PRESS RELEASE

BOARD OF DIRECTORS EXAMINES RESULTS FOR FIRST HALF OF 2009

CONSOLIDATED TURNOVER FOR HALF-YEAR AT 898.5 MILLION EURO; AFTER DEDUCTION OF VALUE OF RAW MATERIALS IT IS 332.5 MILLION EURO (458.8 MILLION EURO AT JUNE 30, 2008)

EBITDA(*) FOR HALF-YEAR 22.3 MILLION EURO; GROUP'S OPERATING PROFITABILITY IN SECOND HALF OF 2009 SUBSTANTIALLY IN LINE WITH THAT OF THE TWO PREVIOUS QUARTERS.

CONSOLIDATED NET RESULT (*) SHOWS LOSS OF 20.1 MILLION EURO (PROFIT OF 12.3 MILLION EURO FOR FIRST HALF OF 2008)

NET DEBT 225.4 MILLION EURO (227.6 MILLION EURO AT DECEMBER 31, 2008)

The Board of Directors of KME Group S.p.A. has examined and approved the Report on performance during the first six months of 2009.

- **Consolidated turnover** for the first six months of 2009 was 898.5 million Euro (1,623.1 million Euro in 2008).
  Net of the value of raw materials, the figure was 332.5 million Euro, a drop of 27.5% compared to the 458.8 million Euro of the first half of 2008.

- **Gross operating profit (EBITDA)(*)** for the first half of 2009 was Euro 22.3 million Euro (64.4 million Euro in 2008, in a much more favourable market context).
  The operating profit for the second quarter of 2009 (11.8 million Euro) is in line with the figure for the first quarter of 2009 (10.6 million Euro) and the fourth quarter of 2008 (11.7 million Euro).
  EBITDA as a proportion of sales of the second quarter of 2009 improved to 7.4% (6.1% in the first quarter).

- **The consolidated net result (*)** for the first six months of 2009 showed a loss of 20.1 million Euro (a profit of 12.3 million Euro in 2008).

- From the financial point of view, at the end of June 2009 **consolidated net debt** was 225.4 million Euro (227.6 million Euro at the end of December 2008) and it continued to be below the level of the operating capital, indicating a sound capital base without structural financial debt.

(*) For the contents of the reclassifications made, see page 2 and annex 1 to this document.

- With regard to **performance trends,** for the time being the timid signs of stabilisation of the economic scenario do not seem to have been followed by a decided reversal of the general trend in market conditions.
  The Group reacted promptly to the radical change in the macroeconomic picture, quickly adopting a series of contingent actions to deal with the economic effects of the fall-off in business and pressure on prices, and conserve an adequate cash flow.
  At the same time, it is continuing with the implementation of its industrial plan, aimed at achieving a more efficient production structure, a rationalisation of the distribution system and an optimisation of the capital invested, without neglecting opportunities for diversification of its business, as the recent ventures in the metal scrap trading sector prove. The aim is to lay the best foundations for returning to growth in returns on investment as soon as the economic context is favourable once more.

(*) Main consolidated results for the first half of 2009

(million Euro)	1st half 2009	1 st half 2008
Turnover	898.5	1,623.1
Turnover (net of r.m.)	332.5	458.8
EBITDA	22.3	64.4
EBIT	(8.9)	42.9
Net result	(20.1)	12.3
Net debt	225.4 at 30.06.2009	227.6 at 31.12.2008
Net worth	424.6 at 30.06.2009	458.3 at 31.12.2008

The financial figures provided above (calculated on the same basis as for the previous year) provide an accurate representation of economic performance.
The table below highlights the consolidated trading results with structural stock of raw materials valued at current prices, as required by the IFRS accounting principles, instead of valuation at cost using the LIFO method. Structural stock is the part of the inventory owned which is not booked for sales orders, and is thus a strategic reserve, basically stable over time, retained to assure coverage of production requirements.
Given the overall drop in quotations, this valuation generates a negative differential of 1.5 million Euro, while at the end of June 2008 the same differential showed a gain of 29.3 million Euro, against a background of rising quotations (while at the end of 2008 it was negative by about 65 million Euro). Clearly, the use of the IFRS accounting principles at a time of extremely volatile raw material prices introduces an external economic component with a very high degree of variability into the periodic reports, with the risk of producing a distorted picture of economic performance.

(million Euro)	1st half 2009	1st half 2008
Net result (inventories no IFRS)	(20.1)	12.3
Impact of IFRS valuation of inventories	(1.5)	29.3
Net result (inventories IFRS)	(21.6)	41.6

N.B. This document includes reclassifications of the consolidated profit and loss account (unchanged from 2008 to 2009) and uses a number of alternative performance indicators not envisaged by the IFRS accounting principles, the meaning and contents of which are explained in annex 1.

