



PRESS RELEASE

THE BOARD OF DIRECTORS HAS EXAMINED THE PERFORMANCE  
OF THE GROUP AT 31 MARCH 2010

CONSOLIDATED REVENUES FOR THE FIRST QUARTER 2010 WERE 656.9 MILLION EURO;  
AFTER DEDUCTION OF VALUE OF RAW MATERIALS, THEY AMOUNT TO 175.4 MILLION EURO  
(174.3 MILLION EURO AT 31 MARCH 2009)

EBITDA(\*) AT 14.7 MILLION EURO (+38.1% COMPARED TO 10.6 MILLION EURO IN 2009)  
THE GROUP'S OPERATING PROFITABILITY FOR THE FIRST QUARTER 2010 IMPROVED BOTH  
COMPARED TO THE SAME PERIOD OF 2009 AND TO THE LAST QUARTERS OF 2009

GROSS CONSOLIDATED RESULT(\*) SUBSTANTIALLY AT BREAK EVEN (PROFIT OF 0.2 MILLION  
EURO); IN 2009 IT SHOWED A LOSS OF 12.7 MILLION EURO

NET DEBT 289.6 MILLION EURO (286.6 MILLION EURO AT 31 DECEMBER 2009)

Florence, 13 May 2010 - The Board of Directors of KME Group S.p.A. has examined and approved the Interim Report on Operations at 31 March 2010.

- **Consolidated revenues** for the first quarter of 2010 were 656.9 million Euro (458.7 million Euro in 2009).  
When the value of raw materials is removed, this figure equals 175.4 million Euro, compared to net revenues of 174.3 million Euro achieved in 2009. Sales volumes increased by 10.6% as a result of the different mix.
- **Gross operating profit (EBITDA)(\*)** for the first quarter of 2010 was 14.7 million Euro, compared to 10.6 million Euro in the same period of 2009 and 11.0 million Euro in the fourth quarter of 2009).  
The improvement in profit is also demonstrated in percentage terms. EBITDA as a proportion of net revenues increased from 6.1% in the first quarter of 2009 and 6.4% in the fourth quarter of 2009 to 8.4% in the first quarter of 2010.
- **The consolidated result(\*)** before taxes for the first quarter of 2010 showed a profit of 0.2 million Euro; this result showed a loss of 12.7 million Euro in 2009.
- From the financial point of view, at the end of March 2010 **consolidated net debt (\*)** was 289.6 million Euro (286.6 million Euro at 31 December 2009) and it continued to be below the level of the working capital, indicating a balanced equity situation without structural financial debt. Debt represents 60% of net equity.

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(\* ) For the contents of the reclassifications made, see the Interim Report on Operations for the first quarter of 2010.

- With regard to **performance trends**, the signs of improvement in the economic scenario recorded in the first months of the current year could progressively lead to a more favourable scenario in our various business markets.  
As a result of the Group's competitive edge, achieved through the implementation of measures aimed at strengthening the production and organizational structure, it will be able to benefit from this context and thus obtain better results than those of the previous year, returning to growth in profitability to bring it to a level that provides an adequate return on invested capital.

<b>Main Consolidated Results</b>		
<b>(million Euro)</b>	<b>1st quarter 2010</b>	<b>1st quarter 2009</b>
<b>Revenues</b>	<b>656.9</b>	<b>458.7</b>
<b>Revenues (net of r.m.)</b>	<b>175.4</b>	<b>174.3</b>
<b>EBITDA</b>	<b>14.7</b>	<b>10.6</b>
<b>EBIT</b>	<b>3.4</b>	<b>(4.5)</b>
<b>Result before taxes</b>	<b>0.2</b>	<b>(12.7)</b>
<b>Net debt</b>	<b>289.6 (at 31.03.2010)</b>	<b>286.6 (at 31.12.2009)</b>
<b>Net Equity</b>	<b>474.9 (at 31.03.2010)</b>	<b>422.8 (at 31.12.2009)</b>

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.

In the current environment of rising prices, this valuation generates a positive differential of 12.3 million Euro, while at the end of March 2009 the same differential was negative by 11.4 million Euro, against a background of falling prices (while at the end of 2008 the differential was negative by 72.7 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.

<b>(million Euro)</b>	<b>1st quarter 2010</b>	<b>1st quarter 2009</b>
<b>Result before taxes (stock not IFRS)</b>	<b>0.2</b>	<b>(12.7)</b>
<b>Effect of IFRS valuation of stock</b>	<b>12.3</b>	<b>(11.4)</b>
<b>Result before taxes (stock IFRS)</b>	<b>12.5</b>	<b>(24.1)</b>

*N.B. This press release includes reclassifications of the consolidated income statement and uses a number of alternative performance indicators not envisaged by the IFRS accounting principles, the meaning and contents of which are explained in the attached Interim Report on Operations for the first quarter 2010.*



*KME Group S.p.A.*

\* \* \*

Attached hereto is the “Interim Report on Operation in the first quarter of 2010”.

\* \* \*

The Executive responsible for the drafting up the company’s accounts, Marco Miniati, hereby declares pursuant to art. 154 *bis* of the Finance Consolidation Law (Legislative Decree no. 58/1998) that the accounting information in this press release on performance at 31 March 2010 is a truthful representation of the contents of the accounting documents, books and entries.

The Board of Directors

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The press release is available on the site [www.kme.com](http://www.kme.com), through which additional information can also be requested directly from the company (telephone no. 055.4411454; e.mail [investor.relations@kme.com](mailto:investor.relations@kme.com)).

