PRESS RELEASE

THE BOARD OF DIRECTORS REVIEWED THE GROUP'S RESULTS AT SEPTEMBER 30, 2009

CONSOLIDATED REVENUES AMOUNT TO 1,396.6 MILLION EUROS; 490.6 MILLION EUROS NET OF THE VALUE OF RAW MATERIALS (671.2 MILLION EUROS AT SEPTEMBER 30, 2008)

NINE-MONTH EBITDA(*) TOTAL 34.4 MILLION EUROS (94.9 MILLION EUROS AT SEPTEMBER 30, 2008) AT 12.1 MILLION EUROS, EBITDA(*) FOR THE THIRD QUARTER OF 2009 SHOW AN IMPROVEMENT COMPARED WITH THE SECOND AND THIRD QUARTER

CONSOLIDATED LOSS BEFORE TAXES(*) OF 13.0 MILLION EUROS IN THE FIRST NINE MONTHS OF 2009 (PROFIT OF 31.3 MILLION EUROS AT SEPTEMBER 30, 2008)

NET DEBT TOTALS 230.9 MILLION EUROS (227.6 MILLION EUROS AT DECEMBER 31, 2008)

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Florence, November 12, 2009 – The Board of Directors of KME Group S.p.A. reviewed and approved the Report on Operations at September 30, 2009.

- **Consolidated revenues** totaled 1,396.6 million euros in the first nine months of 2009 (2,395.7 million euros in 2008).
  Restated net of the value of raw materials, consolidated revenues amount to 490.6 million euros, or 26.9% less than the 671.2 million euros booked in 2008.

- **EBITDA(*)** for the period from January to September 2009 amounted to 34.4 million euros (94.9 million euros at September 30, 2008).
  In third quarter of 2009, EBITDA increased compared with the second quarter of the year, rising from 11.7 million euros to 12.1 million euros, and the ratio of EBITDA to revenues improved from 7.4% al 7.7% (it was 6.1% in the fourth quarter of 2008 and the first quarter of 2009).

- The **loss before taxes(*)** amounted to 13.0 million euros in the first nine months of 2009 (profit of 31.3 million euros in 2008).

- At September 30, 2009, **consolidated net debt** totaled 230.9 million euros. The Group's ability to adjust its production levels in response to a reduction in demand, while optimizing its inventory management in the face of rising raw material prices, enabled it to report a financial position in line with the corresponding amount at the end of December 2008 (227.6 million euros). Specifically, the Group's debt exposure is lower than the amount of its working capital, as evidence of a balanced financial position without structural indebtedness.

(*)An explanation of the reclassifications of the data listed above is provided on page 2 of this press release and in the section of the annexed Quarterly Report entitled "Operating Performance of the Group."

- As for **expectations of the Group's future performance,** thus far, signs that the economic situation is beginning to stabilize do not appear to have produced a clear and widespread turnaround in market conditions.

  The Group responded from the very start to changes in the macroeconomic scenario, implementing a number of initiatives designed to accelerate the streamlining of its manufacturing and distribution system, optimize the use of invested capital and reduce risk, without neglecting the goal of diversifying its operations, as demonstrated by recent transactions in the scrap metal marketing business, while at the same time deploying a series of contingent measures to bring costs as much as possible in line with a reduced level of business activity.

  Despite these efforts and even though market conditions are expected to further stabilize in the fourth quarter, operating results for 2009 as a whole will be lower than those reported in 2008. However, the actions taken will serve the purpose of creating the best conditions for a return to the path of rising profitability when a more positive environment returns to the markets where the Group's businesses operate.

(*) Consolidated Financial Highlights for the First Nine Months of 2009

(in millions of euros)	January-September 2009	January-September 2008
Revenues	1,396.6	2,395.7
Revenues (net of raw materials)	490.6	671.2
EBITDA	34.4	94.9
EBIT	(3.2)	60.1
Profit (Loss) before taxes	(13.0)	31.3
Net debt	230.9 (at 9/30/09)	227.6 (at 12/31/08)
Shareholders' equity	432.7 (at 9/30/09)	458.4 (at 12/31/08)

The income statement data provided above (stated on a comparable basis in both years) provide a fair presentation of the results from operations.
The table below shows the consolidated income statement data computed valuing the structural inventory of raw materials at current prices, as required by the IFRS accounting principles, instead of valuing it at cost by the LIFO method. The structural inventory is the inventory that has not been set aside to fill customer orders and, consequently, constitutes a strategic reserve, essentially stable over time, maintained to ensure the continuity of the manufacturing operations.
In the current environment, with declining average prices, this type of valuation produced a negative differential of 0.6 million euros, compared with a positive differential of 3.8 million euros, against the background of rising prices, at September 30, 2008 (at the end of 2008, the differential was negative by 73 million euros). Clearly, during periods of extremely volatile raw material prices, the use of the IFRS accounting principles introduces in the information provided in interim reports an external economic component the extreme variability of which creates the risk of providing a totally distorted presentation of the results from operations.

