

**Si conferma anche nel II trimestre 2006 il miglioramento della redditività**

**Alcuni operatori della comunità finanziaria avranno incontri informativi con il *management* della Società oggi e nei prossimi giorni.**

**In previsione di tali incontri, la Società, sulla base di quanto esaminato dal Consiglio di Amministrazione, informa che l'andamento della gestione nei mesi successivi alla fine del I trimestre conferma il *trend* di miglioramento.**

**La domanda dei semilavorati in rame e sue leghe si è mantenuta a livelli soddisfacenti ed ha beneficiato delle azioni di natura commerciale avviate. Il fatturato dei primi cinque mesi dell'anno in corso, al netto della componente delle materie prime, ha raggiunto Euro 350 milioni, in aumento dell'8% rispetto allo stesso periodo dell'anno precedente.**

**Anche la redditività si conferma in miglioramento. Se l'attuale *trend* della congiuntura economica europea si manterrà nella seconda parte dell'anno, l'obiettivo del Piano Industriale per l'esercizio in corso di portare l'Utile Operativo Lordo, in percentuale sul fatturato al netto del valore delle materie prime, dal 12,2% del 2005 ad oltre il 14%, potrà essere conseguito.**

**Si allegano le schede illustrative che saranno presentate negli incontri suddetti.**

**Firenze, 4 luglio 2006**

\* \* \*

**Il comunicato è disponibile sul sito [www.kmegroup.it](http://www.kmegroup.it) attraverso il quale è possibile richiedere informazioni direttamente alla società.**

**Per informazioni:**

**Community –Consulenza nella comunicazione**

**Auro Palomba**

**Roberto Patriarca**

**Tel. 02-89404231**

**Cell. 335-6509568**

# The KME Group

## Roadshow

July, 2006



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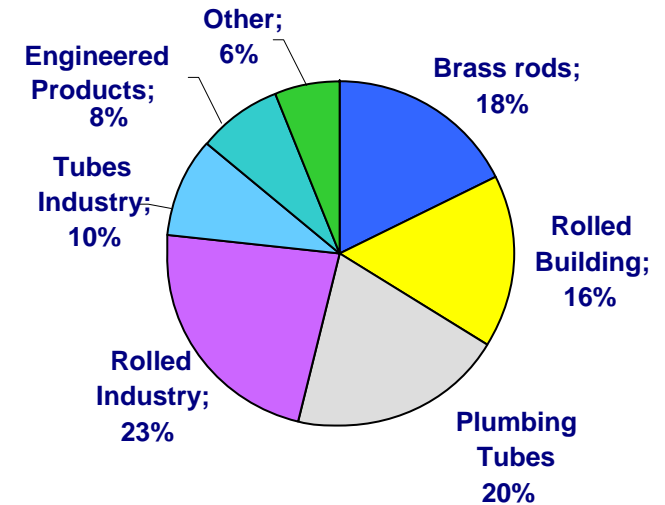
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**FORWARD-LOOKING STATEMENTS INVOLVE INHERENT RISKS AND UNCERTAINTIES. WE CAUTION YOU THAT A NUMBER OF IMPORTANT FACTORS COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE CONTAINED IN ANY FORWARD-LOOKING STATEMENT.**

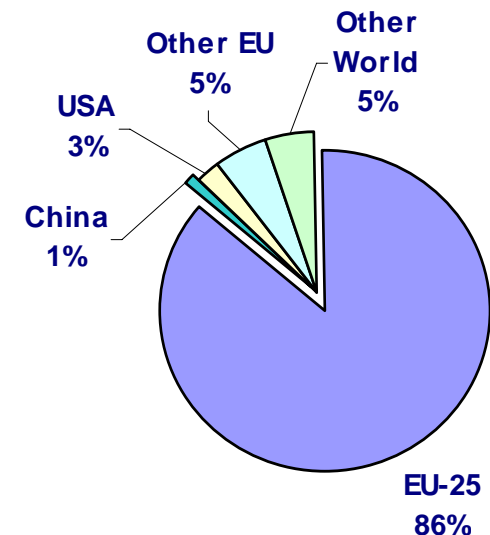
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- 6. KME Group capital increase**

- Founded in 1886 (since 1897 listed on the Milan Stock Exchange), KME is today the leading European producer of copper and copper alloy semi-finished products within all market segments
- KME is recognized throughout the world for its high quality product with a strong brand and a wide range of products to offer
- KME sells approximately 630.000 tons of copper and copper alloy semi-finished products in 98 countries, with 7% worldwide market share and 30% European market share

## 2005 Turnover by product



## 2005 Turnover by region



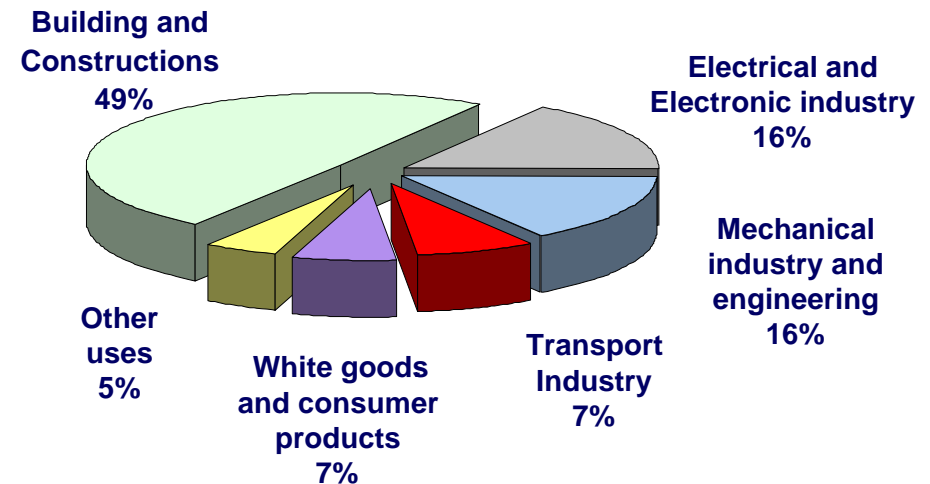
## Copper has exceptional chemical-physical characteristics that makes it unique:

- Excellent electric conductivity
- Excellent thermal conductivity
- Excellent resistance to corrosion
- Wide range of top level alloy combinations
- Total recycling



- High range of application
- Low rate of substitution. NOT replaceable in most applications
- Low cost of the manufacturing process for high volumes
- Appreciation of metal value

