

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

www.smi.it

Press Release

- **CANCELLATION OF PAR VALUE FOR THE COMMON AND SAVINGS SHARES.**
 - **A €130-MILLION CAPITAL INCREASE, WITH G.I.M. SPA CONVERTING ITS OUTSTANDING STOCKHOLDER LOAN OF THE SAME AMOUNT TO COVER ITS PRO RATA SHARE AND ANY PORTION NOT PURCHASED BY EXISTING STOCKHOLDERS.**
 - **S.M.I. – SOCIETÀ METALLURGICA ITALIANA SPA WILL CHANGE ITS NAME TO KME GROUP SPA.**
 - **STOCK OPTION PLAN.**
 - **THE BOARD COOPTS VINCENZO CANNATELLI.**
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The Board of Directors of S.M.I. - Società Metallurgica Italiana SpA (“S.M.I.”) adopted a motion asking the stockholders to approve a capital stock increase of up to €130 million, which will be carried out through the issuance of common shares. These shares will be offered on a preemptive basis to the current holders of common and savings share at a price that will be set at a future meeting of the Board of Directors somewhere between €0.35 and €0.45 per share.

For every 5 new shares purchased, buyers will receive 1 warrant free of charge. The warrants will be convertible one-for-one into common shares until 2009 at the same cash price of the offering.

Prior to the execution of the capital increase, the par value of the common and savings shares that are currently outstanding will be cancelled.

G.I.M. - Generale Industrie Metallurgiche SpA (“G.I.M.”) will guarantee the subscription of its pro rata share of the capital increase (about €6 million) and will cover any portion not purchased by existing stockholders (up to a maximum of €74 million) through the conversion a €130-million subordinated stockholder loan that G.I.M. provided to S.M.I. in 2005 as part of a series of financial transactions carried out to channel the funds generated by the G.I.M. capital increase to the operating subsidiaries.

The purpose of the proposed transaction is to streamline the Company’s financial structure. It also represents the final step of the Group’s recapitalization process, which started in 2005, when G.I.M. carried out a €152-million capital increase and restructured its bank debt, consolidating it into medium- and long-term facilities.

The Board of Directors also approved a motion proposing that S.M.I. – Società Metallurgica Italiana SpA change its name to KME Group SpA.

In addition, the Board of Directors approved a stock option plan (upon completion of the €130-million capital increase). The stock option plan will be available to Directors with executive authority of S.M.I. and its subsidiaries, for a maximum amount of €7 million (equal to 2.2% of S.M.I.'s new capital stock), and executives of S.M.I. and its subsidiaries, up to a maximum amount of €8 million (equal to 2.5% of S.M.I.'s new capital stock).

The beneficiaries and the terms of the plan will be decided at a future meeting of the Board of Directors.

The motions approved by the Board of Directors will be submitted to an Extraordinary Stockholders' Meeting that is being convened for May 18, 2006 on the first calling or May 19, 2006 on the second calling. At the abovementioned Extraordinary Meeting, the stockholders will be asked to grant the Board of Directors the powers needed to carry out the capital increases required by the stock option plan.

Lastly, the Board of Directors coopted Vincenzo Cannatelli, formerly Chief Executive Officer of ENEL Distribuzione SpA and Chief Operating Officer of the Infrastructures and Networks Division of the Market Division of the ENEL Group.

As required by current laws, Mr. Cannatelli's curriculum vitae is available at the Company website, www.smi.it.

Florence, April 1, 2006

The Board of Directors

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