



KME Group S.p.A.

PRESS RELEASE

THE BOARD OF DIRECTORS REVIEWED THE PERFORMANCE
OF THE GROUP'S OPERATION AT MARCH 31, 2011

CONSOLIDATED REVENUES FOR THE FIRST QUARTER OF 2011 TOTAL 818.9 MILLION EUROS;
206.7 MILLION EUROS NET OF THE VALUE OF RAW MATERIALS
(175.4 MILLION EUROS AT MARCH 31, 2010)

EBITDA GROW TO 21.5 MILLION EUROS (14.7 MILLION EUROS IN 2010)
THE GROUP'S OPERATING PROFITABILITY CONTINUED TO IMPROVE (+46.3%)

PROFIT BEFORE TAXES (NON-IFRS INVENTORY) AMOUNTS TO 5.0 MILLION EUROS (0.2 MILLION
EUROS IN 2010), AFTER CHARGES OF 4.6 MILLION EUROS FOR RESTRUCTURING PROGRAMS THAT
ARE CONTINUING IN THE CURRENT QUARTER

CONSOLIDATED PROFIT BEFORE TAXES RISES TO 78.0 MILLION EUROS (PROFIT OF 12.4 MILLION
EUROS IN 2010), AFTER RECOGNITION OF THE POSITIVE EFFECT GENERATED BY VALUING THE
RAW MATERIAL INVENTORY IN ACCORDANCE WITH IFRS ACCOUNTING PRINCIPLES

CONSOLIDATED NET DEBT DECREASES TO 96.7 MILLION EUROS AT MARCH 31, 2011
(223.9 MILLION EUROS AT DECEMBER 31, 2010), OWING IN PART TO THE POSITIVE
EFFECTS RESULTING FROM END-OF-PERIOD VALUATION OF DERIVATIVES HEDGING
RAW MATERIAL COMMITMENTS

SHAREHOLDERS' EQUITY TOTALS 530.6 MILLION EUROS

Florence, May 12 2011 - The Board of Directors of KME Group S.p.A. reviewed and
approved the Report on Operations in the First Quarter of 2011.

Consolidated Financial Highlights		
(in millions of euros)	1 st quarter 2011	1 st quarter 2010
Revenues	818.9	656.9
Revenues (net of raw materials)	206.7	175.4
EBITDA	21.5	14.7
EBIT	10.3	0.8
Profit (Loss) before extraordinary items	9.6	(2.4)
Extraordinary income/(expense)	(4.6)	2.6
Profit before taxes (non-IFRS inventory)	5.0	0.2
Impact of IFRS valuation of inventory	73.9	12.3
Losses of companies valued by equity method	(0.8)	--
Consolidated profit before taxes	78.0	12.4
Net debt	96.7 at 3/31/11	223.9 at 12/31/10
Shareholders' equity	530.6 at 3/31/11	452.1 at 12/31/10

- Consolidated revenues totaled 818.9 million euros in the first quarter of 2011 (656.9 million euros in 2010).
The increase in revenues reflects in part the impact of higher raw material prices. Restated net of the value of raw materials, the revenues amount is 206.7 million euros, or 17.8% more than the net revenues of 175.4 million euros booked in 2010.
- In 2011, first quarter EBITDA(*) grew to 21.5 million euros, compared with 14.7 million euros in 2010, for a year-over-year gain of 46.3%.
The increase in profitability is also apparent when the data are viewed on a relative basis, with the ratio of EBITDA to net revenues improving from 8.4% in 2010 to 10.4% in 2011.
- EBIT(*) rose to 10.3 million euros (0.8 million euros in 2010).
- The profit before extraordinary items(*) amounted to 9.6 million euros (loss of 2.4 million euros in 2010).
- Extraordinary expense (4.6 million euros at March 31, 2011) refers to additional programs to restructure and streamline the Group's industrial operations, which are continuing and will also have an impact on the results for the current quarter.
- The profit before taxes (non-IFRS inventory) totaled 5.0 million euros (0.2 million euros at March 31, 2010).
- The positive effect of valuing the raw material inventory and commitments at current prices, as required by IFRS accounting principles, jumped from 12.3 million euros in 2010 to 73.9 million euros in 2011, consistent with the rise in raw material prices.
- The consolidated profit(*) before taxes amounted to 78.0 million euros (12.4 million euros in 2010), after losses from companies consolidated by the equity method totaling 0.8 million euros, representing the Group's interest in the loss reported by ErgyCapital S.p.A.

(*)An explanation of the reclassifications of the data listed above is provided in the Annex to this press release.

- On the balance sheet side, **consolidated net debt(*)** totaled 96.7 million euros at March 31, 2011 (223.9 million euros at December 31, 2010). This decrease was achieved by further reducing working capital requirements and reflects the temporary positive effect of measuring at fair value the derivatives that hedge raw material commitments, computed based on end-of-period raw material prices.
- **Consolidated shareholders' equity** amounted to 530.6 million euros (452.1 million euros at December 31, 2010).
- As for the **business outlook**, provided that recent international developments do not trigger a reversal of the current economic trends, management confirms that it expects to report in the current year a further improvement in operating results compared 2010.