Economic and financial performance in the first half of 2009

In line with the gradual deterioration of the global economic picture, trade in the European area, where the Group has its largest market share, weakened further during the first half of 2009 after the sharp down-turn in the economy during the last four months of last year.
The slowdown was considerably worse than expected and led to a widespread economic recession. Only recently have some data shown slight signs of stabilisation, even at very low levels; the general climate is still one of uncertainty and fears that the stimulus to output deriving from the need to rebuild inventories will not be enough to launch a consolidated process of recovery.

The trend in demand in the main sectors of use of the Group's copper and copper alloy semi-finished products has been hit by the economic downturn.

The demand for **semi-finished products for the construction industry** suffered the effects of the lasting slowdown in investments in residential building which began as early as the end of 2007, lasted throughout 2008 and worsened further during the first few months of the current year. Projects for the renovation and modernisation of existing buildings held firmer; projects of this kind, involving not only the private construction sector but also the upgrading of public buildings, enjoyed support from grants and subsidies from central or local Government in many countries. The sector also benefited from the reduction in copper raw material prices, which lessened the competitive pressure from alternative materials, available at lower prices but certainly of poorer quality and with less prestige.

Demand for **semi-finished materials for industrial uses** shrank drastically due to the fall in manufacturing output, triggered above all by the slowdown in investments in plant and machinery and the fall in sales of consumer durables, which were the main factors behind the ongoing economic recession.
In context of very weak demand, the reliability of its customer services and the quality of its products enabled the Group to consolidate, and in several sectors to improve, its share of the domestic market, especially in Italy and Germany.

Since March this year, the quotations for the raw material copper, the metal most used in production of the Group's semi-finished products, have shown signs of recovery after the drop at the end of 2008 caused by the sharp slowdown in the global economy; the trend in quotations confirmed that the context is one of exceptionally volatile prices, which continued to generate doubts in consumers' minds concerning purchasing decisions.
In a period of falling prices, the economic benefits deriving from the optimisation of the use and procurement of raw materials, historically one of the priority objects of the Group's operational units, are less significant.

Against a background of particularly difficult market conditions, the Group has succeeded in consolidating or improving its positioning with the aid of the strength of its product portfolio, the improvement of its services and the capability for offering the clientele innovative integrated solutions, and the rationalisation of its distribution network.

Consolidated turnover for the first half of 2009 was 898.5 million Euro, 44.6% less than the same period of 2008; when the value of raw materials is removed, the figure fell from 458.8 million Euro in 2008 to 332.5 million Euro in 2009, a decrease of 27.5%. The decrease in sales volumes was of 30.3%.
The value of raw materials as a proportion of semi-finished product sales was about 63% (the average for the first half of 2008 was 72%).

The actions to improve the efficiency of structures and rationalise the production organisation, carried out over recent years and intensified during the last few months, accompanied by more energetic, more contingent measures to cut both variable and fixed costs in order to adapt them as far as possible to the changed market conditions, have had positive economic effects but have only partially succeeded in compensating for the loss of revenues.
The Group's operating profitability for the first two quarters of 2009 is substantially in line with that of the fourth quarter of 2008, but the figure for the entire first half of 2009 shows a sharp drop compared to the same period of 2008, when market conditions were more favourable and still unaffected by the radical change in the macro-economic scenario.
Gross operating profit (EBITDA)(*) for the first half of 2009 was Euro 22.3 million Euro, while in the first half of 2008 it was 64.4 million Euro (as a proportion of net sales, it fell from 14.0% to 6.7%).
Compared to the first quarter of 2009, in the second quarter **EBITDA** increased from 10.6 million Euro to 11.7 million Euro; as a proportion of sales, net of the value of raw materials, it rose from 6.1% to 7.4%.
The net operating result (EBIT) (*) for the first six months of 2009 showed a loss of 8.9 million Euro (a profit of 42.9 million Euro in 2008).
The consolidated pre-tax result showed a loss of 20.1 million Euro (a profit of 12.3 million Euro in the first six months of 2008).

(*) Reclassified indicators, see annex 1 of this document for an explanation of contents.

In this report, the indicators referred to above are again calculated on the basis of presentation and measurement criteria which differ partially from the IFRS principles, used for the preparation of the consolidated financial statement. Specifically, they are stated without the effect on economic results of the valuation of raw material inventories more or less at current prices, as required by the IFRS accounting principles; due to the volatility of the relative prices, the use of these principles would introduce an extremely variable external economic parameter, making it difficult to achieve a realistic comparison between data for different periods, and thus provide an accurate presentation of the company's performance. Further details are provided in the description of the reclassification adopted, in annex 1 to this document.

