KME Group S.p.A.

PRESS RELEASE

THE BOARD OF DIRECTORS APPROVED THE DRAFT 2011 FINANCIAL STATEMENTS

OPERATING RESULTS INCREASE (EBITDA +14.7%; EBIT +31.1%)

REGULAR OPERATING ACTIVITIES HELP FURTHER REDUCE NET FINANCIAL DEBT

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2011 CONSOLIDATED REVENUE TOTAL 3,011.6 MILLION EUROS (+10.8%); 805.9 MILLION EUROS NET OF THE VALUE OF RAW MATERIALS (+6.3% COMPARED WITH 2010)

EBITDA AT 90.6 MILLION EUROS (79.0 MILLION EUROS IN 2010)
EBIT AT 45.0 MILLION EUROS (34.4 MILLION EUROS IN 2010)

RESULT AFTER NONRECURRING ITEMS RELATED TO THE RESTRUCTURING PLAN POSITIVE BY 5.0 MILLION EUROS (LOSS OF 7.0 MILLION EUROS IN 2010)

CONSOLIDATED NET LOSS OF 14.3 MILLION EUROS (LOSS OF 18.2 MILLION EUROS IN 2010) AFTER RECOGNITION OF A SMALLER POSITIVE EFFECT (-17 MILLION EUROS) FROM THE VALUATION OF RAW MATERIAL INVENTORIES IN ACCORDANCE WITH IFRS ACCOUNTING PRINCIPLES

IN 2011, A POSITIVE PERFORMANCE BY THE REGULAR OPERATING ACTIVITIES FURTHER REDUCED CONSOLIDATED DEBT, LOWERING IT TO 84.8 MILLION EUROS, FROM 223.9 MILLION EUROS AT THE END OF 2010. HOWEVER, THE NEGATIVE BALANCE OF THE NET FINANCIAL POSITION INCREASED BY 112.8 MILLION EUROS TO 197.6 MILLION EUROS, AS THE PENALTIES IMPOSED BY THE EUROPEAN UNION IN 2003 BECAME FINAL

SHAREHOLDERS' EQUITY AT 431.0 MILLION EUROS

Florence, March 28, 2012 — The Board of Directors of KME Group S.p.A. reviewed and approved the draft 2011 financial statements

Overview of the Group's 2011 results

Consolidated Financial Highlights

(in millions of euros)	***2011***	***2010***
Revenue	**3,011.6**	**2,718.7**
Revenue (net of raw materials)	**805.9**	**758.4**
EBITDA	**90.6**	**79.0**
EBIT	**45.0**	**34.4**
Profit before nonrecurring items	**29.6**	**19.0**
Nonrecurring income/(expense)	***(24.6)***	***(26.0)***
Consolidated profit (loss) before taxes (non-IFRS inventories)	***5.0***	***(7.0)***
Impact of IFRS measured inventories	***1.1***	***18.0***
Losses of companies valued by equity method	***(7.1)***	***(10.7)***
Discontinued operations	***(0.6)***	***(1.4)***
Consolidated net loss	**(14.3)**	**(18.2)**
Reclassified net debt	**197.6 (at 12/31/11)**	**223.9 (at 12/31/10)**
Shareholders' equity	**431.0 (at 12/31/11)**	**452.1 (at 12/31/10)**

- **Consolidated revenue** totaled 3,011.6 million euros in 2011, up 10.8% compared with the 2,718.7 million euros booked in 2010.
  Higher raw material prices account in part for the revenue increase. Revenue also shows a gain when restated net of the value of raw materials, rising from 758.4 million euros to 805.9 million euros, for a gain of 6.3%; when viewed against the trend in unit sales (-6.5%), the revenue increase shows the effect of higher prices and of a product mix with a greater value-added component.

- **EBITDA** grew to 90.6 million euros at December 31, 2011, compared with 79.0 million euros at the end of 2010, for a year-over-year gain of 14.7%.
  The increase in profitability is also apparent when the data are viewed on a relative basis, with the ratio of EBITDA to net revenue improving from 10.4% in 2010 to 11.2% in 2011.

- **EBIT rose to** 45.0 million euros (34.4 million euros in 2010).

- The **profit before nonrecurring items** amounted to 29.6 million euros (19.0 million euros at December 31, 2010).

- **Net nonrecurring expense** totaled 24.6 million euros. This amount is the net difference between charges for additional programs to restructure and streamline production units in the copper area, totaling 38 million euros, and the positive effect on the income statement of a reduction in structural inventories and other nonrecurring items.

- The **profit before taxes and after nonrecurring items (non-IFRS inventories)** totaled 5.0 million euros (loss of 7.0 million euros at December 31, 2010).

- The **after-tax effect of valuing raw material inventories and commitments at current prices**, as required by IFRS accounting principles, decreased to 1.1 million euros (down from 18.0 million euros at December 31, 2010) due to the different price of raw copper during the two periods under comparison.

