

KME Group S.p.A.

Internal Dealing Procedure

Update: Version updated on November 9, 2007.

Foreword

KME Group S.p.A. (hereinafter referred to simply as “KME GROUP ” or “the Company”), acting in accordance with the regulations issued in the past by Borsa Italiana S.p.A. concerning the adoption of a code of conduct to govern in an effective and consistent manner the flow of information and the restrictions that apply to significant parties in transactions involving financial instruments issued by publicly traded companies, adopted an “Internal Dealing Code of Conduct,” effective as of January 1, 2003.

Since the regulations issued by Borsa Italiana S.p.A. are no longer applicable, effective as of April 1, 2006, due to the enactment on that date of new legislation governing this area, which was included in the Uniform Financial Code by Law No. 62 of April 18, 2005, and the resulting amendment that the Consob made to its so-called “Issuers’ Regulations” (i.e., the Regulations adopted by the Consob with Resolution No. 11971 of May 14, 1999) with Resolution No. 15232 of November 29, 2005, the Board of Directors, meeting on March 15, 2006, agreed to:

- 1) Cancel the existing “Internal Dealing Code of Conduct” effective as of March 31, 2006;
- 2) Collect information about the relevant statutes in an internal document in order to:
 - Disseminate this information and ensure that significant parties, as defined below, have knowledge of it;
 - Establish an internal procedure to ensure compliance with the relevant statutory requirements;
 - Enable significant parties, who are acting in accordance with agreements that refer specifically to these issues, to provide the communications required by the abovementioned statutes using the Company’s organization;
- 3) Implement the new procedure effective as of April 1, 2006.

The version currently in force was approved by the Board of Directors at a meeting held on November 10, 2006 and was updated on November 9, 2007.

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Procedure concerning

INTERNAL DEALING

Article 1 Scope of Implementation

Making specific reference to the provisions of Article 114 of the Uniform Financial Code and to Sections I, II and IV of Article 152 *octies* of the Issuers' Regulations (introduced by Consob Resolution No. 15232 of November 29, 2005), the significant parties referred to in Article 2 below are hereby reminded that they are required to communicate to the Consob, the public and the Company any transaction involving the purchase, sale, subscription or exchange of shares or share-based financial instruments, as defined in Article 3 below, that they may have executed or may have been executed by persons closely related to them.

The Company will publish the information it receives in accordance with the abovementioned provisions.

Significant parties are hereby specifically reminded of those provisions of the relevant statutes pursuant to which their failure to comply with the abovementioned laws and regulations may result in their incurring the civil and criminal penalties set forth in the transitory provisions currently in force.

Article 2 Definition of Significant Parties

Article 152 *sexies*, Section I, Letter c), of the Issuers' Regulations defines significant parties as follows:

- c.1) Members of the corporate governance bodies of KME GROUP;
- c.2) Parties who perform management functions at KME GROUP and Company executives who have regular access to insider information and have the authority to make management decisions that could have an impact on the Company's development and future prospects;
- c.3) Members of the corporate governance bodies, parties who perform management functions and executives who have regular access to insider information and have the authority to make management decisions that could have an impact on the development and future prospects of subsidiaries that are controlled directly or indirectly by KME GROUP, when the book value of the investment in each subsidiary is equal to more than 50% of KME GROUP's total assets, as shown in the latest approved financial statements;
- c.4) Any other party who owns an interest in KME GROUP, as defined in Article 118 of the Uniform Financial Code, equal to at least 10% of the Company's voting share capital and any other party who otherwise controls KME GROUP.

A list of significant parties, drawn up in accordance with Article 152 *sexies*, Section I, Letter c), of the Issuers' Regulations is attached to this Procedure as Annex 1.

Pursuant to Article 152 *sexies*, Section I, Letter d), of the Issuers' Regulations, "persons closely related to significant parties" include the following:

- d.1) A spouse who is not legally separated, the dependant children of a significant party or his/her spouse and the parents and relatives by blood or marriage of a significant party, provided they have been living with the significant party for at least a year;
- d.2) Corporations, partnerships and trusts that are managed individually or jointly by a significant party and/or one of the persons listed in Letter d.1) above;
- d.3) Corporations that are controlled directly or indirectly by a significant party or one of the persons listed in Letter d.1) above;
- d.4) Partnerships the financial objectives of which are substantially the same as those of a significant party or one of the persons listed in Letter d.1) above;
- d.5) Trusts established for the benefit of a significant party or of one of the persons listed in Letter d.1) above.