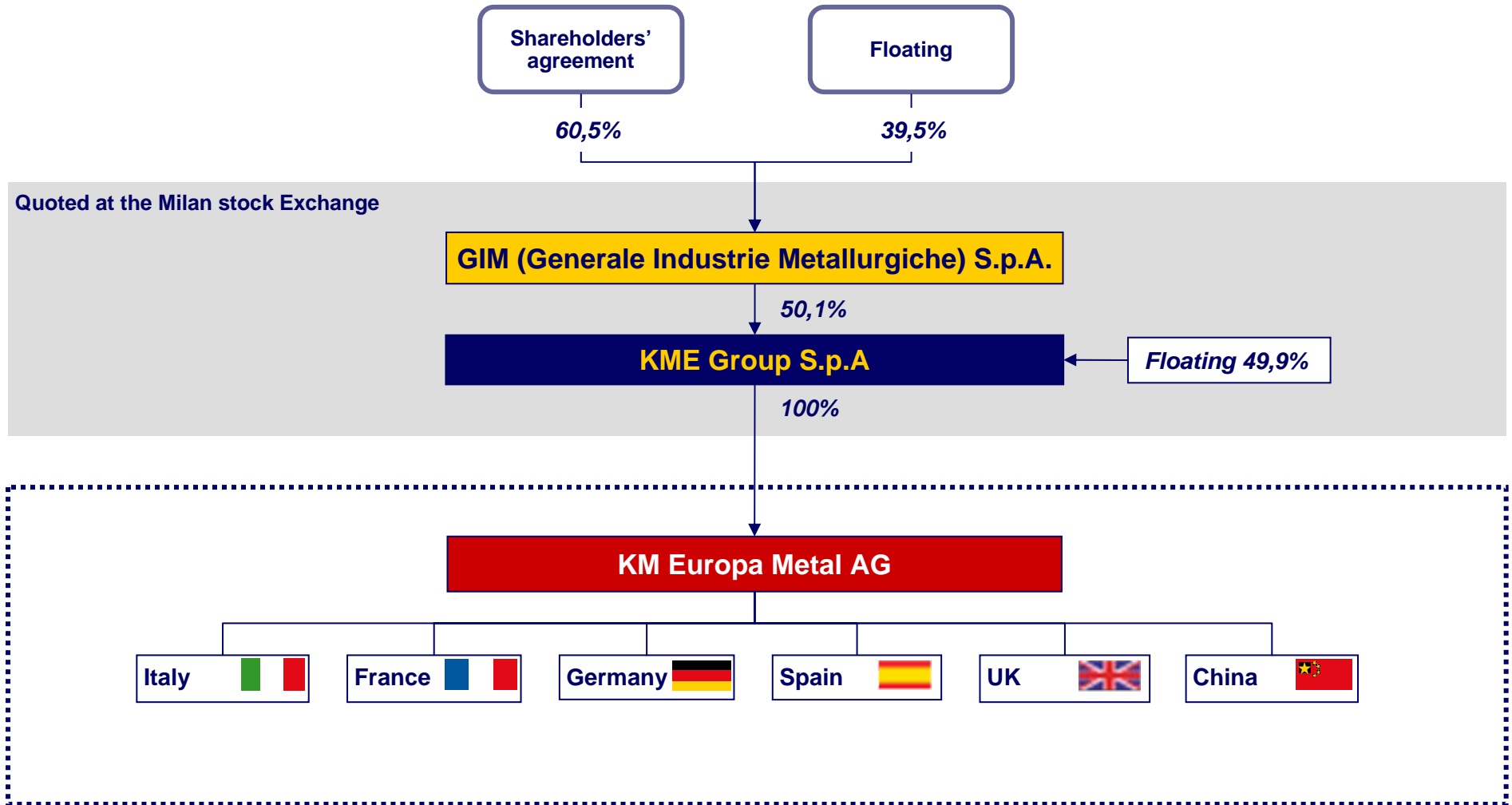
### Breakdown of European copper applications



Source : IWCC, data referred to Europe in 2003 (Survey 2005)

# KME overview: Group structure

All copper and copper alloys industrial activities are included in the KME Group



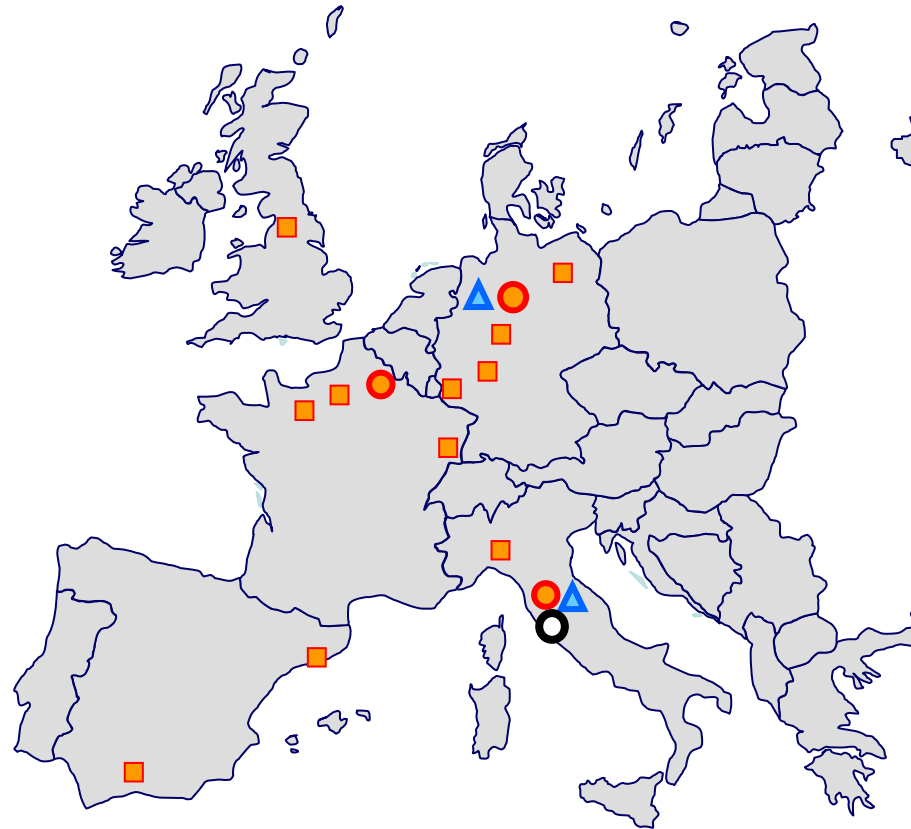
# KME overview: Production plants

The KME Group has 15 production plants in Germany, France, Italy, Spain, UK and Asia