- The **consolidated loss** after taxes amounted to 14.3 million euros (loss of 18.2 million euros in 2010).
  This amount is after losses from investee companies consolidated by the equity method totaling 7.1 million euros, which include 2.1 million euros for the Group’s interest in the loss reported by ErgyCapital S.p.A., and 5.0 million euros for the Group’s interest in the loss incurred by Cobra A.T. S.p.A. in the second half of 2011. The negative result from discontinued operations (-0.6 million euros) refers to the loss incurred by Drive Rent S.p.A. from January 1 to June 30, 2011.

- On the balance sheet side, the **net financial position** was negative by 197.6 million euros at December 31, 2011 (negative by 223.9 million euros at December 31, 2010).
  The contribution provided by the regular operating activities had a positive impact on indebtedness, reducing it by 139.1 million euros (from 223.9 million euros to 84.8 million euros), which was more than offset by a negative development that occurred at the end of 2011, when the penalties imposed by the European Union in 2003 for antitrust violations, amounting to 112.8 million euros, became final and were reclassified as a financial liability, thereby causing a corresponding increase in indebtedness.
  The steady reduction in indebtedness since the beginning of the year was achieved in part by optimizing the management of payment-term extensions, primarily with suppliers of raw materials.

- Consolidated **shareholders' equity** totaled 431.0 million euros at December 31, 2011 (452.1 million euros at December 31, 2010).

- As for the **business outlook,** the early month of the current year showed that the trend reversal in economic conditions that began in the second half of 2011 is continuing and is expected to have negative consequences on sales during the first half of 2012, as a minimum.
  The adoption of programs to streamline the manufacturing and organizational structure, including both completed and ongoing projects, will enable the Group to enhance its competitiveness, which is a prerequisite for resuming the path towards better operating results when a more favorable environment is reestablished in the various markets in which it operates.

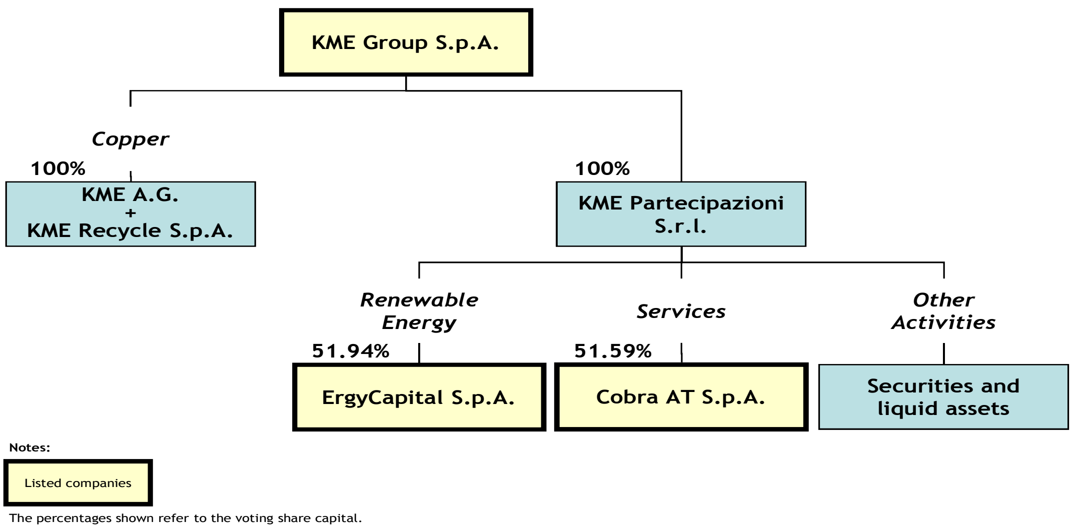
Note: This press release contains reclassifications of the income statement data and uses some alternative performance indicators that are not contemplated in the IFRS accounting principles. The meaning and content of these reclassifications and performance indicators is discussed in the Annexes.

Review of Operating Performance in 2011

Prior to proceeding with a review of the Group's operating performance, an overview of the Group's corporate structure that shows the investment sectors of KME Group S.p.A. is provided below.
In addition to its traditional activities in the "**copper**" sector, which encompass the production and distribution of copper and copper-alloy semifinished products (headed by the German subsidiary **KME A.G.**) and continue to be its core business, the Group's investments include the new sectors of "**renewable energy sources**" and energy conservation, headed by **ErgyCapital S.p.A.,** and integrated "**services**" in the field of risk management in connection with the possession, ownership and use of motor vehicles, headed by **Cobra A.T. S.p.A.** as of July 1, 2011.
These new investment sectors and sundry activities are held by **KME Partecipazioni S.r.l.**, a wholly-owned subsidiary of the Group.
The carrying amounts of the investments held by KME Group S.p.A. are 389.6 million euros for the "copper" sector, 25.8 million euros for the "renewable energy" sector and 39.8 million euros for the "service" sector.