At a meeting held on March 15, 2006, acting in accordance with Article 152 *octies*, No. 8, Letter a), the Board of Directors agreed that the temporary members of the Vorstand (Managing Board) of the KM Europa Metal A.G. subsidiary are the only Group executives who are subject to the communication requirements set forth in this Procedure. Other Group executives may be asked to comply with the abovementioned communication requirements whenever the specific qualifications listed in Letter c.3) above become applicable to them. The Chairman of the Board of Directors is responsible for making decisions concerning this issue.

Article 3 Definition of Financial Instruments

The following constitute financial instruments:

- 1) Shares issued by KME GROUP (hereinafter referred to simply as "the Shares");
- 2) Share-based financial instruments, which include the following:
 - financial instruments that can be used to acquire through subscription, buy or sell the Shares;
 - Debt instruments that can be converted into or exchanged for the Shares;
 - The share-based financial derivatives listed in Article 1, Section III, of the Uniform Financial Code;
 - Other financial instruments, equivalent to shares, that represent the abovementioned Shares;
 - Publicly traded shares issued by a subsidiary of KME GROUP and financial instruments such as those listed above that are linked with these shares;
 - Shares that are not publicly traded issued by a subsidiary of KME GROUP, when the book value of the investment in the subsidiary is equal to more than 50% of the subsidiary's total assets, as shown in the latest approved financial statements, and financial instruments such those listed above that are linked with these shares.

Article 4 Transactions Exempt from the Communication Requirements

In accordance with the laws currently in force, the transactions listed below are exempt from the communication requirements:

- Transactions the total amount of which adds up to less than 5,000 euros as of December 31 of each year. In the case of share-based financial derivatives, the abovementioned amount is computed based on the underlying shares.
- Transactions between a significant party and persons closely related to the significant party.
- Transactions executed by KME GROUP and its subsidiaries.

The amount referred to above is computed by adding the amounts of transactions involving the Shares and financial instruments based on the Shares executed on behalf of each significant party or persons closely related to the significant party.

Article 5 Manner in Which Significant Parties Are Required to Communicate Transactions to the Company

The significant parties listed in Article 2, Letters c.1), c.2) and c.3), above are required to provide the Company and the Consob with the communication required pursuant to Article 152 *octies*, Section II, of the Issuers' Regulations within five market trading days, beginning with the day a transaction was executed, using exclusively the forms annexed to this Code. If the abovementioned forms are not used, the Company will treat the communication as if it never received it and the resulting consequences will be borne exclusively by the significant party.

The abovementioned communication may be sent by e-mail or fax, using the e-mail address or the service telephone number previously communicated by the Company.

The starting date for computing the days that are available for communicating a transaction is the transaction's trade date, when an order is matched with a counterpart, and not its settlement date.

A communication shall be deemed to have been validly conveyed to the Company, ***also for the purposes of further dissemination in accordance with Article 7 below***, only if the Internal Dealing Officer referred to in Section 9 below provides a confirmation that he/she received it. This confirmation must be provided within two hours from the time a communication is received, using the same medium by which the communication was sent. If no confirmation is received by that deadline, the communication must be repeated by contacting the Internal Dealing Officer at a service telephone number provided beforehand.

The form used to communicate transactions, which must contain the name of the Internal Dealing Officer (and the name of his/her deputy), as well as the e-mail address and telephone and fax numbers that should be used to comply with the communication requirement, must be provided to the significant parties and

updated whenever this Code is amended. The form is available at the Company website: www.kmegroup.it.

Significant parties who have not entered into an agreement with the Company must provide independently to the Consob and, when necessary, to the public the communications required pursuant to law, without effect on the specific obligations that are incumbent upon the Company pursuant to current laws.