## America



## Europe



## Asia



### Legenda

- Main plants
- Production plants
- ▲ Research and development centre
- Headquarter and corporate services



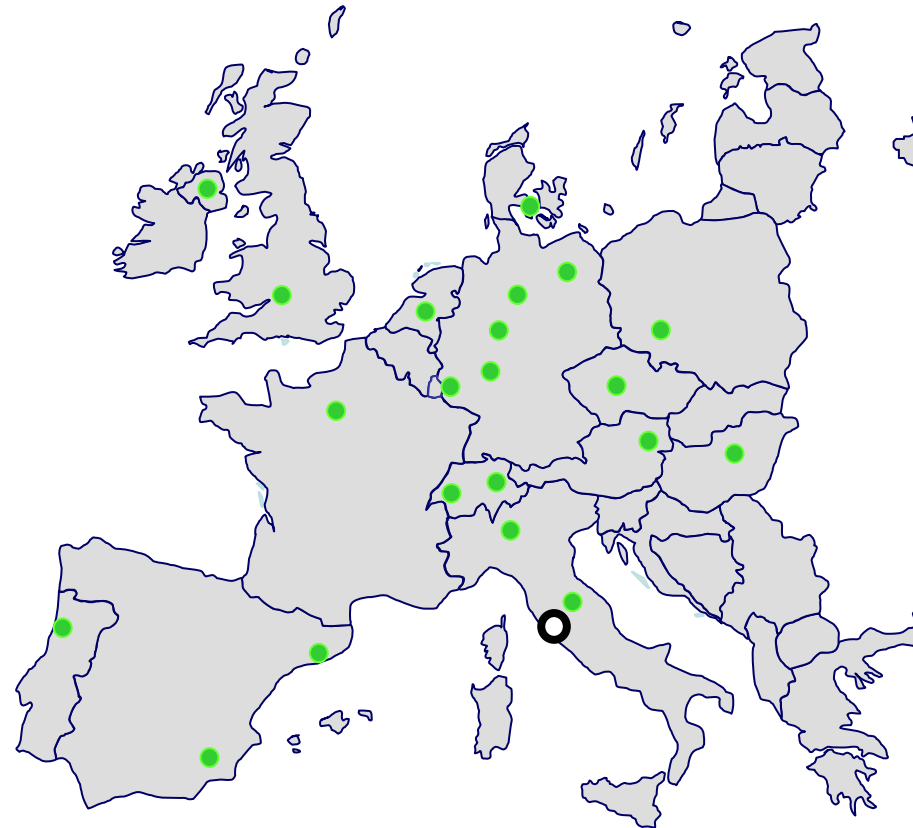
# KME overview: Sales offices

The KME Group sales force is organised in agencies located in the main European countries. Outside Europe agencies are present in America, China and Singapore

## America



## Europe



## Asia



### Legenda

- Sales offices
- Headquarter and corporate services

**KME's positioning in the value chain is crucial for its partners in mining/refining and the client industry**



# KME overview: Main product and customers

## Main divisions, products and customers

<b>DIVISIONS</b>	<b>Building application</b>	<b>Industrial application</b>	<b>Engineered products</b>	<b>Brass rods</b>
<b>Main Products</b>	<ul style="list-style-type: none"> <li>➤ Plumbing tubes for water and fluid distribution. Rolled strip and sheet for roofing</li> </ul>	<ul style="list-style-type: none"> <li>➤ Rolled sheets and strips and tubes for industrial applications</li> </ul>	<ul style="list-style-type: none"> <li>➤ Moulds, tube bundles and electrical tubes</li> </ul>	<ul style="list-style-type: none"> <li>➤ Brass rods for forging and free cutting process</li> </ul>
<b>Main Customers</b>	<ul style="list-style-type: none"> <li>➤ Building and construction</li> </ul>	<ul style="list-style-type: none"> <li>➤ Building and construction</li> <li>➤ Electrical/electronic industry</li> <li>➤ Automotive</li> <li>➤ White goods</li> </ul>	<ul style="list-style-type: none"> <li>➤ Offshore and shipbuilding</li> <li>➤ Steel industry (casting &amp; melting)</li> <li>➤ Car industry (production)</li> </ul>	<ul style="list-style-type: none"> <li>➤ Taps, valves and fitting</li> <li>➤ Architecture and building</li> <li>➤ Mechanical, electrical and automotive</li> </ul>
<b><u>Sales 2005</u></b> <b>Tons</b>	<b>196</b>	<b>212</b>	<b>n.s.</b>	<b>215</b>
<b>% on Total</b>	<b>31%</b>	<b>34%</b>	<b>n.s.</b>	<b>34%</b>
<b><u>NAV 2005</u></b> <b>M€</b>	<b>223</b>	<b>341</b>	<b>83</b>	<b>107</b>
<b>%on Total</b>	<b>29%</b>	<b>45%</b>	<b>11%</b>	<b>15%</b>

# KME overview: Recent history

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- KME Group becomes the worlds largest producer of copper and copper alloy semi finished products through the acquisition of some competitors in the main European countries:
  - Tréfinmetaux in France
  - KM-Kabelmetal AG in Germany
  - LOCSA in Spain
  - Yorkshire Copper tube in UK
  - KME Metals, Dongguan in China

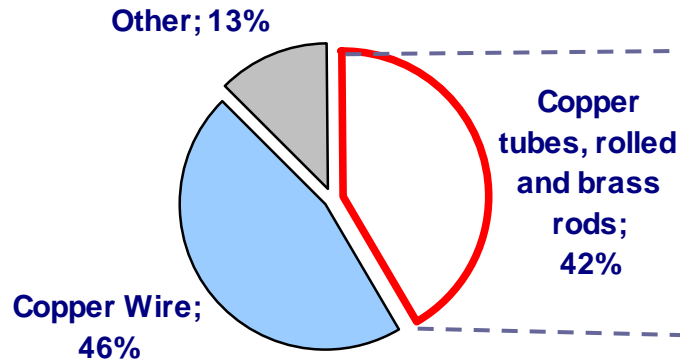
- KME Group integrates all the activities of the industrial companies:
  - New organization based on cross country divisions
  - One standard IT system for managing all AFC and production processes
  - One Headquarter based in Florence with the centralization of the corporate services

- New shareholder structure
  - New management team
  - New business plan
    - Market repositioning
    - Industrial rationalization
    - Product portfolio focalization