In the consolidated financial statements of KME Group S.p.A., the results for the period of ErgyCapital S.p.A. are accounted for by the equity method. Those of Drive Rent S.p.A. (a company absorbed by Cobra A.T. S.p.A. effective July 1, 2011) are reflected in the consolidated financial statements at December 31, 2011 under the line item "Discontinued operations" for the period up to June 30, 2011; the results of Cobra A.T. S.p.A. for the second half of 2011 are accounted for by the equity method.
Consequently, the accounting data for the period resulting from line-by-line consolidation refer to the companies engaged in Group's core business, i.e., the sector of copper and copper-alloy semifinished products, and KME Group S.p.A., the Group's Parent Company. For comparison purposes, the 2010 consolidated data were made consistent with the 2011 data in terms of scope of consolidation.

Overview of the Group's Corporate Structure



The growth rate of the advanced economies slowed significantly in the second half of 2011; only the United States showed signs of an upturn at the end of the year. A less pronounced decline in business activity affected the emerging countries as well, reflecting the impact of more restrictive monetary policies implemented in the first half of the year.
In Europe, which is the area where the Group is most active, business conditions deteriorated steadily, reflecting a slowing of the global economic cycle. Exports continued to be the main driver of product dynamics but spending remained stagnant both on the part of consumers and in terms of capital investments, adversely affected by less favorable borrowing terms and a deterioration in demand projections.

In a macroeconomic context characterized at the beginning of the year by renewed signs of recession and still widespread uncertainty, the KME Group is continuing to implement internal programs to restructure and stimulate the growth of its companies in the various investment sectors, with the aim of increasing their competitiveness and restore their profitability sufficiently to provide an adequate return on invested capital.

The programs launched to streamline the operating units in the copper sector, which are headed by the **KME A.G.** subsidiary, pursue the twin objectives of refocusing the activities of the manufacturing and distribution operations, in order to strengthen their business diversification, while increasing operating efficiency and optimizing costs at all levels. These programs are being implemented concurrently with the adoption of a highly disciplined approach to investment decisions and an organizational structure designed in accordance with flexible operating models that respond quickly to change, are aimed at promoting innovation and are intensely focused on customer and market needs.
In the sales area, the Group is implementing a series of programs designed to consolidate the market positions of its businesses, focusing on innovative solutions, promoting new applications for its products and strengthening its distribution network in all areas, including both traditional markets and emerging markets with attractive growth potential.

The companies that are at the helm of the new investment sectors are also engaged in implementing radical reorganization programs.

In the second half of 2010, **ErgyCapital S.p.A.** began the process of redefining the mission of its group and downsizing its operations through the closure of operating locations and a reduction in staff levels, with an attendant significant decrease in operating expenses.
Insofar as the business strategy is concerned, given the high level of uncertainty that developed in the photovoltaic industry, the company identified biogas and geothermal energy as two business areas that offer more attractive growth opportunities. In the photovoltaic areas, it chose a strategy limited to maximizing the value of its authorized projects, by developing some of them and disposing of the remainder.

The aim of this new strategic approach, which began to have an impact in 2011, is to restore the company's profitability and financial balance, which are the prerequisites for effectively developing collaboration/ aggregation opportunities with other players in the renewable energy sector that could hasten the company's expansion and boost value creation.

In the service sector, with the merger by absorption, effective July 1, 2011, of the Drive Rent S.p.A. subsidiary into Cobra Automotive Technologies S.p.A., a company based in Varese, which is the holding company of a group listed on Borsa Italiana, KME Partecipazioni, which acquired a 42.7% interest in the new entity resulting from this transaction, helped lay the groundwork for an expansion of vehicle management services and enhanced the value of the new entity by combining the services, products and distinctive knowhow of the two groups. This new corporate entity is one of the main operators in Europe, capable of providing integrated services to manage the risks associated with the possession, ownership and use of vehicles, through the use of information technology and satellite technology.
Subsequent to the effective date of the business combination, Cobra, within the framework of a program to strengthen the new entity's financial position, launched a capital increase that generated proceeds of 17 million euros, with KME Partecipazioni underwriting its pro rate share. Upon completion of the underwriting process, KME Partecipazioni's interest in Cobra had increased from 42.68% to 51.59%.
The implementation of the recapitalization transaction enabled Cobra to execute an agreement with a pool of major financial institutions, by which it rescheduled to 2017 medium-term credit lines totaling 28.5 million euros.
In February 2012, Cobra entered into a binding agreement to sell to the BluO Sicav Sif Fund its Electronic Systems Division in exchange for 5 million euros and the assumption of net financial debt, totaling about 20 million euros, owed by this Division. This transaction is scheduled to close by the end of the first half of the current year.
This divestment will enable Cobra to focus on its telematic business, which has greater value added, offering services to protect vehicle ownership, manage maintenance costs, and monitor driver behavior and safety. Cobra will establish an important commercial partnership with the divested operations.
Following this sale, the Cobra Group will have net consolidated indebtedness of about 20 million euros, annual consolidated revenues of about 90 million euros and 460 employees. This divestment will result in a more streamlined group, a reorganized structure, an overall cost reduction and an increase in efficiency, which, coupled with the market launch of new products, will be key factors for Cobra's growth in the coming years.