(in millions of euros)	Jan.-Sept. 2009	Jan.-Sept. 2008
Profit (Loss) before taxes with inventory not IFRS valued	(13.0)	31.3
Impact of IFRS valuation of inventory	(0.6)	3.8
Profit (Loss) before taxes with inventory IFRS valued	(13.6)	35.1

Note: This press release contains reclassifications of consolidated income statement data (applied consistently for 2008 and 2009) and uses some alternative performance indicators that are not provided in the IFRS accounting principles. The meaning and content of these reclassifications and performance indicators is discussed in the annexed Quarterly Report.

A Report on Operations at September 30, 2009 is annexed to this press release.

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Marco Miniati, the Company's Corporate Accounting Documents Officer, acting in accordance with the requirements of Article 154 *bis*, Section 2, of the Uniform Financial Code (Legislative Decree No. 58/1998), declares that the accounting information contained in this press release on the results from operations at September 30, 2009 is consistent with the data in the supporting documents and in the Company's other documents and accounting records.

The Board of Directors

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This press release is available at the Company website, www.kmegroup.it. Additional information may also be obtained directly from the Company (telephone number +39 055.4411454; e-mail investor.relations@kme.com).

KME Group S.p.A.

Report of the Board of Directors on the Group's Operations at September 30, 2009

November 12, 2009

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

Share capital: 250,014,922.60 euros fully paid-in
Company Register of the Court of Florence and Tax I.D. Number: 00931330583

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KME Group S.p.A.

Board of Directors

Chairman	Salvatore Orlando
Deputy Chairman	Vincenzo Manes[B]
Chief Executive Officer	Domenico Cova[B]
Chief Executive Officer	Italo Romano[B]
	Vincenzo Cannatelli
	Mario d'Urso[A,C,D]
	Marcello Gallo
	Giuseppe Lignana[A,C,D]
Board Secretary	Gian Carlo Losi
	Diva Moriani[B]
	Alberto Pecci[A,D]
	Alberto Pirelli[A,C]

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

Board of Statutory Auditors

Chairman	Marco Lombardi
Standing Statutory Auditors	Pasquale Pace
	Vincenzo Pilla
Alternate Statutory Auditors	Lorenzo Boni
	Angelo Garcea

Manager in charge of financial reporting Marco Miniati

Independent Auditors KPMG S.p.A.

General Representative for Savings Shareholders Romano Bellezza

Report on the Group's Operations at 30 September 2009

The gradual stabilization of the financial markets is producing a reduction in the level of tension and contributing to the development of a climate of greater confidence among businesses.
In the last few months, the real economy, which felt the brunt of the financial crisis, has also begun to show signs that the recession may be ending and, in some areas, a timid recovery is starting to take shape.
Whether these indications can quickly grow into a solid and broad based recovery process is still questionable. The concern is that, once the effects of the fiscal and monetary stimuli of the expansive economic policies adopted by the major countries are over and the process of rebuilding inventories from the rock bottom levels they had reached in several sectors has run its course, demand could again turn sluggish.
The uncertainty caused by negative conditions in the job market still weigh heavily on consumer spending decisions; the propensity to invest remains quite low among businesses, given expectations of weak demand, historically high percentages of unused production capacity and difficulties to access credit.

In the industries that are the main users of the Group's copper and copper-alloy semifinished products the demand trend is also being affected by negative conditions in the global economy.

Demand from the **construction industry for semi-finished products** has been weak for most of the year. Renovations and modernizations of existing buildings were the only areas providing some signs of resiliency, as projects in this area, involving both private real estate and public buildings, benefited from subsidies and grants by central and local governments in many countries. In addition, the construction sector responded positively to a reduction in the price of raw copper from the highs reached last year, which made substitute materials less competitive.

Recently, demand by **industry for semi-finished products,** which fell sharply in previous months, began to show signs of bottoming out, reflecting the impact of a modest turnaround in some areas of the manufacturing sector.

In an environment of extremely weak demand, the Group was able to defend and even improve its market position thanks to the strength of its product portfolio, an improved level of service, its ability to offer customers innovative integrated solutions and a more streamlined distribution system.

Consolidated revenues for the first nine months of 2009 was Euro 1,396.6 million, 41.7% less than in the same period last year. Revenue less raw material costs, show a decrease of 26.9%, falling from Euro 671.2 million in 2008 to Euro 490.6 million in 2009. Sales volumes were down 27.5%.