**Interim Report on Operations  
at 31 March 2010  
(1<sup>st</sup> quarter financial year 2010)**

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registered office in Florence - via dei Barucci, 2  
[www.kme.com](http://www.kme.com)

Share Capital Euros 273,761,740.66 fully paid up  
Enterprises Register of the Court of Florence and Tax Code 00931330583

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# KME Group S.p.A.

## Board of Directors

Chairman

Salvatore Orlando

Vice Chairman

Vincenzo Manes<sup>B</sup>

Vice Chairman

Diva Moriani<sup>B</sup>

Director General

Domenico Cova<sup>B</sup>

Director General

Italo Romano<sup>B</sup>

Vincenzo Cannatelli

Mario d'Urso<sup>A,C,D</sup>

Marcello Gallo

Giuseppe Lignana<sup>A,C,D</sup>

Secretary of the Board

Gian Carlo Losi

Alberto Pecci<sup>A,D</sup>

Alberto Pirelli<sup>A,C</sup>

A. Independent Director

B. Executive Director

C. Member of the Compensation Committee (Alberto Pirelli, Chairman)

D. Member of the Internal Controls Committee (Mario d'Urso, Chairman)

## Board of Statutory Auditors

Chairman

Marco Lombardi

Active Statutory Auditors

Pasquale Pace

Vincenzo Pilla

Substitute Statutory Auditors

Lorenzo Boni

Angelo Garcea

Executive responsible for drafting the accounting documents Marco Miniati

External Auditing Company

KPMG S.p.A.

Common representative of the minority Shareholders

Romano Bellezza

## ***Directors' Report on the trend and progress of operations in the first quarter of the financial year 2010***

In the first months of the current year there continued the signs of a turnaround in the world economy, even if in stops and starts and differently between countries and world areas.

Supported by expansionist monetary and fiscal policies and in the wake of the restarting of the cycle of restocking, growth accelerated in the United States, in Japan and in the biggest developing countries.

In Europe, the area where the Group has its biggest presence, the turnaround was less due to the weaker internal demand.

The high level of unemployment has slowed consumption down. Investments recorded negative growth for seven consecutive quarters. There was uncertainty in future prospects and large parts of productive capacity went unused. In the Euro area growth was mainly sustained by foreign orders of which the main beneficiary was Germany.

The demand trend in the main sectors that use semi-finished products in copper and its alloys of the Group differed by goods sectors and areas.

The demand for **semi-finished products for the construction sector** was negatively impacted by the extremely rigid weather conditions in Europe and North America, which caused an even further slowdown in the building industry, as well as by the rise in the prices of raw material copper in volatility context brought about uncertainty in users expenditure decisions.

The demand for **semi-finished products for the industrial sector** went back to being more dynamic, even if the rhythms were very different. The turnaround was mainly in the consumer durables and intermediate goods manufacturing industry, in the automobile, household appliances and mechanical sectors, particularly in the German market. The trend of the sales of products and parts for plants for power generation from renewable sources continues to be satisfactory. The copper bars sector is also recovering well compared to the particularly low levels of last year. Progress continues to be weak in the sector of copper ingot moulds for continuous steel pouring.

The **quotations of raw material copper**, which is the metal that is mainly used in the production of the semi-finished products of the Group, grew on average in this quarter compared to those of the fourth quarter 2009, pushed by the turnaround in the emerging economies and also fed by speculative moves, linked to the large amount of international liquidity that exists. In the month of April they were more stable but still recorded increases.

Defending its market position through a capillary commercial action based on offering its customers integrated services and solutions, as well as strengthening its distribution chain, has enabled the KME Group to benefit from the turnaround of the markets.

The **consolidated revenues** for first quarter 2010 amounted to Euros 656.9 million, increasing by 43.2 % on that of the same period of 2009.

Net of the value of raw materials, revenues went from Euros 174.3 million to Euros 175.4 million, growing by 0.6%, while sales volumes grew by 10.6%, due to the different mix.

The percentage of the raw materials on the sales of the semi-finished products was about 73%. For the whole of 2009 it averaged 71%.

The improvements of the structures and the rationalisation of the productive system, accompanied by more contingent and rigorous actions aimed at controlling all costs, both variable and fixed, in order to adapt them, as much as possible, to market conditions have had positive financial impacts.

The operating profitability of the Group for first quarter 2010 improved compared both to that of first quarter 2009 and that of the last two quarters of the previous financial year.

**The gross operating profit (EBITDA)(\*)** for first quarter 2010 amounted to Euros 14.7 million and in the same period of 2009 amounted to Euros 10.6 million. The EBITDA amounted to Euros 12.1 million for third quarter 2009 and Euros 11.0 million for the fourth quarter.

The profitability improvement is also evident in relative terms. The EBITDA on the revenues went from 6.1% for first quarter 2009 and from 6.4% for fourth quarter 2009 to 8.4% for first quarter 2010.

**The net operating result (EBIT)(\*)** for first quarter 2010 is positive for Euros 3.4 million and in 2009 was negative for Euros 4.5 million.

**The consolidated result before taxes,(\*)** was positive for Euros 0.2 million (negative for Euros 12.7 million for first quarter 2009).

Also in this report on operations the indicators shown above have been produced based on presentation and measurement criteria that are partially different from the IFRS (International Financial Reporting Standards), used for drawing up the yearly consolidated financial statements. Specifically, they are given without the impact on the financial results of the accounting valuation, basically at current values, of the raw materials stocks, as asked for by the IFRS, which, due to the volatility of the prices involved, introduce an exogenous element whose variability disables a homogenous comparison of data of different periods and thus not allowing a correct representation of the actual progress and trend of operations. Regarding this fact reference should be made to the description of the reclassification that was made, which is contained in the following section on the “Financial trend and progress of the Group”.