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The industrial and commercial programs implemented strengthened the competitiveness of the KME Group, enabling it, in 2011, to take advantage of a more favorable market environment to gradually realign prices and, consequently, improve its profitability compared with the previous year.

Copper Sector

After the slump recorded in 2009, followed by a partial recovery in 2010, production of copper and copper-alloy semifinished products (excluding conductors) contracted again in 2011. After a basically positive first half of the year, production activity began to show growing signs of deterioration, which became more pronounced in the closing months of the year. Estimates for all of 2011 call for essentially stable production levels (about 7.4 million tons), compared with the previous year, in the world's four main areas (Europe, the United States, Japan and China).

In Europe, production of copper semifinished products, which contracted during the 2007-2009 period and rebounded in 2010, was down again in 2011 (particularly in the fourth quarter) in every country (with a reduction estimated at 4-4.5%). Geographically, the biggest decrease occurred in the Iberian Peninsula. In terms of business segments, the contraction in consumption was most pronounced in the construction area, while demand tied to industrial goods held relatively steady, particularly in the automotive and electrical sectors.

In 2011, in the other major industrialized areas, the decrease in production of semifinished goods reported in Japan and the United States was smaller than in Europe. China continued to be the only positive exception, but with much lower growth rates than in previous years, as production of semifinished goods continued to increase in 2011 (growth estimated at about 5%). In 2011, Chinese production of semifinished goods (amounting to about 3.7 million tons) surpassed for the first time the combined production of Western Europe, the United States and Japan and now accounts for more than 50% of the total output of the main developed regions.

Demand for **copper and copper-alloy semifinished products in the construction industry** (the consolidated revenue generated in this area account for about one-quarter of total revenue of the KME Group) continues to be characterized by an underlying weakness, fueled in part by the negative effect of the high level and volatility of raw copper prices and the resulting uncertainty weighing on spending decisions by users.

The trend in new construction, following a slump in the three-year period from 2008 to 2010 that produced a contraction of 40% compared with the level in 2007, showed signs of a modest recovery only in the first half of 2011, particularly in Germany and other countries in Northern Europe, but activity remained well below pre-recession levels.

On the other hand, building renovations, an area in which the products of the KME Group are extensively used, is proving to be a more stable business than new construction, supported in part by projects to make buildings more energy efficient.

In response to this scenario, the KME Group continued to promote integrated and innovative solutions, providing architects and artists with original, cutting-edge solutions for metal exterior-wall coverings and offering to designers and stylists in the interior furnishings business next-generation surfaces that can be used for coverings and objects made of copper or copper alloys, available in a number of variations for different applications and aesthetic effects. Activities carried out in this area included the inauguration, in February 2012, of a first showroom in Milan,

with which KME intends to pursue its objective of promoting copper as the reference material for design and architectural applications.
Projects launched in these areas produced substantial increases in value added and prices, but sales volumes are still modest. The best results were achieved in the areas of **construction sheet metal** and **tubing for plumbing applications.**

In the market segment of **brass bars** for plumbing valves and fittings and heating systems, the trend of healthy gains sales volumes recorded in previous quarters suffered a sharp loss of momentum in the final quarters of the year. However, pricing programs continue to have a positive effect.

Demand for **semifinished products for the industrial sector** (the consolidated revenue generated in this area account for about three-quarters of total revenue), after the upturn of the first two quarters of 2011, particularly in the case of products for the manufacturing sector (automotive, mechanical engineering, electronics) in the German market, showed signs of slowing in the second half of the year, particularly in Italy and Spain, but became gradually more stable in France.
An analysis by market segments shows that demand remained stagnant in the home appliance and boiler areas, but continued to recover in the electrical, components and automotive industries.
Sales of **industrial sheet metal** products and **tubing for industrial applications** were down sharply in the fourth quarter, but prices continued to hold relatively steady.

Orders for **specialty products** continued to improve, particularly for ingot molds 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 and KME Group S.p.A., the Group's Parent Company.

