PRESS RELEASE

THE BoD APPROVES THE DRAFT OF 2006 ANNUAL REPORT DIVIDEND TO THE SAVINGS SHARES

REVENUES OF € 3.557 MILLION (€2.176 MILLION IN 2005, + 63%)
REVENUES (NET OF RAW MATERIALS) OF €847 MILLION
(€758 MILLION IN 2005, +11.8%)
EBITDA OF €134.6 MILLION (€92.8 MILLION IN 2005, + 45%)
EBIT OF €125.4 MILLION (€44.8 MILLION IN 2005)
NET PROFIT OF €51.7 MILLION (€4.3 MILLION IN 2005)
NET INDEBTEDNESS OF €534 MILLION (€559 MILLION AT 12/31/05)
DIVIDEND OF €0.1086 PER SHARE ON THE SAVINGS SHARES (COVERING THE CURRENT 2006 DIVIDEND AND THE 2004 AND 2005 DIVIDENDS)

Florence, March 20, 2007 – The Board of Directors of KME Group S.p.A. approved the draft of the 2006 Annual Report.

- The 2006 results reported by the KME Group are evidence of the structural improvements it has attained with regard to profitability, manufacturing operations and financial position. These results were achieved even though more favorable market conditions — increased demand and less volatile raw material prices — developed only in the second half of the year.

- In 2006, the Group's consolidated revenues totaled 3,557 million euros (2,176 million euros in 2005). Net of the value of raw materials, revenues improved by 11.8%, rising from 758 million euros to 847 million euros.

- Restated on a basis comparable with the previous year, 2006 EBITDA totaled 134.6 million euros, or 41.8 million euros more (+ 45%) than in 2005. The ratio of EBITDA to revenues improved to 15.9% (12.2% in 2005), well above the target of the Industrial Plan.
  An increase in sales made possible by marketing programs that strengthened the Group's market position and the positive contribution of measures implemented to reorganize and streamline the manufacturing operations are the reasons for the improvement in profitability.

- Consolidate net profit rose to 51.7 million euros in 2006 (4.3 million euros in 2005), reflecting the contribution of an increase in profitability achieved at the operating level and a revaluation of the raw material inventory recognized to reflect a rise in raw material prices, offset in part by charges for amounts set aside to cover industrial restructuring costs.

- The Group's net indebtedness totaled 534 million euros at December 31, 2006 (559 million euros at the end of 2005), down from 724.6 million euros at September 30, 2006.

- With regard to expectations for its future operating performance, the Group expects the trend that characterized the last two quarters of 2006 to continue, enabling it to report first quarter operating results that are significantly better than those achieved in 2006.
  If, as expected, economic conditions in Europe remain favorable in the coming months, the Group's operating performance for all of 2007 could show a further improvement over 2006.

- KME Group S.p.A., the Group's Parent Company, ended 2006 with a net profit of 7.2 million euros.
  At the upcoming Shareholders' Meeting, the Board of Directors will propose distributing a **dividend of 0.1086 to each savings share**, for a total amount of 6.2 million euros, which will cover the preferred dividend of 0.0362 euros per share owed for 2006 and the preferred dividend for the two previous years (2005 and 2004), as required by the Bylaws.

The KME Group ended 2006 with significantly better results than in 2005.

The consolidated income statement shows **revenues** of 3,557 million euros, or 63% more than in the previous year. Restated net of the value of raw materials, revenues show a gain of 11.8%, increasing from 758 million euros to 847 million euros.
The increase in revenues is the result of marketing programs that strengthened the Group's market position by leveraging and developing businesses with high value added, by offering customers at competitive prices an innovative and diversified range of products and services and by broadening the Group's international footprint, with special emphasis on Eastern Europe and China.
The positive sales performance achieved in 2006 was also made possible by favorable economic conditions.
In Europe, which is the Group's biggest market, the economy improved steadily throughout the year with a positive impact on the demand for copper and alloy semifinished goods, even though the rate of increase was not equal in all regions and for all product lines.
In 2006, the business conditions in the Group's industry were heavily penalized by a spike in raw material prices, which was especially pronounced in the case of copper, the material most used by the Group. In 2006, the price of copper reached an all-time high, rising by 80% between January and May. The trend reversed itself in the ensuing months, but prices remained high.

Steadily increasing and volatile raw material prices, particularly earlier in the year, unsettled the market and made forecasting demand patterns and planning production more difficult.

