

Press Release

As required by Article 114 *bis* of Legislative Decree No. 58/1998, this press release constitutes a follow up to the disclosure provided to the financial markets on July 13, 2006.

The Board of Directors implemented the “KME Group S.p.A. Stock Option Plan” for Directors with executive authority or operating functions and for executives of the Company and its subsidiaries and exercised the power it received from the Shareholders’ Meeting on May 19, 2006 pursuant to Article 2443 of the Italian Civil Code, authorizing it to increase the Company’s share capital, as required to carry out the Plan.

To Directors was awarded n. 20.408.162 options, which based on their exercise price valued at €7 million.

In addition, a total of n. 23.323.614 options, valued at € 8million, was awarded to 19 Group executives.

The above options entitle each beneficiary to acquire for consideration through subscription an equal number of the Company’s common shares at a price of €0.343 per share, equal to the average of the stock market closing prices during the latest month.

The shares issued as a result of the exercise of any of the abovementioned option may not generate a share capital increase greater than €15 million, equal to 4.7% of the share capital after the current capital increase.

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.

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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 31, 2006

The Board of Directors

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