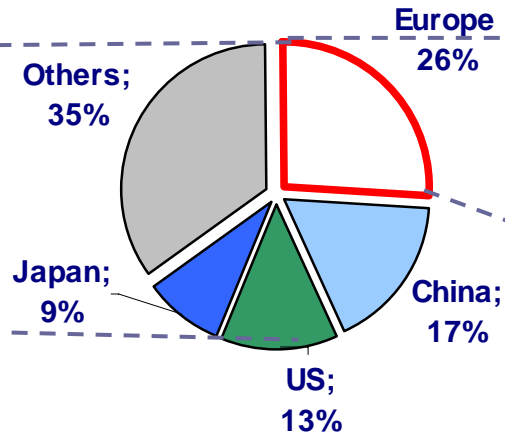
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# Market overview: Copper market

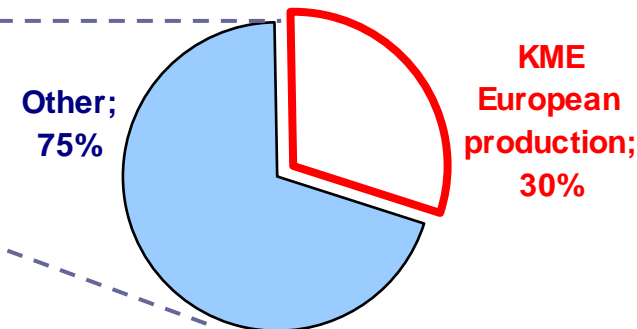
## World copper production



## World copper tubes, rolled and brass rods production



## European copper tubes, rolled and brass rods production

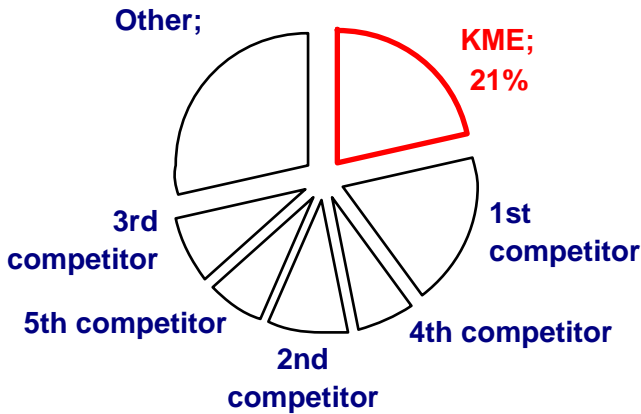


- The 21 million tons of copper products produced worldwide are mainly divided in copper wires and copper semi-finished products mainly referred as copper tubes, rolled sheet and strips and brass rods
- Europe is the largest producer of copper semi-finished products and second only to China as consumer of copper goods
- In Europe KME Group is market leader in all segments of its production

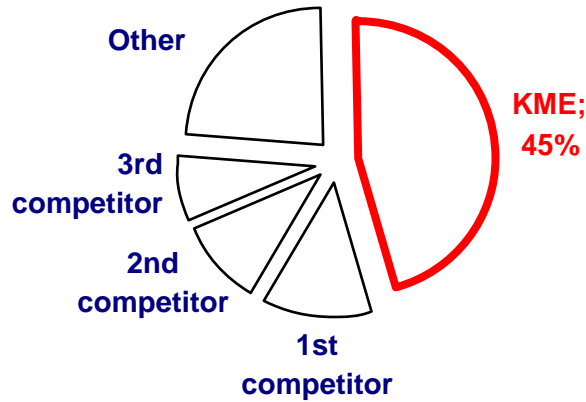
# Market overview: KME market positioning

**KME is the European market leader in all its major business units. Globally we are market leader for Engineered products (Moulds)**