In a situation where quotations are lower than during the first half of 2008, the valuation of raw material inventories based on the current price levels (the lower of the average quarterly weighted cost or the market value at the end of the period), rather than a LIFO valuation of structural stock (**), led to a reduction in the value differential between the LIFO figures and those obtained using the IFRS accounting principles. Specifically, at the end of June 2008 a positive differential of 29.3 million Euro was recorded, while at the end of June 2009 this differential showed a negative of 1.5 million Euro.

Therefore **the consolidated net result** for the first six months of 2009, calculated valuing inventories in accordance with the IFRS accounting principle, showed a loss of 21.8 million Euro, while in 2008 it showed a profit of 41.3 million Euro.

From the financial point of view, the Group's **net debt** at June 30, 2009 was 225.4 million Euro, slightly less than the figure at December 31, 2008 (227.6 million Euro), by virtue of a reduction in operating capital, and inventory in particular, and in spite of a rise in raw material prices compared to the end of 2008, and payment of the dividend.

Debt is still below the value of the operating capital, pointing to a solid capital base with no structural financial indebtedness.

With regard to **performance trends,** for the time being the timid signs of stabilisation of the economic scenario do not seem to have been followed by a decided reversal of the general trend in market conditions.

The Group reacted promptly to the radical change in the macroeconomic picture, quickly adopting a series of contingent actions to deal with the economic effects of the fall-off in business and pressure on prices, and conserve an adequate cash flow.

(**) "Structural stock" means the owned stock portion free from sales orders; thus, it is a strategic reserve, essentially steady in time, and guaranteeing production operativeness.

At the same time, it is continuing with the implementation of its industrial plan, aimed at achieving a more efficient production structure, a rationalisation of the distribution system and an optimisation of the capital invested, without neglecting opportunities for diversification of its business, as the recent ventures in the industrial scrap trading sector prove. The aim is to lay the best foundations for returning to growth in returns on investment as soon as the economic context is favourable once more.

6th August 2009

The Board of Directors

* * *

The Manager assigned to draw up the company's accounts, Marco Miniati, hereby declares pursuant to art. 154 bis, Section 2, of the Finance Consolidation Law (Decree Law no. 58/1998) that the accounting information in this document is a truthful representation of the contents of the accounting documents, books and entries.

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The press release is available on the site www.kme.com, through which additional information can also be requested directly from the company (telephone no. 055.4411454; email investor.relations@kme.com).

Annexes:

1. Reclassifications and reconciliations. Alternative performance indicators.
2. Consolidated income statement.
3. Consolidated balance sheet.
4. Consolidated cash flow statement.

Annex 1

Reclassifications made and reconciliations with the figures obtained through application of the IFRS accounting principles

As already described, since the IFRS principles do not allow valuation of inventory using the LIFO criteria, which are adopted for internal management accounting, they introduce an extremely variable external economic parameter, making it difficult to make a realistic comparison between data for different periods, and thus provide an accurate presentation of the company's performance.

Therefore, the report uses economic and financial data based on accounting principles different from the IFRS principles, mainly in terms of measurement and presentation, for the following aspects:

1. Sales are also presented net of the value of the raw materials, to remove the effect of the variability of the relative prices.
2. Metal inventories are valuated on the LIFO principle with regard to the structural stock, meaning the part of the inventory which is not booked against orders placed by customers. The part of the stock which is booked for coverage of orders is considered at the value of the relative investments, considered as the market value. For IFRS purposes, stock is valuated at the lesser of the average weighted cost and the net market value, which for stock booked to cover orders is the average price of the sales contracts, while for structural stock it is the official average price of the London Metal Exchange over the last month. Also according to the IFRS principles, contracts for the purchase and sale of stock, and the relative cover contracts negotiated on the LME market, are identified separately and entered in the financial statements at the relative face value, like financial securities.
3. The non-recurrent items are entered below the line of the gross earnings.

The table below shows the effects of the different measurement and presentation criteria used for the first half of 2009.

