KME Group S.p.A.

Quarterly Report at September 30, 2007

(Third Quarter of 2007)

Registered office: 2 via dei Barucci, Florence
www.kmegroup.it
Share capital: €322,217,638.68 fully paid in
Company Register of the Court of Florence and Tax I.D. Number: 00931330583

Report of the Board of Directors on Operations in the Third Quarter of 2007

The Group reported improved operating and financial results compared with the first nine months of 2006.

Consolidated revenues for the first nine months of 2007 totaled 2,686.1 million euros, or 2% more than in the same period a year ago. Restated net of the value of raw materials, revenues show a gain of 6.9%, rising from 634.9 million euros to 678.4 million euros.
The marketing programs implemented to strengthen the Group's market position by maximizing the value of its products, fostering innovation and expanding its presence in new markets were carried out in an economic environment that in recent months has been increasingly characterized by indications of a business slowdown, attributable in part to recent turbulence in the financial markets of the industrialized countries.
Nevertheless, thanks to the momentum provided by the emerging countries, prospects for continued expansion of the global economy remain favorable, but the rate of growth may be lower than in previous periods.
In most of the market in Europe, where the Group has the greatest presence, demand for capital goods and durable goods slowed consistent with GDP trends. Specifically, even though financial conditions remain favorable, the propensity to invest has been weakened by uncertainties in projecting demand trends; exports are being increasingly hampered by the strength of the euro; and domestic demand remains weak due mainly to the negative impact of an unfavorable inventory cicle that, presumably, reflects the uncertainty that has developed in recent months with regard to the strength of an economic upturn.

Changes in economic conditions had an impact on the demand for copper and copper-alloy semifinished goods.
The resulting weakness affected products used both for industrial applications and for building construction. In the case of the latter, the high prices reached again by copper and their significant volatility continued to be determining factors.
After falling back earlier in the year, the price of copper again surged past US$8,000 per ton, creating uncertainty among end users and providing an incentive to maintaining minimum inventories. As mentioned in earlier reports on its operating performance, the Group is engaged in implementing programs to streamline and optimize the procurement and usage of raw copper in terms both of the production process and the mix of products it offers its customers.

During the first nine months of 2007, an increase in revenues went hand in hand with a successful effort to restructure and streamline the manufacturing organization, implemented in accordance with the Group's Industrial Plan. The combined result was a reduction in costs and an improvement in profitability at the operating level.

EBITDA grew from 95.1 million euros to 108.9 million euros, for a gain of 14.5%, and the ratio of EBITDA to revenues (net of the value of raw materials) improved from 15.0% to 16.1%. **EBIT** rose from 37.4 million euros to 69.9 million euros (+86.9%), owing in part to the absence of extraordinary Group restructuring charges, which reduced the amount reported in 2006.
Operating income is shown net of the financial impact of the valuation of the raw material inventory, which, because of the high and extremely volatile prices involved, would negate the validity of year-over-year comparisons and, consequently, would not permit a fair presentation of the Group's operating performance. More information about this issue can be found later in this Report in the section entitled "Operating Performance of the Group."
Adjusted(*) Group profit before taxes totaled 42.7 million euros, compared with 8.6 million euros at September 30, 2006.
Group profit before taxes including the impact of the inventory revaluation amounted to 113.4 million euros (146.5 million euros at September 30, 2006). In the first nine months of 2007, the inventory revaluation was 70.7 million euros (before deducting the tax effect), an amount significantly lower than the 137.9 million euros (also before deducting the tax effect) recognized last year.

Insofar as the balance sheet is concerned, the Group's **net indebtedness** totaled 447.1 million euros at September 30, 2007, down by 87.2 million euros (-16.3%) from the 534.3 million euros owed at December 31, 2006. The decrease in indebtedness was made possible by the cash flow from operations and, more importantly, the period's earnings, and reflects the positive impact of a more streamlined and much shorter financial cycle.

With regard to **expectations of the Group's performance** for the balance of 2007, even though economic growth is expected to slow in Europe, the operating results for the year as a whole should show a further improvement in profitability compared with 2006.