As for the **business outlook,** the early month of the current year showed that the trend reversal in economic conditions that began in the second half of 2011 is continuing and is expected to have negative consequences on sales during the first half of 2012, as a minimum.
The adoption of programs to streamline the manufacturing and organizational structure, including both completed and ongoing projects, will enable the Group to enhance its competitiveness, which is a prerequisite for resuming the path towards better operating results when a more favorable environment is reestablished in the various markets in which it operates.

With regard to project involving the **marketing of scrap metal** handled by KME Recycle S.p.A., which was launched in 2009 with the aim of diversifying the Group's activities upstream of its traditional production of semifinished goods and establishing a European network of companies engaged in recovering, processing and distributing scrap metal, having completed the acquisition of 100% of Metalbuyer S.p.A., the Company is continuing the restructuring of this Italian subsidiary in order to reorganize its market presence and accelerate the exploitation of synergies with other investee companies.

As for the interest held in Valika S.a.s., which was raised to 51% in September 2011 by exercising a contractual call option, the implementation of programs to grow the company's activities is progressing satisfactorily, as is the collaboration with this French partner.

<u>Renewable Energy Source Sector</u>

In 2011, the **ErgyCapital Group** reported **revenue** of 18.1 million euros (17.1 million euros at December 31, 2010), up 6% compared with the previous year. This gain reflects the impact of a sharp increase (+71%) in revenue from the production of electric power, made possible by a higher number of photovoltaic facilities in operation, offset to a significant extent by a substantial reduction in capitalized costs, mainly related to development activities. Consolidated **EBITDA**, positive by 6.7 million euros, were up sharply compared with negative EBITDA of 1.4 million euros reported in 2010. The following factors account for this improvement:

- The effects of the organizational restructuring program launched in 2010, which, by closing some operational locations, concentrating all resources at a single facility (in Rome) and concurrently downsizing the staff, drastically reduced overhead, cutting it by more than 50% compared with the previous year;
- Higher revenue from the production of electric power, combined with the commissioning of a biogas system, and a solid performance by all generating facilities.

The **consolidated net loss** of 4.5 million euros reflects the impact of net, nonrecurring additions to provisions totaling 1.9 million euros, required by writedowns of capitalized costs and other items amounting to 2.8 million euros related to continuing operations, and 0.3 million euros as the net effect of discontinued operations, and the reversal of a writedown for the Piani S. Elia production facility amounting to 1.2 million euros. In 2010, the consolidated net loss totaled 20.0 million euros.

The **invested capital** of the ErgyCapital Group, which reflects the investments made in photovoltaic and biomass projects, grew to 102.3 million euros at December 31, 2011, up from 88.7 million euros at the end of 2010.

The **net financial position** was negative by 85.8 million euros (65.5 million euros at December 31, 2010). This change reflects an increase in financial liabilities for loans received to fund investments in the photovoltaic area, net of amounts repaid, and the biogas sector, as well as financing provided to ErgyCapital by the banking system (about 2.0 million euros) and the parent company KME Group S.p.A. (about 3.0 million euros).

Shareholders' equity totaled 16.6 million euros. To strengthen its shareholders' equity, the company will ask the next Shareholders' Meeting to approve a capital increase of up to 15 million euros, which KME Group has agreed to underwrite for its pro rata share.

In 2011, two photovoltaic facilities with a capacity of 1.38 MWp and 0.99 MWp, respectively, were brought on stream in the Campania region, the seizure of a 2.6-MWp facility located in the municipality of Piani di S. Elia was permanently lifted and the incentivizing rate was awarded, bringing the systems connected to the national grid to 19.6 MWp (17.2 MWp at December 31, 2010). A biogas system with a capacity of 1.0 MWe was completed and put into service and work started on two new biogas facilities with a capacity of 1.0 MWe each. At the beginning of 2012, the company executed an agreement for financing totaling 5.1 million euros, for the construction of one of the two 1-MWe biogas systems.

As for the **business outlook,** operating results for 2012 are expected to show a further significant improvement in consolidated operating results compared with the previous year, thanks to the full utilization of photovoltaic facilities in operation, the startup at full capacity of the second biogas system and a steady reduction in overhead resulting from the ongoing corporate restructuring process.

Prospectively, the company intends to follow an opportunistic approach in the biogas sector, taking into account changes in the regulatory framework, while continuing to implement programs to enhance the efficiency of its photovoltaic operations, without committing additional financial resources, and is committed to a controlled expansion in the geothermal sector.

The company is determined to achieve full economic and financial equilibrium already in 2012, while seeking at the same time strategic opportunities with other industrial entities that can foster its development and boost value creation.

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

As mentioned at the beginning of this Report, the results of the ErgyCapital Group for the reporting period are shown in the consolidated income statement of KME Group S.p.A. under the line item "Losses of companies valued by the equity method."