Article 6 Obligation of Significant Parties to Inform the Persons Closely Related to Them

Significant parties are hereby advised that, in addition to the communications referred to in Article 1 above, they are required to inform the persons closely related to them that conditions have occurred triggering their obligation to comply with the communication requirements set forth in Article 114, Section VII, of the Uniform Financial Code and the Issuers' Regulations published by the Consob.

If an interested party is willing to enter into an agreement similar to the one described in Article 7 below, the Company is willing to provide the same service also to persons closely related to significant parties.

Article 7 Publication of the Communications by the Company

Acting in accordance with the procedures set forth in Article 66, Sections II and III, of the Issuers' Regulations, the Company must publish the information it received in accordance with Article 5 above before the close of the next stock market trading day following the day the information was received.

In the case of the significant parties listed in Article 2, Letters c.1), c.2) and c.3) above, who have entered into an agreement with the Company specifically for this purpose, the Company must communicate to the public and to the Consob the information of which it was informed pursuant to Article 152 *octies*, Section II, of the Issuers' Regulations by means of an announcement made to the public, in accordance with the procedures set forth in Article 66, Sections II and III, of the Issuers' Regulations, and, in the case of the Consob, in the manner prescribed by the Consob. The abovementioned announcement and communication must be provided before the close of the next stock market trading day following the day the information was received. In order to ensure compliance with the Consob deadline of five market trading days, significant parties are required to send their communications to the Company by the close (i.e., by 5:00 PM) of the fourth market trading day, beginning with the day the transaction was executed.

In the case of the significant parties listed in Article 2, Letter c.4), above who have entered into a similar special agreement with the Company, the latter must communicate both to the public and the Consob the transactions of which it was informed in accordance with Article 152 *octies*, Section IV, of the Issuers' Regulations using a communication sent in accordance with the procedures required by the Consob and set forth in Article 66, Sections II and III of the Issuers' Regulations. This communication must be provided before the close of the next stock market trading day following the day the information was received. In order to ensure compliance with the Consob deadline set forth in Article 152 *octies*, Section IV, of Issuers' Regulation No. 11971/1999, significant parties are required to send their communications to the Company not later than the close (i.e., by 5:00

PM) of the fourth market trading day of the month following the month during which the transaction was executed. The subsequent communication by the Company must be provided before the close of the next stock market trading day following the day the information was received from a significant party.

The provisions set forth in Article 5 above that govern the transmission of communications also apply to the communications that the significant parties referred to in Sections II and III of this Article.

Article 8 Blackout Periods

Significant parties may not execute transactions involving the financial instruments listed in Article 3 above for 20 days before the date of meetings of the Board of Directors convened to review the Company's Annual Report. The same prohibition shall also be in force for 10 days before the date of Board meetings convened to review the Company's interim financial reports.

The Chairman of the Board of Directors may impose stricter restrictions on individual significant parties.

On the occasion of extraordinary transactions, acting upon a request by the Chairman of the Board of Directors, the Company may impose similar time restrictions on specific individual significant parties.

Waivers of the abovementioned restrictions may be negotiated beforehand between individuals and the Chairman of the Board of Directors.

Article 9 Internal Dealing Officer

The person responsible for receiving, managing and communicating to the public the required information (hereinafter referred to simply as "the Internal Dealing Officer") is appointed by the Chairman of the Board of Directors, who must be expressly authorized to do so by the Board of Directors.

The Internal Dealing Officer is also responsible for providing the secretarial and document storage activities needed for a proper functioning of this service, including specifically the task of keeping up-to-date a list with the names of significant parties identified in accordance with the provisions of Article 2 above.

Lastly, the Internal Dealing Officer is responsible for communicating to the Consob and/or the public the transactions executed by significant parties who have entered into an agreement with the Company specifically for this purpose.

Art. 10 Penalties

In addition to the penalties set forth in the relevant laws, the Board of Directors may ask the Shareholders' Meeting to dismiss for cause any member of the Board of Directors or Board of Statutory Auditors who failed to comply with the obligations applicable to them.

In the case of significant parties who are executives or employees of the Company or its subsidiaries, failure to comply with the abovementioned obligations can be grounds for the imposition of the penalties allowed under the current collective bargaining agreement or the applicable provisions of national laws.