The value of raw materials accounted for about 65% of the revenues from sales of semifinished products (72% on average in 2008).
Revenue less raw material costs for the third quarter of 2009 was Euro 158.1 million, compared with Euro 158.2 million in the second quarter of 2009 and Euro 174.3 million in the first quarter of 2009.

The Group reacted promptly to the slump in demand, implementing programs to reduce the impact of lower sales on its profitability. Accordingly, it accelerated the pace of restructuring and reorganizing its manufacturing and distribution organization, consistent with the guidelines of its industrial plan, and adopted aggressive measures of a more contingent nature to lower all fixed and variable costs.
In the first three quarters of 2009, the profitability of the Group's industrial operations was basically in line with the level achieved in the fourth quarter of 2008, but was down sharply when the first nine months of 2009 are compared with the same period in 2008, when, however, market conditions were more favorable and had not yet been affected by the drastic change that occurred later in the macroeconomic scenario.

EBITDA(*) totaled Euro 34.4 million in the first nine months of 2009, compared with Euro 94.9 million in the same period of last year (return on net sales decline from 14.1% to 7%).
In third quarter of 2009, **EBITDA** increased, compared with the second quarter of the year, from Euro 11.7 million to Euro 12.1 million. The return on sales less raw material costs increased from 7.4% to 7.7%. It was 6.1% in the fourth quarter of 2008 and in the first quarter of 2009.
EBIT(*) for the first nine months of 2009 were negative by Euro 3.2 million, as against positive EBIT of Euro 60.1 million in the same period last year.
The **consolidated loss before taxes** amounted to Euro 13.0 million (profit before taxes of Euro 31.3 million in the first nine months of 2008).

In this Report on Operations, the performance indicators provided above were calculated using figures computed in accordance with presentation and measurement criteria that differ in part from the IFRS principles used to prepare the condensed semiannual consolidated financial statements. Specifically, they are calculated ignoring the effect on profit or loss of measuring the inventories of raw materials substantially at current value, as required by IFRS, because, due to price volatility, such an approach would introduce an extraneous economic factor the variability of which would make it impossible to compare homogeneous data for two different periods and provide an accurate presentation of the results from operations. More detailed information about this issue is included in the description of the reclassifications made, which is provided later in this Report in the section entitled "Operating Performance of the Group."

(*) Reclassified indicators, a description of which is contained in "Operating Performance of the Group."

The use of a raw material inventory valuation method based on current prices (weighted average cost for the quarter or end-of-period realizable value, whichever is smaller) instead of the LIFO method to value the structural inventory(*) during a period of falling prices, compared with the first nine months of 2008, resulted in a reduction of the differential between the values determined by the LIFO method and those obtained by applying the IFRS accounting principles. Specifically, there was a positive differential of 3.8 million euros at September 30, 2008, but a negative differential of 0.6 million euros at September 30, 2009.
As a result, the **consolidated loss before taxes** for the first nine months of 2009, computed valuing the inventory in accordance with the IFRS, amounted to Euro 13.6 million, whereas a profit before taxes of Euro 35.1 million in the same period last year.

Under the financial point of view, the Group's ability to adjust its production levels in response to a changed economic environment and streamline the procurement and use of raw materials enabled it to keep under control working capital funding requirements and, consequently, the level of **Group net debt,** was Euro 230.9 million at 30 September 2009, slightly changed compared with the amount owed at the end of 2008 (227.6 million euros).
Indebtedness held at a level lower than the working capital amount, providing evidence of the Group's balanced financial position and lack of structural debt.

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About the **evolution of management,** thus far, signs that the economic situation is beginning to stabilize do not appear to have produced a clear and widespread turnaround in market conditions.
The Group responded from the very start to changes in the macroeconomic scenario, implementing a number of initiatives designed to accelerate the streamlining of its manufacturing and distribution system, optimize the use of invested capital and reduce risks, without neglecting the goal of diversifying its operations, as demonstrated by recent transactions in the scrap metal marketing business, while at the same time deploying a series of contingent measures to bring costs as much as possible in line with a reduced level of business activity.
Despite these efforts and even though market conditions are expected to further stabilize in the fourth quarter, operating results for 2009 as a whole will be lower than those reported in 2008. However, the actions taken will serve the purpose of creating the best conditions for a return to the path of rising profitability when a more positive environment returns to the markets where the Group's businesses operate.