* * *

Marco Miniati, the 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 March 31, 2011 is consistent with the data in the supporting documents and in the Company's books of accounts and other accounting records.

Note: This press release contains reclassifications of the income statement data 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 annex.

The "Report on Operations in the First Quarter of 2011" is annexed to this press release.

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

* * *

The Board of Directors

(*)An explanation of the reclassifications of the data listed above is provided in the Annex to this press release.

**Report of the Board of Directors
on the Group's Operations
at March 31, 2011
(First Quarter of 2011)**

May 12, 2011

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

Share capital: 297,013,585.26 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
Deputy Chairman
Deputy Chairman
General Manager
General Manager

Salvatore Orlando
Vincenzo Manes^B
Diva Moriani^B
Riccardo Garrè^B
Italo Romano^B

Secretary to the Board of Directors

Vincenzo Cannatelli
Mario d'Urso^{A,C,D}
Marcello Gallo
Giuseppe Lignana^{A,C,D}
Gian Carlo Losi
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

Statutory Auditors

Pasquale Pace
Vincenzo Pilla

Alternates

Lorenzo Boni
Angelo Garcea

Corporate Accounting Documents Officer

Marco Miniati

Independent Auditors

KPMG S.p.A.

Common Representative of Savings Shareholders

Romano Bellezza

Report of the Board of Directors on the Group's Operating Performance at March 31, 2011

Before proceeding with a review of the Group's operating performance, it is important to point out that the reverse proportional partial demerger of iNTEk S.p.A. for the benefit of KME Group S.p.A. became effective on March 22, 2010.

The Demerger resulted in the conveyance to KME Group S.p.A. of equity investments in companies that are now included in the Group's scope of consolidation.

More specifically, KME Group S.p.A. acquired equity investments in the following companies: ErgyCapital S.p.A., a company specialized in the area of renewable energy sources, whose results are accounted for in accordance with the equity method; and Drive Rent S.p.A., a service company that manages corporate vehicle fleets, whose results are classified as "discontinued operations," due to its planned merger with Cobra S.p.A.

Consequently, the accounting data for the period resulting from line-by-line consolidation refer to the Group's core business, i.e., the sector of copper and copper-alloy semifinished products, which is a group of companies fully headed by the subsidiary KME A.G., located in Osnabrück, Germany.

The trend of the global economy continues to point towards further expansion, driven by robust growth in the emerging countries, despite the restrictive measures adopted by the monetary authorities, with the recovery strengthening in the United States and gaining a firmer footing in Europe.

The flow of international trade, which slowed temporarily during the closing months of 2010, gained fresh momentum in the first quarter of this year.

In Europe, which is the area where the Group is most active, economic growth was uneven: still high in Germany, despite the temporary negative impact of a contraction in construction activity caused by inclement winter weather, more moderate in France and Italy, and virtually nonexistent in Spain.

Internal demand dynamics continue to show signs of weakness, as a slight improvement in consumer spending was offset by a further reduction in investments, caused in part by a contraction in construction activity.

In a macroeconomic environment in which the signs of an upturn in economic activity remain tentative and characterized by widespread causes of uncertainty, such as higher raw material prices, fluctuations in exchange rates and, more recently, international political instability, the KME Group, in addition to continuing the implementation of programs to streamline and restructure its manufacturing organization, launched in 2010 a series of programs aimed at consolidating the diversification of its businesses, focusing on innovative solutions, promoting new applications for its products and strengthening its distribution organization in its target markets. These programs were supported with a communication strategy carried out on newspapers, periodical and television in the main

European countries, which produced excellent results in terms of increased brand recognition.

The economic results achieved in the first quarter of the current year showcase the early benefits produced by the programs implemented, which, by increasing competitiveness, enabled the KME Group to take advantage of a more favorable market environment to increase sales revenues, gradually realign prices and, consequently, significantly improve its profitability compared with the previous year.

Consolidated revenues totaled 818.9 million euros in the first quarter of 2011, for a gain of 24.7% compared with the 656.9 million euros booked in the same period last year.

Higher raw material prices account in part for this improvement; restated net of the value of raw materials, revenues show an increase of 17.8%, rising from 175.4 million euros to 206.7 million euros. Sales volumes were also up, growing by 7.5%.

EBITDA(*) totaled 21.5 million euros at March 31, 2011, or 46.3% more than in 2010, when EBITDA amounted to 14.7 million euros.

The increase in profitability is also apparent when the data are viewed on a relative basis, with the ratio of EBITDA to net revenues improving from 8.4% in 2010 to 10.4% in the first quarter of 2011.

The profit before extraordinary items(*) amounted to 9.6 million euros (loss of 2.4 million euros at March 31, 2010).

Extraordinary expense, which totaled 4.6 million euros in the first quarter of 2011, refers to additional programs to restructure and streamline the Group's industrial operations in the copper sector, which are continuing and will also have an impact on the results for the current quarter.

