

**Press Release**

**S.M.I. – Società Metallurgica Italiana S.p.A**

ABI Code 107673 – [www.smi.it](http://www.smi.it)

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

**The Group's net indebtedness** is shown in accordance with the newly adopted International Financial Reporting Standards (IAS/IFRS), which required the restatements of the indebtedness data at the end of June, the end of July 2005 and the end of December 2004 that were communicated in the past.

These restatements refer almost exclusively to the recognition of leases on the balance sheet and the treatment of certain factoring transactions involving the assignment of receivables with recourse, which, formally, did not meet all of the requirements of the new principles for elimination of the receivables from the balance sheet.

Additional details about the impact of the new accounting principles are provided in the Report of the Board of Directors on Operations in the First Half of 2005, which is available at the Company website: [www.gim.it](http://www.gim.it)

At August 31, 2005, the **Group's net indebtedness** totaled €54.8 million, or €14.9 million less than a month earlier.

**Consolidated Financial Position of the Group**

(in thousands of euros)	at 8/31/05	at 7/31/05	at 6/30/05	at 12/31/04
<i>Short-term bank debt</i>	215,276	227,584	199,999	516,482
<i>Medium- and long-term bank debt</i>	486,227	486,507	486,643	202,319
<i>Loans payable to unconsolidated Group companies</i>	15,586	16,362	16,669	6,289
<i>Total indebtedness</i>	717,089	730,453	703,311	725,090
<i>Liquid assets</i>	(161,322)	(159,757)	(168,842)	(74,443)
<i>Loans receivable from unconsolidated Group companies</i>	(970)	(970)	(971)	(1,539)
<i>Total liquid assets and loans receivable</i>	(162,292)	(160,727)	(169,813)	(75,982)
<i>Net financial position</i>	554,797	569,726	533,498	649,108

The above amounts are net of factoring transactions that involved the assignment with recourse of trade receivables totaling €39.9 million at the end of August 2005, €37.8 million at the end of July 2005, €37.7 million at the end of June 2005 and €46.6 at the end of December 200, which, consisted with prior practice and in accordance with the relevant accounting principles, resulted in the eliminations of these receivables from the asset side of the balance sheets and in a corresponding reduction of indebtedness.

As part of a series of financial transactions carried out to channel the funds generated by the G.I.M. S.p.A. capital increase to the operating companies, G.I.M. S.p.A. provided a €130-million subordinated stockholder loan to S.M.I. S.p.A.

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 €50 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.

At the end of August 2005, about 90% of available bank facilities had been drawn down.

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

With regard to commercial obligations, accounts payable totaled €2.3 dsmillion.

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

(in thousands of euros)	at 8/31/05	at 7/31/05	at 6/30/05	at 12/31/04
<i>Short-term bank debt</i>	115	114	110	62,242
<i>Medium- and long-term bank debt</i>	783	783	783	783
<i>Short-term loans payable to the controlling company</i>	13,010	13,126	13,465	3,620
<b><i>Total indebtedness</i></b>	<b>13,908</b>	<b>14,023</b>	<b>14,358</b>	<b>66,645</b>
<i>Liquid assets</i>	(154)	(246)	(192)	(8,443)
<i>Loans receivable from subsidiaries and affiliate</i>	(14,772)	(15,022)	(14,372)	(42,437)
<b><i>Total liquid assets and loans receivable</i></b>	<b>(14,926)</b>	<b>(15,268)</b>	<b>(14,564)</b>	<b>(50,880)</b>
<b><i>Net financial position</i></b>	<b>(1,018)</b>	<b>(1,245)</b>	<b>(206)</b>	<b>15,765</b>
<i>Subordinated stockholder loan from G.I.M. S.p.A.</i>	130,000	130,000	130,000	0

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

Florence, September 30, 2005

S.M.I.-Società Metallurgica Italiana S.p.A.