In a situation where quotations are increasing, compared to those at the start of 2009, the valuation of the raw materials stocks based on the current value of the prices, i.e. the lower between FIFO and the realisable value at the end of the period, instead of on a valuation at LIFO relative to the structural stock (\*\*), determined a positive difference in the values between those at LIFO and those calculated in conformity with the IFRS. Specifically, at the end of March 2009 a negative difference of Euros 11.4 million was posted, while at the end of March 2010 this difference was a positive one of Euros 12.3 million.

Therefore, **the Group net consolidated result** for first quarter 2010, calculated valuing the stocks in line with the IFRS, was positive for Euros 12.5 million, while for 2009 it was negative for Euros 24.1 million.

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*(\*) Reclassified indicators for whose content reference should be made to the section “Financial trend and progress of the Group”.*

*(\*\*) For structural stock there is meant that part of the owned stock not already committed to sales orders and which is, therefore, a strategic reserve, basically stable over time, guaranteeing productive operations.*



From a financial standpoint, the rationalisation of procurement and the use of the raw materials and the attentive management of customer and supplier relations have enabled the financing needs of the working capital to be kept under control and, therefore, the level of **Net Debt** of the Group which, at 31 March 2010, amounted to Euros 289.6 million in line with that at the end of 2009 (Euros 286.6 million).

The debt is kept below the value of the working capital. This situation highlights a balanced equity situation, without any structural financial debt.

The Consolidated net equity at 31 March 2010, gross of that belonging to minorities, amounted to Euros 474.9 million.

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With regard to **performance trends**, the signs of improvement in the economic scenario recorded in the first months of the current year could progressively lead to a more favourable scenario in our various business markets.

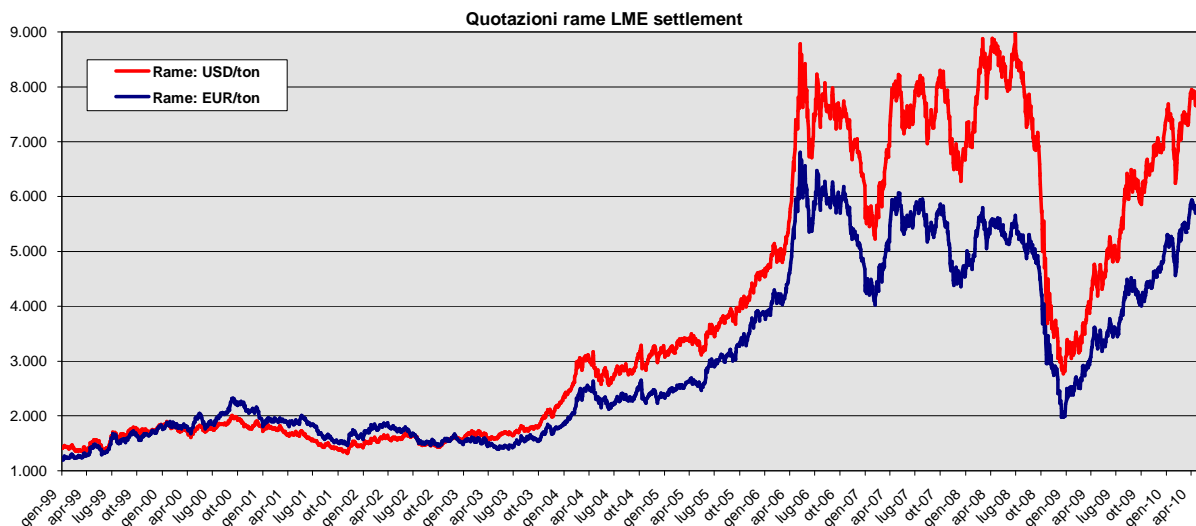
As a result of the Group's competitive edge, achieved through the implementation of measures aimed at strengthening the production and organizational structure, it will be able to benefit from this context and thus obtain better results than those of the previous year, returning to growth in profitability to bring it to a level that provides an adequate return on invested capital.

## Market and raw material prices of copper

The average price of copper in the first quarter of 2010 was higher than that of the same period of the previous year by 110.8% in US\$, from US\$ 3,435/ton to US\$ 7,243/ton and by 98.7% in Euros, from Euros 2,637/ton to Euros 5,240/ton)

Regarding the trend the average price of first quarter 2010, compared to fourth quarter del 2009, was increasing by 9.0% in US\$, from US\$ 6,643/ton to US\$ 7,243/ton and by 16,6% in Euros, from Euros 4,494/ton to Euros 5.240/ton), due to the strengthening of the US Dollar during the period.

In the month of April 2010 the price of copper was more stable but, however, on the monthly average, still showing an increase to US\$ 7,745/ton equivalent to Euros 5,777/ton.



## **Partial inversely proportional split of Intek S.p.A. in favour of KME Group S.p.A.**

The Boards of Directors of KME Group S.p.A. and of the parent company Intek S.p.A., in the meeting held on 7 October 2009, approved the operation announced on 6 August, which foresaw the partial inversely proportional split of Intek in favour of the subsidiary company KME Group, hereinafter for brevity the “*Split*”, based on their respective balance situations at 30 June 2009.

The Split operation was resolved upon by the Shareholders’ Meetings of the two companies on 2 December 2009 and became fully effective from 22 March 2010.

The Split aims, on the one hand, at a greater unity and focusing of the activities of the Group, also for the purpose of favouring the development of medium/long term growth strategies and, on the other, at a simplification of the company structure.

By assigning to KME Group the balance sheet items that are the subject of the Split, Intek can focus on its own core business in the financial investments sector.