The profit before taxes and after extraordinary items (non-IFRS inventory) totaled 5.0 million euros (0.2 million euros at March 31, 2010).

The net effect of valuing the raw material inventory and commitments at current prices,(*) as required by IFRS accounting principles, jumped to 73.9 million euros (12.3 million euros at March 31, 2010), consistent with the rise in raw material prices.

(*)Reclassified indicators the computation of which is explained in the section of this Report entitled "Operating Performance of the Group."

The consolidated profit before taxes amounted to 78.0 million euros, compared with 12.4 million euros at March 31, 2010.

The reported amount is after losses from companies consolidated by the equity method totaling 0.8 million euros, representing the Group's interest in the loss reported by ErgyCapital S.p.A.

On the balance sheet side, consolidated net debt totaled 96.7 million euros at March 31, 2011 (223.9 million euros at December 31, 2010). This decrease was achieved by optimizing the use of extended payment terms, particularly with regard to suppliers, and reflects the temporary positive effect of measuring at fair value the derivatives that hedge raw material commitments, computed based on end-of-period raw material prices.

Copper Sector

Demand for copper and copper-alloy semifinished products in the construction industry (the consolidated revenues generated in this area account for about one-third of total revenues) began to show signs of recovery. However, the general context continues to be characterized by an underlying weakness, fueled by the negative effect of the high level and volatility of raw copper prices and the resulting uncertainty weighing on spending decisions by customers. It is also worth mentioning that the products of the KME Group are extensively used in building renovations, a more stable business than that of new construction, which was particularly hard hit by the 2009 recession.

In the area of copper sheeting for roofing applications, the Group is continuing to promote integrated and innovative solutions with its KME Architectural Solutions brand and through the initiatives of a new joint venture established with Zahner Architectural Metals, a company based in Kansas City (USA), who is an international leader in the implementation of solutions for metal exterior walls, developed in close collaboration with architects and designers.

Thanks to a continuous improvement in customer service, sales of tubing for water, heating and sanitary systems strengthened, particularly in the market segment of heating systems that use renewable energy sources (solar and geothermal, mainly).

In the market segment of brass bars for bathroom faucets and heating systems, the sales trend was up in the first quarter of 2011.

Demand for semifinished products for the industrial sector (the consolidated revenues generated in this area account for about two-thirds of total revenues) showed that last year's upturn is continuing, particularly in the case of sheet metal for the manufacturing sector in the German market.

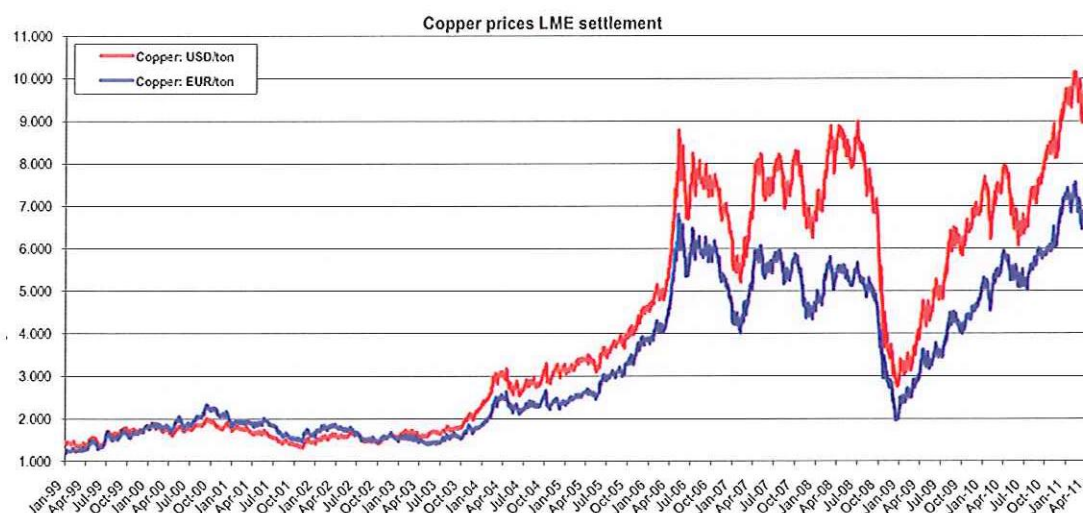
Sales of tubing for industrial applications were also up, but not as vigorously.

Demand for specialty products continued to improve, particularly for ingot moulds for steel castings and copper bars.

For a review of the copper sector's operating and financial performance, please see the accounting data resulting from line-by-line consolidation, the entire amount of which, as explained at the beginning of this Report, refers to the copper sector.

As for the business outlook, provided that recent international developments do not trigger a reversal of the current economic trends, management confirms that it expects to report in the current year a further improvement in operating results compared 2010.