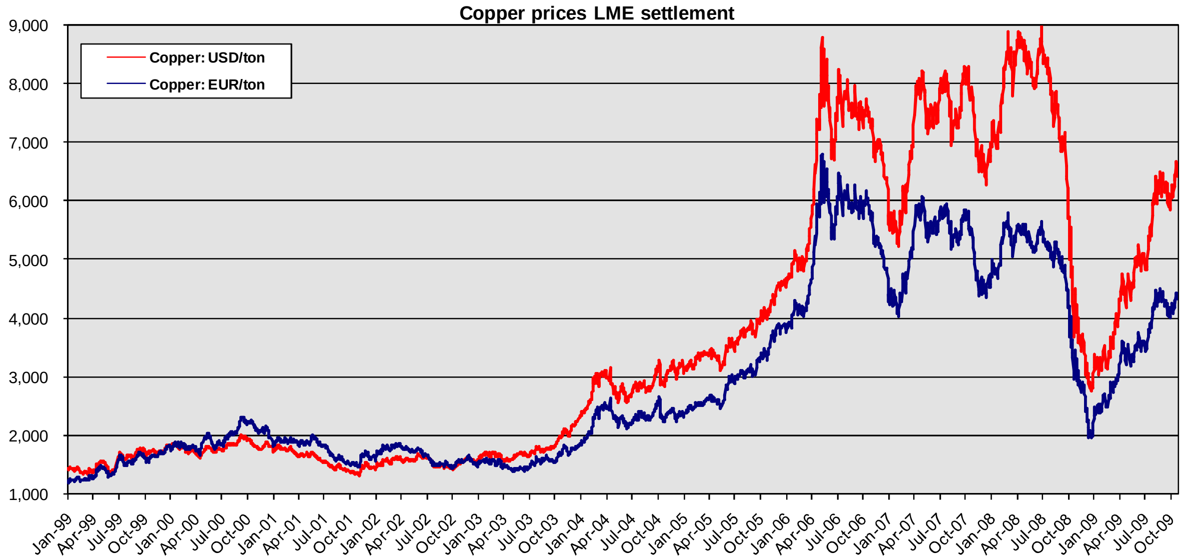
(*) Based stock is that part of inventories that is not intended to be sold and is, therefore, a strategic reserve needed for production and substantially stable over time..

Market and Prices of raw material copper

During the first nine months of 2009, the average price of copper was lower than in the same period last year, decreasing by 41.5% in U.S-dollar terms (from US$7,966 per tonne to US$4,663 per tonne) and by 35.2% in euro terms (from €5,228 per metric ton to €3,389 per tonne)

Looking at price trends, copper prices began a steady recovery beginning in March 2009, posting an average price for the third quarter of 2009 that was higher than in the second quarter by 24.9% in U.S-dollar terms (from US$4,676 per tonne to US$5,840 per tonne) and 19.8% in euro terms (from €3,430 per tonne to €4,080 per tonne), reflecting the appreciation of the European currency during the reporting period.

In October 2009, the price of copper continued to rise. The average price for the month was US$6,288 per tonne (equal to €4,243 per tonne).



Operating Performance of the Group

As explained earlier in this Report, the IFRSs, by not allowing the ending inventory to be valued by the LIFO method used internally for management controlling purposes, introduced an extraneous economic factor the variability of which makes it impossible to compare homogeneous data for two different periods and provide an accurate presentation of the results from operations.

Consequently, some financial statement figures were based on accounting methods that differ from the IFRSs, mainly in presentation and measurement criteria. Specifically:

1 In order to eliminate the impact of fluctuations in raw material prices, revenue are also presented net of raw materials costs;

2 With regard to the metal component of the year-end metal inventories, the basic stock component (i.e., the inventory that will not be sold) are valued using the LIFO method. Metals that will be sold are measured based on the value of the corresponding commitments, which was deemed to be its realizable value. Under the IFRSs, inventory must be valued at its weighted average cost or its net realizable value, whichever is smaller. Net realizable value is the average of the prices of the corresponding sell commitments, for the metal that will be sold, and the latest average monthly price on the London Metal Exchange, for the base stocks. The IFRSs also require that commitments to buy or sell inventory and the corresponding hedging contracts executed on the LME be shown separately and recognized in the financial statements as financial instruments measured at fair value.

3 Non-recurring items are shown below the EBITDA line.

The table that follows shows the effects of the different measurement and presentation criteria on the data for the nine months of 2009.