By the transfer from Intek to KME Group of the balance sheet items that are the subject of the Split, this latter, even while still keeping its core business in the production and commercialising of semi-finished products in copper, will diversify its business activities opening itself up to new prospects for development and investment.

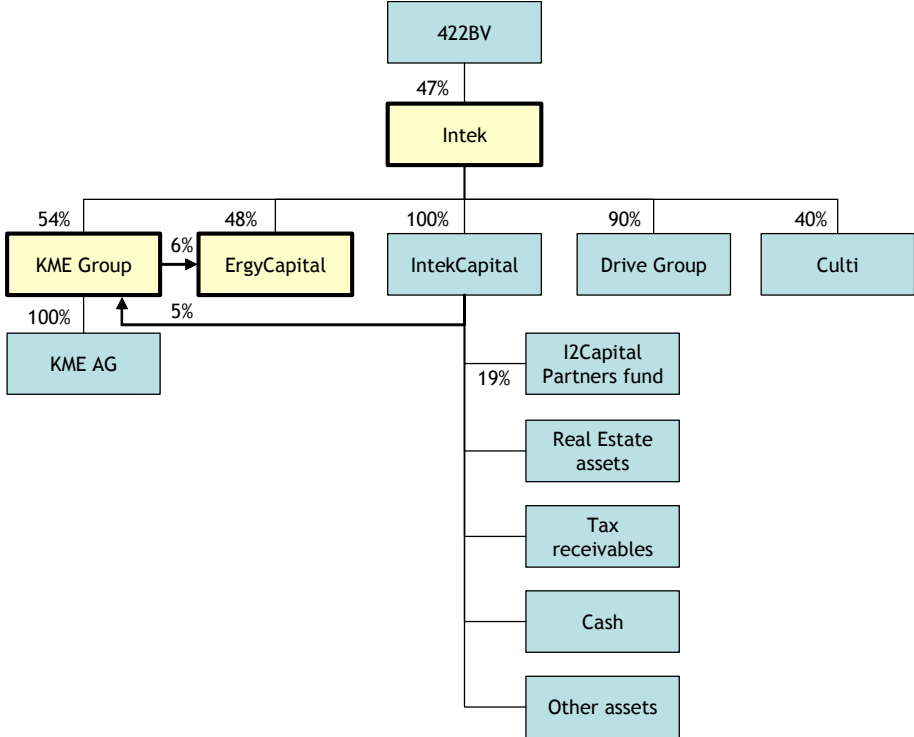
A further effect of the Split is the simplification of the ownership situations of the companies involved and, specifically, in the shortening of the control chain as far as the KME Group is concerned.

Before the KME Group was a subsidiary of Intek, which, directly and indirectly, held 58.57% of the ordinary share capital and Intek, in its turn, was a subsidiary of Quattrodedue Holding B.V., a company incorporated under Dutch Law that holds 47.3% of its voting share capital.

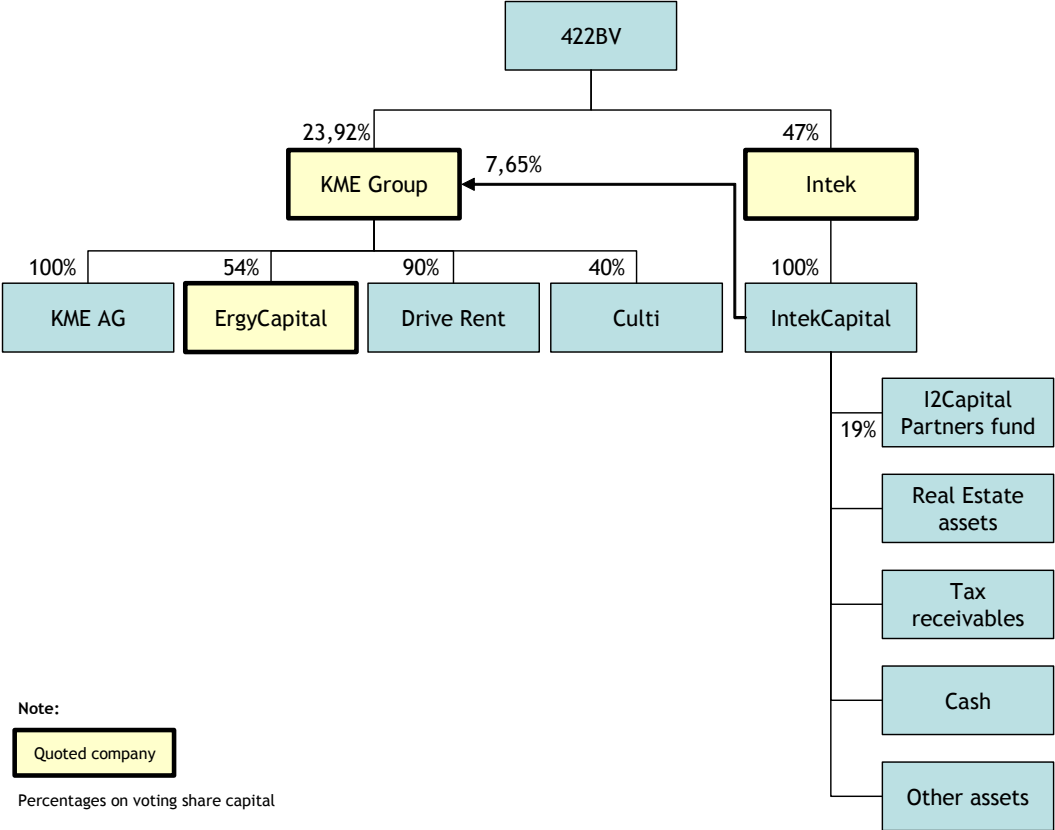
Due to the Split, Quattrodedue, which as a shareholder of Intek was an assignee of KME Group shares, has a total shareholding, both directly and indirectly, of 31.6% of the ordinary share capital of the latter company.