In the first three months of 2011, the price of raw copper, which is the main metal used in the Group's semifinished products, was higher on average than in the same period last year, showing an increase of 33.2% when stated in U.S. dollars (from US\$7,243/ton to US\$9,651/ton) and a gain of 34.6% when stated in euros (from €5,240/ton to €7,053/ton). Looking at price trends, average copper prices were higher the first quarter of 2011 than in the fourth quarter of 2010, increasing by 11.8% in US dollars (from US\$8,634/ton to US\$9,651/ton) and by 10.9% in euros (from €6,360/ton to €7,053/ton). In April, the price of copper averaged US\$9,483, equal to €6,578.



Renewable Energy Source Sector

In the first quarter of 2011, the ErgyCapital Group reported revenues of 3.1 million euros compared with 3.7 million euros in the first three months of 2010.

EBITDA, positive by 0.1 million euros, were up sharply compared with the same period last year (when EBITDA were negative by 0.8 million euros, including the discontinued operations). There are three main factors that account for this improvement:

- The completion of the restructuring program launched in the second half of 2010, which, by closing some operational locations, concentrating all resources at a single facility and concurrently downsizing the staff, drastically reduced overhead, cutting it by about 50% compared with the same period last year;

- A positive performance by all of the Group's photovoltaic facilities (14.6 MW), which generated 3.4 GWh of power (+79% compared with the first three months of 2010);
- Steady growth by the Geothermal operating sector, which increased revenues by 50% compared with the same period last year.

The income statement at March 31, 2011 shows a loss before taxes of 1.7 million euros (2.3 million euros at March 31, 2010).

The net financial position totaled 71.4 million euros compared with 65.5 million euros at December 31, 2010. This change is the net result of the following factors: 2.1 million euros for an increase in liabilities resulting from financing received to fund investments in the photovoltaic sector net of repayments (1.2 million euros) and the biogas sector (1.9 million euros) net of the change in fair value of derivatives hedging interest rates (1.0 million euros) and 3.8 million euros for a decrease in cash and cash equivalents.

As for the business outlook, a further reduction in overhead is expected in the coming months, consistent with the reorganization program currently under way.

In addition, the company is actively considering all collaboration/aggregation opportunities with other players in the renewable energy industry that could help it accelerate its growth and create value for its shareholders.

Specifically with regard to the photovoltaic sector, the recently enacted new decree concerning the Fourth Energy Account introduces rate reductions compared with the previous system of incentives and, consequently, major market changes, which, by creating serious uncertainties, will slow the process of securing bank financing and, presumably, will limit the validity of construction permits, with an attendant effect on investments in this industry.

The Group is currently assessing the potential impact of the new decree in terms of building new facilities and disposing of authorized projects.

Currently the photovoltaic sector has a potential capacity of 100 MW from photovoltaic systems, broken down as follows:

- 17.2¹ MWp from producing facilities connected to the national electric power grid;
- 29 MWp from projects that have already received the required building and operating permits, including 2.4 MWp from facilities in the final construction phase with connection to the national grid planned for the end of the current month;
- 56 MWp from projects that are undergoing the permit issuance process, including 6 MWp from projects in the final phase of the process.

As for the biogas sector, the evolution of its business activities is directly related to the time needed to receive permits for the planned facilities and secure the financing needed to build them. The goal is to obtain permits for at least four facilities and begin their construction later this year.

¹ This figure includes a 2.6 MWp facility at Piani S. Elia (RI), which was reconnected to the national electric power grid on March 15, 2011.

At March 31, 2011, the biogas sector was developing the following projects:

- 1 facility at an advanced construction phase in the Lombardy region;
- 1 authorized facility in the Friuli Venezia Giulia region, with start of construction scheduled for the end of June;
- 6 facilities for which the permit application process is in progress, with 3 scheduled for approval in the second quarter.

Consistent with current growth expectations for the low-enthalpy geothermal market, the geothermal sector is expanding its sales organization, taking also into account the repositioning and expansion of the product line carried out by E.Geo in recent months. A successful sales performance in this area is expected to generate a significant increase in revenues.

In the first quarter of 2011, E.Geo's value of production totaled 1.2 million euros. Its order portfolio amounted to 4.5 million euros at March 31, 2011.

For additional information about the operating performance of ErgyCapital S.p.A., please consult the documents published by the company.

As explained at the beginning of this Report, the results of the ErgyCapital Group are shown in the consolidated income statement under the heading "Losses of companies valued by the equity method."

Service Sector

Drive Rent S.p.A., a 90%-owned subsidiary of the KME Group, is the holding company of the Drive Group, which operates several businesses: long-term rental of automobiles, management of vehicle fleets, rental of loaner vehicles to automotive repair shops and management of corporate guest facilities.

In the first quarter of 2011, the Sector continued to gradually downsize its activities in the long-term rental of automobiles, consistent with the plan to terminate this business later this year.

The management of vehicles fleets continued to feel the negative impact of the crisis in the automotive industry, even though there were some signs of a recovery in the area of corporate fleets in Italy. On the other hand, the situation in the Spanish remained critical. The Drive Group was able to minimize the reduction in business volume, holding it to a smaller percentage than that of the market as a whole, thanks to new contracts signed in recent months. Profit margins improved, compared with the previous year, owing to the termination of some contracts with corporate customers that generated little or profit margins.