(*) A definition of adjusted profit before taxes is provided on page 7.

Investment Project in the Field of Renewable Energy Sources

On September 24, 2007, GreenergyCapital S.p.A. (formerly KME Green Energy S.r.l.) filed an application with Borsa Italiana S.p.A. seeking listing of its common shares and warrants on the MTF Section of the Italian Online Stock Market. It also requested the Consob's authorization to publish a Prospectus.

GreenergyCapital S.p.A. was established by KME Group S.p.A. on July 3, 2007 within the context of a project focused on developing investment initiatives in the areas of renewable resources, energy and energy conservation services, and technologies applicable to these businesses.

The company's share capital, which currently amounts to 2,435,503.00 euros and consists of 347,929,000 shares, is owned by KME Group (80.002% interest) and Aledia (19.998% interest). Aledia is a renewable energy company founded by Vincenzo Cannatelli. On August 3, 2007, the Shareholders' Meeting of KME Group agreed to distribute to the company's shareholders the GreenergyCapital shares held by KME Group on the basis of one GreenergyCapital share for every KME Group common or savings share held. The distribution will take place on the first stock market trading day following the date of issue by Borsa Italiana S.p.A. of the official document accepting for listing the shares issued by GreenergyCapital S.p.A. (or a different day agreed upon with Borsa Italiana S.p.A.).

On September 11, 2007, the Extraordinary Shareholders' Meeting of GreenergyCapital S.p.A. approved a motion to increase the company's share capital from 2,435,503 euros up to a maximum of 51,145,563 euros. In accordance with Article 2441 of the Italian Civil Code, the capital increase will be carried out by issuing up to 6,958,580,000 common shares that will be made available through a rights offering, at a price of 0.007 euros per share, to the holders of the GreenergyCapital shares distributed earlier by KME Group.

Three "2011 GreenergyCapital S.p.A Warrants," which may be used to purchase GreenergyCapital shares, will be attached free of charge to each subscribed share. The same Shareholders' Meeting of September 11, 2007 also approved a further contributory capital increase of up to 146,130,180 euros carried out through the issuance of 20,875,740,000 common shares reserved for the exercise of the warrants. Warrant holders will be entitled to purchase through subscription one newly issued share, at a price of 0.007 euros per share, for each warrant held. The warrants may be exercised at any time until December 15, 2011.

This capital increase is subject to the implementation of the distribution motion referred to above. Moreover, the capital increase and the creation of a broad shareholder base are prerequisites for the listing of the GreenergyCapital shares.

GreenergyCapital will focus its investment activity on companies that have developed or are developing facilities for the production of energy from renewable sources and companies that offer products, services and technologies used in connection with renewable energy sources and energy conservation.

GreenergyCapital will focus its activities on investing in the following areas: i) equity participations, generally as controlling shareholder, in companies involved in power generation from renewable sources; ii) equity participations, generally as controlling shareholder, in companies that operate in the areas of energy services and related products; and iii) equity participations, generally as a minority shareholder, in companies that operate in the areas of components and green technologies.

