

Danieli & C. Officine Meccaniche S.p.A.

Buttrio (UD) – via Nazionale n. 41

Fully paid-up share capital of euro 81,304,566

Registration Number with the Register of Companies of Udine, tax number and VAT registration number
00167460302

www.danieli.com

PRESS RELEASE

DANIELI GROUP

Danieli's Board of Directors met today, March 6, 2019, to examine and approve the consolidated six-monthly report for the period ended December 31, 2018, prepared according to international IAS/IFRS accounting standards, and acknowledging the result for the first six months of operations.

Summary of Danieli Group Results for the six-month period ended December 31, 2018

(millions of euro)	Six-month period ended 31/12/2018	Six-month period ended 31/12/2017	Variation
Revenues	1,476.0	1,245.4	19%
Gross operating margin (EBITDA)	104.6	107.2	-2%
EBIT	44.4	54.8	-19%
Net profit for the period	32.6	21.4	52%
Net profit attributable to the Group	32.7	21.7	51%

	Six-month period ended 31/12/2018	Financial year ended 30/06/2018	Variation
Positive net financial position	844.3	836.0	1%
Consolidated shareholders' equity	1,859.0	1,853.0	0.3%
Number of employees	9,562	9,358	3%
Group order book	3,197	2,954	8%
(Steel Making)	331	393	-16%

Summary of results for the first six months of the tax year

The net result for the first six months of the 2018/19 tax year shows a 52% improvement over last year, with a good Gross Operating Margin (EBITDA), although reduced by the low profitability of some jobs completed during the referenced period and with the expectation to recuperate thanks to the improved marginality of the new order intake to be industrially implemented during 2019.

Group revenues are higher than the same period last year, with increased sales in both the Plant Making and Steel Making segments, where production volumes are also higher than the same period in 2017/18. Plant Making revenues are in line with the forecasts made at the beginning of the year and refer to regularly progressing construction schedules contractually agreed with the

customers, with an EBITDA of 44.1 million euro. The result continues to be affected by low margins on orders acquired in the two previous financial years due to extremely negative market conditions.

Steel Making revenues are also in line with the budgets drawn up at the beginning of the year and show a profitability of 60.5 million euro, with about 600,000 tons of products shipped by December 31, 2018, (showing an increase over the same period last year). The goal is to maintain this level of profitability and growth throughout the entire current year.

The first six months of the 2018/2019 tax year therefore show a positive EBIT in both industrial segments.

Lastly, the consolidated net profit is higher than the forecasts that were made at the beginning of the year, partly due to a positive alignment of exchange rates for the period ended December 31, 2018.

The Group's net financial position assessed in context continues to be solid and unchanged.

The Board of Directors has acknowledged the results for the six-month period, pointing out that the performance of both the Plant Making and Steel Making segments - as well as maintaining a still healthy order book - for the time being allow us to predict that year-end results will be in line with the forecasts made at the beginning of the year.

Worldwide prospects for the metals producing sector that affect Danieli's Plant Making business

In 2018, world steel production was about 1,800 million tons, showing a 4.6% rise compared to 2017, growing significantly in Asia (driven by China and India), but with good results in the US and Middle East, and figures holding steady in Russia and Europe.

In 2018, the average plant utilization factor was about 80%, on the rise compared to 2017 and positively affected by the higher utilization of production capacity, especially by Chinese steelmakers, for whom steel production is expected to remain steady in 2019 and 2020.

The general outlook for the steel market continues to be positive for 2019 (although not as dynamic), with more stable fundamentals compared to past years and the expectation of generating a strong positive cash flow for our customers (FCF), albeit with lower profitability than 2018, probably a sharper drop in 2020 and then recovery in 2022/23.

The main issues for the year focus on:

- environmental protection policies implemented in China with associated winter production cuts to ensure air quality;
- tariffs and other protectionist measures applied worldwide;
- the growth of the American market driven by low imports as required by Section 232, expansionary fiscal measures applied to investments, and strong domestic demand.