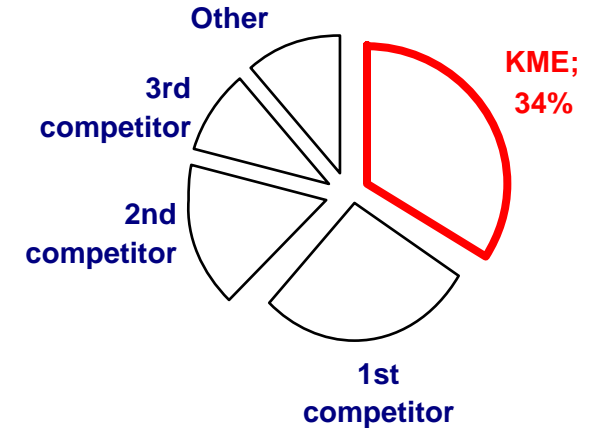
### Brass rods



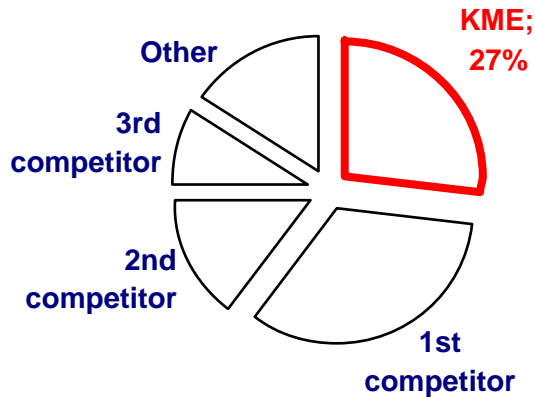
### Rolled building



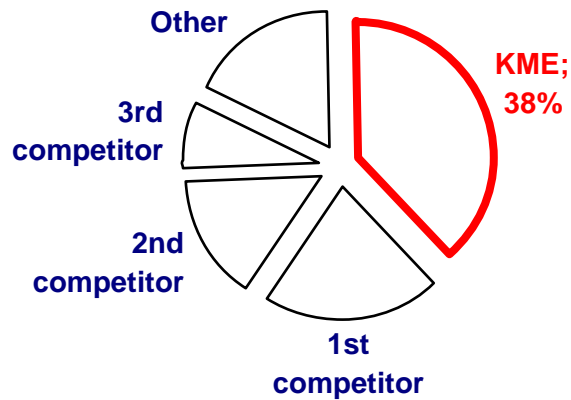
### Plumbing Tubes



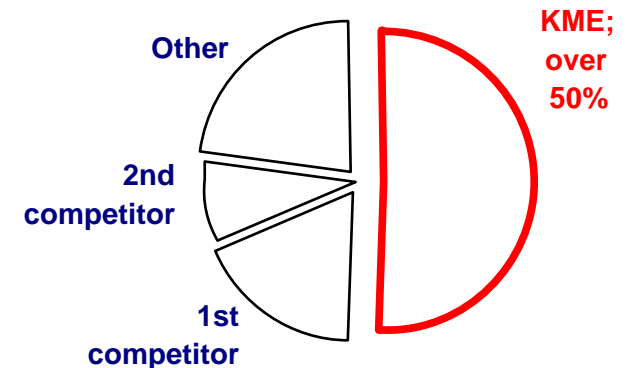
### Rolled industry



### Tube industry



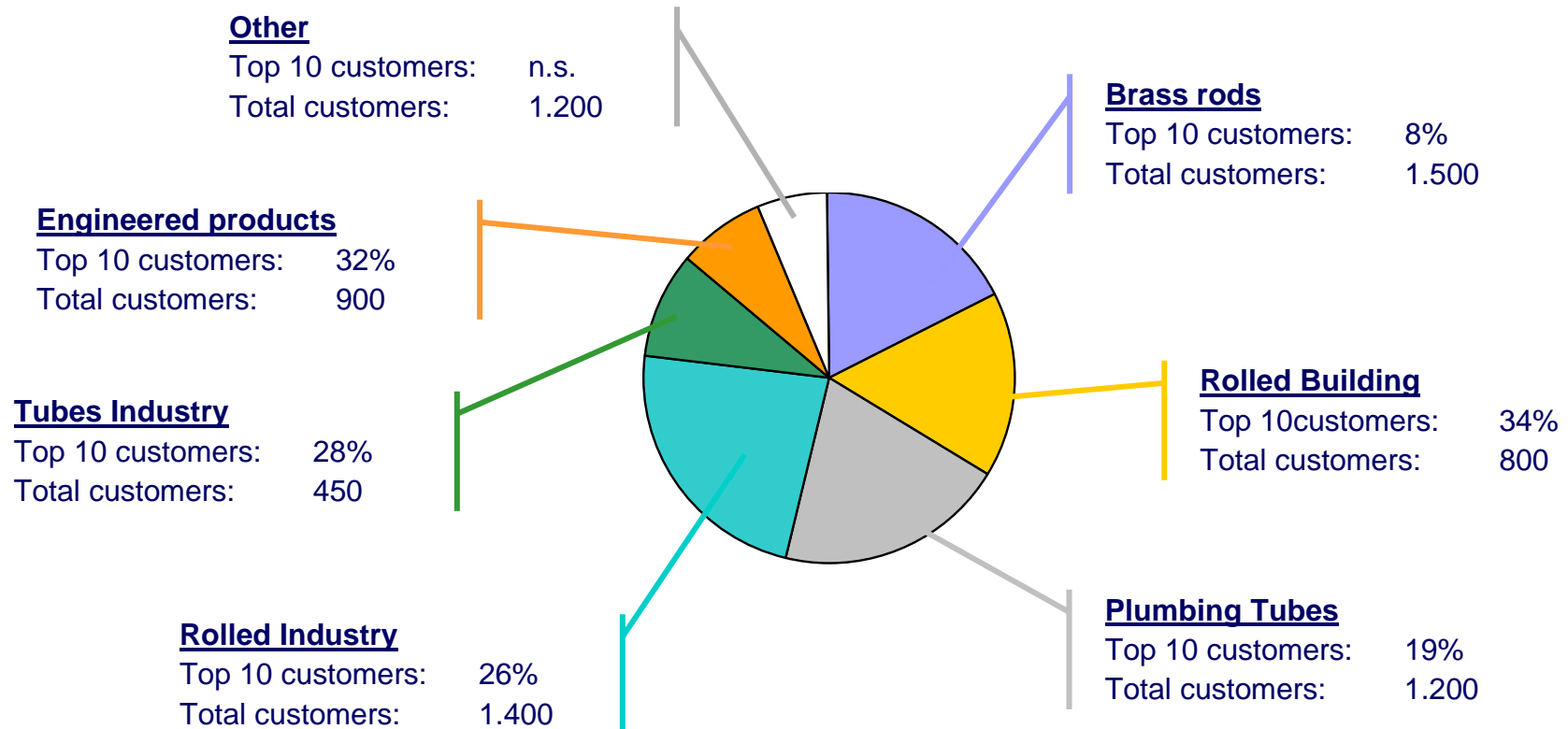
### Engineered products (World)