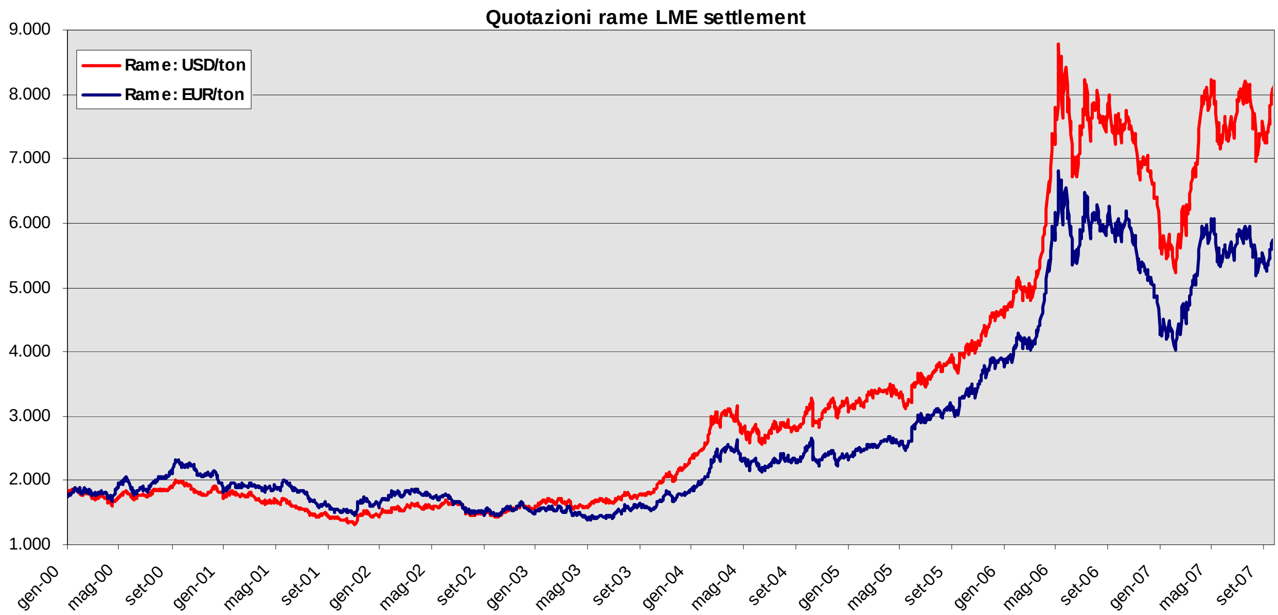
GreenergyCapital's industrial project will be carried out by a management team made of professionals with vast experience in the energy industry and private equity transactions. GreenergyCapital's Board of Directors is chaired by Vincenzo Cannatelli, former CEO of Enel Distribuzione and current CEO of the Ferretti Group. The Board also includes Luca d'Agnese, who serves as the company's Chief Executive Officer, formerly CEO of the entity that manages Italy's national transmission grid (Gestore della Rete di Trasmissione Nazionale — GRTN) and Operations Director of Terna; Vincenzo Manes and Diva Moriani (respectively, Chairman and Deputy Chairman of the Intek Group); and Chicco Testa and Michele Candotti, who serve as independent Directors.

Copper Market and Prices

During the first nine months of 2007, the average price of copper was higher than it was in the same period last year, rising by 7.4% in U.S-dollar terms (from US$6,606 to US$7,095 per metric ton), but was virtually unchanged in euro terms (from 5,286 euros to 5,267 euros per metric ton).

Looking at price trends, in the third quarter of 2007, the average price of copper was higher than it was in the second quarter by 0.9% in U.S-dollar terms (from US$7,641 to US$7,710 per metric ton). Over the same period, it decreased in euro terms (from 5,667 euros to 5,610 euros per metric ton).

After retreating during the early months of the year, the price of copper began to rise again in April, reaching a monthly average of US$7,967 per metric ton (equal to 5,810 euros per metric ton) in July, US$7,514 per metric ton (equal to 5,520 euros per metric ton) in August and US$7,639 per metric ton (equal to 5,500 euros per metric ton) in September.
In October, the price continued to rise, reaching US$8,008 per metric ton (equal to 5,630 euros per metric ton).



Operating Performance of the Group

The table below presents, in summary form, the consolidated results of the KME Group in the first nine months of 2007. The 2006 figures shown in the table below can be compared to the current data because the International Financial Reporting Standards (IAS/IFRSs) were applied to both periods. In order to present a more meaningful picture of the Group's operating performance and make the data more readily comparable over time, certain components of the items used to compute **EBITDA and operating income before taxes** were reclassified.[1] Specifically:

- In order to eliminate the impact of fluctuations in raw material prices, revenues are shown net of the value of raw materials;
- The impact on revenues, EBITDA and EBIT of the change in the accounting principle used to value inventory of raw materials and the effect of valuing London Metal Exchange hedging contracts at fair value was derecognized. It is also important to keep in mind that the adoption of the new international accounting principles required a switch in the method used to value the metal inventory, which was changed from the LIFO method to the weighted average cost method. This change, which was made during a period of rising prices, produced a revaluation of the inventory of raw materials.
- Extraordinary items are shown below the EBITDA line.
- The profit before taxes is shown both excluding (adjusted profit before taxes) and including the impact of the revaluation of the inventory of raw materials.