The actions promoted by the Chinese government involve closing the highest polluting blast furnaces, increasing the operating efficiency of other plants and production from secondary metallurgy (in electric arc furnaces), which currently accounts for only 10% of the total.

In the US, the market continues to be bullish with financially strong main operators and the expectation of further investments in the sector to improve and integrate the finishing activities to obtain products with greater added value.

Manufacturing in Brazil and Russia continues to show positive economic indicators and improving financial fundamentals, whereas in Europe no significant shifts are predicted as the market is steady and growth is expected in the construction and mechanical engineering sector, while a downswing is forecast for the automotive sector.

India has finally surpassed Japan in the worldwide classification of steelmakers and ranks second after China with a still expanding metallurgical industry that is generating significant cash flows driven by public sector investments.

It is important to emphasize that the competition from Chinese and Indian plant makers is on the rise.

Innovation is making more and more of a difference.

Summary of Results by Business Segment

(millions of euro)			
Revenues	Period ended 31/12/2018	Period ended 31/12/2017	Variation
Plant Making	934.2	805.3	16%
Steel Making	541.8	440.1	23%
Total	1,476.0	1,245.4	19%
Gross operating margin (EBITDA)			
Plant Making	44.1	56.4	-22%
Steel Making	60.5	50.8	19%
Total	104.6	107.2	-2%
Operating Income			
Plant Making	14.8	29.1	-49%
Steel Making	29.6	25.7	15%
Total	44.4	54.8	-19%
Net profit attributable to the Group			
Plant Making	13.4	3.2	319%
Steel Making	19.3	18.5	4%
Total	32.7	21.7	51%

In the Plant Making segment, the Danieli Group continues to pursue the rationalization of its international organizational structure focusing particularly on competitiveness in terms of innovation, technology, quality, efficiency and customer service.

Innovation and noble products are developed and manufactured primarily in Europe, whereas plants with consolidated technologies are designed and manufactured in our Asian plants, which guarantee the same European quality for both the western steelmaking market and the Asian one, where almost 70% of the world's steel is produced.

To remain competitive in a "New Normal" market, Danieli continues to invest in technologies that by promoting customer centricity can also increase their productivity, together with value added per ton. This is also achieved through the DIGIMET project which applies the principles of Industry 4.0 in the steelmaking industry to guarantee total control of production variables during production and maintenance of plants, thereby speeding up the production processes, reducing costs and making steel production more efficient.

Finally, constantly evolving technology means better customer service, which Danieli is pursuing through its philosophy "to be a Step Ahead".

In the Steel Making sector, at ABS in Pozzuolo del Friuli, the project for the new Quality Wire Rod Mill is under way with a view to completing the existing range of coiled products, while ensuring high-quality finishing of products, the goal being to reduce energy consumption and broaden the metallurgical range to include products with greater value added, thus improving prices, quality and customer service.

Order Book

The Group's order book, in addition to being diversified by geographical area and product line, has increased, and for the period ended December 31, 2018, amounts to 3,197 million euro (of which 331 million euro in the special steelmaking sector) compared to 2,954 million euro for the year ended June 30, 2018 (of which 393 million euro for special steels).

Group Employees

As of December 31, 2018, the Danieli Group employs 9,562 people - an increase of 204 over the number of 9,358 for the year ended June 30, 2018.

Today, the Steel Making segment employs about 1,650 people, with linked industries employing an additional 1,500 people in Italy, while the Plant Making segment employs almost 8,000 people, of which more than 3,200 in Italy, providing employment for an additional 3,000 people in the country through linked industries.

Danieli Group Operations

The Danieli Group essentially runs two main businesses: The first (Plant Making) is in the field of plant engineering and manufacturing - including turnkey plants - for the production of metals. The Group's principal operating companies in the Plant Making segment are in Europe (Italy, Sweden, Germany, France, Austria, The Netherlands, the United Kingdom, Russia and Spain) and in Asia (China, Thailand, India, Vietnam, Turkey, Japan), with engineering departments and plants in the US, Brazil, Egypt, Poland, Czech Republic, Romania and Ukraine.