(in millions of euros)	*9/30/09 IFRS*		*Reclassifi-cations*	*Adjustments*	*9/30/09 reclassif.*	
Gross revenues	1,396.6	***100%***			1,396.6	
Raw material costs	0.0			**(906.0)**	(906.0)	
Revenues net of raw material costs	**0.0**				**490.6**	***100.00%***
Personnel expense	- 224.6		**1.1**		(223.5)	
Other consumables and costs	(1,134.2)		**(5.1)**	**906.6**	(232.8)	
EBITDA (*)	**37.8**	***2.71%***	**(4.0)**	**0.6**	**34.4**	***7.00%***
Nonrecurring income (expense)	0.0		**2.4**		2.4	
Depreciation and amortization	(41.3)		**1.3**		(40.0)	
EBIT	**(3.5)**	***-0.25%***	**(0.3)**	**0.6**	**(3.2)**	***-0.66%***
Net financial costs	(10.1)		**(2.7)**		(12.8)	
Dividends and fair value of assets held for trading	0.0		**3.0**		3.0	
Gains (Losses) recognized in equity	0.0				0.0	
Profit before taxes (non IFRS inventory measurement)	**(13.6)**	***-0.97%***	**-**	**0.6**	**(13.0)**	***-2.66%***

(*)EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) is not an IFRS line item. It is a useful indicator of the Group's operating performance. EBITDA is an intermediate amount based on EBIT but before depreciation and amortization.

The reclassified performance indicators described above are used to provide an analysis of the Group's operating results because they are deemed to be more representative of its actual operating and financial performance. Obviously, the disclosures provided with regard to the Group's operating performance include financial statement data that reflect the use of the IFRS method to value the inventory of raw materials.

The table below provides an overview of the Group's consolidated operating results in the first nine months of 2009 and a comparison with the corresponding data for the same period last year and the full 2008 reporting year.

KME Group – Consolidated Income Statement

Full year 2008 reclassified		(millions of Euro)	9/30/09 reclassified		9/30/08 reclassified		Change
2,975.2		Gross revenues	1,396.6		2,395.7		-41.7%
(2,112.9)		Raw material costs	(906.0)		(1,724.5)		-47.5%
862.3	*100.00%*	**Revenues net of raw material costs**	**490.6**	*100.00%*	**671.2**	*100.00%*	**-26.9%**
(353.8)		Personnel expense	(223.5)		(269.1)		-17.0%
(401.9)		Other consumables and costs	(232.8)		(307.2)		-24.2%
106.6	*12.36%*	**EBITDA**	**34.4**	*7.00%*	**94.9**	*14.14%*	**-63.8%**
(3.2)		Nonrecurring income (expense)	2.4		4.0		-40.0%
(53.4)		Depreciation and amortization	(40.0)		(38.8)		3.1%
50.0	*5.80%*	**EBIT**	**(3.2)**	*-0.66%*	**60.1**	*8.95%*	**-105.4%**
(43.0)		Net financial expense	(12.8)		(31.1)		-58.8%
0.6		Dividends and fair value of trading assets	3.0		2.3		30.4%
0.0		Gains (Losses) recognized in equity	0.0		0.0		0.0%
7.6	*0.88%*	**Profit before taxes (non IFRS inventory measurement)**	**(13.0)**	*-2.66%*	**31.3**	*4.66%*	***Insig.***

In the first nine months of 2009, **revenue** totaled Euro 1,396.6 million, 41.7% less than the Euro 2,395.7 million booked in the same period last year.
Changes in raw material prices account for most of this decrease. Restated to eliminate the impact of the value of raw materials, revenue show a decrease of 26.9%, falling from Euro 671.2 million to Euro 490.6 million. Sales volumes were down 27.5%.
In the third quarter of 2009, revenue stated without the value of raw materials amounted to Euro 158.1 million, in line with the amount reported for the second quarter of the year.

Operating costs decreased by 20.8% overall. Taken separately, personnel expense was down 16.9%.
The Group responded to the challenges posed by an extremely negative economic environment by implementing strict measures to cut costs across the board, with special emphasis on labor and procurement costs. An ongoing dialog with the labor unions resulted in the development of shared solutions that enabled the Group to adjust to changing market conditions and increase the flexibility and efficiency of its organization. Managers also contributed to the joint effort of the entire staff, giving up a portion of their compensation.

Compared with 30 September 2008, **EBITDA** declined by 63.8%, totaling Euro 34.4 million, an amount equal to 7.0% of revenues, net of raw material costs, down from 14.1% in 2008.
In the third quarter of 2009, **EBITDA** increased compared with the second quarter of the year, from Euro 11.7 million to Euro 12.1 million. The return on sales net of raw materials increased from 7.4% to 7.7%.

EBIT were negative by Euro 3.2 million, compared to a positive EBIT of Euro 60.1 million in the first nine months of 2008.

The **consolidated loss before taxes,** restated to eliminate the impact of measuring raw materials inventories at current prices, as required by the IFRS, amounted to Euro 13.0 million (profit of Euro 31.3 million in 2008).

