

## 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 July 31, 2006, the **Group's net indebtedness** totaled €113.4 million, or €4.7 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 7/31/06	at 6/30/06	at 3/31/06	at 12/31/05	at 12/31/04
<i>Short-term bank debt</i>	325,143	286,265	263,622	234,146	516,482
<i>Medium- and long-term bank debt</i>	437,232	438,390	459,206	459,379	202,319
<i>Loans payable to unconsolidated Group companies</i>	19,937	20,096	17,549	18,472	6,289
<b>Total indebtedness</b>	<b>782,312</b>	<b>744,751</b>	<b>740,377</b>	<b>711,997</b>	<b>725,090</b>
<i>Liquid assets</i>	(67,924)	(75,161)	(75,754)	(151,992)	(74,443)
<i>Loans receivable from unconsolidated Group companies</i>	(941)	(940)	(920)	(920)	(1,539)
<b>Total liquid assets and loans receivable</b>	<b>(68,865)</b>	<b>(76,101)</b>	<b>(76,674)</b>	<b>(152,912)</b>	<b>(75,982)</b>
<b>Net financial position <sup>(1)</sup></b>	<b>713,447</b>	<b>668,650</b>	<b>663,703</b>	<b>559,085</b>	<b>649,108</b>

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 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.

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 (1) The above amounts are net of factoring transactions that involved the assignment without recourse of trade receivables totaling €169.8 million at July 31, 2006, €176.1 million at June 30, 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.

At the end of July 2006, about 99% of available bank facilities had been drawn down. The Group's liquid assets totaled €67.9 million.

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

With regard to commercial obligations, accounts payable totaled €3.6 million.

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

(in thousands of euros)	at 7/31/06	at 6/30/06	at 3/31/06	at 12/31/05	at 12/31/04
<i>Short-term bank debt</i>	121	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>	16,457	16,624	15,094	15,440	3,620
<i>Total indebtedness</i>	17,262	17,408	15,879	16,247	66,645
<i>Liquid assets</i>	(764)	(401)	(5,525)	(9,378)	(8,443)
<i>Loans receivable from subsidiaries and affiliate</i>	(60,402)	(25,875)	(21,309)	(16,854)	(42,437)
<i>Total liquid assets and loans receivable</i>	(61,166)	(26,276)	(26,834)	(26,232)	(50,880)
<i>Net financial position</i>	<b>(43,904)</b>	<b>(8,868)</b>	<b>(10,955)</b>	<b>(9,985)</b>	<b>15,765</b>
<i>Subordinated stockholder loan from G.I.M. S.p.A.</i>	73,924	130,000	130,000	130,000	0

The regular period for the exercise of the option rights issued in connection with a capital increase approved by the Shareholders' Meeting on May 19, 2006 came to a close at the end of July. This transaction called for the issuance of 371,052,000 common shares at a price of €0.35 per share, for a total amount of €129.9 million. Each group of five new shares carried attached a warrant that could be used to purchase through subscription one common share at a price of €0.35 per share between 2007 and 2009.

The subscription proceeds contributed by GIM S.p.A. as its pro rata share of the capital increase (€6.1 million) were used to repay in part a €30-million loan that GIM had provided at an earlier date. The balance of this loan was repaid in full the following month, using the capital increase subscription proceeds received from minority shareholders (€39.6 million) and an additional €34.2 million provided by GIM S.p.A when it subscribed shares covered by unexercised rights.

This press release is available at the Company website, [www.kmegroup.it](http://www.kmegroup.it), where additional information may also be obtained.

Florence, August 31, 2006

KME Group SpA

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