

**AUDITORS' REVIEW REPORT ON THE INTERIM CONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2006
DRAWN UP IN ACCORDANCE WITH ARTICLE 81 OF THE CONSOB REGULATION
ADOPTED WITH RESOLUTION N. 11971 OF MAY 14, 1999 AND SUBSEQUENT
MODIFICATIONS**

To the Shareholders of
KME Group S.p.A.

1. We have reviewed the accompanying interim consolidated financial statements of KME Group S.p.A. for the six-month period ended June 30, 2006, consisting of the balance sheets, income statements, statements of changes in equity, cash flow statements and related explanatory notes both at Company and consolidated. These interim consolidated financial statements are the responsibility of the directors of KME Group S.p.A. Our responsibility is to issue a report on these interim consolidated financial statements based on our review. In addition, we have verified the consistency of the report on operations with the other data contained in the above interim consolidated financial statements.
2. Our review was carried out in accordance with the standards recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("Consob") for the review of the half-yearly interim financial statements under Resolution n. 10867 of July 31, 1997. Our review consisted principally of applying analytical procedures to the underlying financial data, assessing whether accounting policies have been consistently applied and making enquiries of management responsible for financial and accounting matters. The review excluded audit procedures such as tests of controls and substantive verification procedures of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with established auditing standards. Accordingly, unlike our report on the year-end consolidated financial statements, we do not express an audit opinion on the half-yearly interim consolidated financial statements.
3. As far as comparative figures related to the year ended December 31, 2005 and the six-month period ended June 30, 2005 are concerned, reference should be made to our auditors' report dated April 11, 2006 and our auditors' review report dated October 27, 2005, respectively.

The Parent Company's comparative data regarding the interim financial statements of the prior year restated under the IFRS international accounting standards and the related IFRS reconciliation statements derive from the half-yearly data drawn up in accordance with the law and the accounting standards previously in force and upon which we had performed a limited review; reference should be made to our auditors' review report dated October 27, 2005.

4. Based on our review, we are not aware of any material modifications that should be made to the accompanying interim non-consolidated and consolidated financial statements mentioned in paragraph 1. above in order for them to be in conformity with International Accounting Standard (IAS) n. 34 and with the criteria provided by Consob regulations, Article 81, for the preparation of the half-yearly interim financial statements approved with Resolution n. 11971 of May 14, 1999 and subsequent modifications.

5. We highlight the following facts, which are described in greater detail in the report on operations and in the explanatory notes:
- a) The Group is implementing a business plan that includes important operations, both concerning industrial management and the financial and organization structure. With regard to this last aspect, in the report on operations and in the explanatory notes management emphasizes that the considerable increase in indebtedness is the result of the higher raw material prices. The greater financial requirement led the Group to increase the existing lines of credit and, at the same time, pursue new financing opportunities, featuring greater flexibility in terms of their level and their use against the variable nature of the working capital. As regards economic results, management foresees steady improvement through cost containment and efficiency improvement measures, the results of which are subject to the recovery of the European economy, which showed positive signs in the first six months of the current year.
 - b) Some companies of the Group were subject to two fines, totalling Euro 107 million, imposed by the European Commission, following the charge of violations of the EEC Treaty regarding competition rules. The amounts have been allocated to the risk provisions in the consolidated financial statements and, in order to provide for any disbursement necessary for their payment, specific lines of credit have been defined with financial institutions.

DELOITTE & TOUCHE S.p.A.

Signed by
Paolo Guglielmetti
Partner

Florence, Italy
September 29, 2006

This report has been translated into the English language solely for the convenience of international readers.