

Report on Operations at September 30, 2008

(Third Quarter of 2008)

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

Share capital: €250,009,508.80 fully paid in
Company Register of the Court of Florence and Tax I.D. Number: 00931330583

Contents

➤ Corporate Governance Bodies	Page 3
➤ Report of the Board of Directors on Operations at the Third Quarter of 2008	Page 4
➤ Copper Market and Prices	Page 7
➤ Operating Performance of the Group	Page 8
➤ Information About the Balance Sheet and Financial Position	Page 12
➤ IFRS/IAS Financial Statements	
• Consolidated Balance Sheet at September 30, 2008	Page 16
• Consolidated Income Statement for the First Nine Months and the Third Quarter of 2008	Page 17
➤ Declaration by the Corporate Accounting Documents Officer	Page 18

Board of Directors

Chairman
Deputy Chairman

Salvatore Orlando
Vincenzo Manes^B

General Manager
General Manager

Domenico Cova^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
Diva Moriani^B
Alberto Pecci^{A,D}
Alberto Pirelli^{A,C}

- A. Independent Director
B. Director with executive authority
C. Member of the Compensation Committee (Alberto Pirelli, Chairman)
D. Member of the Audit Committee (Mario d'Urso, Chairman)

Board of Statutory Auditors

Chairman

Marcello Fazzini

Statutory Auditors

Pasquale Pace
Marco Lombardi^E

Alternate Auditors

Angelo Garcea

- E. The Statutory Auditor Alessandro Trotter resigned on August 30, 2008 and was replaced by the Alternate Auditor Marco Lombardi.

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 Operations at the Third Quarter of 2008

The overall outlook for the economy continues to be conditioned by uncertainty about the intensity and duration of the severe problems that have engulfed international financial markets and by concerns about the repercussions that these problems may have on the real economies of the developed countries, Europe and the United States above all. The emerging economies, while experiencing weakness in some areas, are continuing to grow at a satisfactory rate.

In Europe, a rapidly slowing economy is affecting all components of demand, from consumer spending to investments. The correction of the construction market, which has spread from the United States to Europe, with an especially pronounced impact on Spain and the U.K., could turn out to be deeper than originally anticipated. Decisions to invest in plant and equipment are being conditioned by weak demand projections and, more recently, by difficulties in obtaining financing. Slowing global demand is reducing exports.

The deterioration of the economic framework is having profound repercussions on the businesses that are the main users of the Group's copper and copper-alloy semifinished products, with a negative effect on demand. In addition to new residential housing, the most affected areas include the automotive industry, manufacturers of appliances and boilers and the air conditioning business. Conditions appear to be more stable in the building restructuring area and in the electrical and renewable energy industries. Nevertheless, the short-term outlook remains uncertain. The diversification of its product line, the growing strength of its brands, its ability to innovate and its expanded presence in the emerging markets enabled the Group to defend its market position.

Starting in September, the price of copper, which is the metal that is used in the vast majority of the Group's semifinished products, began to trend downwards. The price fell further in October, but was still historically high and continued to show high volatility.

Consolidated turnover for the first nine months of 2008 totaled 2,395.7 million euros, or 10.8% less than in the same period last year. Restated net of the value of raw materials, consolidated revenues show a decrease of 1.1%, falling from 678.4 million euros to 671.2 million euros.

A more favorable sales mix, with a greater percentage of products with a higher value added, offset most of the impact of a 7.2% reduction in unit sales. The value of raw materials accounted for about 72% of the revenues from sales of semifinished products.

Further progress in implementing programs to boost the efficiency and competitiveness of the Group's organization and optimize the procurement and use of raw materials had a positive effect on the income statement, but were not sufficient to fully offset the impact of lower unit sales and of the higher unit costs paid for energy and transportation. In the third quarter of 2008, the profitability of the Group's industrial operations was in line with the levels achieved in the first two quarters of this year and in the closing quarter of 2007. On the other hand, the data for the first nine months of 2008 show a reduction in profitability compared with the same period in 2007, when, however, market conditions were markedly more favorable.

EBITDA(*) decreased from 108.9 million euros in the first nine months of 2007 to 94.9 million euros in the same period this year. Net of the value of raw materials, the ratio of EBITDA to revenues decreased from 16.3% to 14.1%.

