

Press Release

KME Group S.p.A

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

At August 31, 2006, the **Group's net indebtedness** totaled €751.5 million, or €38 million more than at the end of July.

This increase is due almost entirely to the repayment of the subordinated loan guaranteed by GIM S.p.A, amounting to €130 million, using the proceeds of the share capital increase described below.

Consolidated Financial Position of the Group

(Euro / 000)	al 31.8.06	al 31.7.06	al 30.6.06	al 31.3.06	al 31.12.05
<i>Debiti verso banche a breve termine</i>	315.230	325.143	286.265	263.622	234.146
<i>Debiti verso banche a medio lungo termine</i>	437.264	437.232	438.390	459.206	459.379
<i>Debiti finanziari vs. controllante e soc. del Gruppo non consolidate</i>	59.296	19.937	20.096	17.549	18.472
<i>Totale debiti finanziari</i>	811.790	782.312	744.751	740.377	711.997
<i>Liquidità</i>	(59.376)	(67.924)	(75.161)	(75.754)	(151.992)
<i>Crediti finanziari vs/soc.del Gruppo non consolidate</i>	(941)	(941)	(940)	(920)	(920)
<i>Totale liquidità e crediti finanziari</i>	(60.317)	(68.865)	(76.101)	(76.674)	(152.912)
<i>Totale posizione finanziaria netta</i> ⁽¹⁾	751.473	713.447	668.650	663.703	559.085

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.

(1) The above amounts are net of factoring transactions that involved the assignment without recourse of trade receivables totaling €163.7 at the end of August, €169.8 million at July 31, 2006, €176.1 million at June 30, 2006, €81 million at March 31, 2006 and €60.3 million at the end of December 2005.

At the end of August 2006, about 98% of available bank facilities had been drawn down. The Group's liquid assets totaled €9.45 million.

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

With regard to commercial obligations, accounts payable totaled €8 million.

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

(Euro / 000)	al 31.8.06	al 31.7.06	al 30.6.06	al 31.3.06	al 31.12.05
<i>Debiti verso banche a breve termine</i>	99	121	100	101	123
<i>Debiti verso banche a medio lungo termine</i>	684	684	684	684	684
<i>Debiti finanziari a breve termine verso controllante</i>	55.809	16.457	16.624	15.094	15.440
<i>Totale debiti finanziari</i>	56.592	17.262	17.408	15.879	16.247
<i>Liquidità</i>	(2.999)	(764)	(401)	(5.525)	(9.378)
<i>Crediti finanziari verso controllate e collegate</i>	(60.373)	(60.402)	(25.875)	(21.309)	(16.854)
<i>Totale liquidità e crediti finanziari</i>	(63.372)	(61.166)	(26.276)	(26.834)	(26.232)
<i>Totale posizione finanziaria netta</i>	(6.780)	(43.904)	(8.868)	(10.955)	(9.985)
<i>Finanziamento soci subordinato da GIM S.p.A</i>	-	73.924	130.000	130.000	130.000

The capital increase approved by the Shareholders' Meeting on May 19, 2006, which got under way on July 2, 2006, came to a close in August with the subscription of the unexercised rights. This transaction called for the issuance of 371,072,000 common shares at a price of €0.35 per share, for a total amount of €29.9 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 controlling company GIM S.p.A. subscribed a portion of the capital increase amounting to €0.2 million euros by converting into share capital part of a subordinated stockholder loan that GIM S.p.A granted to KME in 2005. The balance of the capital increase, amounting to €9.6 million euros was placed with market investors and the proceeds were used to repay in full the balance of the abovementioned subordinated loan.

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

Florence, September 29, 2006

KME Group S.p.A.