

Disclosure required pursuant to Article 114-bis of the D. Lgs. N. 58/1998 with regard to stock option Plans for Executives and Directors of the Company and its subsidiaries

Foreword

Notice is hereby given that the Board of Directors will meet on July 31, 2006 to implement the Stock Option Plan of KME Group S.p.A. (the “Plan”).

It is important to note that on May 19, 2006, in response to a proposal to implement a corporate incentive plan for executives and Directors with executive authority of the Company and its subsidiaries, the Extraordinary Shareholders’ Meeting passed the following resolutions:

A – It granted the following powers to the Board of Directors:

- 1.a As allowed under Article 2443 of the Italian Civil Code, the power to increase the Company’s share capital, in one lump sum or fractionally in multiple installments, within the deadline of May 19, 2011, by up to 8,000,000.00 (eight million/00) euros, through the issuance of common shares, regular ranking for dividends, that will be offered upon subscription, as allowed by Article 2441, Section VIII, of the Italian Civil Code, to Executives of KME Group S.p.A., its subsidiaries and their subsidiaries in Italy and abroad.
- 1.b The power to set the price at which the shares will be issued and the timing, procedures, characteristics and conditions of the offering made to Company Executives.

B - It granted the following powers to the Board of Directors:

- 1.a As allowed under Article 2443 of the Italian Civil Code, the power to increase the Company’s share capital, in one lump sum or fractionally in multiple installments, within the deadline of May 19, 2011, by up to 8,000,000.00 (eight million/00) euros, through the issuance of common shares, regular ranking for dividends, that will be offered upon subscription, as allowed by Article 2441, Section IV, Paragraph II, of the Italian Civil Code, to Directors of KME Group S.p.A., its subsidiaries and their subsidiaries who perform executive functions or discharge operating duties in Italy and abroad.
- 1.b The power to set the price at which the shares will be issued and the timing, procedures, characteristics and conditions of the offering made to Company Directors; it being understood that the issue price will be set by the Board of Directors based on the arithmetic average of the stock market prices of the KME Group S.p.A. common shares posted on the market operated by Borsa Italiana S.p.A. during the period between the date when the options are awarded and the same day in the previous calendar month.

Reasons for Adopting the Plan

As explained at the Shareholders’ Meeting, the companies of the Group have been using for some time incentive compensation systems that are designed to increase the commitment of top managers to achieve Company objectives and implement operating programs.

Expanding the range of available tools that can be used to for this purpose and encouraging the ownership of risk capital by executives and Directors with executive authority who perform key functions within the organization will serve the purpose of creating a feeling of empowerment and ensuring that their attention is constantly focused on creating value for the Company, while at the same time tying a portion of their compensation to the stock market performance of the Company’s securities.

Plan Beneficiaries

The Plan is being offered to Executives and Directors with executive authority (“Beneficiaries”) of the Company, its subsidiaries and their subsidiaries in Italy and abroad. The Board of Directors, acting in concert with the Compensation Committee and the Board of Statutory Auditor, will select the Plan’s beneficiaries from among those individuals who, because of their role or position within the organization, perform a significant function for the achievement of the Group’s objectives.

Methods and Conditions of Plan Implementation

The Board of Directors will decide the number of options that will be awarded to each Beneficiary. Options will entitle each Beneficiary to acquire through subscription, at the price and in accordance with the terms and conditions set forth in the Regulations of the Stock Option Plan of KME Group S.p.A. (“Regulations”), a number of common shares equal to the number of awarded options.

The options are exercisable as follows: 1/3 starting on September 1, 2007, 1/3 starting on September 1, 2008 and 1/3 starting on September 1, 2009.

The final deadline by which all options must be exercised is February 28, 2011.

None of the share purchase subsidies allowed pursuant to Article 2358, Section III, of the Italian Civil Code are being provided. Moreover, the provisions of Articles 94 and following of Legislative Decree No. 58/98 and of the corresponding Consob Regulation No. 1197/199, which govern investment solicitations, do not apply in this case, owing in part to the small number of beneficiaries.

Plan Support by the Special Fund to Incentivize Employee Profit Sharing

The Plan will not avail itself of the support provided by this Fund.

Share Price Setting and Subscription Method

The share subscription price will be equal to the average of the closing prices on the stock market trading sessions held during the period between the date when the options are awarded and the same day in the previous calendar month.

The price set using this criterion will correspond to the fair value of the shares at the time of award, since the size of the float and the time period chosen of one month are sufficient to compensate for anomalous fluctuations caused by external factors. This method is also used in the tax laws to determine the so-called “normal value” of an equity security.

Restrictions on Option and Share Availability

The options are registered, personal, nonnegotiable and nontransferable by the Beneficiary until they are exercised.

There are no restrictions on the shares acquired by exercising the options. The shares will be made available by depositing them in a securities account in the name of the Beneficiary.

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This press release is available at the Company website, www.kmegroup.it, where additional information may also be obtained.

Florence, July 13, 2006

The Board of Directors