In the third quarter of 2008, EBITDA totaled 30.5 million euros, compared with 32.4 million euros in the same quarter last year and average EBITDA of 32 million euros for the last four quarters.

EBIT(*) for the January-to-September period declined from 69.9 million euros in 2007 to 60.1 million euros in 2008

Consolidated profit before taxes(*) totaled 31.3 million euros in the first nine months of 2008, compared with 42.7 million euros at September 30, 2007.

In this Report on Operations, the EBITDA, EBIT and profit before taxes presented above were again computed without including the income statement impact of measuring the inventories of raw materials at current value, as required by the IFRS accounting principles, because, due to price volatility, the income statement impact of such valuations would make it impossible to compare homogeneous data for two different periods and provide an accurate presentation of the results from operations. More detailed information about this issue is provided in the detailed description of the reclassification made, which is provided later in this Report in the section entitled "Operating Performance of the Group."

The use of a raw material inventory valuation method based on current prices (weighted average cost for the quarter) instead of the LIFO method to value the structural inventory(**) during a period of falling prices resulted in a reduction of the differential between the values determined by the LIFO method and those obtained by applying the IFRS accounting principles. Specifically, this process produced a net positive differential of 70.7 million euros at September 30, 2007, but the positive differential narrowed to 3.8 million euros at September 30, 2008.

Consequently, the **consolidated profit before taxes** for the first nine months of 2008 computed valuing the inventory in accordance with the IFRS accounting principles totaled 35.1 million euros, as against 113.4 million euros in the same period last year.

Turning to the balance sheet, the Group's **net indebtedness** totaled 311.8 million euros at September 30, 2008, or 48.1 million euros less (-13.4%) than the amount owed at the end of 2007 (359.9 million euros) but 18.7 million euros more than at June 30, 2008. Net indebtedness was equal to less than 60% of shareholders' equity.

* * *

With regard to **expectations of the Group's future performance**, the most recent indicators point to a deterioration in economic conditions. The widespread weakness present in most markets is becoming more pronounced and the outlook for the coming months is more clouded. Raw material prices, which have been extremely volatile, are an additional risk factor.

The Group has been implementing for some time both contingent initiatives to respond to competitive pressure and its effects on sales volumes and prices and structural programs designed to increase manufacturing efficiency, implement a leaner and more focused organization, optimize the use of invested capital and minimize risks.

The actions taken thus far have succeeded in minimizing the impact of a weak market demand and created the conditions necessary to return in future years to the path of rising