Effect of measuring raw materials inventories at current prices (IFRS)

The table below shows the impact on the consolidated result before taxes loss for the first nine months of 2009 of measuring in accordance with IFRS principles the structural inventory of raw materials and outstanding buy and sell commitments, both physical and London Metal Exchange contracts, and provides a comparison with homogeneous data for the same period in 2008:

Full year 2008 reclassified		(in millions of euro)	*9/30/09 reclassified*		*9/30/08 reclassified*	
7.6	***-0.40%***	Profit before taxes (non IFRS inventory measurement)	**(13.0)**	***-2.66%***	**31.3**	***4.66%***
(72.7)		Impact of IFRS measurement of inventories, physical forward and LME futures contracts	(0.6)		3.8	
(65.1)	***-7.90%***	**Consolidated profit (Loss) before taxes (IFRS inventory measurement)**	**(13.6)**	***-2.77%***	**35.1**	***5.23%***

At 30 September 2009, in an environment characterized by a decline in prices, the valuation of the inventory of raw materials resulted in a reduction of the differential between the LIFO amount and the IFRS amount. Specifically, the differential was positive by Euro 3.8 million at the end of September 2008, when prices were rising, but the differential was negative by Euro 0.6 million at September 30, 2009. Moreover, the differential was negative by Euro 72.7 million at the end of 2008. Clearly, the use of the IFRS principles during periods of high volatility for raw material prices introduces in periodic financial reports an extraneous economic component, the extreme variability of which creates the risk of providing a completely distorted representation of the results from operations.

As a result of the items discussed above, the **consolidated loss before taxes** for the first nine months of 2009 (with IFRS inventory measurement) amounted to Euro 13.6 million, as against a profit before taxes of Euro 35.1 million, computed on a comparable basis, at 30 September 2008.

Financial Position

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

(in millions of euros)	**At September 30, 2009**	**At December 31, 2008**
Share capital	250.0	250.0
Reserves	196.7	277.0
Loss for the period	(14.0)(*)	(68.6)
Total equity	**432.7**	**458.4**

(*) Loss before taxes.

At September 30, 2009, the Group's **net debt** amounted to Euro 230.9 million.

A breakdown of the **reclassified(*) analysis of consolidated net debt(**)** is provided below:

Analysis of Consolidated Net Debt

(in thousands of euros)	**9/30/09 (IFRS)**	**12/31/08 (IFRS)**	***Reclassi-fications***	**12/31/08 (RECLASS.)**
Short-term debt	198,524	298,507	(104,382)	194,125
Medium- and long-term debt	228,089	139,307	104,382	243,689
Borrowings from Group companies	2,671	2,907		2,907
(A) Total debt due to financial institutions	**429,284**	**440,721**		**440,721**
Cash and cash equivalents	(87,661)	(38,814)		(38,814)
Short-term financial receivables (1)	(97,211)	(57,653)		(57,653)
Financial receivables due from Group companies	(1,307)	(1,071)		(1,071)
(B) Total cash and cash equivalents and financial receivables due from financial institutions	**(186,179)**	**(97,538)**		**(97,538)**
Fair value of LME and metal forward contracts	(8,295)	(107,429)		(107,429)
Fair value of other financial instruments	(500)	(4,940)		(4,940)
(C) Financial instruments measured at fair value	**(8,795)**	**(112,369)**		**(112,369)**
Consolidated net debt (A)+(B)+(C)	**234,310**	**230,814**		**230,814**
Non-current financial receivables due by banks	**(3,403)**	**(3,239)**		**(3,239)**
Reclassified consolidated net debt	**230,907**	**227,575**		**227,575**

(1) The fair value of LME contracts for 2008 includes differentials already paid or received prior to expiry of contracts in accordance with the contractual terms and condition, amounting to 43 million euros (nil at 30 September 2009).

(*) The reclassification refers to the fact that subsequent to December 31, 2008 (to be exact, by a letter dated March 12, 2009), the Company received confirmation from its lender institutions that they agreed to extend for two additional years (as allowed under the loan agreement) the duration of an existing medium-term credit line originally expiring in October 2009. Because the extension was granted after December 31, 2008, on that date the debt exposure under the abovementioned facility was classified as short-term debt, since it was due within one year. Additional information is provided in the Report of the Board of Directors on the Company's 2008 annual financial statements.

(**) This financial structure indicator is equal to gross indebtedness less cash and cash equivalents, other loans receivable included in "Current financial assets" and a "non-current financial receivable due from banks (amounting to Euro 3.2 million at 31 December 2008 and Euro 3.4 million at 30 September 2009) relating to a pledged deposit collateralising outstandings under a line of credit extended by Mediocredito Centrale S.p.A. (MCC) .

