in the Directors' Report and on the internet