Service Sector

On November 30, 2010, the Board of Directors of Drive Rent S.p.A. approved a corporate/industrial restructuring transaction that called for the merger by absorption of Drive Rent S.p.A. 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 area of car alarms and vehicle security systems based on the use of information technology and satellite technology. This transaction will enable the new entity to offer to common and diverse groups of customers (individual motorists, corporate fleets, leasing companies, carmakers and insurance companies) not only the existing services and electronic products (cross selling activities), but also, and more importantly, 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 A.T. The transaction was finalized with the signing of a deed of merger on June 14, 2011, effective July 1, 2011.

Insofar as the operating performance of Cobra A.T. is concerned, the results for the 2011 reporting year are beginning to reflect the benefits of the company's restructuring.

In 2011, **Revenue** totaled 159.8 million euros, or 26.9% more than the previous year, thanks to gains in the revenue amounts reported by the Electronic Systems operations, which totaled 106.6 million euros, and the Service operations, which grew to 62.9 million euros, due mainly to the inclusion of the revenue resulting from the Drive Rent merger.

Consolidated **EBITDA** totaled 3.6 million euros, compared with 4.1 million euros in 2010; restated net of nonrecurring charges of 6.5 million euros, including 3.5 million euros in non-cash items, EBITDA improve to 10.1 million euros, for a gain of 101% compared with 5 million euros in 2010, restated without 1 million euros in nonrecurring costs.
The EBITDA of the Electronic Systems operations, restated without nonrecurring costs, totaled 2.5 million euros, thanks to a significant improvement in sales volumes and the effect of cost control processes.
The EBITDA of the Service operations, restated without nonrecurring costs, were up sharply, rising to 7.6 million euros, due both to the merger with the Drive rent group and a gain in the number of direct and indirect telematic service subscribers (+11% compared with December 31, 2010), who increased to more than 198,000 subscribers. This improvement is due primarily to the consolidation of the startup phase of the Smart Insurance service, which reported an increase of 141%, and the contribution of Porsche customers.

EBIT were negative by 11.3 million euros, compared with negative EBIT of 8.3 million euros the previous year. Restated net of 6.5 million euros in nonrecurring charges, EBIT show a negative balance of 4.8 million euros, compared with negative EBIT of 7.4 million euros in 2010, restated without 1 million euros in nonrecurring costs.

The group’s **net loss** amounted to 17.8 million euros, compared with a net loss of 15.5 million euros in 2010. Restated without nonrecurring charges, the net loss totals 11.2 million euros in 2011 and 14.5 million euros in 2010.

The **consolidated net financial position** totaled 39.5 million euros at December 31, 2011, compared with 30.6 million euros at the end of 2010. This change reflects primarily the different scope of consolidation that resulted from the Drive Rent merger, offset in part by the Cobra capital increase of about 17 million euros.

As for the **business outlook,** Cobra will continue to implement the group’s restructuring process in 2012, simplifying and reorganizing its corporate structure, focusing its business on services with a high value added and launching new products. The streamlining process, coupled with an increase in sales volumes, will enable the company to increase its operating profitability and significantly reduce its losses starting already in the current year.

For additional information about the operating performance of Cobra A.T. S.p.A. please consult the document made available by the company.

As mentioned at the beginning of this Report, the results of the Drive Group are shown in the consolidated income statement of KME Group S.p.A. under the line item “Discontinued operations” for the period up to June 30, 2011. The economic result of Cobra AT S.p.A. for the second half of 2011 is accounted for by the equity method.

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KME Group S.p.A., the Group's Parent Company, ended 2011 with a net loss of 9.9 million euros (net profit of 61.1 million euros in 2010), which is covered in full by reserves available for this purpose.

The loss for the year reflects the impact of writedowns recognized to align the carrying amounts of some equity investment, which resulted in a nonrecurring charge of 9.7 million euros. The result from regular operations was in line the amount reported in 2010.

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The Board of Directors granted to the Company's Chairman and two Deputy Chairmen the power to severally take action to convene an Ordinary Shareholders' Meeting for June 28, 2012, pursuant to Article 2364, Section 2, of the Italian Civil Code.

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Marco Miniati, the Corporate Accounting Documents Officer, acting pursuant to 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 is consistent with the data in the supporting documents and in the Company's books of accounts and other accounting records.*

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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

Annexes:

1) Reclassifications Made and Reconciliations to the IFRS Accounting Principles
2) Reclassified Consolidated Income Statement
3) Consolidated Statement of Financial Position
4) Consolidated Statement of Cash Flows

Reclassifications Made and Reconciliations to the IFRS Accounting Principles

Some of the operating and financial data used in the review of the Group's operating results are derived from the Group's reporting systems and are based on accounting principles that differ from the IFRS principles, mainly in terms of measurement and presentation. The main items are reviewed below:

1. *Revenue is also shown net of the value of raw materials to eliminate the impact of fluctuations in raw material prices.*
2. *When valuing ending inventories of the copper and copper-alloy semifinished product sector, the portion of the metal component representing structural inventories (i.e., the portion of inventories that was not set aside to fill customer orders) was valued by the LIFO method. The portion of inventories 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, inventories are 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 principles, by not allowing the measurement of the Sector's ending inventories 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. *Nonrecurring 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 2011.