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[1] Breakdown of reclassifications and reconciliation with results stated in accordance with the IAS/IFRSs:

(in millions of euros)	*9/30/07 IAS*		*Reclassif.*	*9/30/07 reclassified*	
Gross revenues	2,686.1			2.686.1	
Raw material costs	0.0		**(2.007.7)**	(2.007.7)	
Revenues net of raw material costs	**2,686.1**	*100%*		**678.4**	*100%*
Personnel expenses	(265.1)			(265.1)	
Other consumables and costs	(2.242.5)		**1,938.1**	(304.4)	
Gros operating profit EBITDA	**178.5**	*6.65%*		**108.9**	*16.05%*
Non recurring income (expense)	-		**(1.1)**	(1.1)	
Depreciation and amortization	(37.9)			(37.9)	
Net opertaing profit EBIT	**140.6**	*5.23%*		**69.9**	*10.30%*
Net financial expense	(27.2)			(27.2)	
Interest in the result of companies valued by the equity method	0.0			0.0	
Adjusted profit before taxes	**113.4**	*4.22%*	**0.0**	**42.7**	*6.29%*
Impact of IFRS valuation of inventory and LME contracts	0.0		**70.7**	70.7	
Consolidated pre tax profit	**113.4**	*4.22%*	**0.0**	**113.4**	*16.72%*

[*] EBITDA (Earnings Before Interest. Taxes. Depreciation and Amortization) are not used as a reporting item in the IAS/IFRS accounting principles.

KME Group – Consolidated Income Statement at September 30. 2007

2006 full year		**(in millions of euros)**	*9/30/07*		*9/30/06*			**% change**
3,556.8		Gross revenues	2,686.1		2,633.3			*2.0%*
(2,709.5)		Raw material costs	(2,007.7)		(1,998.4)			*0.5%*
847.3	**100.00%**	**Revenues net of raw material costs**	**678.4**	*100%*	**634.9**		*100%*	*6.9%*
(347.4)		Personnel expenses	(265.1)		(260.9)			*1.6%*
(373.4)		Other consumables and costs	(304.4)		(278.9)	(*)		*9.1%*
126.5	**14.93%**	**Gros operating profit EBITDA**	**108.9**	*16.05%*	**95.1**		*14.98%*	*14.5%*
(26.5)		Non recurring income (expense)	(1.1)		(17.8)			*n.m.*
(53.7)		Depreciation and amortization	(37.9)		(39.9)			*(5.0%)*
46.3	**5.46%**	**Net opertaing profit EBIT**	**69.9**	*10.30%*	**37.4**		*5.89%*	*86.9%*
(41.6)		Net financial expense	(27.2)		(28.8)	(*)		*(5.6%)*
0.2		Interest in the result of companies valued by the equity method	0.0		0			*n.m.*
4.9	**0.58%**	**Adjusted profit bifore taxes**	**42.7**	*6.29%*	**8.6**		*1.35%*	*n.m.*
79.1		Impact of IFRS valuation of inventory and LME contracts	70.7		137.9			*n.m.*
84.0	**9.91%**	**Consolidated pre tax profit**	**113.4**	*16.72%*	**146.5**		*23.07%*	*(22.6%)*

(*) For comparison purposes. 4.2 million euros in costs incurred in connection with factoring transactions previously shown as financial expense have been reclassified.