# Market overview: Customers concentration

**KME Group has more than 7.000 customers with Top 50 ranking for approx. 25% of total turnover**

## 2005 Clients Concentration – Top 10 Customers of each B.U. - Breakdown by Turnover

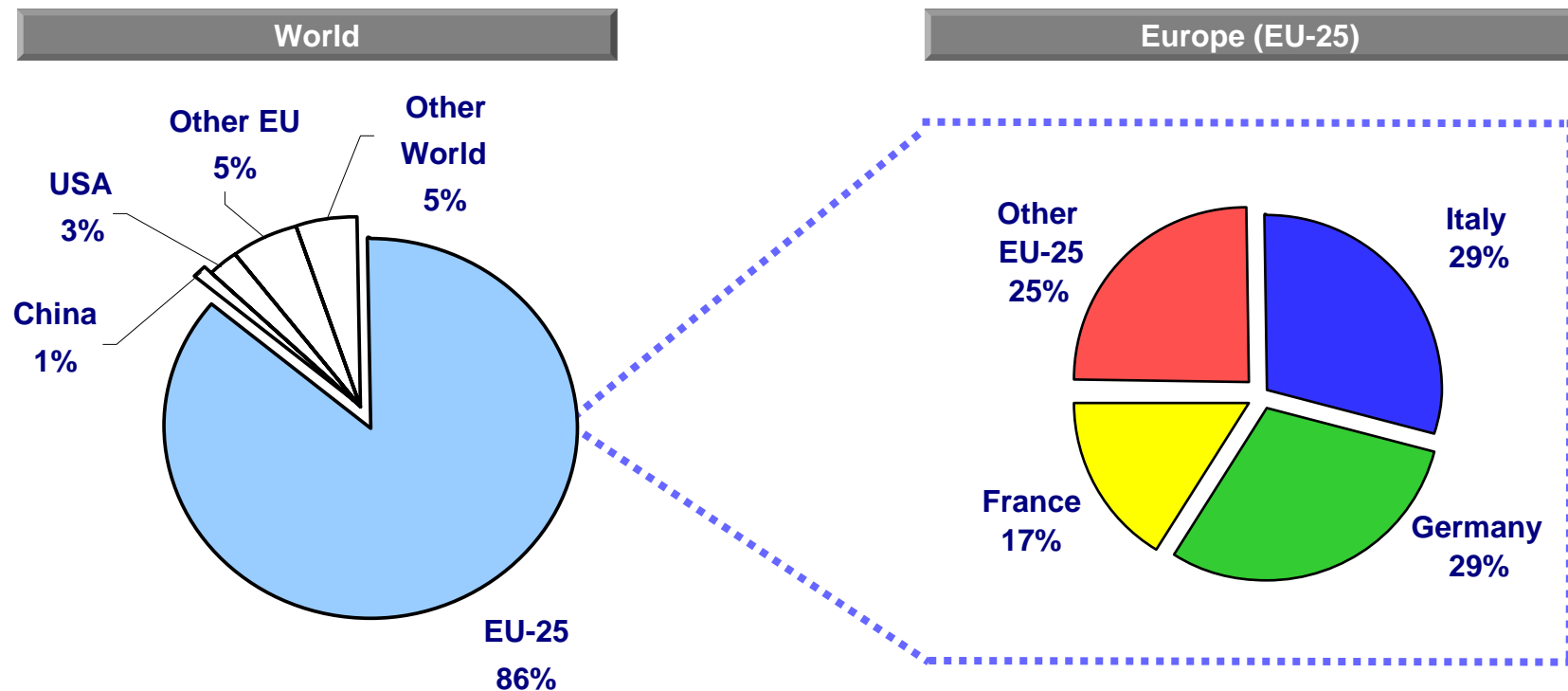




# Market overview: Turnover breakdown

**86% of KME Group turnover is in the Euro zone and is particularly concentrated in the three major European countries (Germany, Italy and France) where the Group has its biggest plants.**

2005 Turnover breakdown by geographical area (Metal trade excluded)



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## ➤ **Market strategy**

1. Maintain and consolidate our leadership in the European markets
2. Develop activity in growing markets (Eastern Europe and Far East)

## ➤ **Product strategy**

1. Protect the profitability in our core businesses with the Introduction of product innovation:
  - Roofing products
  - Plumbing products
2. Develop new Engineered products

## ➤ **Production efficiency strategy**

1. Plant restructuring through a stream lining of industrial processes
2. Reduce cost structure to adapt to market conditions
3. Reduce working capital and increase cash flow

## 1. Maintain and consolidate our leadership in the European markets

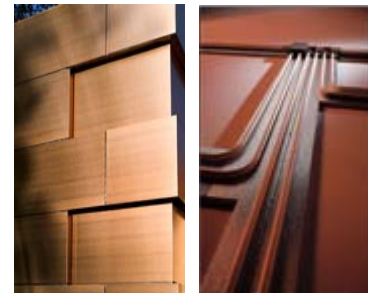
- Downstream integration for roofing products
- Approach the end users directly with finished products (exploiting the strength of KME's TECU® brand)
- Protect the markets against low-cost producers of strip

## 2. Develop activity in growing markets

- Expand in China (Maritime and Engineered)
  - e.g. Dalian Dashan / Tubular + Plate moulds
  - e.g. cooperation Yamazaki Moulds
- EU businesses
  - Strengthen sales force in E-EU
  - Cooperation with distributors and service centers
  - Joint venture or participation with local competitors

## 1. Protect the profitability in our core businesses

- **Miniaturization: less copper weight in the products**  
e.g. Q-tec® tube (1/3 of usual thickness)
  - Introduction in heating applications
  - Approval for drinking water
  - Flexible and easy to install
  
- **Acceleration process from products to systems (roofing, façade, plumbing and heating)**  
  
e.g. TECU® bond, TECU® panels, underfloor heating



## 2. Develop new Engineered products

- **AFM® Plate mould (patented)**
- **Casting rolls for Alu-Stripcaster (technological barrier)**
- **AMT® Tubular mould (patent applied)**





### ➤ **Reduce working capital and increase cash flow**

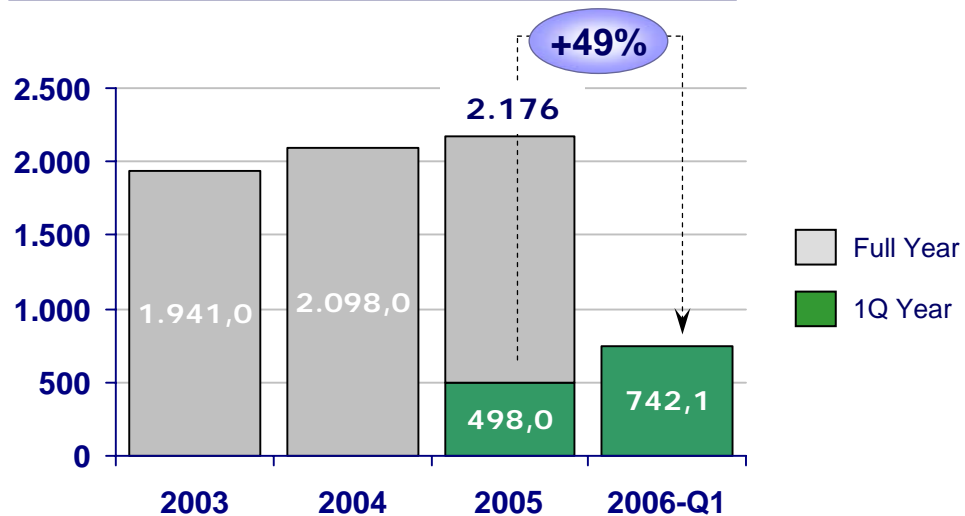
- 2005: Optimisation plan for net working capital reduction of approx. 43M€
- 2005-2006: Non-core asset disposals plan for approx. 35M€
- 2006-2007: Further reduction of net working capital worth approx. 50M€

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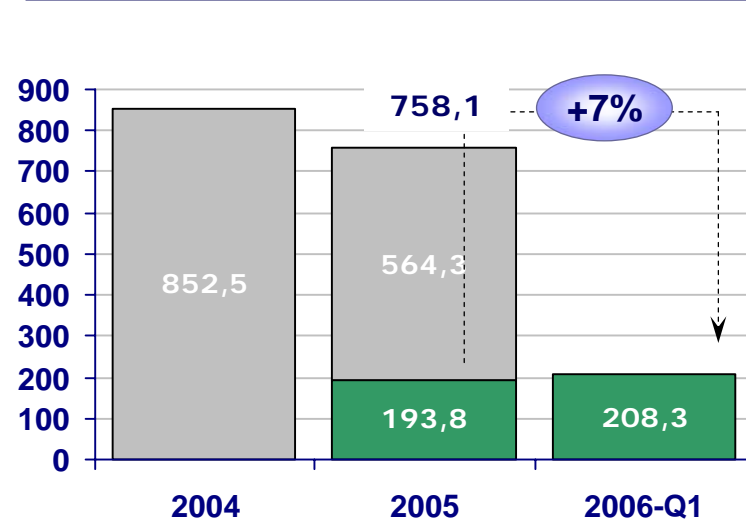