(in millions of euros)	2011 IFRS		Reclassifi-cations	Restate-ments	2011 reclass.	
Gross revenue	3,011.6	**100.0%**			3,011.6	
Raw material costs	-		(2,205.7)		(2,205.7)	
Revenue net of raw material costs	**-**				**805.9**	**100%**
Personnel expense	(358.2)		21.1		(337.1)	
Other consumables and costs	(2,579.0)		2,208.4	(7.6)	(378.2)	
EBITDA (*)	**74.4**	**2.5%**			**90.6**	**11.2%**
Depreciation and amortization	(55.6)		10.0		(45.6)	
EBIT	**18.8**	**0.6%**			**45.0**	**5.6%**
Net financial expense	(6.2)		(9.2)		(15.4)	
Result before nonrecurring items	**12.6**	**0.4%**			**29.6**	**3.7%**
Nonrecurring income / (expense)	-		(24.6)		(24.6)	
Impact of IFRS measured inventories and forward contracts	-			7.6	7.6	
Taxes under IFRS measured inventories and forward contracts	-			(6.5)	(6.5)	
Current taxes	(21.9)		-		(21.9)	
Deferred taxes	3.8			6.5	10.3	
Result after taxes (IFRS measurement)	**(5.5)**	**-0.2%**			**(5.5)**	**-0.7%**
Share of profit of equity-accounted investee companies	(7.1)				(7.1)	
Loss from discontinued operations	(0.6)				(0.6)	
Consolidated net loss	**(13.2)**	**-0.4%**			**(13.2)**	**-1.6%**
Profit attributable to non-controlling interests	1.1				1.1	
Profit attributable to owners of the Parent	**(14.3)**	***-0.47%***			**(14.3)**	***-1.77%***

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

* * *

Alternative Performance Indicators

EBITDA

This indicator 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.

Net Financial Debt

This indicator is used to evaluate the financial structure. It is equal to gross borrowings less cash and cash equivalents and other financial receivables.

Net Invested Capital

Net invested capital is defined as the sum of Non-current assets and Current assets, net of Current liabilities, except for the items used to compute Net debt, as described above.

Annex 2

KME Group - Reclassified Consolidated Income Statement

(in millions of euros)	2011 reclassified		2010 reclassified		% change
Gross revenue	3,011.6		2,718.7		10.8%
Raw material costs	(2,205.7)		(1,960.3)		12.5%
Revenue net of raw material costs	**805.9**	**100%**	**758.4**	**100%**	***6.3%***
Personnel expense	(337.1)		(331.7)		1.6%
Other consumables and costs	(378.2)		(347.7)		8.8%
EBITDA (*)	**90.6**	**11.2%**	**79.0**	**10.4%**	***14.7%***
Depreciation and amortization	(45.6)		(44.6)		2.3%
EBIT	**45.0**	**5.6%**	**34.4**	**4.5%**	***30.7%***
Net financial expense	(15.4)		(15.4)		0.0%
Result before nonrecurring items	**29.6**	**3.7%**	**19.0**	**2.5%**	***55.8%***
Nonrecurring income / (expense)	(24.6)		(26.0)		n.m.
Impact of IFRS measured inventories and forward contracts	7.6		20.6		-63.1%
Taxes under IFRS measured inventories and forward contracts	(6.5)		(2.6)		n.m.
Current taxes	(21.9)		(4.2)		n.m.
Deferred taxes	10.3		(12.4)		n.m.
Result after taxes (IFRS measurement)	**(5.5)**	**-0.7%**	**(5.6)**	**-0.7%**	***-1.8%***
Share of profit of equity-accounted investee companies	(7.1)		(10.7)		n.m.
Loss from discontinued operations	(0.6)		(1.4)		n.m.
Consolidated net loss	**(13.2)**	**-1.6%**	**(17.7)**	**-2.3%**	**-25.6%**
Profit attributable to non-controlling interests	1.1		0.5		
Profit attributable to owners of the Parent	**(14.3)**	***-1.77%***	**(18.2)**	***-2.40%***	***-21.7%***

Earnings per share (amounts in euros)	**12/31/11**	**12/31/10**
basic profit (loss) per share	(0.0390)	(0.0526)
diluted profit (loss) per share	(0.0369)	(0.0526)

Note: The Independent Auditors have not completed their review of the data provided above.