In the first nine months of 2007, **revenues** totaled 2,686.1 million euros, or 2% more than the 2,633.3 million euros reported in the same period last year.
Restated to eliminate the impact of the value of raw materials, revenues show an increase of 6.9%. rising from 634.9 million euros to 678.4 million euros, owing to a more favorable product mix and price increases. Unit sales were down 5.4%.

Operating costs increased by 5.5% overall, reflecting an increase in the output of products with a greater value added and a rise in unit prices paid for the means of production, particularly energy and transportation.
Taken separately, labor costs increased by 1.6%.

EBITDA grew by 14.5% to 108.9 million euros, an amount equal to 16.1% of revenues, net of raw material costs, compared with 15.0% at September 30, 2006.

EBIT amounted to 69.9 million euros, up from 37.4 million euros at September 30, 2006. The absence of the nonrecurring charges for industrial restructuring programs incurred in the same period last year account for this increase.

The **adjusted profit before taxes, excluding the revaluation of the inventory of raw materials,** amounted to 427 million euros (profit of 8.6 million euros at September 30, 2006).
The **consolidated profit before taxes** for the period totaled 113.4 million euros (146.5 million euros at September 30. 2006). The revaluation of the inventory of raw materials

recognized in the first nine months of 2007 was 48.7% smaller than in the same period last year.

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The table below presents the Group's operating results in the third quarter of 2007. An explanation of the reclassifications made is provided earlier in this section of this Report.

KME Group – Consolidated Income Statement for the Third Quarter of 2007

(in millions of euros)	*3Q07*		*3Q06*		**% change**
Gross revenues	838.3		927.7		*(9.6%)*
Raw material costs	(629.2)		(722.8)		*(12.9%)*
Revenues net of raw material costs	**209.1**	*100%*	**204.9**	*100%*	*2.0%*
Personal expences	(82.2)		(83.2)		*(1.2%)*
Other consumables and costs	(94.5)		(86.5)		*9.2%*
Gros operating profit EBITDA	**32.4**	*15.49%*	**35.2**	*17.18%*	*(8.0%)*
Non recurring income (expense)	(2.4)		(1.3)		*n.m.*
Depreciation and amortization	(11.1)		(12.6)		*(11.9%)*
Net opertaing profit EBIT	**18.9**	*9.04%*	**21.3**	*10.40%*	*(11.3%)*
Net financial expense	(10.7)		(10.1)		*5.9%*
Interest in the result of companies valued by the equity method	0.0		0		*n.m.*
Adjusted profit before taxes	**8.2**	*3.92%*	**11.2**	*5.47%*	*(26.8%)*
Impact of IFRS valuation of inventory and LME contracts	7.9		36.8		*n.m.*
Consolidated pre tax profit	**16.1**	*7.70%*	**48.0**	*23.43%*	*(66.5%)*

A comparison of the two quarters shows that profitability decreased at the operating level, both in absolute terms (EBITDA went from 35.2 million euros to 32.4 million euros) and in relative terms (the ratio of EBITDA to revenues net of raw material costs went from 17.2% to 15.5%).

This reduction is partly due to a softening of demand in recent months and, more importantly, reflects a difficult comparison with a period (the third quarter of 2006) that was exceptionally profitable. In addition, operating costs incurred to factor trade receivables were higher in the three months ended September 30, 2007, as there was a greater use of factoring as a financing tool in connection with new credit lines received at the end of 2006, which were not available last year.

Financial Information

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

(in millions of euros)	at 9/30/07	at 6/30/07	at 12/31/06
Share capital	320.2	319.7	319.6
Reserves	170.3	171.7	123.8
Profit for the period	113.0 (*)	66.0	51.8
Total equity	**603.5**	**557.4**	**495.2**

(*) Profit before taxes but net of 0.4 million euros of minority interests.

During the third quarter of 2007, the **share capital** increased from 319.738.841.95 euros to 320,205,008.23 euros due to the exercise of 85,521 "2006-2009 KME Group Warrants," which resulted in the issuance of 28,507 common shares, and of 1,271,817 options awarded to Directors and Executives of the Company and its subsidiaries. which resulted in the issuance of 423,939 common shares.