The following graphs show the Group structure before and after the Split operation.

**Structure of the Group - before the Split**



**Structure of the Group - after the Split**



Note:  
Quoted company

Percentages on voting share capital

On a company and accounting basis the operation has brought about the assignment to the KME Group of assets and liabilities, basically consisting of holdings.

The holdings assigned were the following:

- **ErgyCapital S.p.A.** (a holding of 48% for a total book value (shares + warrants) of Euros 34.4 million): *investment company*, specialised in the sectors of renewable energy and energy saving with shares traded on the computerised market of the *Investment Vehicles (MIV)*, organised and managed by Borsa Italiana. The company pursues a strategy of diversifying its investments, seeking to have a presence regarding differing technologies for the production of energy, such as, photovoltaic, from biomasses and wind farms, and in different segments of the industrial chain, starting from basic technologies through the creation of plants and up to production.
- **Drive Rent S.p.A.** (a holding of 90% for a book value of Euros 30 million): a services company that manages company motor vehicle fleets. It deals with the management of the vehicles of private persons, with the renting of substitute vehicles to auto repair companies, with the managing of company guest quarters and the managing of a parking lot in the centre of Milan.
- **Culti S.r.l.** (a holding of 40% for a book value of Euros 1.0 million): a company active in the sector of the design and planning of spaces and ornaments for the homes, in the furniture and fittings and interior decoration sector (*life style*).

Among the liabilities assigned there is a payable to the bank Intesa Sanpaolo S.p.A. of Euros 31.1 million.

Consequent to the split compendium received, KME Group has increased its Share Capital from Euros 250,021,765.45 to Euros 273,761,740.66. The Share Capital consists of 418,117,631 shares, of which 381,367,530 ordinary and 36,750,101 savings. There was also posted to the net equity a Split surplus of Euros 15 million.

The plan of the complex operation also foresees an increase in the Share Capital of KME Group, to strengthen to company's equity, for a maximum of Euros 80 million, through the issue of new ordinary and savings shares to be offered in option to those having the right at a subscription price, contained within a range, for each ordinary share, between Euros 0.30 and Euros 0.37 and for each savings share, between Euros 0.50 and Euros 0.57. The operation should start within the current half-year.

Lastly, there is foreseen a new incentive plan reserved for the management of KME Group, to be carried out not before there have run 90 days from the start date of the legal effects of the Split.

For more details on this reference should be made to the documentation deposited at the company, at Borsa Italiana S.p.A. and available on the website [www.kme.com](http://www.kme.com).

## Financial trend and progress of the Group

As described previously, the IFRS, not allowing the valuation of the closing stock with LIFO, which, on the other hand, is used for internal management accounting and controllership purposes, have introduced an exogenous financial element whose variability disables a homogenous comparison of data of different periods and thus not allowing a correct representation of the actual progress and trend of operations component.

Therefore, in the comments that follow, there has also been used financial information based on accounting principles that differ from the IFRS, mainly in terms of measurement and presentation, for the following aspects:

- 1 The revenues are also shown net of the value of raw materials, for the purpose of eliminating the impact of the variability of their prices.
- 2 The closing stocks, for the metal part, are valued at LIFO for the amount of it that refers to the structural stock, which means the part of stock not committed to customers' sales orders. The committed part of the stock, on the other hand, is valued at the value of the relative commitments, which is considered to be the realisable value. For the purposes of the IFRS, on the other hand, the valuation of the stock is at the lower of the cost, calculated using FIFO, and the net realisable value. Again for IFRS purposes the commitments for the purchase and sale of stock, just as for the relative coverage contracts stipulated on the LME market, are separately identified and shown in the financial statements at their relative fair value, as financial instruments.
- 3 The non-recurring components are shown under the gross operating result line.

The table below shows the impacts on 2010 of using these different measurement and presentation criteria.

Reclassified Income statement (millions of Euros)	1 <sup>st</sup> Qtr. 2010 IFRS		Reclass.	Adjusts.	1 <sup>st</sup> Qtr. 2010 RECL	
Gross revenues	656.9	100.0%			656.9	
Cost of raw materials	-		(481.5)		(481.5)	
<b>Revenues net of raw materials cost</b>	-				<b>175.4</b>	<b>100%</b>
Labour cost	(85.1)		-		(85.1)	
Other consumables and costs	(542.2)		478.9	(12.3)	(75.6)	
<b>Gross Operating Result (EBITDA)</b>	<b>29.6</b>	<b>4.5%</b>			<b>14.7</b>	<b>8.4%</b>
Non-recurring (Charges) / Incomes	-		2.6		2.6	
Amortisation and depreciation	(13.9)		-		(13.9)	
<b>Net Operating Result (EBIT)</b>	<b>15.7</b>	<b>2.4%</b>			<b>3.4</b>	<b>2.0%</b>
Net financial charges	(3.2)		-		(3.2)	
<b>Result before taxes (stock non IFRS)</b>	<b>12.5</b>	<b>1.9%</b>			<b>0.2</b>	<b>0.1%</b>
Current taxes	-		-		-	
Deferred taxes	-		-		-	
<b>Net Result (stock non IFRS)</b>	<b>12.5</b>	<b>1.9%</b>			<b>0.2</b>	<b>0.1%</b>
Impact of valuation (IFRS) on stocks and financial instruments	-			12.3	12.3	
Impact on valuation(IFRS) stocks and financial instruments	-		-		-	
<b>Gross consolidated result</b>	<b>12.5</b>	<b>1.9%</b>			<b>12.5</b>	<b>7.1%</b>
Gross result of minorities	0.2				0.2	
<b>Gross result of the Group</b>	<b>12.4</b>	<b>1.9%</b>			<b>12.4</b>	<b>7.1%</b>

For the purposes of the comments on the “Financial trend and progress of the Group” that follows there are used the reclassified indicators as described above, because they are considered to be more representative of the real economic and financial progress of the Group. Obviously the description of the progress of operations is also completed with the financial data based on the use of the method laid down by the IFRS for the valuation of the raw materials stock.