* *Reclassified indicators (see table on page 8).*

** *The structural inventory is the inventory that is not set aside to fill customer orders.*

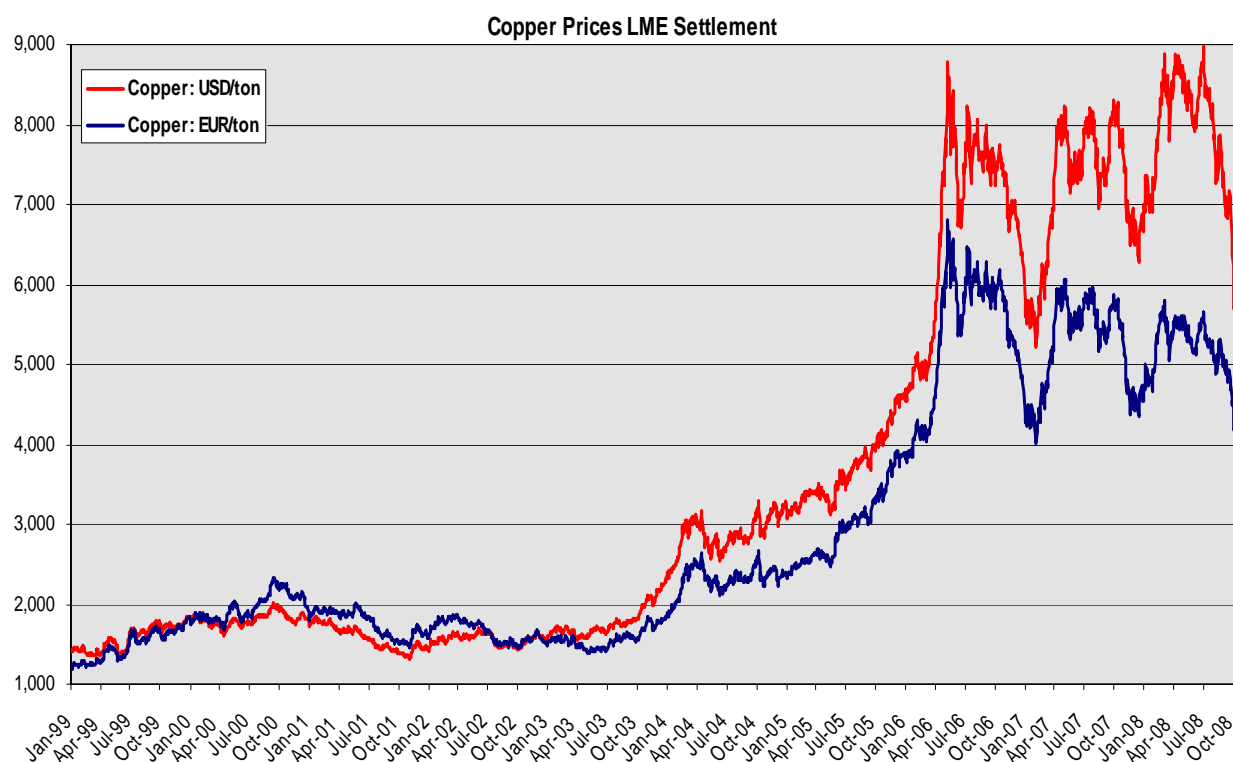
profitability and fully seize the opportunities that will again become available when economic conditions become more favorable.

Copper Market and Prices

During the first nine months of 2008, the average price of copper was higher than in the same period last year, rising by 22.7% in U.S-dollar terms (from US\$7,095 per metric ton to US\$7,973 per metric ton). Stated in euros, the price was little changed (from €5,266 per metric ton to €5,230 per metric ton), reflecting the appreciation of the European currency during the reporting period.

Looking at price trends, in the third quarter of 2008, the average price of copper was lower than in the second quarter of the year by 9% in U.S-dollar terms (from US\$8,443 per metric ton to US\$7,680 per metric ton) and 5.6% in euro terms (from €5,400 per metric ton to €5,100 per metric ton).

In October 2008, the price of copper continued to decline, causing the average for the month to fall to US\$4,926 per metric ton (equal to €3,680 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 2008 and provides a comparison with the data for the corresponding period in 2007.

In order to present a more meaningful picture of the performance of the Group's industrial operations and make the data more readily comparable over time, certain components of the items used to compute EBITDA, EBIT and consolidated profit 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 EBITDA, EBIT and profit before taxes of the adoption of the IFRS accounting principles to value the 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 IFRS international accounting principles required a switch in the method used to value the metal inventory, which, for the structural inventory,^{*} was changed from the LIFO method to a method based on current prices (weighted average cost for the quarter or average for the last month, whichever is lower). Because of the extreme volatility of raw material prices (copper in

(1) Breakdown of reclassifications and reconciliation with results stated in accordance with IFRS accounting principles

(in millions of euros)	9/30/08 IFRS		Reclassif.	9/30/08 reclassified	
Gross turnover	2,395.7	100%		2,395.7	
Raw material costs	0.0		(1,724.5)	(1,724.5)	
Turnover net of raw material costs	2,395.7			671.2	100%
Labor costs	(269.1)			(269.1)	
Other consumption and costs	(2,023.9)		1,716.7	(307.2)	
EBITDA	102.7	4.29%		94.9	14.14%
Non-recurring income (expense)	-		4.0	4.0	
Amortisation and depreciation	(38.8)			(38.8)	
EBIT	63.9	2.67%		60.1	8.95%
Net financial cost	(28.8)			(28.8)	
Gain (losses) recognised in equity	0.0			0.0	
Profit bef. taxes (inventory not IFRS)	35.1	1.47%		31.3	4.66%
Impact of IFRS valuat. of invent. & LME contracts	0.0		3.8	3.8	
Profit before taxes	0.0	0.00%	0.0	35.1	5.23%

() EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) are not used as a reporting item in the IAS/IFRS accounting principles. They provide a useful gauge to assess the Group's operating performance. EBITDA represent an intermediate amount based on EBIT that does not include depreciation, amortization and nonrecurring income (expense).*

* The structural inventory is the inventory that is not set aside to fill customer orders.

particular), the use of this method introduces an income statement factor that creates the risk of providing an incorrect presentation of the results from operations. Consequently, the comments that follow refer to operating results (EBITDA and EBIT) and profit before taxes that are based on the LIFO method to value the structural inventory (applied consistently in 2008 and 2007), which is also the method used internally for management control purposes. Obviously, the review of the Group's operating performance also includes financial results computed in accordance with the IFRS method.