A more satisfactory sales performance and positive contribution of programs that helped streamline and reorganize manufacturing organization enabled the Group to report operating results that show a significant improvement in profitability.
In 2006, **consolidated net profit** rose to 51.7 million euros, compared with 4.3 million euros a year earlier.
This improvement, which reflects the increased profitability of the Group's operations, was also made possible by a revaluation of the raw material inventory, which was booked to recognize the rise in raw material prices
With regard to operating profitability, **EBITDA**(1) grew to 134.6 million euros (126.5 million euros, after deducting 8.1 million euros for costs incurred to factor receivables through transactions executed in connection with the credit lines received by the Group this past September, which previously were recognized as a financial expense), compared with 41.8 million euros in 2005 (+ 45%). The ratio of EBITDA to sales was equal to 15.9% (it was 12.2% in 2005), well above the target of the Industrial Plan.
The revaluation of the inventory of raw materials (which amounted to 79 million euros, reduced to 53 million euros after deducting the applicable taxes), which was offset in part by provisions set aside to cover industrial reorganization costs and other non-recurring charges totaling 26.5 million euros, helped boost **EBIT** to 125.4 million euros (44.8 million euros in 2005).

The programs adopted as part of the Group Industrial Plan to rationalize its manufacturing organization have increased its competitiveness and put the Group well on the way to increasing its profitability even further to a sustainable level high enough to compensate invested capital.
The purpose of the Group's industrial restructuring programs is to redesign its organization and manufacturing system by:

- Refocusing its businesses and production facilities as part of a broader process that is being implemented to increase operating efficiency and flexibility and contain costs. Actions taken in this area during the past 18 months included the decision to close two medium-size production facilities and transferring their activities to other locations. This decision and other efficiency enhancing measures helped the Group downsize its staff by 1,000 employees since the beginning of 2005 (-14%) despite an increase in production.
- Implementing focused and selective capital investment programs.
- Developing professional competencies in the service area as well, through the use of customized organizational models that involve the use of centralized and specialized corporate functions, for a more efficient and synergistic use of human resources.

With regard to **expectations for its future operating performance**, the Group expects the trend that characterized the last two quarters of 2006 to continue, enabling it to report first quarter operating results that are significantly better than those achieved in 2006.
If, as expected, economic conditions in Europe remain favorable in the coming months, the Group's operating performance for all of 2007 could show a further improvement over 2006.

Insofar as the balance sheet is concerned, the Group's **net indebtedness**(1) totaled 534 million euros at December 31, 2006 (559 million euros at the end of 2005), down from 724.6 million euros at September 30, 2006.
Most of the increase in the exposure toward customers, caused by an increase in the price of raw materials, was offset with factoring transactions that involved the assignment without recourse of trade receivables totaling 367 million euros (60 million euros at December 31, 2005).
These transactions were made possible by new credit lines provided to the Group by financial institutions pursuant to agreements signed on September 30, 2006.
These agreements were the culmination of negotiations started to increase the existing credit lines with formulas that would provide greater flexibility in terms both of available amount and drawdown method, when used to cover the funding needed to meet a rise in working capital requirements caused by a rapid increase in raw material prices.

The refinancing of the Group's debt exposure was carried out concurrently with a **capital increase** of 129.9 million euros approved by the Shareholders' Meeting on May 19, 2006 and executed in July and August through the issuance of common shares at a price of 0.35 euros per share that carried a free warrant attached. The capital increase was used to repay in full a subordinated loan of 130 million euros that had been provided by the controlling company G.I.M.-Generale Industrie Metallurgiche S.p.A.

The financial transactions described above helped rationalize and strengthen the Company's balance sheet.
As a result of the abovementioned capital increase, the share capital of KME Group grew to 319.6 million euros and its consolidated shareholders' equity reached 500 million euros.

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KME Group S.p.A., the Group's Parent Company, ended 2006 with a net profit of 7.2 million euros.
The Shareholders' Meetings, which has been convened in Florence for April 30, 2007, on the first calling, and for May 23, on the second calling, will be asked to approve the Company's 2006 Report on Operations and Financial Statements, as well as a motion for the appropriation of net profit for the year, which calls for the distribution of a dividend of 0.1086 euros to each savings share, for a total amount of 6.2 million euros, which will cover the preferred dividend of

0.0362 euros per share owed for 2006 and the preferred dividend for the two previous years (2005 and 2004), as required by the Bylaws.
The dividend will be payable on June 7, 2007, against presentation of coupon No. 18 on June 4, 2007.