The financial position data shown above do not reflect the potential outlays that may be required for the fines that the European Commission imposed on the Group's manufacturing companies in 2003 and 2004 for two alleged antitrust violations. These fines, which total Euro 107 million, will have an impact on cash flow only at the end of the judicial process before the various E.U. entities where appeals have been filed and only for the amount adjudicated.
Until such time, payment is being guaranteed by security deposits (Euro 17 million) and bank sureties (Euro 90 million). However, this payment deferral will cause the Group to incur finance charges. From an income statement standpoint, provisions have already been established covering both the total amount of the fines and the corresponding accrued interest.

A breakdown of reclassified **net invested capital(*)** is show below:

(in millions of euro)	**At September 30, 2009**	**At December 31, 2008**
Net non-current assets	768.1	788.2
Net working capital	286.6	294.9
Net provisions	(391.1)	(397.3)
Net invested capital	**663.6**	**685.8**

(*)Net invested capital is defined as the sum of "Non-current assets" and "Current assets" less "Non-current liabilities" and "Current liabilities," but excluding the amounts already used to compute net debt.

Significant Events Occurring After September 30, 2009

At a meeting held on October 7, 2009, the Boards of Directors of KME Group S.p.A. and Intek S.p.A., its parent company, approved a transaction that was announced on August 6, 2009, calling for a reverse proportional partial demerger of Intek for the benefit of KME Group, its subsidiary, based on the respective balance sheets at June 30, 2009.

The purpose of this project is to simplify the Group's corporate structure, based on the two different areas of business in which it operates, and increase its operating focus by concentrating all financial activities under Intek and all industrial and service activities under KME Group.

The abovementioned transaction involves the demerger of Intek and the conveyance of its assets and liabilities to KME Group. Intek's assets consist mainly of equity investments, including its stake in KME Group.
As a result of the demerger, Intek will cancel the financial instruments it has issued (common shares, savings shares and the 2005-2011 Intek Common Share Warrants) on the basis of 5 securities for every 8 securities held, with a resulting proportional reduction of Intek's share capital.
Based on the exchange ratio determined by the respective Boards of Directors with the consulting support of independent advisors, the Intek shareholders will receive the following securities as consideration for the cancelled securities:

- 1 KME Group common share for each cancelled Intek common share;
- 1 KME Group savings share for each cancelled Intek savings share;
- 1 new 2009-2011 KME Group Common Share Warrant for each cancelled 2005-2011 Intek Common Share Warrant.

As part of the transaction, the following steps must be approved and completed before the date when the demerger becomes effective for legal purposes:

- Stock split for the KME Group common and savings shares, carried out by distributing 3 shares for every group of 2 shares held and adjusting accordingly the preferential rights of the savings shares, so that they are consistent with those of the Intek savings shares;
- Extension of the expiration date of the 2006-2009 KME Group Common Share Warrants;
- Distribution to the Intek shareholders of the 2006-2009 KME Group Common Share Warrants currently held by Intek;
- Cancellation of the existing Intek and KME Group stock option plans;
- Elimination of a par value designation for the Intek shares.

The program also calls for KME Group to strengthen its balance sheet through a share capital increase of up to Euro 80 million. The capital increase will be carried out by issuing through a rights offering new common and savings shares at a post-split subscription price ranging between Euro 0.30 and Euro 0.37 for each common share (corresponding, respectively, to Euro 0.45 and Euro 0.55 pre-split) and between Euro 0.50 and Euro 0.57 for each savings share (corresponding, respectively, to Euro 0.75 and Euro 0.85 pre-split). The capital increase, which will be submitted for approval at the same Shareholders' Meeting convened to approve the demerger proposal, will be carried out after the date when the demerger becomes effective for legal purposes.

Lastly, a new incentive plan reserved for the management of KME Group will be implemented after the date when the demerger becomes effective for legal purposes.

The demerger and the other transactions described above will be submitted for approval at a Shareholders' Meeting convened for December 1, 2009, on the first calling, and December 2, 2009, on the second calling.

For additional information, please consult the documents that are on file at the Company's offices, the offices of Borsa Italiana S.p.A. and are available online at the Company website: *www.kme.com*.

Florence, November 12, 2009

The Board of Directors

Annexes:

1) Financial Statements

2) Statement of the manager in charge for financial reporting

1 - Consolidated Financial Statements

The Interim Report on Operations at September 30, 2009, which has not been audited, was prepared in accordance with Article 154 *ter* of the Uniform Financial Code, enacted with Legislative Decree No. 195/2007.

The data in the consolidated statement of financial position are those at September 30, 2009 and at December 31, 2008.
Consolidated income statement data are provided for the first nine months and the third quarter of 2009. They are also compared with the data for the same periods in 2008. The presentation of the financial statements is consistent with the presentation used in the condensed semiannual consolidated financial statements and the annual financial statements.