- Extraordinary items are shown below the EBITDA line.

KME Group - Consolidated Income Statement

2007 full year reclassified		(in millions of euros)	9/30/08 reclassified		9/30/07 reclassified		Change
3,485.3		Gross turnover	2,395.7		2,686.1		(10.8%)
(2,594.4)		Raw material costs	(1,724.5)		(2,007.7)		(14.1%)
890.9	100%	Turnover net of raw material costs	671.2	100%	678.4	100%	(1.1%)
(349.3)		Labor costs	(269.1)		(265.1)		1.5%
(399.6)		Other consumption and costs	(307.2)		(304.4)		0.9%
142.0	15.9%	EBITDA	94.9	14.1%	108.9	16.3%	(12.9%)
(2.6)		Non -recurring income (expense)	4.0		(1.1)		n.m.
(50.6)		Amortization and depreciation	(38.8)		(37.9)		2.4%
88.8	10.0%	EBIT	60.1	8.9%	69.9	10.9%	(14.0%)
(36.5)		Net financial cost	(28.8)		(27.2)		5.9%
0.0		Gain (losses) recognised in equity	0.0		0.0		n.m.
52.3	5.9%	Profit before taxes (inventory not IFRS)	31.3	4.7%	42.7	7.3%	(26.7%)

In the first nine months of 2008, **Group revenues** totaled 2,395.7 million euros, or 10.8% less than the 2,686.1 million euros reported in the same period last year.

Changes in raw material prices account for most of this decrease. Restated to eliminate the impact of the value of raw materials, revenues show a decrease of 1.1% (from 678.4 million euros to 671.2 million euros), showing the positive contribution of an improvement in the sales mix, which helped offset to a large extent the impact of a 7.2% reduction in sales volumes.

Even though unit sales were lower, **operating costs** grew by 1.2% 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 show an increase of 1.5%.

EBITDA declined by 12.9% to 94.9 million euros, an amount equal to 14.1% of revenues, net of raw material costs, compared with 16.3% at September 30, 2007.

In the third quarter of 2008, EBITDA totaled 30.5 million euros, roughly in line with the amount earned in the same period last year (32.4 million euros) and average EBITDA of 32 million euros for the last four quarters (October 2007-September 2008).

EBIT amounted to 60.1 million euros, compared with 69.9 million euros in 2007.

Nonrecurring items had a net positive effect of 4.0 million euros (negative effect of 1.1 million euros in 2007). This amount is the net result of the gains generated by a structural reduction of Company-owned inventories (23.9 million euros, made possible by optimizing raw material utilization flows), less the charges incurred for provisions established in connection with the reorganization of the Group's manufacturing units (13.6 million euros) and the amounts set aside to cover the estimated costs of pending litigation (5.7 million euros).

The **consolidated profit before taxes**, restated to eliminate the impact of valuing the inventory of raw materials at current prices, as required by the IFRS accounting principles, totaled 31.3 million euros (42.7 million euros in the first quarter of 2007).

The increase in net financial expense, which occurred despite a reduction in indebtedness, is due to the recognition in the third quarter of 2008 of accounting losses (4.5 million euros) on foreign currency contracts (mainly US dollar and British pound) executed to hedge commercial positions (order portfolio), to which the corresponding benefits will be allocated.

