

PRESS RELEASE

**KME: THE BOARD OF DIRECTORS APPROVES THE RESULTS FOR  
THE THIRD QUARTER OF 2006  
CONSOB REVOKES KME GROUP FROM "BLACK LIST"**

REVENUES (NET OF RAW MATERIALS) TO €634.9 MILLION (€573.1 MILLION IN 2005, +11%)

EBITDA TO €99.3 MILLION (€64.8 MILLION IN 2005, +53%)

EBIT TO €179.5 MILLION (€37.1 MILLION IN 2005)

PROFIT BEFORE TAXES TO €146.5 MILLION (€9.6 MILLION IN 2005)

NET INDEBTEDNESS AT €724.6 MILLION (€668.7 MILLION AT JUNE 30, 2006)

**Florence, November 10, 2006** – The Board of Directors of KME Group S.p.A. today approved the Group's results at September 30, 2006.

- Net of raw materials, revenues for the first nine months of 2006 totaled 634.9 million euros, or 61.8 million euros more (+11%) than in the same period last year.
- Consolidated profit before taxes for the first nine months of 2006 totaled 146.5 million euros, compared with a profit of 9.6 million euros in the same period last year.  
Increased profitability at the operating level and a sizable revaluation of the raw materials inventory booked to reflect changes in raw material prices account for this improvement.
- EBITDA increased by 34.5 million euros (+53.2%) to 99.3 million euros, an amount equal to 15.6% of revenues net of the value of raw materials (11.3% in 2005).
- The revaluation of the raw materials inventory (137.9 million euros), which was offset in part by additions to the industrial restructuring provision (17.8 million euros), caused EBIT for the first nine months of 2006 to rise to 179.5 million euros, well above the 37.1 million euros earned in the same period last year.
- Higher raw material prices caused an increase in the value of working capital, which rose to 1,032 million euros. As a result, the Group's net indebtedness at September 30, 2006 reached 724.6 million euros, up from 559.1 million euros at December 31, 2005 and 668.7 million euros at June 30, 2006.
- Recently completed negotiations for two new lines of credit, which can be utilized up to a total of 1.65 billion euros, and the 130-million-euro capital increase carried out this past July have rationalized and strengthened the Group's balance sheet. The Company's shareholders' equity increased to 319.6 million euros. As a result, the consolidated shareholders' equity now stands at more than 520 million euros.

- The table below shows the consolidated highlights for the third quarter of 2006:

(in millions of euros)	Third quarter 2005	Third quarter 2006
Revenues, net of raw materials	179.6	204.9
EBITDA	19.2	37.4
EBIT	14.0	60.3
Profit before taxes	9.1	48.0

- CONSOB revokes, starting from this month, GIM obligations to monthly inform the market about its corporate situation. The decision comes from the ascertainment of a different actual Group situation from the financial crisis existing when such a decision was adopted.

Vincenzo Cannatelli, the Company's Chief Executive Officer, said: "I am quite satisfied with the operating results at September 30, 2006 which, coming in one percentage point ahead of the targets of the industrial plan presented earlier this year, confirm that the Group's profitability is continuing to improve at the operating level. The ratio of EBITDA to revenues net of raw materials has improved from 11.3% in the first nine months of 2005 to 15.6% in the same period this year, and updated estimates for all of 2006 show a further strengthening of these profitability gains. Other cause of satisfaction is that Consob has informed that KME Group has been put out from the black list acknowledging the efforts made in order to strengthen the financial situation".

The Report on the Group's Operations at September 30, 2006 is attached.

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The Board of Directors also voted to adopt the most recent release (2006) of the Code of Conduct published by the Corporate Governance Committee of Borsa Italiana S.p.A.

The principles of the Code will be adopted gradually, incorporating, where necessary, the existing organization, Committees and internal procedures. The Corporate Governance Report that will be published together with the latest annual report will provide detailed information about the progress made in the adoption of the abovementioned Code.

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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, November 10, 2006

The Board of Directors

*For additional information:*  
KME Group

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