Article 11 Authorization to Process Data

In accordance with the transitory regulations currently in force that govern the processing of personal data, significant parties are required to provide their irrevocable consent to the processing of the data required to comply with the statutes referred to repeatedly above, even when such processing is carried out by a third party, but exclusively for compliance purposes.

Article 12 Effective date of the Procedure

The procedure set forth in the preceding articles is effective as of April 1, 2006.

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Annexes to the Procedure

1. Facsimiles of the Letter/Agreement that must be signed in accordance with Article 152 *octies*, Sections II and IV, of the Issuers' Regulations;
2. Data sheet listing the information required to send communications, including the name of the Internal Dealing Officer referred to in Article 9 of this internal Procedure and the e-mail address and telephone numbers that should be used to send communications;
3. Declaration of acceptance and consent to the processing of data;
4. Provisions of the relevant statutes that are applicable to this Procedure:
 - Articles 152 *bis* and following of the Issuers' regulations;
 - Communication forms.

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FACSIMILE

**LETTER/AGREEMENT THAT MUST BE SIGNED BY
SIGNIFICANT PARTIES (IN ACCORDANCE WITH ARTICLE 152
OCTIES, SECTION II, OF THE ISSUERS' REGULATIONS)
TO ENABLE THE COMPANY TO PROVIDE THE
REQUIRED COMMUNICATIONS**

KME Group S.p.A.
Via dei Barucci n.2
50127 Florence

Communication with Return Receipt

Re: Compliance with obligations pursuant to Article 152 *octies*, Section I, of the Issuers' Regulations published by the Consob.

Upon being informed that my name was included in the list of the so-called significant parties in accordance with Article 152 *sexies*, Letters c.1), c.2) and c.3), of the Issuers' Regulations published by the Consob, I expressly declare that I intend to avail myself of the option provided by Article 152 *octies*, Section VI, of the abovementioned Regulations, authorizing the Company to provide to the Consob the communication required by Article 152 *octies*, Section I, of the abovementioned Regulations.

In connection with the above, I declare that I am cognizant of and, consequently, concur with the relevant provision of the internal Procedure communicated to me by the Company.

Date, _____

FACSIMILE

**LETTER/AGREEMENT THAT MUST BE SIGNED BY
SIGNIFICANT PARTIES (IN ACCORDANCE WITH ARTICLE 152
OCTIES, SECTION II, OF THE ISSUERS' REGULATIONS)
TO ENABLE THE COMPANY TO PROVIDE THE
REQUIRED COMMUNICATIONS**

KME Group S.p.A.
Via dei Barucci n.2
50127 Florence

Communication with Return Receipt

Re: Compliance with obligations pursuant to Article 152 *octies*, Sections IV, V and VI, of the Issuers' Regulations published by the Consob.

Upon being informed that my name was included in the list of the so-called significant parties in accordance with Article 152 *sexies*, Letter c.4), of the Issuers' Regulations published by the Consob, I expressly declare that I intend to avail myself of the option provided by Article 152 *octies*, Sections V and VI, of the abovementioned Regulations, authorizing the Company to provide to the Consob and the public the communication required by Article 152 *octies*, Section IV, of the abovementioned Regulations.

In connection with the above, I declare that I am cognizant of and, consequently, concur with the relevant provision of the internal Procedure communicated to me by the Company.

Data, _____

DATA SHEET WITH THE INFORMATION REQUIRED TO SEND COMMUNICATIONS

Name of the Internal Dealing Officer

The Internal Dealing Officer appointed in accordance with Article 9 of the Procedure is Enrico de Schoenfeld, who is available to provide information and clarification. He may be reached at the Company's head office, via dei Barucci 2, (50127) Florence, or at the following telephone number: 055.4411330.

If Mr. de Schoenfeld is unavailable, please call Gian Carlo Losi at +39.055.4411258 or Monica Bartoli at +39.055.4411248.

Technical Information for Sending Communications

The forms used to furnish the communications covered by this procedure may be sent in one of the following manners:

- By fax to the following number: +39.055.4411681;
- By e-mail to the following address: enrico.deschoenfeld@kme.com

Florence, November 9, 2007