In addition, the technical/legal panel continued to work on defining the amount of the damage compensation expected by the Drive Service subsidiary in connection with a dispute for anomalous costs incurred in 2010 on a contract for the management of several thousands of special vehicles for a major customer.

The volume of activity was less than anticipated in the management of loaner vehicles to automotive repair and body shops, which includes long-term vehicle rentals to the repair and body shops, due to the ongoing difficulties faced by businesses in this area. However, the number of customers and vehicles managed continues to increase, which enabled the company to consolidated its leadership position in this sector and improve profit margins.

At the end of 2010, Drive Service conveyed these business operations, which are carried out under the Autonostop brand, to a newly established company called Autonostop S.r.l., which is a wholly owned subsidiary of Drive Service. This transaction is part of a strategic plan to reallocate the operations of the Drive Group in accordance with homogeneity and rationalization criteria, with the aim of focusing commercial and operational resources on specific and targeted objectives for the different services/markets.

Activity in the management of corporate guest facilities was substantially stable in terms of the number of apartments under management. In addition, the signing of two new contracts with a top Italian industrial group should produce growth in the coming months.

The revenues and margins generated by Elogistique S.r.l., a 30% affiliate that operates a parking facility in downtown Milan, were in line with expectations.

The Easydriver Car Services España S.L.U. subsidiary reported a positive result that exceeded expectations in the first quarter of 2011, despite the ongoing challenges faced by Spain's economic and financial system. Projections for this market continue to be predicated on the overall trend of the local economy.

In first quarter of 2011, the consolidated revenues of the Drive Group totaled 12.9 million euros (14.4 million euros in the same period in 2010). The decrease in revenues is due mainly to the termination, at the end of 2010, of an important contract with a top industrial group, which, however, helped improve Drive Group's overall profitability.

EBITDA were positive by 1.6 million euros (positive EBITDA of 1.1 million euros at March 31, 2010), with the bottom line showing a virtual breakeven (7,000 euros), as against a loss of 0.7 million euros in the first quarter of 2010.

At March 31, 2011, the net financial position showed net debt totaling 17.4 million euros (17.5 million euros at the end of 2010).

It is worth mentioning that, on November 30, 2010, the Board of Directors of Drive Rent S.p.A. approved a corporate/industrial restructuring transaction calling for the merger by absorption of Drive Rent into Cobra Automotive Technologies S.p.A., which is the holding company of a group listed on Borsa Italiana with a leadership position in the sector of car alarms and vehicle security systems based on the use of information technology and satellite technology. This transaction will enable the resulting entity to offer to common and different groups of customers (including individual motorists, corporate fleets, leasing companies, carmakers and insurance companies) the services and electronic products already available (cross selling activities), as well as, and more importantly, new services and products developed by combining the distinctive knowhow of the two groups.

On March 15, 2011, the merger proposal was submitted to and approved by the Shareholders' Meetings of Drive Rent and Cobra Automotive Technologies. This transaction is expected to close during the first half of 2011.

Additional information about the merger is available in the relevant documents published on the websites of both companies and Borsa Italiana S.p.A.

As mentioned at the beginning of this Report, the results of the Drive Group for the first quarter of 2011 are shown in the consolidated financial statements under the heading “discontinued operations,” due to its planned merger with Cobra S.p.A.

Operating Performance of the Group

In the comments of operating results provided below, some of the operating and financial data provided in this press release are based on accounting principles that differ in some respects from the IFRS principles, mainly in terms of measurement and presentation. More specifically:

- 1 Revenues are shown net of the value of raw materials to eliminate the impact of fluctuations in raw material prices.
- 2 When valuing the ending inventory of the Copper and Copper-Alloy Semifinished Product Sector, the portion representing the structural inventory (i.e., the portion of the inventory that was not set aside to fill customer orders) was valued by the LIFO method. The portion of inventory set aside for customer orders was valued based on the value of the corresponding orders, which is deemed to be the realizable value. Under the IFRS method, the inventory is valued at the lower of the cost computed by the FIFO method or net realizable value. The IFRS principles also require that inventory buy and sell commitments and the corresponding hedges executed on the LME be disclosed separately and shown in the financial statements as financial instruments measured at fair value.
The IFRS, by not allowing the measurement of the Sector's ending inventory by the LIFO method, which is the method used for internal management controlling activities, introduced an exogenous economic component the variability of which makes it impossible to compare homogeneous data for different periods and does not allow an accurate presentation of the actual results from operations.
- 3 Extraordinary items are shown below the EBITDA line.

The table that follows shows the impact of the different measurement and presentation criteria used on the data for the first quarter of 2011.