# Financial highlights: P&L 2006 vs 2004

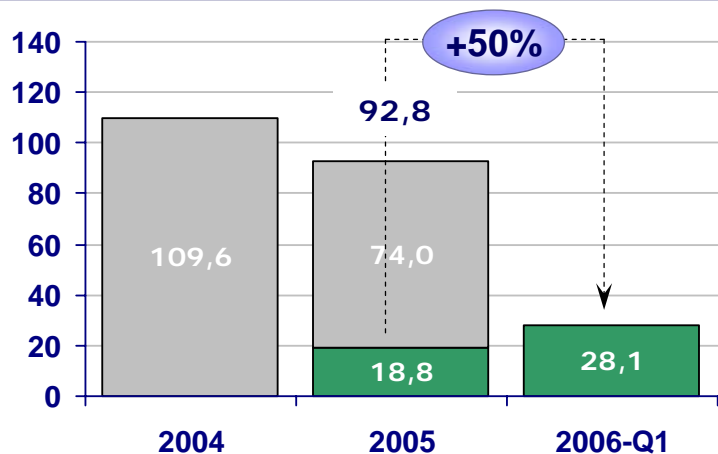
## Revenues (M€)



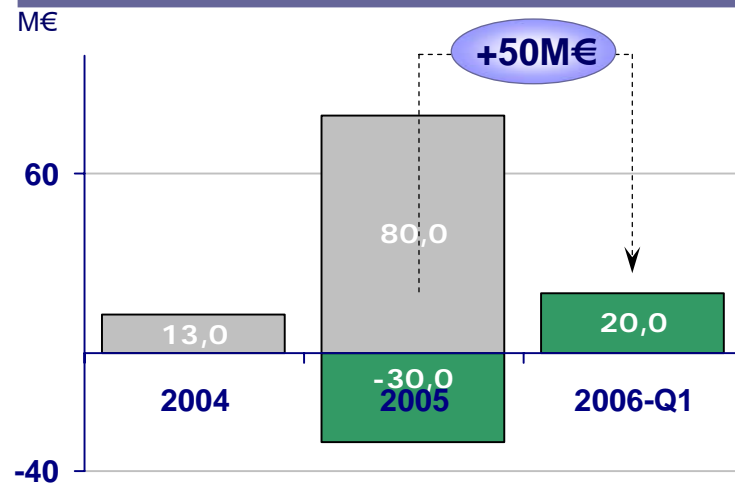
## Net added value (M€)



## EBITDA (M€)

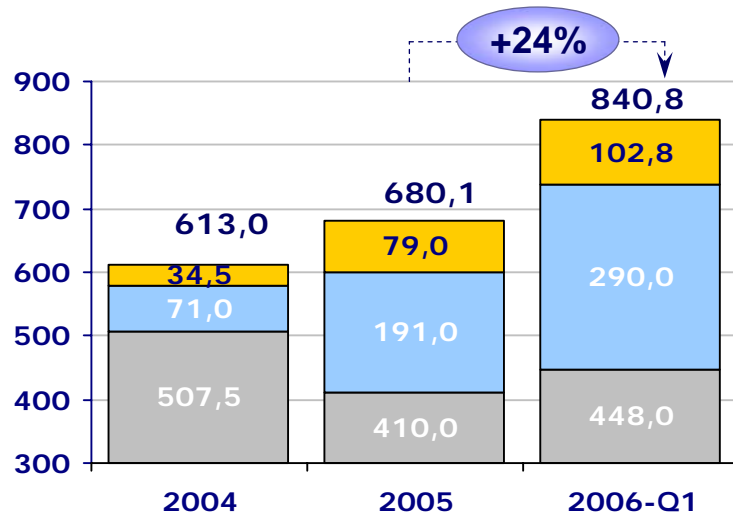


## Free cash flow (net of Cu/Zn price impact)



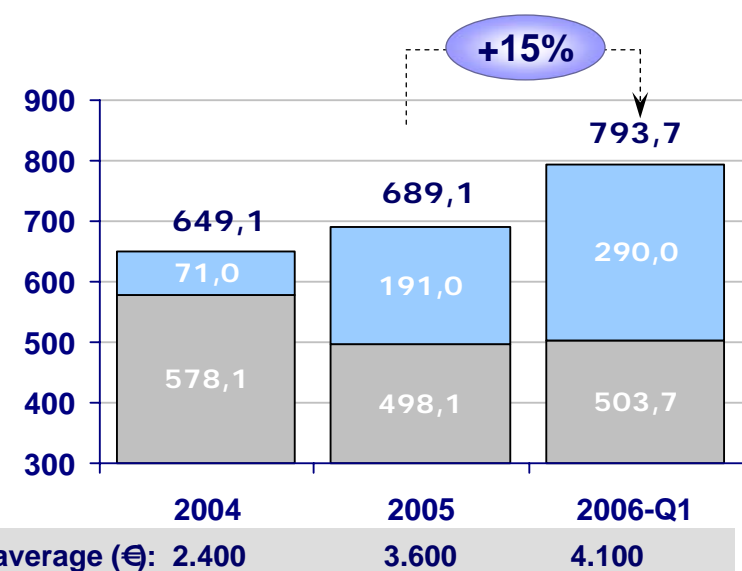
# Financial highlights: Balance sheet 2006 vs 2004