At September 30, 2007, the Group's **net indebtedness** totaled 447.1 million euros, showing decreases of 8.1 million euros compared with June 30, 2007 and 87.2 million euros compared with December 31, 2006.

The table below provides a breakdown of the **consolidated net financial position:**

(in millions of euros)	at 9/30/07	at 6/30/07	at 12/31/06
Short-term indebtedness	63.8	81.1	204.7
Medium and long-term financial liabilities	489.9	495.5	487.4
Financial liabilities vs parent company	6.3	6.3	56.0
Financial liabilities vs unconsolidated subsidiaries	2.6	2.7	2.7
Total indebtedness	**562.6**	**585.5**	**750.8**
Cash and cash equivalents	(81.0)	(90.8)	(162.1)
Short-term financial assets	(33.6)	(38.6)	(53.4)
Financial credit vs unconsolidated subsidiaries	(0.9)	(0.9)	(0.9)
Total cash and financial assets	**(115.5)**	**(130.3)**	**(216.4)**
Net financial position	**447.1**	**455.2**	**534.3**

The financial position data shown above do not reflect the potential outlays that may be required for the fines imposed by the European Commission on the Group's manufacturing companies for two alleged antitrust violations. These fines, which total 107 million euros, will have an impact on cash flow only at the end of the judicial process before the various EU entities where appeals have been filed and only for the amount adjudicated.

Until such time, payment is being guaranteed by security deposits (17 million euros) and bank sureties (90 million euros). However, this payment deferral will cause the Group to incur finance charges, that are provisioned.

The flexibility of use built in the new credit lines provided by the lender banks at the end of September 2006 enabled the Group to respond promptly to changing and steadily increasing working capital requirements caused by rising raw material prices. The trade receivables assigned with non recourse by the Group as part of this process totaled 383.9 million euros at September 30, 2007 (366.7 million euros at December 31, 2006).

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

(in millions of euros)	**At 9/30/07**	**at 6/30/07**	**at 12/31/06**
Net non-current assets	780.0	773.5	778.2
Net working capital	720.7	711.2	706.9
Own provisions	(448.3)	(472.2)	(455.7)
Net invested capital	**1.052.4**	**1.012.5**	**1.029.4**

Financial Statements

The Quarterly Report at September 30. 2007. which has not been audited. was prepared in accordance with Article 82 of Resolution No. 11971 issued by the National Commission on Companies and the Securities Markets (CONSOB) on May 14. 1999, as amended.
The Quarterly Report is being presented in accordance with the guidelines provided in Annex 3D of CONSOB Regulation No. 11971/99.

The data in the consolidated balance sheet are those at September 30, 2007 and at September 30, 2006.
Consolidated income statement data are provided for the third quarter of 2007 and for the first nine months of the year. They are also compared with the data for the same period in 2006. The presentation of the financial statements is consistent with the presentation used in the Semiannual and Annual Reports.

The Quarterly Report at September 30, 2007 was prepared in accordance with the valuation and measurement criteria set forth in the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission in accordance with the procedure set forth in Article 6 of Regulation (CE) No. 1606/2002 of the European Parliament and Council of July 19, 2002.

As of the reference date of this Quarterly Report. GreenergyCapital S.p.A. was not included in the scope of consolidation because the investment held by the Company in GreenergyCapital S.p.A. is being distributed to the shareholders in accordance with a resolution approved by the Shareholders' Meeting on August 3. 2007. The Directors believe that the information provided and available on the Company website, www.kmegroup.it. explains clearly this still ongoing transaction.