The table that follows shows the summarised consolidated financial results of the Group for first quarter 2010, compared to those for the same period of the previous year.

### ***KME Group - Consolidated Income Statement***

Year 2009 RECL	(millions of Euros)	1 <sup>st</sup> quarter 2010 RECL	1 <sup>st</sup> quarter 2009 RECL	Chg. %
1,949.4	Gross Revenues	656.9	458.7	43.2%
(1,285.9)	Cost of raw material	(481.5)	(284.4)	69.3%
<b>663.5</b>	<b>Revenues net of raw materials cost</b>	<b>175.4</b>	<b>174.3</b>	<b>0.6%</b>
(300.8)	Labour cost	(85.1)	(79.6)	6.9%
(317.4)	Other consumables and costs	(75.6)	(84.1)	-10.0%
<b>45.3</b>	<b>Gross Operating Result (EBITDA) (*)</b>	<b>14.7</b>	<b>10.6</b>	<b>38.1%</b>
2.9	Non-recurring (Charges)/Incomes	2.6	(1.5)	n.s.
(53.6)	Amortisation, depreciation	(13.9)	(13.6)	1.9%
<b>(5.4)</b>	<b>Net Operating Result (EBIT)</b>	<b>3.4</b>	<b>(4.5)</b>	<b>-2.6%</b>
(14.6)	Net financial charges	(3.2)	(8.2)	-60.9%
<b>(20.0)</b>	<b>Result before taxes (stock non IFRS)</b>	<b>0.2</b>	<b>(12.7)</b>	<b>-7.3%</b>

In first quarter 2010 the **Revenues** amounted to Euros 656.9 million, increasing by 43.2% on those of the same period of 2009, which amounted to Euros 458.7 million.

This increase is impacted by the trend of the prices of the raw materials. In fact, net of the value of these the revenues increased by 0.6%, going from Euros 174.3 million to Euros 175.4 million. The increase in the sales volumes was 10.6% due to the different mix.

The total of the **Operating costs** shows a decrease of 1.8% confirm the effectiveness of the cost control actions in mitigating the impact on the Income statement of the weak trend of revenues.

Right from the start, in order to face up to the particularly negative economic scenario rigorous interventions were carried out aimed at limiting all the cost items, specifically the labour cost and the procurement costs. The constant dialogue with the workers' representatives has led to the definition of agreed solutions in order to respond to the changed market conditions and to increasing organisational flexibility and efficiency.

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 (\*) EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) is not foreseen by the IFRS. It is a useful unit of measurement for the operational performance of the Group. EBITDA is an intermediate financial margin that derives from EBIT from which there is excluded the depreciation of the tangible fixed assets and the amortisation of the intangible fixed assets.

The **Gross operating result (EBITDA)**, of Euros 14.7 million shows an increase, compared to 2009, of 38.1%. This is 8.4% on revenues, net of the raw materials. In first quarter 2009 it was 6.1%.

In fourth quarter 2009 EBITDA amounted to Euros 11 million and Euros 12.1 million in the third quarter, with percentages on revenues of 6.4% and 7.6%, respectively.

The **Net operating result (EBIT)** was positive for Euros 3.4 million (negative for Euros 4.5 million in 2009).

The **Consolidate result, gross of taxes**, without the valuation of the stock of the raw materials at current prices according to the IFRS, was positive for Euros 0.2 million (negative for Euros 12.7 million in the first quarter of 2009).

***Impact of the valuation of the stock of raw materials at current prices according to the International Financial Reporting Standards (IFRS)***

The following table shows the consolidated result for first quarter 2010 compared to that for the same period of 2009, calculated including the impacts of the valuation according to the IFRS of the structural stock of the raw materials and of the purchase and sales commitments, physical or settled, on the London Metal Exchange.

Year 2009 RECL		(million Euros)	1 <sup>st</sup> quarter 2010 RECL		1 <sup>st</sup> quarter 2009 RECL		Chg. %
(20.0)	-3.0%	Gross result (stock non IFRS)	0.2	0.1%	(12.7)	-7.3%	n.s.
		Valuation impact (IFRS) on stock and financial instruments	12.3		(11.4)		n.s.
(15.5)	-2.3%	Gross result (stock IFRS)	12.5	7.1%	(24.1)	-13.8%	-152.0%

In the context of the growth of the relative quotations, the valuation of the raw materials stock brought about, at the end of March 2010, a positive difference in the values between those at LIFO and those calculated according to the IFRS. At the end of March 2009, with quotations dropping, negative difference of Euros 11.4 million was recorded, while at the end of March 2010 this difference is positive for Euros 12.3 million. As can be seen using the IFRS, in a context of high volatility of raw materials prices, introduces an exogenous financial component into the periodic reports whose extreme variability risks giving a distorted view of the financial progress of operations.

Consequently, there is obtained a **Gross consolidated result**, i.e. stock valued using the IFRS, for first quarter 2010 that is positive for Euros 12.5 million when, in homogenous terms, it was negative for Euros 24.1 million in 2009.