Impact of Valuing the Inventory of Raw Materials at Current Prices (IFRS Principles)

The table below shows the impact on the consolidated profit before taxes for the first nine months of 2008 of valuing the inventory of raw materials and the corresponding London Metal Exchange hedging contracts in accordance with IFRS principles, and provides a comparison with homogeneous data for 2007:

KME Group - Consolidated Income Statement (continued)

<i>2007 full year reclassified</i>		(in millions of euros)	<i>9/30/08 reclassified</i>		<i>9/30/07 reclassified</i>		<i>Change</i>
52.3	5.9%	Profit before taxes (inventory not IFRS)	31.3	4.7%	42.7	7.3%	(26.7%)
(15.3)		Impact of IFRS valuation on inventory and LME contracts	3.8		70.7		(94.6%)
37.0	4.1%	Profit before taxes	35.1	5.2%	113.4	14.1%	(69.0%)

At September 30, 2008, because commodity prices had been falling, the valuation of the inventory of raw materials produced a decrease in the differential between the values determined by the LIFO method and those obtained by applying the IFRS accounting principles. Specifically, this process produced a gross positive differential of 70.7 million euros at September 30, 2007 and a smaller gross positive differential of 3.8 million euros at September 30, 2008.

As a result, the consolidated profit before taxes (inventory IFRS valued) for the first nine months of 2008 amounted to 35.1 million euros, as against a profit before taxes of 113.4 million euros at September 30, 2007, computed on the same basis.

Information about the Balance Sheet and Financial Position

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

(in millions of euros)	at 9/30/08	at 9/30/07	at 12/31/07
Share capital	250.0	250.0	324.2
Reserves	277.8	276.3	172.6
Profit for the period	34.5*	41.3**	40.8**
Total shareholders' equity	562.3	567.6	537.6

* before taxes and after minority interest

** after taxes and after minority interest

The reduction in **share capital** is consistent with the terms of a resolution approved by the Extraordinary Shareholders' Meeting on March 14, 2008, authorizing a voluntary reduction of the Company's share capital by 74,164,741.31 euros (i.e., from 324,164,741.31 euros to 250,000,000.00 euros) and the establishment of a reserve of the same amount. Pursuant to Article 2445, Section 3, of the Italian Civil Code, the share capital reduction became effective on June 26, 2008, after 90 days had passed from the day the corresponding Shareholders' Meeting resolution was entered into the Company Register.

On September 16, 2008, the Ordinary Shareholders' Meeting approved a resolution **authorizing the purchase and disposal of common and savings treasury shares**, in accordance with the provisions of Articles No. 2357 and No. 2357 *ter* of the Italian Civil Code and Article 132 of the Uniform Financial Code.

The program, which went into effect on September 22, 2008, can be used to purchase common and/or savings shares up to a maximum number that, counting the shares held from time to time by the Company and its subsidiaries, does not cause the total number of common and savings shares held to exceed the ceiling of 10% of the Company's share capital.

The authorization to purchase treasury shares is valid for a period of up to 18 months from the date of the abovementioned Shareholders' Meeting (i.e., until March 16, 2010).

Treasury shares will be acquired through purchases on the regulated market operated by Borsa Italiana S.p.A., in accordance with the operating procedures set forth in regulations governing the establishment and operations of such markets, which do not allow the direct coupling of offers to buy and offers to sell, and consistent with the provisions of Regulation (CE) No. 2273 of 2003.

The main purpose of the program is to enable the Company to (i) acquire a portfolio of treasury shares that can be used in connection with transactions executed as part of the Company's regular business operations or projects that are consistent with the strategies that KME intends to pursue and which may result in the need for an exchange of shares, including using the abovementioned shares in connection with the issuance of convertible bonds and/or bonds with warrants attached; and (ii) use the treasury shares it purchased to implement stock option plans reserved for Directors and/or executives of the Company and/or its direct or indirect subsidiaries.

At October 31, 2008, the Company held 2,339,487 treasury common shares, equal to 0.99% of the shares of the same class, and 59,526 treasury savings shares, equal to 0.31% of the shares of the same class. As of the date of this Report, the total number of treasury shares held by the Company was equal to 0.94% of its entire share capital.

The Shareholders' Meeting of September 16, 2008 also authorized the disposal, at any time and without time restrictions, of all or part of the treasury shares purchased by the

Company for any of the purposes and in accordance with the methods allowed pursuant to law, empowering the Board to determine the contractual sales terms, methods and conditions that are deemed to be most appropriate in the Company's interest.