Florence, March 20, 2007

The Board of Directors

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

(1) This press release makes reference to "alternative performance indicators" (EBITDA and net indebtedness) that are not reflected in the IFRS/IAS accounting principles. The meaning and content of these indicators is provided below:

- *EBITDA: 4This indicator measures operating performance. It is computed by adding depreciation and nonrecurring charges to income from operations and subtracting the revaluation of the inventory of raw materials.*
- *Net indebtedness: This is a financial structure indicator. It is equal to total borrowings less cash (and cash equivalents) and the value of trade receivables assigned without recourse.*

4 Annexes

For additional information:
KME Group S.p.A. Investor Relations Office, investor.relations@kme.com +39 055 4411 454

Reclassified Income Statement of KME Group S.p.A. (1)

(in millions of euros)	*2006 reclassified*		*2005*		*Change*
Gross revenues	3,556.8		2,176.1		*63.4%*
Raw material costs	(2,709.5)		(1,417.9)		*91.1%*
Revenues net of raw material costs	847.3	*100%*	758.1	*100%*	*11.8%*
Labor costs	(347.4)		(341.8)		*1.6%*
Other materials and costs	(373.4)		(323.5)		*15.4%*
EBITDA	126.5	*14.93%*	92.8	*12.24%*	
Nonrecurring income (expense)	(26.5)		(29.7)		*-10.8%*
Impact of IFRS valuation of inventory and LME contracts	79.1		36.5		*116.7%*
Depreciation and amortization	(53.7)		(54.8)		*-2.0%*
EBIT	125.4	*14.80%*	44.8	*5.91%*	
Net financial expense	(41.6)		(37.8)		*10.1%*
Income from equity investments	0.2		0.3		*-33.3%*
Profit (Loss) before taxes	84.0	*9.91%*	7.3	*0.96%*	
Current taxes	(4.9)		(3.8)		*28.9%*
Deferred taxes	(27.4)		0.8		*n.m.*
Net profit (loss)	51.7	*6.10%*	4.3	*0.57%*	*n.m.*

Earnings per share (in euros):	2006	2005
Basic earnings per share	0.0917	0.0071
Diluted earnings per share	0.0753	0.0071

The data provided above have not been certified by the independent auditors.

(1) Explanation of reclassifications:

The reclassified schedule provides an overview of the consolidated results reported by KME Group and the other Group companies in 2006.
The data shown in the schedule for the two years are comparable, since the new international accounting principles (IAS/IFRS) were applied both in 2005 and 2006..
Certain EBITDA components have been reclassified(*) in order to provide a more accurate presentation of the Group's operating performance.

Specifically:

- The impact of a change in the accounting principle that affects the valuation of the inventory of raw materials and the effect of the measurement at fair value of the hedging contracts executed on the London Metal Exchange were removed from the amount shown for revenues net of the value of raw materials. It is important to keep in mind that, because of the introduction of the new international accounting principles, the inventory valuation method changed from the LIFO method to the average weighted cost method. This change, occurring during a period of rising prices, produced a revaluation of the inventory of raw materials.
- Extraordinary items are being shown below the EBITDA line. They also include the costs incurred to renegotiate the Company's credit lines, which, in accordance with IAS principles, are recognized as a financial expense.

The profit before taxes is the same as the one shown in consolidated income statement included in the Notes to the Financial Statements, which is consistent with IAS/IFRS principles.

(*) explanation of the reclassified data:

(in thousands pf euros)	*2006 IAS*		*Reclassif.*	*2006 reclassified*	
Gross revenues	3,556.8			3,556.8	
Raw material costs	0.0		(2,709.5)	(2,709.5)	
Revenues net of raw material costs	3,556.8	*100%*		847.3	*100%*
Labor costs	(347.4)			(347.4)	
Other materials and costs	(3,029.5)		2.656.1	(373.4)	
EBITDA	179.9	*5.06%*		126.5	*14.93%*
Nonrecurring income (expense)	0.0		(26.5)	(26.5)	
Impact of IFRS valuation of inventory and LME contracts	0.0		79.1	79.1	
Depreciation and amortization	(51.4)		(2.3)	(53.7)	
EBIT	128.5	*3.61%*		125.4	*14.80%*
Net financial expense	(44.7)		3.1	(41.6)	
Income from equity investments	0.2			0.2	
Profit (Loss) before taxes	84.0	*2.36%*		84.0	*9.91%*

