

Press Release

This press release is being issued to comply with the regular reporting requirement set forth in a Consob letter dated April 14, 2004.

At June 30, 2006, the **Group's net indebtedness** totaled €68.6 million, or €36.3 million more than a month earlier.

The increases compared with previous periods reflect the impact of a rise in the price of copper, which caused an increase in the value of the assets included in the working capital of the manufacturing companies, with a corresponding expansion in funding requirements.

Consolidated Financial Position of the Group

(in thousands of euros)

	at 6/30/06	at 5/31/06	at 3/31/06	at 12/31/05	at 12/31/04
<i>Short-term bank debt</i>	286,265	224,109	263,622	234,146	516,482
<i>Medium- and long-term bank debt</i>	438,390	459,196	459,206	459,379	202,319
<i>Loans payable to unconsolidated Group companies</i>	20,096	17,082	17,549	18,472	6,289
Total indebtedness	744,751	700,387	740,377	711,997	725,090
<i>Liquid assets</i>	(75,161)	(67,141)	(75,754)	(151,992)	(74,443)
<i>Loans receivable from unconsolidated Group companies</i>	(940)	(920)	(920)	(920)	(1,539)
Total liquid assets and loans receivable	(76,101)	(68,061)	(76,674)	(152,912)	(75,982)
Net financial position ⁽¹⁾	668,650	632,326	663,703	559,085	649,108

As part of a series of financial transactions carried out to channel the funds generated by the G.I.M. S.p.A. capital increase to the operating companies, the Parent Company G.I.M. S.p.A. provided a €130-million subordinated stockholder loan to KME Group S.p.A.

(1) The above amounts are net of factoring transactions that involved the assignment without recourse of trade receivables totaling €176.1 million at June 30, 2006, €149.6 million at May 31, 2006, €81 million at March 31, 2006, €60.3 million at the end of December 2005 and €46.6 at the end of December 2004.

The Group's bank debt includes a medium-term financing facility provided to KM Europa Metal AG by a group of banks that includes Mediobanca, whose share of the facility is €46.1 million. Mediobanca is a stockholder of the Parent Company G.I.M. S.p.A. and is a party to the G.I.M. Stockholder Agreement, with an interest equal to 2.69% of the common shares.

At the end of June 2006, about 97% of available bank facilities had been drawn down. The Group's liquid assets totaled €75.2 million.

All social security and tax payments have been made on time.

With regard to commercial obligations, accounts payable totaled €4.2 million.

Net Financial Position of KME Group S.p.A., the Group's Parent Company

(in thousands of euros)	at 6/30/06	at 5/31/06	at 3/31/06	at 12/31/05	at 12/31/04
<i>Short-term bank debt</i>	100	100	101	123	62,242
<i>Medium- and long-term bank debt</i>	684	684	684	684	783
<i>Short-term loans payable to the controlling company</i>	16,624	13,768	15,094	15,440	3,620
<i>Total indebtedness</i>	17,408	14,552	15,879	16,247	66,645
<i>Liquid assets</i>	(401)	(1,939)	(5,525)	(9,378)	(8,443)
<i>Loans receivable from subsidiaries and affiliate</i>	(25,875)	(23,081)	(21,309)	(16,854)	(42,437)
<i>Total liquid assets and loans receivable</i>	(26,276)	(25,020)	(26,834)	(26,232)	(50,880)
<i>Net financial position</i>	(8,868)	(10,468)	(10,955)	(9,985)	15,765
<i>Subordinated stockholder loan from G.I.M. S.p.A.</i>	130,000	130,000	130,000	130,000	0

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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 28, 2006

KME Group S.p.A.

For additional information:
Community –Consulenza nella comunicazione
Auro Palomba
Roberto Patriarca
Tel. 02-89404231
Cell. 335-6509568