At September 30, 2008, the Group's net indebtedness decreased to 311.8 million euros, or 48.1 million euros less than at December 31, 2007. However, it was higher by 18.7 million euros compared with June 30, 2007, reflecting the temporary impact of higher outlays for industrial investments.

A breakdown of the consolidated net financial position(**) is provided below:

(in thousands of euros)	at 9/30/08	at 6/30/08	at 12/31/07
Short-term financial payables	203,185	154,013	111,714
Medium and long-term financial payables	309,444	318,647	393,077
Financial payables due to unconsolidated Group companies	3,092	3,097	9,073
Total indebtedness	515,721	475,757	513,864
Cash and cash equivalents	(97,256)	(77,038)	(93,936)
Short-term financial receivables (*)	(103,437)	(102,964)	(59,509)
Financial receivable from unconsolidated Group companies	(764)	(511)	(490)
Total liquid assets and loans receivable	(201,457)	(180,513)	(153,935)
Net financial position	314,264	295,244	359,929
Non-current financial receivables owed by credit institutions	(2,467)	(2,105)	0
Reclassified net financial position	311,797	293,139	359,929

(*) "Short-term financial receivables" includes a deposit held by a factoring company, which is equal to 10% of the value of the trade receivables that the Company factors on a regular basis.
This deposit, which previously was included among "Other receivables and current assets," totaled 38.3 million euros at December 31, 2007, 44.1 million euros at June 30, 2008 and 42.2 million euros at September 30, 2008.

The financial position data shown above do not reflect the potential outlays that may be required for the fines that the European Commission imposed on the Group's manufacturing companies in 2003 and 2004 for two alleged antitrust violations. These fines, which total 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. From an income statement standpoint, provisions have already been established covering both the total amount of the fines and the corresponding accrued interest.

** This financial structure indicator is equal to gross indebtedness less cash and cash equivalents, other loans receivable included in "Current financial assets" and a "non-current financial receivable owed by a credit institution" (amounting to 2.5 million euros at September 30, 2008) that stems from a term deposit that secures amounts drawn on a credit line provided by Mediocredito Centrale SpA (MCC).

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

(in millions of euros)	at 9/30/08	at 6/30/08	at 12/31/07
Net capital invested in non-current assets	788.5	782.7	793.9
Net working capital	488.0	494.3	500.9
Net provisions	(402.4)	(416.2)	(397.2)
Net invested capital(*)	874.1	860.8	897.6

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

* * *

Disclosure Pursuant to the Provisions of the Consob Market Regulations (Regulation No. 16191/2007).

Pursuant to the provisions of Article 36 of the Consob Market Regulations, the Company declares that none of the subsidiaries established and operating pursuant to the laws of countries that are not members of the European Union are deemed to be materially significant for the purposes referred to in Article 36, Section 2, of the abovementioned Regulations, and, consequently, the Company is exempt from the corresponding compliance requirements.

As for Article 37 of the abovementioned Regulations, the Company has already explained in its Report on Operations for the Year Ended December 31, 2007 the reasons why it does not believe that it is subject to the oversight and coordination authority of another company.

Florence, November 12, 2008

The Board of Directors

Financial Statements

The Interim Financial Report at September 30, 2008, which has not been audited, was prepared in accordance with Article 154 *ter* of the Uniform Financial Code, enacted with Legislative Decree No. 195/2007.

The data in the consolidated balance sheet are those at September 30, 2008 and at December 31, 2007.

Consolidated income statement data are provided for the third quarter of 2008 and for the period between the end of the previous reporting year and the closing date of the current period. They are also compared with the data for the same period in 2007. The presentation of the financial statements is consistent with the presentation used in the Semiannual and Annual Financial Reports.

The Interim Financial Report at September 30, 2008 was prepared in accordance with the valuation and measurement criteria set forth in the International Financial Reporting Standards (IFRS) 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.