## Information on the Balance Sheet and financial situations

Below there is given the detail of the consolidated net equity:

(Euros / million)	At 31 March 2010	At 31 December 2009
Share Capital	273.8	250.0
Reserves	188.7	196.7
Result for the period	12.4(*)	(23.9)
<b>Total net equity</b>	<b>474.9</b>	<b>422.8</b>

(\*) gross of taxes

The net financial debt of the Group at 31 March 2010 amounted to Euros 289.6 million, in line with that at the end of December 2009 (Euros 286.6 million), in spite of the worsening of the financial position, caused by the liability balances of the split compendium, for the amount of Euros 31,1 million.

The Consolidated net financial position(\*) is detailed below:

	31.03.2010	31.12.2009
(in thousands of Euros)	(RECL)	(RECL)
Short-term financial payables	217,918	186,700
Medium/long term financial payables	361,193	363,075
Financial payables to Group companies	2,433	2,432
<b>(A) Total payables to banks</b>	<b>581,544</b>	<b>552,207</b>
Liquidity	(65,388)	(108,964)
Other financial assets	(19,077)	-
Short-term financial receivables	(119,701)	(64,609)
Financial receivables from Group companies	(2,338)	(1,283)
<b>(B) Total liquidity and current financial</b>	<b>(206,504)</b>	<b>(174,856)</b>
Fair value of LME contracts/commitments for metals	26,020	20,771
Fair value of other financial instruments	2,388	351
<b>(C) Financial instruments valued at fair value</b>	<b>28,408</b>	<b>21,122</b>
<b>Consolidated net financial position (A)+(B)+(C)</b>	<b>403,448</b>	<b>398,473</b>
<b>Non-current financial assets (1)</b>	<b>(113,857)</b>	<b>(111,923)</b>
<b>Total net financial debt</b>	<b>289,591</b>	<b>286,550</b>

(1) These assets refer, for Euros 108.1 million, to guarantee deposits relative to two fines of the European Community, imposed in 2003-2004 on the industrial companies of the Group for two violations regarding competition. Obviously, these fines will only generate definitive cash flows when the whole process is concluded before the jurisdictional bodies that the appeals have been presented to and only for the amount that may, eventually, be confirmed.

(\*) This indicator of the financial structure is calculated as the result of the gross financial payables reduced by the available liquidity, i.e. cash or equivalents and by the other financial receivables included in the "Current financial assets" and in the "Non-current financial assets".

Below there is a summary of the reclassified Net capital invested (\*):

(Euros / millions)	At 31 March 2010	At 31 December 2009
Net tied-up capital	831.8	776.0
Net working capital	321.3	325.6
Net funds	(388.5)	(392.2)
<b>Net capital invested</b>	<b>764.6</b>	<b>709.4</b>

*(\*) The net capital invested is defined as the sum of the “current assets” net of the “current liabilities” and “non-current liabilities”, with the exception of the items previously considered in the definition of “net financial debt”.*

## Significant events after 31 March 2010

- Regarding the carrying out of the resolutions that were passed by the Shareholders' Meeting of 2 December 2009, relative to the Split project, reference should be made to what has already been explained in the relative paragraph in this Reports.
- As stated in the Report on the Financial Statements, on the 5,824,985 Intek savings shares owned at 31 December 2009 there was given a call option to the banks participating in the banking agreement of February 2005, which no longer exists today. This option will expire in 2012.  
According to what is detailed in the Split project, presented to the Shareholders' Meeting of 2 December 2009, if the said shares were still held at the date the Split becomes effective they would be annulled, in the ratio of 5 shares for every 8 shares held, without the assignment of KME Group shares in exchange, pursuant to article 2504, ter, of the Italian Civil Code.  
The annulment would have caused a loss of equity and, at the same time, the impossibility of honouring the commitment taken.  
As illustrated in the Report on the Financial Statements 2009, on 19 March 2010 the 5,824,985 Intek savings shares were sold.  
On 22 March 2010, the date of the execution of the Split operation, the aforesaid Intek savings shares were divided into 2,184,369 aforesaid Intek savings shares and 3,640,615 KME savings shares.  
For the purpose of being able to honour the commitment taken towards the banks, as described above, the purchaser gave the KME Group:
  - A call right on the Intek savings shares, exercisable at the same sale price.
  - A call right on the KME savings shares, exercisable by one, or more, third parties indicated by the KME Group.At the date of this Report the KME Group has already purchased 2,184,369 Intek savings shares.
- On 29 April 2010 the Ordinary Shareholders' Meeting was held and it passed the following resolutions:
  - The approval of the Financial Statements at 31 December 2009.
  - The distribution of a dividend per share of Euros 0.07241 for the savings shares.
  - The renewal of the authorisation for the purchase and disposal of treasury shares.

Florence, 13 May 2010

The Board of Directors

## ***Accounting tables***

The interim report on operations at 31 March 2010, not subjected to an accounting audit, was drawn up in observance of article 154, ter, of the Consolidated Finance Act introduced by the Legislative Decree n° 195/2007.

The Consolidated Balance Sheet refers to the end of the quarter being looked at and the closing date of the previous financial year.

The Consolidated Income Statement information is supplied for first quarter 2010. It is also compared with the data for the same period of the previous year. The format of the accounting tables is the same as that of tables contained in the half-yearly and yearly financial reports.

The interim report on operations at 31 March 2010 was drawn up in conformity with the valuation and measurement criteria laid down by the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission according to the procedure referred to in article 6 of the EC Regulation n° 1606/2002 of the European Parliament and Council of 19 July 2002, as well as measures used in actuation of article 9 of the Legislative Decree n° 38/2005, when applicable.