## Net working capital (M€)

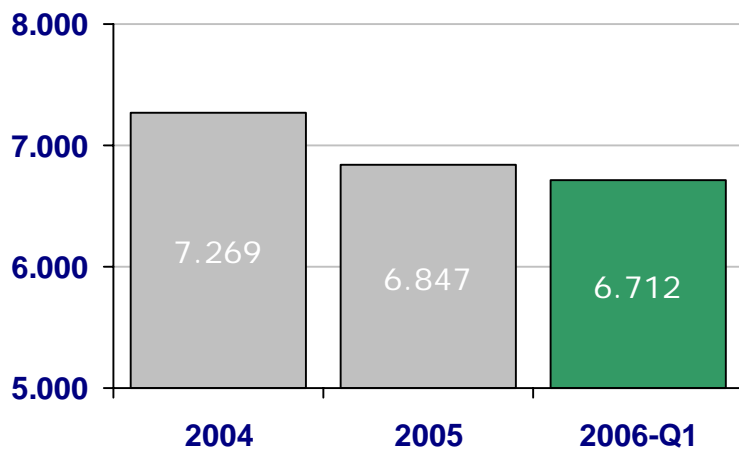


- IFRS Stock Revaluation
- Cu/Zn price increase

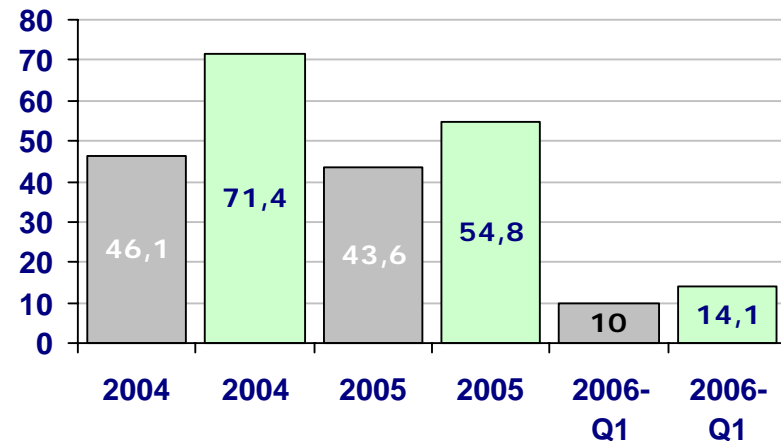
## Net financial debt (M€)



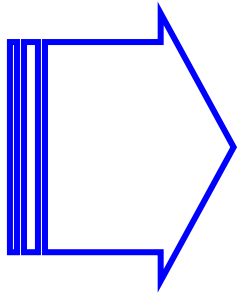
## Employees (Headcounts)



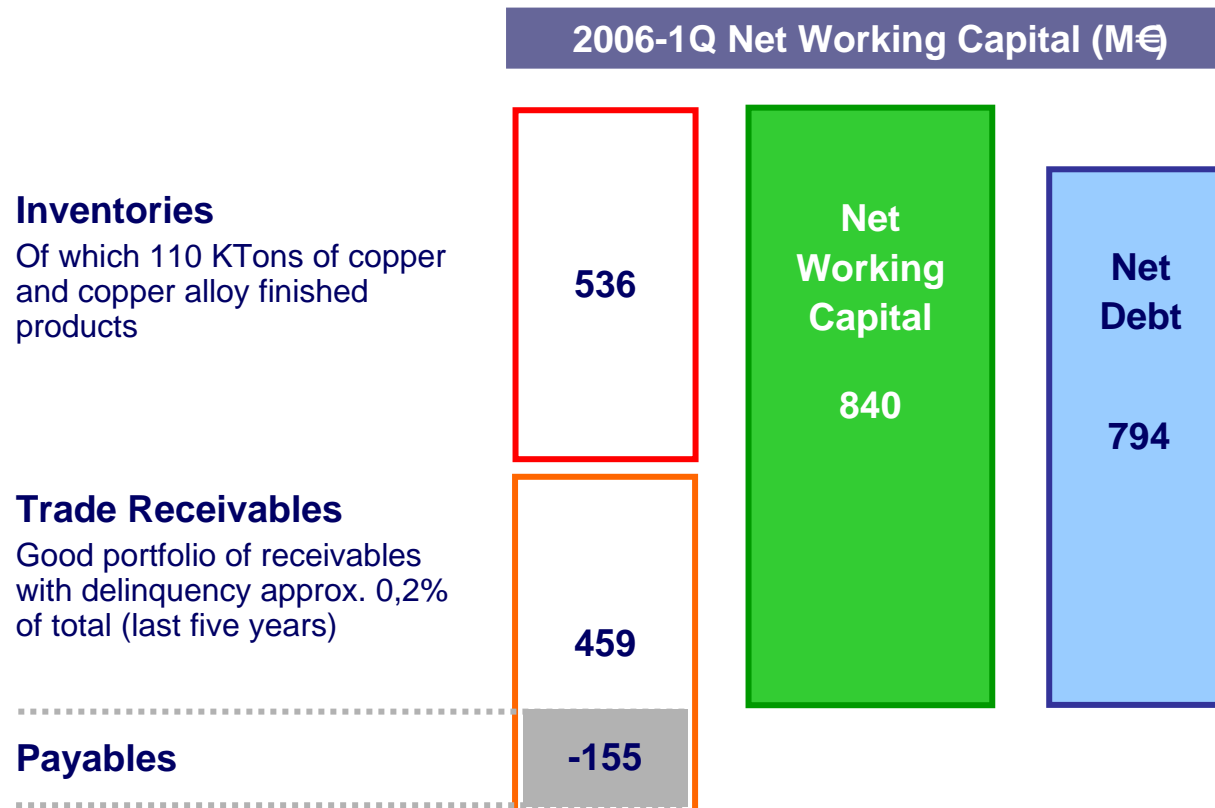
## CAPEX / Depreciation (M€)



# Financial highlights: Net working capital vs net debt



**KME Group indebtedness, that represents less than 32% of 2005 revenues, is mainly related to finance net working capital that comprises trade receivables and copper stock that is easily cashable on the basis of official LME quotations**



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# Strategic financials targets

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## Sales growth

*Selective growth in products and markets despite a relative flat trend in served markets*

## EBITDA

*Significant EBITDA growth due to effective cost cutting actions and product mix optimization, targeting 18% of NAV*

## Net Income

*Sensible increase in Net Income due to both EBITDA growth and reduction of extraordinary items*

## Free cash flow

*Generation of over 100M€ of Free Cash Flow available for debt repayment and potential dividend policy*

## Net debt

*Sensible reduction of net debt due to cash flow generation in the period*

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# KME Group capital increase: Right issue structure

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## Issuer

- KME GROUP S.p.A.

## Shares offered

- 44 newly issued ordinary shares offered every 45 ordinary and/or savings shares
- Every 5 new shares subscribed each shareholder will receive 1 warrant valid to subscribe 1 ordinary share by the end of 2009

## Amount

- Euro 129,9 million
- G.I.M. S.p.A. has undertaken to subscribe its rights in the issue, corresponding approximately to Euro 56 million (43.1%)
- G.I.M. S.p.A. has undertaken the commitment to have the right issue fully underwritten

## Issue price

- Euro 0,35 per share

## Financial advisor

- EUROMOBILIARE S.I.M. S.p.A.

# KME Group capital increase: Right issue timetable

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3 July 2006

- Start of the exercise period and of the trading period for the rights

13 July 2006

- End of the rights trading period

20 July 2006

- End of the exercise period

Last week of  
July 2006

- Auction of unexercised rights
- Unexercised rights will be offered through a 5 days auction pursuant to article 2441, section 3 of the Civil Code
- EUROMOBILIARE SIM S.p.A. will execute the auction of unexercised rights