* * *

(millions of Euro)	1st Half 2009 IFRS		reclassi-fications	adjust-ments	1st Half 2009 recl.	
Gross turnover	898,5	100%			898,5	
Raw material costs	0,0		**(566,0)**		(566,0)	
Turnover, not including raw material cost	**0,0**				**332,5**	*100%*
Labour cost	(152,3)		**1,1**		(151,2)	
Other consumption and costs	(731,9)		**567,1**	**5,8**	(159,0)	
Gross Operating Result (EBITDA) (*)	**14,3**	*1,6%*			**22,3**	*6,7%*
Non-recurring (Charges)/Incomes	0,0		**(3,8)**		(3,8)	
Amortisation and Depreciation	(28,7)		**1,3**		(27,4)	
Net Operating Result (EBIT)	**(14,4)**	*-1,6%*			**(8,9)**	*-2,7%*
Net Financial Charges	(6,3)		**-3,7**		(10,0)	
Dividends and fair value trading assets	0,0		**4,0**		4,0	
Results at equity	0,0				0,0	
Profit before taxes (inventories no IFRS)	**(20,7)**	*-2,3%*			**(14,9)**	*-4,5%*
Current taxes	(13,5)				(13,5)	
Deferred taxes	12,6		**(4,3)**		8,3	
Profit (inventories no IFRS)	**(21,6)**	*-2,4%*			**(20,1)**	*-6,1%*
Inventories, real commitments and LME (IFRS) assesment impact	0,0			**(5,8)**	(5,8)	
Inventories, real commitments and LME (IFRS) assesment taxes	0,0		**4,3**	**-**	4,3	
Consolidated profit	**(21,6)**	*-2,4%*	**0,0**	**0,0**	**(21,6)**	*-6,5%*
Profit attributable to minority interest	0,2				0,2	
Profit attributable to Shareholders of the Parent	**(21,8)**	*-2,4%*			**(21,8)**	*-6,6%*

Alternative performance indicators

Gross operating profit (EBITDA – earnings before interest, tax, depreciation and amortisation)

This indicator is a useful unit of measurement for evaluating the Group's operating performance, and is an intermediate economic parameter derived from the net operating profit (EBIT), which does not include amortisation of tangible and intangible fixed assets or non-recurring expenses/earnings.

Net financial debt

This indicator refers to the financial structure and consists of gross financial debt less liquid assets (cash or equivalent resources) and other financial receivables.

Net invested capital

Net invested capital is defined as the sum of the "noncurrent assets" and "current assets" less the "noncurrent liabilities" and "current liabilities", except for the balance sheet items previously included in the definition of "net financial debt".

Annex 2

KME Group - Reclassified Consolidated income statement

(millions of Euro)	*1st Half 2009 reclassified*		*1st Half 2008 reclassified*		*Change*
Gross turnover	898,5		1.623,1		*-44,6%*
Raw material costs	(566,0)		(1.164,3)		*-51,4%*
Turnover, not including raw material cost	**332,5**	*100%*	**458,8**	*100%*	*-27,5%*
Labour cost	(151,2)		(182,3)		*-17,1%*
Other consumption and costs	(159,0)		(212,1)		*-25,0%*
Gross Operating Result (EBITDA) (*)	**22,3**	*6,7%*	**64,4**	*14,0%*	*-65,4%*
Non-recurring (Charges)/Incomes	(3,8)		5,2		*n.s.*
Amortisation and Depreciation	(27,4)		(26,7)		*2,8%*
Net Operating Result (EBIT)	**(8,9)**	*-2,7%*	**42,9**	*9,4%*	*-120,8%*
Net Financial Charges	(10,0)		(18,0)		*-44,4%*
Dividends and fair value trading assets	4,0		3,6		*11,1%*
Results at equity	0,0		0,0		*0,0%*
Profit before taxes (inventories no IFRS)	**(14,9)**	*-4,5%*	**28,5**	*6,2%*	*n.s.*
Current taxes	(13,5)		(9,2)		*46,7%*
Deferred taxes	8,3		(7,0)		*n.s.*
Profit (inventories no IFRS)	**(20,1)**	*-6,1%*	**12,3**	*2,7%*	*n.s.*
Inventories, real commitments and LME (IFRS) assesment impact	(5,8)		35,4		*n.s.*
Inventories, real commitments and LME (IFRS) assesment taxes	4,3		(6,1)		*n.s.*
Consolidated profit	**(21,6)**	*-6,5%*	**41,6**	*9,1%*	*n.s.*
Profit attributable to minority interest	0,2		0,3		*-33,3%*
Profit attributable to Shareholders of the Parent	**(21,8)**	*-6,6%*	**41,3**	*9,0%*	*n.s.*

Earnings per share (in Euros):	*1st Half 2009*	*1st Half 2008*
Basic earnings per share (loss)	**(0,1036)**	**0,1666**
Diluted earnings per share (loss)	**(0,1036)**	**1,0125**