The interim report on operations at 31 March 2010 considers the impacts of the partially proportional inverse split of Intek S.p.A. in favour of KME Group S.p.A., which became effective from 22 March 2010 and, therefore, close to the date of the report itself, but only for the impacts on the equity and financial situations of the Group Parent.

The line-by-line consolidation of the Drive Group and the use of the net equity method for the equity investment in ErgyCapital S.p.A. will take place starting from the half-yearly report at 30 June 2010.

It is to be remembered that as a result of the above operation the KME Group acquired the following:

- The equity investments in ErgyCapital S.p.A, Drive Rent S.p.A. and Culti S.r.l.
- The ErgyCapital S.p.A. 2011 warrants.
- The other assets and liabilities, which are better described in paragraphs 2.1 and 2.2 of the Informational Document on the Split that is also available on the website [www.kme.com](http://www.kme.com).

Starting from this quarter the fair value of the “LME contracts and the metal purchase/sales contracts” and the “Differences on LME operations”, previously included in the item “Other operating costs” are included in the item “Purchases and change in raw materials stock”. This classification, which, at the same time, makes the items “Other operating costs” and “Purchases and change in raw materials stock” more comparable is shown net of the operations to cover the price fluctuation risk of raw materials, above all copper. It is to be remembered that these financial instruments, even if they are put in place with the purpose of managing the aforesaid risk, are not designated as coverage instruments, pursuant to the IAS 39.

The comparative Income Statement at 31 March 2009, in the item “ Purchases and change in raw materials stock ”, also includes the negative impact due to using FIFO in place of the weighted average cost for the valuation of the stock, amounting to 17.2 million Euros.

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**KME Group S.p.A.**

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**Consolidated Balance Sheet**

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<b>(thousands of Euro)</b>	<b>31.03.2010</b>	<b>31.12.2009</b>
Property, plant and equipment	586.102	594.217
Real Estate Investments	23.728	23.728
Goodwill and consolidation differences	114.897	114.897
Other intangible assets	3.495	3.528
Investments in subsidiaries and associates	72.526	6.526
Investments in other companies	258	258
Investments at Net Equity	1.959	3.958
Other non-current assets	28.813	28.878
Non-current financial assets	113.857	111.923
Deferred tax assets	35.919	34.867
<b>NON-CURRENT ASSETS</b>	<b>981.554</b>	<b>922.780</b>
Inventories	493.001	469.512
Trade receivables	155.046	140.129
Other receivables and current assets	22.512	27.186
Current financial assetsw	164.163	100.912
Cash and cash equivalent	65.388	108.964
<b>CURRENT ASSETS</b>	<b>900.110</b>	<b>846.703</b>
<b>TOTAL ASSETS</b>	<b>1.881.664</b>	<b>1.769.483</b>
Share capital	273.762	250.015
Other reserves	189.230	174.082
Treasury shares	(2.888)	(2.888)
Retained Earnings	18.024	14.395
Consolidation reserves	(18.944)	8.135
Reserve for deferred tax	65	65
Profit / (loss) for the period	12.368	(23.929)
<b>Group Equity</b>	<b>471.617</b>	<b>419.875</b>
Minorities Equity	3.292	2.928
<b>TOTAL EQUITY</b>	<b>474.909</b>	<b>422.803</b>
Employee benefits	152.442	152.382
Deferred tax liabilities	111.998	111.550
Financial payables and liabilities	361.193	363.075
Other non current-liabilities	14.298	14.266
Provisions for risks and charges	136.648	136.113
<b>NON-CURRENT LIABILITIES</b>	<b>776.579</b>	<b>777.386</b>
Financial payables and liabilities	263.904	237.980
Trade payables	241.023	209.657
Other non current liabilities	101.802	94.714
Provisions for risks and charges	23.447	26.943
<b>CURRENT LIABILITIES</b>	<b>630.176</b>	<b>569.294</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1.881.664</b>	<b>1.769.483</b>

## KME Group S.p.A.

### Consolidated Income Statement

(Thousands of Euros)

	31.03.2010	31.03.2009
Revenues from sales	656,872	458,731
Changes in the stocks of finished and semi-finished products	6,560	(2,760)
Internal work capitalised	392	338
Other operating incomes	2,965	3,222
Purchases and change raw materials stock (*)	(480,304)	(312,048)
Personnel costs	(85,079)	(79,574)
Amortisation, depreciation, impairments and write-downs	(13,862)	(13,618)
Other operating costs	(71,811)	(69,869)
<b>Operating result</b>	<b>15,733</b>	<b>(15,578)</b>
Financial Incomes	5,824	2,554
Financial Charges	(9,031)	(11,083)
Result of affiliates at net equity	-	-
<b>Result before taxes</b>	<b>12,526</b>	<b>(24,107)</b>

(\*) The Income Statement at 31 March 2009, in the item " Purchases and change in raw materials stock ", includes the impact due to using FIFO in place of the weighted average cost for the valuation of the stock, amounting to 17.2 million Euros.

***Declaration of the Executive responsible for the drafting of the accounting documents pursuant to the measures in article 154, part two, paragraph 2, of the Legislative Decree 58/1998 (Consolidated Finance Act)***

The Executive responsible for drawing up the company accounting documents, Marco Miniati, hereby declares, pursuant to paragraph 2, article 154, bis, of the Consolidated Finance Act Legislative Decree 58/1998 that the accounting information contained in this Report on Operations at 31 March 2010 corresponds to that contained in the relative company documents, books and accounting postings.

Florence, 13 May 2010

The Executive Responsible

*(Signed Marco Miniati)*