

**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.

At April 30, 2006, the **Group's net indebtedness** totaled €641.7 million, or €2 million less than a month earlier. The increases of recent months reflect the impact of a steady, further rise in the price of copper, which continues to cause an increase in the value of the assets included in the working capital of the manufacturing companies, with a corresponding expansion in funding requirements.

**Consolidated Financial Position of the Group**

| (Euro / 000)  | at 4/30/06     | at 3/31/06     | at 12/31/05    | at 12/31/04    |
|---|----------------|----------------|----------------|----------------|
| <i>Short-term bank debt</i>                                 | 234,154        | 263,622        | 234,146        | 516,482        |
| <i>Medium- and long-term bank debt</i>                      | 458,896        | 459,206        | 459,379        | 202,319        |
| <i>Loans payable to unconsolidated Group companies</i>      | 17,904         | 17,549         | 18,472         | 6,289          |
| <i>Total indebtedness</i>                                   | 710,954        | 740,377        | 711,997        | 725,090        |
| <i>Liquid assets</i>  | (68,343)       | (75,754)       | (151,992)      | (74,443)       |
| <i>Loans receivable from unconsolidated Group companies</i> | (920)          | (920)          | (920)          | (1,539)        |
| <i>Total liquid assets and loans receivable</i>             | (69,263)       | (76,674)       | (152,912)      | (75,982)       |
| <b><i>Net financial position</i></b>                        | <b>641,691</b> | <b>663,703</b> | <b>559,085</b> | <b>649,108</b> |

The above amounts are net of factoring transactions that involved the assignment without recourse of trade receivables totaling €128.7 million at April 30, 2006, €81 million at March 31, 2006, €60.3 million at the end of December 2005 and €46.6 at the end of December 2004.

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 €30-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 €48.1 million.

Mediobanca is a stockholder of G.I.M. S.p.A., the Group's controlling company, 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 April 2006, about 98% 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 €1.1 million.

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

| (in thousands of euros)                                    | at 4/30/06      | at 3/31/06      | at 12/31/05     | at 12/31/04     |
|--|-----------------|-----------------|-----------------|-----------------|
| <i>Short-term bank debt</i>                                | 101             | 101             | 123             | 62,242          |
| <i>Medium- and long-term bank debt</i>                     | 684             | 684             | 684             | 783             |
| <i>Short-term loans payable to the controlling company</i> | 14,829          | 15,094          | 15,440          | 3,620           |
| <b>Total indebtedness</b>                                  | <b>15,614</b>   | <b>15,879</b>   | <b>16,247</b>   | <b>66,645</b>   |
| <i>Liquid assets</i>                                       | (1,874)         | (5,525)         | (9,378)         | (8,443)         |
| <i>Loans receivable from subsidiaries and affiliate</i>    | (23,786)        | (21,309)        | (16,854)        | (42,437)        |
| <b>Total liquid assets and loans receivable</b>            | <b>(25,660)</b> | <b>(26,834)</b> | <b>(26,232)</b> | <b>(50,880)</b> |
| <b>Net financial position</b>                              | <b>(10,046)</b> | <b>(10,955)</b> | <b>(9,985)</b>  | <b>15,765</b>   |
| <i>Subordinated stockholder loan from G.I.M. S.p.A.</i>    | 130,000         | 130,000         | 130,000         | 0               |

\* \* \*

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

Florence, May 31, 2006

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

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