Reclassified Income Statement

(in millions of euros)	1 st quarter 2011 IFRS	Reclassifi- cations	Restate- ments	1 st quarter 2011 RECLASS.	
Gross revenues	818.9	100.0%		818.9	
Raw material costs	-	(612.2)		(612.2)	
Revenues net of raw material costs	-			206.7	100%
Labor costs	(85.5)	2.0		(83.5)	
Other materials and costs	(642.6)	614.8	(73.9)	(101.7)	
EBITDA(*)	90.8	11.1%		21.5	10.4%
Depreciation and amortization	(11.2)	-		(11.2)	
EBIT	79.5	9.7%		10.3	5.0%
Net financial expense	(0.7)	-		(0.7)	
Result before extraordinary items	78.8	9.6%		9.6	4.6%
Extraordinary income (expense)	-	(4.6)		(4.6)	
Profit before taxes (non-IFRS inventory)	78.8	9.6%		5.0	2.4%
Impact of IFRS valuation of inventory and financial instruments	-		73.9	73.9	
Interest in the result of companies valued by the equity method	(0.8)			(0.8)	
Result from discontinued operations	0.0			0.0	
Consolidated profit before taxes	78.1	9.5%		78.1	37.8%
Minority interest in result	0.1			0.1	
Group interest in profit before taxes	78.0	9.5%		78.0	37.7%

The reclassified indicators described above are used in the review of the Group's operating results provided below, because they are deemed to be more representative of the Group's actual operating and financial performance.

The table below provides an overview of the Group's consolidated operating results in the first quarter of 2011 and a comparison with the corresponding data for the same period in 2010.

KME Group - Consolidated Income Statements

2010 RECLASS.			1 st quarter 2011 RECLASS.		1 st quarter 2010 RECLASS.		% change
	(in millions of euros)						
2,718.7		Gross revenues	818.9		656.9		24.7%
(1,960.3)		Raw material costs	(612.2)		(481.5)		27.1%
758.4	100%	Revenues net of raw material costs	206.7	100%	175.4	100%	17.8%
(331.7)		Labor costs	(83.5)		(85.1)		-1.9%
(347.7)		Other materials and costs	(101.7)		(75.6)		34.5%
79.0	10.4%	EBITDA (*)	21.5	10.4%	14.7	8.4%	46.3%
(44.6)		Depreciation and amortization	(11.2)		(13.9)		-19.2%
34.4	4.5%	EBIT	10.3	5.0%	0.8	0.5%	n.m.
(15.4)		Net financial expense	(0.7)		(3.2)		-78.1%
19.0	2.5%	Result before extraordinary items	9.6	4.6%	(2.4)	-1.4%	n.m.
(26.0)		Extraordinary income (expense)	(4.6)		2.6		n.m.
(7.0)	-0.9%	Profit before taxes (non-IFRS inventory)	5.0	2.4%	0.2	0.1%	n.m.
20.6		Impact of IFRS valuation of inventory and financial instruments	73.9		12.3		n.m.
(10.7)		Interest in the result of companies valued by the equity method	(0.8)		-		n.m.
(1.4)		Result from discontinued operations	0.0		-		n.m.
1.5	0.2%	Consolidated result before taxes	78.1	37.8%	12.5	7.1%	524.9%
0.5		Minority interest in result	0.1		0.2		
1.0	0.1%	Group interest in result before taxes	78.0	37.7%	12.4	7.1%	529.0%

(*) EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) is an indicator that is not mentioned in the IFRS accounting principles. However, it provides a useful yardstick to assess the Group's operating performance. It is an intermediate income statement item equal to EBIT before deducting depreciation and amortization and extraordinary items.

Consolidated revenues totaled 818.9 million euros in the first quarter of 2011, for a gain of 24.7% compared with the 656.9 million euros reported at March 31, 2010.

The increase in revenues reflects in part the impact of higher raw material prices. Restated net of the value of raw materials, revenues show a gain of 17.8%, rising from 175.4 million euros to 206.7 million euros. Sales volumes were also up, growing by 7.5%. The value of raw materials accounted for 75% of total revenues.

In 2011, first quarter EBITDA grew to 21.5 million euros, compared with 14.7 million euros in 2010, for a year-over-year gain of 46.3%.

On a relative basis, the ratio of EBITDA to net revenues improved from 8.4% in 2010 to 10.4% in 2011.

Total operating expenses increased by 15.2%, but revenues grew at a 17.8% rate.

EBIT rose to 10.3 million euros (0.8 million euros in 2010).

Depreciation and amortization decreased by 2.7 million euros. Please note that, at the end of 2010, the Company, with the support of independent consultants, carried out a reassessment of the remaining useful lives of major items of plant and machinery, which determined that the useful lives of those assets should be extended.

The profit before extraordinary items amounted to 9.6 million euros (loss of 2.4 million euros at March 31, 2010).

Extraordinary expense, which totaled 4.6 million euros at March 31, 2011, refers to additional programs to restructure and streamline the Group's industrial operations, which are continuing and will also have an impact on the results for the current quarter.

The profit before taxes and after extraordinary items (non-IFRS inventory) totaled 5.0 million euros (0.2 million euros at March 31, 2010).

The impact, before tax effect, of valuing the raw material inventory and commitments in accordance with IFRS accounting principles (instead of using a LIFO valuation) jumped from 12.3 million euros in 2010 to 73.9 million euros in 2011, consistent with the rise in raw material prices.

