

**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 September 30, 2006, the **Group's net indebtedness** totaled €724.5 million, or €27 million less than at the end of August.

On September 30, 2006, the Group signed agreements with major international financial institutions for two credit lines providing a maximum facility of €1.65 billion. Additional information about this transaction is available in a press release published on October 2, 2006, which is available at the Company website.

**Consolidated Financial Position of the Group**

(in thousands of euros)	at 9/30/06	at 8/31/06	at 6/30/06	at 3/31/06	at 12/31/05
<i>Short-term bank debt</i>	289.409	315.230	286.265	263.622	234.146
<i>Medium- and long-term bank debt</i>	438.277	437.264	438.390	459.206	459.379
<i>Loans payable to unconsolidated Group companies</i>	59.256	59.296	20.096	17.549	18.472
<b>Total indebtedness</b>	<b>786.942</b>	<b>811.790</b>	<b>744.751</b>	<b>740.377</b>	<b>711.997</b>
<i>Liquid assets</i>	(61.316)	(59.376)	(75.161)	(75.754)	(151.992)
<i>Loans receivable from unconsolidated Group companies</i>	(941)	(941)	(940)	(920)	(920)
<b>Total liquid assets and loans receivable</b>	<b>(62.257)</b>	<b>(60.317)</b>	<b>(76.101)</b>	<b>(76.674)</b>	<b>(152.912)</b>
<b>Net financial position <sup>(1)</sup></b>	<b>724.685</b>	<b>751.473</b>	<b>668.650</b>	<b>663.703</b>	<b>559.085</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.

(1) The above amounts are net of factoring transactions that involved the assignment with recourse of trade receivables totaling €183.6 million at September 30, 2006, €163.7 million at the end of August, €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 September 2006, about 98% of available bank facilities had been drawn down. The Group's liquid assets totaled €1.3 million.

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

With regard to commercial obligations, accounts payable totaled €3.9 million.

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

(in thousands of euros)	at 9/30/06	at 8/31/06	at 6/30/06	at 3/31/06	at 12/31/05
<i>Short-term bank debt</i>	99	99	100	101	123
<i>Medium- and long-term bank debt</i>	684	684	684	684	684
<i>Short-term loans payable to the controlling company</i>	55.774	55.809	16.624	15.094	15.440
<b>Total indebtedness</b>	<b>56.557</b>	<b>56.592</b>	<b>17.408</b>	<b>15.879</b>	<b>16.247</b>
<i>Liquid assets</i>	(1.655)	(2.999)	(401)	(5.525)	(9.378)
<i>Loans receivable from subsidiaries and affiliate</i>	(61.064)	(60.373)	(25.875)	(21.309)	(16.854)
<b>Total liquid assets and loans receivable</b>	<b>(62.719)</b>	<b>(63.372)</b>	<b>(26.276)</b>	<b>(26.834)</b>	<b>(26.232)</b>
<b>Net financial position</b>	<b>(6.162)</b>	<b>(6.780)</b>	<b>(8.868)</b>	<b>(10.955)</b>	<b>(9.985)</b>
<i>Subordinated stockholder loan from G.I.M. S.p.A.</i>	-	-	130.000	130.000	130.000

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

Florence, October 31, 2006

KME Group S.p.A.

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