The data above are not yet completely analysed by the Auditors Society

Annex 3

KME Group - Consolidated balance sheet

(thousands of Euro)	At 30.06.2009	At 31.12.2008
Property, plant and equipment	600.428	616.087
Investment property	22.376	22.612
Goodwill and consolidation differences	114.897	114.892
Other intangible fixed assets	2.998	2.908
Investments in subsidiaries and associates	4.919	5.077
Investments in other companies	258	258
Investments in equity - accounted investees	1.944	0
Other non-current assets	27.075	26.342
Non-current financial assets	3.661	3.239
Deferred taxes asset	29.107	45.014
NON-CURRENT ASSETS	**807.663**	**836.429**
Inventories	367.034	418.127
Trade receivables	101.087	89.058
Other receivables and current assets	25.405	42.962
Current financial assets	131.860	208.216
Cash and cash equivalents	78.836	38.814
CURRENT ASSETS	**704.222**	**797.177**
TOTAL ASSETS	**1.511.885**	**1.633.606**
Share Capital	250.009	250.009
Other reserves	173.703	172.276
Treasury shares	(2.888)	(2.349)
Retained earnings	14.395	5.910
Technical consolidation reserves (*)	8.296	98.500
Reserve for deferred taxes	98	131
Profit/ (Loss) for the year	(21.758)	(68.651)
Equity attributable to shareholders of the Parent	**421.855**	**455.826**
Equity attributable to minority interests	2.708	2.529
TOTAL EQUITY	**424.563**	**458.355**
Employee Benefits	153.834	152.377
Deferred taxes liability	92.261	121.272
Financial payables and liabilities	31.291	139.307
Other non-current liabilities	13.361	11.185
Provisions for risks and charges	139.907	140.491
NON-CURRENT LIABILITIES	**430.654**	**564.632**
Financial payables and liabilities	398.515	331.402
Trade payables	125.867	147.669
Other current liabilities	108.596	103.429
Provisions for risks and charges	23.690	28.119
CURRENT LIABILITIES	**656.668**	**610.619**
TOTAL LIABILITIES AND EQUITY	**1.511.885**	**1.633.606**

(*) The item "Technical consolidation reserves" is made up of retained erarnings or losses carried forward, the consolidation reserve and the translation reserve.

The data above are not yet completely analysed by the Auditors Society

KME Group - Consolidated cash flow statement

(thousands of Euro)	1st Half 2009	1st Half 2008
(A) Cash and cash equivalents at beginning of year	**38.814**	**93.936**
Pre-tax result	(20.651)	63.928
Amortisation and depreciation	28.261	26.905
Impairment losses on current assets	1.133	943
Impairment losses/(reversals of imp.losses) on non-current assets other than fin. assets	454	(206)
Impairment losses/(reversals of imp.losses) on current/non-current financial assets	290	-
Losses (gains) on non-current assets	(358)	(391)
Changes in pension funds, post-employment benefits and stock options	119	1.134
Change in provisions for risks and expenses	(5.039)	8.429
Decreases (Increases) in inventories	52.189	(30.893)
(Increases) Decreases in current receivables	946	1.998
Increases (Decreases) in current payables	(17.118)	34.671
Changes from currency translation	(1.841)	(226)
Decreases (Increases) in LME contracts and metal commitments	90.308	(1.450)
Current taxes during year	(13.503)	(9.224)
(B) Cash Flows from Operating Activities	**115.190**	**95.618**
(Increases) in non-current tangible and intangible assets	(11.849)	(20.531)
Decreases in non-current tangible and intangible assets	692	185
(Increases) Decreases in investments	(2.027)	(142)
(Increases) Decreases in available for sale financial assets	-	-
Increases/Decreases in other non-current assets/liabilities	1.465	829
Dividends received	1.247	2.010
(C) Cash flows from Investing Activities	**(10.472)**	**(17.649)**
Share capital increase	-	(1.863)
(Purchase) sale of treasury shares	(539)	-
Increases (Decreases) in current and non-current financial payables	(23.787)	(36.613)
(Increases) Decreases in current and non-current financial receivables	(28.882)	(44.903)
Dividends paid	(11.488)	(11.488)
(D) Cash flow from Financing Activities	**(64.696)**	**(94.867)**
(E) Change in cash and cash equivalents (B)+(C)+(D)	**40.022**	**(16.898)**
(F) Effect of the change in the consolidation scope	**-**	**-**
(G) Cash and cash equivalents at the end of the period (A)+(E)+(F)	**78.836**	**77.038**

The data above are not yet completely analysed by the Auditors Society