The interest in the result of investee companies valued by the equity method was a loss of 0.8 million euros, representing the Group's interest in the loss reported by ErgyCapital S.p.A. The result from discontinued operations was essentially the breakeven result (profit of 7,000 euros) reported by the Drive Rent S.p.A. subsidiary.

The consolidated profit before taxes amounted to 78.1 million euros (profit of 12.5 million euros in 2010). Net of minority interest, it amounts to 78.0 million euros (12.4 million euros in 2010).

Balance Sheet and Financial Position of the Group

The table below provides a breakdown of consolidated shareholders' equity:

(in millions of euros)	At March 31, 2011	At March 31, 2010
Share capital	297.0	297.0
Reserves	155.6	173.3
Profit for the period	77.9(*)	(18.3)
Minority interest	4.9	5.0
Total shareholders' equity	535.4	457.0

(*) Profit before taxes.

At March 31, 2011, the Company's share capital amounted to 297,013,585.26 euros, divided into 490,978,019 shares, including 447,278,603 common shares and 43,699,416 savings shares, both classes of shares without par value.

The reserves decreased due to the coverage of the consolidated loss reported in 2010.

The Group's net financial debt(*) totaled 96.7 million euros at March 31, 2011 (223.9 million euros at December 31, 2010).

This further decrease in indebtedness was achieved by reducing working capital requirements, mainly by optimizing the use of extended payment terms with customers and, most importantly, with suppliers of raw materials. The reduction shown at March 31, 2011 also reflects the temporary positive effect of measuring at fair value the derivatives that hedge raw material commitments, computed based on end-of-period raw material prices.

The level of liquidity varies, reflecting temporary end-of-period surpluses of liquid assets in the Group's regular operating activity.

The fact that indebtedness was lower than the amount of the Group's working capital is evidence of a well balanced financial position, without structural financial debt.

A breakdown of consolidated net financial debt is provided below:

(*) This financial structure indicator is equal to gross indebtedness less cash and cash equivalents and loans receivable. Information about the components of "non-current financial assets" is provided in Note 2.

Net financial debt	3/31/22	12/31/10
(in thousands of euros)	(RECLASS.)	(RECLASS.)
Short-term debt	121,829	125,157
Medium- and long-term debt	301,222	316,875
Borrowings from Group companies	2,218	2,230
(A) Total debt due to financial institutions	425,269	444,262
Cash and cash equivalents	(71,945)	(39,751)
Other financial assets	-	(14,358)
Short-term financial receivables	(106,261)	(87,761)
Financial receivables from Group companies	(5,397)	(4,597)
(B) Total cash and cash equivalents and current financial assets	(183,603)	(146,467)
Fair value of LME contracts/metal commitments	(34,718)	39,870
Fair value of other financial instruments	5,472	1,878
(C) Financial instruments measured at fair value	(29,246)	41,748
Consolidated net financial position (A)+(B)+(C)	(1)	339,543
Non-current financial assets	(2)	(115,686)
Total net financial debt	96,687	223,857

(1) As defined in Consob Communication DEM/6064293 issued on July 28, 2006 to implement the CESR recommendations of February 10, 2005.

(2) These receivables include 108.5 million euros in escrow deposits established in connection with two fines levied in 2003 and 2004 by the European Community on the Group's industrial companies for alleged antitrust violations. Obviously, these penalties will result in actual cash outflows only when the entire process in the venues where the Company filed its appeals has been completed and only for the confirmed amount.

A breakdown of reclassified net invested capital(*) is as follows:

(in millions of euros)	At March 31, 2011	At December 31, 2010
Capital invested in net non-current assets	791.9	790.8
Net working capital	228.4	296.1
Net provisions	(388.2)	(406.0)
Net invested capital	632.1	680.9

(*) "Net invested capital" is a financial measurement not provided in the IFRSs and should not be treated as an alternative to those provided in the IFRSs. It is comprised of the following components:

- "Capital invested in net non-current assets", which is the sum of "Property, plant and equipment and intangible assets," "Investments in associates" and "Other non-current assets."
- "Net working capital," which is the sum of "Inventories" and "Trade receivables," net of "Trade payables" and "Other current assets/liabilities," but excluding the amounts already used to compute "Net financial debt."
- "Net provisions," which include "Provisions for employee benefits," "Provision for E.U. fines," "Net deferred-tax liabilities" and other "Provisions for risks and charges."

Significant Events Occurring After March 31, 2011

The Ordinary and Extraordinary Shareholders' Meeting of KME Group S.p.A. was held on April 28, 2011.

Convened in ordinary session, the Shareholders' Meeting agreed to:

- approve the annual financial statements at December 31, 2010, which show a net profit of 61.1 million euros and distribute a dividend of 0.07241 euros per share on the savings shares and 0.011 euros per share on the common shares, payable on May 12, 2011 (May 9, 2011 record date);
- elect to the Board of Directors Riccardo Garrè, who had been coopted by the Board on March 22, 2011;
- grant to the Board of Directors the power to purchase and dispose of treasury shares for a period of up to 18 months, counting from the date of the Shareholders' Meeting.