Annex 3

KME Group – Consolidated Statement of Financial Position

(in thousands of euros)	**12/31/11**	**12/31/10**
Property, plant and equipment	580,114	583,873
Investment property	30,812	28,603
Goodwill and consolidation difference	118,367	114,582
Other intangible assets	2,982	3,490
Investments in subsidiaries and associates	15,152	17,301
Investments in other companies	258	1,908
Investments in equity-accounted investees	47,826	21,951
Other non-current assets	8,560	25,501
Non-current financial assets	4,589	115,686
Deferred-tax assets	31,491	47,033
NON-CURRENT ASSETS	**840,151**	**959,928**
Inventories	607,483	622,054
Trade receivables	129,489	146,505
Other current receivables and assets	31,980	26,180
Current financial assets	251,902	140,242
Cash and cash equivalents	66,483	39,751
Current assets held for sale	-	86,393
CURRENT ASSETS	**1,087,337**	**1,061,125**
TOTAL ASSETS	**1,927,488**	**2,021,053**
Share capital	297,041	297,014
Other reserves	186,674	189,572
Treasury shares	(2,680)	(2,888)
Retained earnings	72,188	15,191
Consolidation reserve	(107,852)	(29,267)
Reserve for deferred tax	(80)	794
Loss for the period	(14,292)	(18,351)
Equity attributable to owners of the Parent	**430,999**	**452,065**
Equity attributable to non-controlling interests	6,062	4,952
TOTAL EQUITY	**437,061**	**457,017**
Employee benefits	153,439	152,757
Deferred-tax liabilities	119,133	138,135
Financial payables and liabilities	266,669	316,875
Other non-current liabilities	20,320	13,740
Provisions for risks and charges	17,128	137,240
NON-CURRENT LIABILITIES	**576,689**	**758,747**
Financial payables and liabilities	247,776	197,841
Trade payables	526,938	410,772
Other current liabilities	123,009	103,501
Provisions for risks and charges	16,015	24,910
Current liabilities held for sale	-	68,265
CURRENT LIABILITIES	**913,738**	**805,289**
TOTAL EQUITY AND LIABILITIES	**1,927,488**	**2,021,053**

Note: The Independent Auditors have not completed their review of the data provided above.

Annex 4

KME Group – Consolidated Statement of Cash Flows

(in thousands of euros)	12/31/11	12/31/10
(A) Cash and cash equivalents at the beginning of the year	**39,751**	**108,964**
Profit before taxes	5,462	2,867
Depreciation and amortization	45,396	45,848
Impairment losses on current assets	3,961	5,568
Impairment losses (Reversals of impairment losses) of non-current assets other than financial assets	10,240	4,714
Impairment losses (Reversals of impairment losses) of current and non-current financial assets	4,695	6,317
Losses (Gains) on disposal of non-current assets	(13,856)	(236)
Change in provisions for pensions, post-employment benefits and stock options	758	144
Change in provisions for risks and charges	73	(1,196)
Decrease (Increase) in inventories	16,842	(151,348)
Share of profit of equity-accounted investees	9,083	10,735
(Increase) Decrease in current receivables	36,619	(9,498)
Increase (Decrease) in current payables	111,042	208,905
Changes from currency translations	(330)	(286)
Decrease (Increase) in LME and metal forward contracts	(49,127)	19,098
Paid taxes	(22,194)	(4,764)
(B) Cash flow from operating activities	**158,664**	**136,868**
(Increase) in non-current intangible assets and property, plant and equipment	(60,421)	(44,261)
Decrease in non-current intangible assets and property, plant and equipment	18,737	1,693
(Increase) Decrease in investments	(28,743)	(30,418)
(Increase) Decrease in available-for-sale financial assets	-	-
Increase/Decrease in other non-current assets/liabilities	37,102	6,779
Dividends received	852	260
(C) Cash flow from investing activities	**(32,472)**	**(65,947)**
Equity cash variations	57	22,860
(Purchase) Sale of treasury shares	226	-
Increase (Decrease) in current and non-current financial payables	(93,685)	(107,191)
(Increase) Decrease in current and non-current financial receivables	(1,329)	(45,582)
Dividends paid and profits distributed	(7,990)	(2,651)
(D) Cash flow from financing activities	**(102,720)**	**(132,564)**
(E) Change in cash and cash equivalents (B)+('C)+(D)	**23,471**	**(61,643)**
(F) Change in scope of consolidation	**3,107**	**5,742**
Net cash flow generated by (used in) operating activities	2,080	206
Net cash flow generated by (used in) investing activities	2,211	(198)
Net cash flow generated by (used in) financing activities	(4,137)	(1,797)
(G) Total cash flow generated by (used in) discontinued operations	**154**	**(13,312)**
(H) Cash and cash equivalents at the end of the year (A)+(E)+(F)+(G)	**66,483**	**39,751**

Note: The Independent Auditors have not completed their review of the data provided above.