The Interim Report on Operations at September 30, 2009 was prepared in accordance with the valuation and measurement criteria set forth in the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission in accordance with the procedure set forth in Article 6 of Regulation (CE) No. 1606/2002 of July 19, 2002 of the European Parliament and Council.

Consolidated Statement of Financial Position at September 30, 2009

(in thousands of euros)	9/30/2009	12/31/2008
Property, plant and equipment	591,694	616,086
Investment property	23,400	22,612
Goodwill and consolidation differences	114,897	114,892
Other intangible assets	3,182	2,908
Investments in subsidiaries and associates	5,220	5,335
Investments in other companies	3,777	0
Investments in equity accounted investees	0	0
Other non-current assets	25,927	26,343
Non-current financial assets	3,402	3,239
Deferred-tax assets	45,214	45,014
NON-CURRENT ASSETS	**816,713**	**836,429**
Inventories	382,857	418,127
Trade receivables	124,463	89,058
Other receivables and current assets	22,104	42,962
Current financial assets	126,344	208,216
Cash and cash equivalents	87,661	38,814
CURRENT ASSETS	**743,429**	**797,177**
TOTAL ASSETS	**1,560,142**	**1,633,606**
Share capital	250,015	250,009
Other reserves	174,082	172,276
Treasury shares	(2,888)	(2,349)
Retained earnings	14,395	5,910
Consolidation reserves (*)	8,223	98,500
Reserve for deferred taxes	131	131
Profit (Loss) for the period	(13,979)	(68,651)
Equity attributable to owners of the Parent	**429,979**	**455,826**
Equity attributable to non-controlling interests	2,737	2,529
TOTAL EQUITY	**432,716**	**458,355**
Employee benefits	152,713	152,377
Deferred-tax liabilities	121,273	121,272
Financial payables and liabilities	228,089	139,307
Other non-current liabilities	13,006	11,185
Provisions for risks and charges	140,678	140,491
NON-CURRENT LIABILITIES	**655,759**	**564,632**
Financial payables and liabilities	211,327	331,402
Trade payables	137,239	147,669
Other current liabilities	101,416	103,429
Provisions for risks and charges	21,685	28,119
CURRENT LIABILITIES	**471,667**	**610,619**
TOTAL EQUITY AND LIABILITIES	**1,560,142**	**1,633,606**

(*) The consolidation reserves consist of prior years' retained earnings or accumulated losses brought forward, the consolidation reserve and the translation reserve.

Consolidated Income Statement at September 30, 2009

(in thousands of euros)	9/30/2009 (9 months)	9/30/2008 (9 months)	Change	3Q09 (3 months)	3Q08 (3 months)	Change
Revenues	1,396,570	2,395,665	(999,095)	498,101	772,572	(274,471)
Change in inventory of finished goods and semi-finished products	(14,046)	(33)	(14,013)	(3,302)	(1,713)	(1,589)
Capitalized internal work	1,204	1,877	(673)	587	770	(183)
Other operating income	10,842	8,127	2,715	3,744	1,878	1,866
Purchases and change in raw materials	(872,059)	(1,776,196)	904,137	(333,014)	(607,272)	274,258
Personnel expense	(224,593)	(269,093)	44,500	(72,336)	(86,801)	14,465
Amortization, depreciation and impairment losses	(41,330)	(38,835)	(2,495)	(12,615)	(12,136)	(479)
Other operating costs	(260,109)	(257,691)	(2,418)	(70,296)	(81,802)	11,506
Operating profit (loss)	**(3,521)**	**63,821**	**(67,342)**	**10,869**	**(14,504)**	**25,373**
Financial income	13,170	6,335	6,835	1,236	(1,322)	2,558
Financial expense	(23,270)	(35,110)	11,840	(5,076)	(13,056)	7,980
Share of profit of equity-accounted associates	-	-	-	-	-	-
Profit (Loss) before taxes	**(13,621)**	**35,046**	**(48,667)**	**7,029**	**(28,882)**	**35,911**

2 - Statement by the Manager Responsible for Financial Reporting pursuant to Article 154 *bis,* paragraph 2 of Legislative Decree No. 58/1998 (Consolidated Financial Act)

Marco Miniati, the Manager Responsible for Financial Reporting for Financial Reporting, hereby state, pursuant to art.154 bis, paragraph 2 of the Consolidated Finance Act (Legislative Decree 58/1998), that the accounting information contained in this KME Group S.p.A. Report on Operations at 30 September 2009 corresponds with the underlying accounting record.

Florence, November 12, 2009

(signed Marco Miniati)
Manager Responsible