Consolidated Financial Statements of KME Group S.p.A. at December 31, 2006		
Balance Sheet Items classified as current or non-current *(in thousands of euros)*	12/31/06	12/31/05
Property, plant and equipment	619,923	624,305
Investment property	10,591	9,272
Goodwill and consolidation difference	109,840	109,840
Other intangible assets	955	1,631
Investments in associates	4,906	5,564
Other equity investments	245	245
Investments valued by the equity method	2,634	2,573
Other non-current assets	29,143	28,960
Deferred-tax assets	44,710	40,651
NON-CURRENT ASSETS	822,947	823,041
Inventories	683,627	444,361
Trade receivables	230,693	358,270
Other receivables and current assets	67,791	50,141
Current financial assets	75,347	14,404
Cash and cash equivalents	162,098	151,992
CURRENT ASSETS	1,219,556	1,019,168
TOTAL ASSETS	2,042,503	1,842,209
Share capital	319,643	189,775
Other reserves	(4)	-
Treasury stock	(37)	(37)
Retained earnings (Loss carryforward)	5,176	5,165
Consolidation reserves	25,044	22,292
Reserve for first adoption of the IAS-IFRS	93,658	93,658
Net profit (loss) for the period	51,785	4,343
Group interest in shareholders' equity	495,265	315,196
Minority interest in shareholders' equity	-	-
TOTAL SHAREHOLDERS' EQUITY	495,265	315,196
Provisions for employee benefits	166,904	166,663
Deferred-tax liabilities	160,289	128,977
Borrowings and other financial liabilities	487,353	589,379
Other non-current liabilities	7,721	7,257
Provisions for risks and charges	143,137	128,668
NON-CURRENT LIABILITIES	965,404	1,020,944
Borrowings and other financial liabilities	279,175	260,924
Trade payables	164,575	122,575
Other current liabilities	108,080	94,767
Provisions for risks and charges	30,004	27,803
CURRENT LIABILITIES	581,834	506,069
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,042,503	1,842,209

The data provided above have not been certified by the independent auditors.

Statutory Financial Statements of KME Group S.p.A. at December 31, 2006

INCOME STATEMENT (in euros)	2006	2005
Sales and service revenues	2,913,550	1,289,257
Other revenues	1,842,496	396,207
Labor costs	(1,348,410)	(1,591,420)
Depreciation, amortization and writedowns	-	(143,075)
Other operating costs:		
- nonfinancial expense	(4,788,556)	(2,378,834)
- use of property not owned	(175,391)	(248,456)
- sundry operating charges	(218,236)	(260,218)
Extraordinary income (expense)	-	6,701,401
EBIT	(1,774,547)	3,764,862
Financial income	3,727,194	2,740,201
Financial expense	(5,311,966)	(6,065,465)
Profit (Loss) before taxes	(3,359,319)	439,598
Current taxes	10,598,233	(307,000)
Deferred taxes	(33,144)	1,262,586
Total income taxes	10,565,089	955,586
Net profit (loss)	7,205,770	1,395,184

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Statutory Financial Statements of KME Group S.p.A. at December 31, 2006

BALANCE SHEET (in euros)	12/31/06	12/31/005
Property, plant and equipment	-	-
Investment property	2,800,000	1,250,000
Investments in associates	310,890,540	310,404,881
Other equity investments	129,114	129,114
Other non-current financial assets	22,180	13,923
Deferred-tax assets	-	33,144
NON-CURRENT ASSETS	313,841,834	311,831,062
Trade receivables	10,539,502	139,832
Other receivables and current assets	5,821,521	9,916,420
Current financial assets	67,718,529	21,474,496
Cash and cash equivalents	376,938	9,378,448
CURRENT ASSETS	84,456,490	40,909,196
TOTAL ASSETS	398,298,324	352,740,258
Share capital	319,643,223	189,775,023
Additional paid-in capital	(1,033,259)	-
including. €1,037,925.00 in costs incurred for capital increase		
Other reserves	69,760	-
Treasury stock	(37,161)	(37,161)
Retained earnings (Loss carryforward)	5,178,100	5,167,157
Reserve for first adoption of the IAS-IFRS	2,784,099	2,784,099
Stock option reserve	958,537	-
Net profit (loss) for the period	7,205,770	1,395,184
SHAREHOLDERS' EQUITY	334,769,069	199,084,302
Subordinated GIM loan	-	130,000,000
Provisions for employee benefits	347,436	373,887
Deferred-tax liabilities	-	-
Borrowings and other financial liabilities	581,551	684,456
Other non-current liabilities	-	-
Provisions for risks and charges	4,101,180	4,861,353
NON-CURRENT LIABILITIES	5,030,167	135,919,696
Borrowings and other financial liabilities	56,119,342	15,918,350
Trade payables	436,819	1,116,709
Other current liabilities	1,942,927	701,201
CURRENT LIABILITIES	58,499,088	17,736,260
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	398,298,324	352,740,258

The data provided above have not been certified by the independent auditors.