Consolidated Financial Statements of KME Group Spa at September 30, 2007		
Balance Sheet	**At 9/30/07**	**At 12/31/06**
items classified as current and non-current		
(amounts in thousands of euros)		
Property, plant and equipment	610,767	619,923
Investment property	17,956	10,591
Goodwill and consolidation difference	114,582	109,840
Other intangible assets	1,545	955
Investments in associates	6,733	4,906
Investments in other companies	245	245
Investments valued by the equity method	-	2,634
Other non-current financial assets	28,193	29,143
Deferred-tax assets	44,688	44,710
NON-CURRENT ASSETS	**824,709**	**822,947**
Inventories	784,809	683,627
Trade receivables	199,972	230,693
Other receivables and current assets	67,865	67,791
Current financial assets	46,768	75,347
Cash and cash equivalents	81,065	162,098
CURRENT ASSETS	**1,180,479**	**1,219,556**
TOTAL ASSETS	**2,005,188**	**2,042,503**
Share capital	320,205	319,643
Other reserves	3,026	(4)
Treasury stock	(37)	(37)
Parent Company's retained earnings (Loss carryforward)	5,919	5,176
Technical consolidation reserves (*)	68,859	25,044
Reserve FTA IAS-IFRS	92,518	93,658
Net profit (loss) for the period	113,001	51,785
Group interest in shareholders' equity	**603,491**	**495,265**
Minority interest in shareholders' equity	1,732	-
TOTAL SHAREHOLDERS' EQUITY	**605,223**	**495,265**
Employee benefits	165,083	166,904
Deferred-tax liabilities	160,278	160,289
Financial payables and liabilities	489,872	487,353
Other non-current liabilities	6,976	7,721
Provisions for risks and charges	131,147	143,137
NON-CURRENT LIABILITIES	**953,356**	**965,404**
Borrowings and other financial liabilities	79,860	279,175
Trade payables	219,894	164,575
Other current liabilities	110,429	108,080
Provisions for risks and charges	36,426	30,004
CURRENT LIABILITIES	**446,609**	**581,834**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,005,188**	**2,042,503**

(*) Technical consolidation reserve includes the reserve for retained earnings (loss carryforward), the consolidation reserve and the currency translation reserve,

Consolidated Income Statement costs classified by type *(amounts in thousands of euros)*	Sept. 30, 2007 (9 months)	Sept. 30, 2006 (9 months)	% change	3Q07	3Q06	% change
Sales revenues	2,686,108	2,633,343	2.00%	838,292	927,715	(9.64%)
Change in inventory of finished products and semifinished goods	1,568	13,847	(88.68%)	(7,236)	9,290	n.m.
Capitalization of Company-produced assets	1,247	1,864	(33.10%)	570	676	(15.68%)
Other operating revenues	10,940	8,522	28.37%	2,675	2,421	10.49%
Purchases of and changes in inventory of raw materials	(2,030,938)	(1,941,736)	4.59%	(646,629)	(737,679)	(12.34%)
Labor costs	(265,090)	(260,932)	1.59%	(82,133)	(83,229)	(1.32%)
Depreciation, amortization, impairment losses and writedowns	(37,927)	(39,853)	(4.83%)	(11,150)	(12,543)	(11.11%)
Other operating expenses	(225,279)	(235,517)	(4.35%)	(67,560)	(46,307)	45.90%
EBIT	**140,629**	**179,538**	**(21.67%)**	**26,829**	**60,344**	**(55.54%)**
Financial income	4,750	4,144	14.62%	132	(434)	n.m.
Financial expense	(31,967)	(37,140)	(13.93%)	(10,858)	(11,862)	(8.46%)
Interest in the results of associates valued by the equity method	-	-	n.m.	-	-	n.m.
Profit before taxes	**113,412**	**146,542**	**(22.61%)**	**16,103**	**48,048**	**(66.49%)**

Declaration of the Corporate Accounting Documents Officer required pursuant to Article 154 bis, Section 2, of the Uniform Finance Law (Legislative Decree No, 58/98)

I, the undersigned Marco Miniati, in my capacity as Corporate Accounting Documents Officer, declare that the Quarterly Report at September 30, 2007 of KME Group S.p.A. and the accompanying press release are consistent with the data in the supporting documents and in the Company's other documents and accounting records.

Florence, November 9, 2007

Marco Miniati
Corporate Accounting Documents Officer