Meeting on the same date as the Shareholders' Meeting, the Board of Directors appointed Riccardo Garrè to the post of General Manager with responsibility for the industrial and commercial operations of the KME Group's copper sector.

Convened in extraordinary session, the abovementioned Shareholders' Meeting approved some amendments to the Bylaws required to comply with new regulatory requirements and introduce new shareholder rights.

Florence, May 12, 2011

The Board of Directors

Financial Statements of the Interim Report on Operations at March 31, 2011

The Interim Report on Operations at March 31, 2011, which was not 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 March 31, 2011 and at December 31, 2010.

Consolidated income statement data are provided for the first three months of 2011. They are also compared with the data for the same periods in 2010. The presentation of the financial statements is consistent with the presentation used in the semiannual consolidated financial statements and the annual financial statements.

The Interim Report on Operations at March 31, 2011 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 (EC) No. 1606/2002 of July 19, 2002 of the European Parliament and Council, and the legislation enacted to implement Article 9 of Legislative Decree No. 38/2005, if applicable.

KME Group S.p.A.

Consolidated Statement of Financial Position

(in thousands of euros)	3/31/11	12/31/10
Property, plant and equipment	578,704	583,873
Investment property	28,607	28,603
Goodwill and consolidation difference	114,582	114,582
Other intangible assets	3,304	3,490
Investments in associates	18,999	18,951
Investments in other companies	258	258
Investments valued by the equity method	21,828	21,951
Other non-current assets	25,637	25,501
Non-current financial assets	115,733	115,686
Deferred-tax assets	46,888	47,033
NON-CURRENT ASSETS	954,540	959,928
Inventories	605,636	622,054
Trade receivables	189,865	146,505
Other receivables and current assets	39,892	26,180
Current financial assets	170,019	140,242
Cash and cash equivalents	71,945	39,751
Current assets held for sale	87,286	86,393
CURRENT ASSETS	1,164,643	1,061,125
TOTAL ASSETS	2,119,183	2,021,053
Share capital	297,014	297,014
Other reserves	189,849	189,572
Treasury stock	(2,680)	(2,888)
Retained earnings (loss carryforward)	76,292	15,191
Technical consolidation reserve	(109,310)	(29,267)
Reserve for other components of the Comprehensive Income Statement	1,464	794
Net profit (loss) for the year	77,946	(18,351)
Group interest in shareholders' equity	530,575	452,065
Minority interest in shareholders' equity	4,861	4,952
TOTAL SHAREHOLDERS' EQUITY	535,436	457,017
Provisions for employee benefits	153,062	152,757
Deferred-tax liabilities	138,097	138,135
Borrowings and other financial liabilities	301,222	316,875
Other non-current liabilities	13,777	13,740
Provisions for risks and charges	136,166	137,240
NON-CURRENT LIABILITIES	742,324	758,747
Borrowings and other financial liabilities	148,506	197,841
Trade payables	476,345	410,772
Other current liabilities	121,592	103,501
Provisions for risks and charges	25,828	24,910
Current liabilities held for sale	69,152	68,265
CURRENT LIABILITIES	841,423	805,289
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,119,183	2,021,053

Consolidated Comprehensive Income Statement

(in thousands of euros)	3/31/11	12/31/10
Sales and service revenues	818,899	656,872
Change in inventories of finished goods and semifinished products	(2,278)	6,560
Capitalization of internally produced assets	637	392
Other operating income	4,516	2,965
Purchases and change in inventory of raw materials	(558,498)	(480,304)
Labor costs	(85,512)	(85,079)
Depreciation, amortization, impairment losses and writedowns	(11,228)	(13,862)
Other operating expenses	(87,001)	(71,811)
EBIT	79,535	15,733
Financial income	12,372	5,824
Financial expense	(13,067)	(9,031)
Result of companies valued by the equity method	(794)	-
Result before taxes from continuing operations	78,046	12,526
Result before taxes of discontinued operations	7	-
Result for the period	78,053	12,526
Other components of the comprehensive income statement:		
Gains/(Losses) on the conversion of foreign financial statements	(789)	684
Net change in cash flow hedge reserve	670	-
Taxes on other components of the comprehensive income statement	-	-
Other components of the comprehensive income statement net of tax effect	(119)	684
Total comprehensive income for the period	77,934	13,210
Result attributable to:		
minority interest	107	158
shareholders of the Parent Company	77,946	12,368
Result for the period	78,053	12,526
Total comprehensive income for the period attributable to:		
minority interest	(91)	206
shareholders of the Parent Company	78,025	13,004
Total comprehensive income for the period	77,934	13,210

Declaration Provided by the Corporate Accounting Documents Officer Pursuant to Article 154 bis, Section 2, of Legislative Decree No. 58/1998 (Uniform Financial Code)

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 Report on Operations at March 31, 2011 is consistent with the data in the supporting documents and in the Company's books of accounts and accounting records.

Florence, May 12, 2011

(signed: Marco Miniati)

Corporate Accounting Documents Officer