Consolidated Financial Statements of KME Group S.p.A. at September 30, 2008		
Consolidated Balance Sheet Items classified as current and non-current (amounts in thousands of euros)	At 9/30/08	At 12/31/07
Property, plant and equipment	617.097	619.160
Investment property	20.514	20.516
Goodwill and consolidation difference	114.582	114.582
Other intangible assets	2.781	2.654
Investments in associates	5.266	5.279
Investments in other companies	387	3.693
Investments valued by the equity method	-	-
Other financial assets	27.896	28.019
Non-current financial assets	2.467	-
Deferred-tax assets	36.049	36.513
NON-CURRENT ASSETS	827.039	830.416
Inventories	602.667	628.233
Trade receivables	133.831	127.843
Other receivables and current assets (*)	45.518	51.169
Current financial assets (*)	123.059	72.354
Cash and cash equivalents	97.256	93.936
CURRENT ASSETS	1.002.331	973.535
TOTAL ASSETS	1.829.370	1.803.951
Share capital	250.009	324.165
Other reserves	171.923	96.133
Treasury stock	(226)	(37)
Retained earnings	5.910	5.917
Technical consolidation reserves (**)	97.577	68.787
Reserve for deferred taxes	194	194
Net profit (loss) for the period	34.479	40.774
Group interest in shareholders' equity	559.866	535.933
Equity attributable to minority interest	2.473	1.690
TOTAL SHAREHOLDERS' EQUITY	562.339	537.623
Employee benefits	156.220	158.510
Deferred-tax liabilities	118.272	118.290
Borrowings and other financial liabilities	309.444	393.077
Other non-current liabilities	9.124	8.000
Provisions for risks and charges	139.682	130.065
NON-CURRENT LIABILITIES	732.742	807.942
Borrowings and other financial liabilities	216.046	127.899
Trade payables	175.662	172.592
Other current liabilities	118.235	131.020
Provisions for risks and charges	24.346	26.875
CURRENT LIABILITIES	534.289	458.386
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1.829.370	1.803.951
(*) "Short-term financial receivables" includes a deposit held by a factoring company to secure the credit lines it provided. The amount of the deposit is equal to 10% of the value of the trade receivables that the Company factors on a regular basis. This deposit, which previously was included among "Other receivables and current assets," totaled 38.3 million euros at December 31, 200 and 42.2 million euros at September 30, 2008. (**) "Technical consolidation reserves" includes "Retained earnings (Loss carryforward)," the "Consolidation reserve" and the "Currency translation reserve."		

Consolidated Financial Statements of KME Group S.p.A.
at September 30, 2008

Consolidated Income Statement Costs classified by type <i>(amounts in thousands of euros)</i>	9/30/08 (9 months)	First half 2008	9/30/07 (9 months)	First half 2007	% change	3rd quarter 2008	3rd quarter 2007	% change
Sales and service revenues	2,395,665	1,623,093	2,686,108	1,847,816	(10.81%)	772,572	838,292	(7.84%)
Change in inventory of finished products and semifinished goods	(33)	1,680	1,568	8,804	(102.10%)	(1,713)	(7,236)	n.m.
Capitalization of Company-produced assets	1,877	1,107	1,247	677	50.52%	770	570	35.09%
Other operating revenues	8,127	6,249	10,940	8,265	(25.71%)	1,878	2,675	(29.79%)
Purchases and changes in raw material inventory	(1,776,196)	(1,168,924)	(2,030,938)	(1,384,309)	(12.54%)	(607,272)	(646,629)	(6.09%)
Labor costs	(269,093)	(182,292)	(265,090)	(182,957)	1.51%	(86,801)	(82,133)	5.68%
Depreciation, amortization, impairment losses and writedowns	(38,835)	(26,699)	(37,927)	(26,777)	2.39%	(12,136)	(11,150)	8.84%
Other operating expenses	(257,691)	(175,889)	(225,279)	(157,719)	14.39%	(81,802)	(67,560)	21.08%
EBIT	63,821	78,325	140,629	113,800	(54.62%)	(14,504)	26,829	n.m.
Financial income	6,335	4,743	4,750	4,618	33.37%	1,592	132	n.m.
Financial expense	(35,110)	(19,140)	(31,967)	(21,109)	9.83%	(15,970)	(10,858)	47.08%
Interest in the results of associates valued by the equity method	-	-	-	-	n.m.	-	-	n.m.
Profit before taxes	35,046	63,928	113,412	97,309	(69.10%)	(28,882)	16,103	n.m.

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 is consistent with the data in the supporting documents and in the Company's other documents and accounting records.

Florence, November 12, 2008

(Marco Miniati)
Corporate Accounting Documents Officer