In the Plant Making sector, Danieli is one of the top three manufacturers in the world for metal making plants and machines, leader in meltshops and plants for the production of long products (these plants produce steel in electric arc furnaces – including from direct reduced iron – and in addition to being competitive in terms of Capex and Opex, are also environment-friendly, if compared to integrated plants that use blast furnaces and coke), and second in the manufacture of plants for flat products.

Not only is Danieli recognized for its capabilities as a plant designer, but also as a plant manufacturer, hence the motto: *“we do not shop around for noble equipment”*.

The second business (Steel Making) concerns the production of special steels through the companies of Acciaierie Bertoli Safau S.p.A. (ABS), ABS Sisak d.o.o. (ABS Sisak) and ESW Röhrenwerke GmbH. The steels produced in these facilities supply the automotive industry, heavy-duty vehicles, engineering, energy and petroleum industries. ABS is the number one steelmaker in Italy and among the leading ones in Europe in its field.

In Friuli-Venezia Giulia, the Danieli Group provides employment for almost 6,000 people, either directly or through linked industries, and represents almost 40% of the yearly exports of the province of Udine, and 20% of those of the region of Friuli.

Attached are the Group's income statement, assets and liabilities statement and consolidated financial position for the six-month period ended December 31, 2018, together with some comparative data.

Consolidated Six-monthly Financial Statements of the Danieli Group

In millions of euro

CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (*)	31/12/2018	30/06/2018
Assets		
Non-current assets	1,090.5	1,108.9
Current assets	3,765.6	3,579.1
<u>Total Assets</u>	<u>4,856.1</u>	<u>4,688.0</u>
Liabilities and Shareholders' Equity		
Share capital	81.3	81.3
Other reserves and profits carried forward, including profit for the year	<u>1,778.1</u>	<u>1,772.0</u>
Group shareholders' equity	<u>1,859.4</u>	<u>1,853.3</u>
Non-controlling interests	0.4	0.3
Non-current liabilities	425.1	419.3
Current liabilities	2,572.0	2,415.7
<u>Total liabilities and shareholders' equity</u>	<u>4,856.1</u>	<u>4,688.0</u>

CONSOLIDATED INCOME STATEMENT (*)	Period ended 31/12/2018	Period ended 31/12/2017
Revenues	1,476.0	1,245.4
Raw materials and consumables	795.1	600.6
Personnel costs	232.1	217.2
Other operating costs	344.0	320.6
Amortization, depreciation and write-downs	<u>60.4</u>	<u>52.2</u>
Operating income	44.4	54.8
Financial income/(charges)	3.5	1.2
Profit (loss) from foreign currency transactions	5.6	25.9
Income from valuation of shareholdings in affiliates according to the net equity method	1.2	0.1
Profit (loss) from extraordinary transactions	<u>0.0</u>	<u>0.0</u>
Profit (loss) before taxes	<u>47.7</u>	<u>30.0</u>
Income Taxes	<u>15.1</u>	<u>8.6</u>
Net profit for the period	<u>32.6</u>	<u>21.4</u>
(Profit) loss attributable to non-controlling interests	<u>0.1</u>	<u>0.3</u>
<u>Net profit attributable to the Group</u>	<u>32.7</u>	<u>21.7</u>

(*) Please note that some items of the consolidated balance sheet and income statement are an abridged form of the schedules of the consolidated six-monthly report.

CONSOLIDATED NET FINANCIAL POSITION

(millions of euro)	31/12/2018	01/07/2018(*)	30/06/2018
Current financial assets			
- securities and other financial receivables	517.6	459.9	459.9
- cash at banks	901.0	926.5	927.2
Total current financial assets	1,418.6	1,386.4	1,387.1
Non-current financial liabilities			
- bank debts	346.1	337.7	337.7
Total non-current financial liabilities	346.1	337.7	337.7
Current financial liabilities			
- bank debts and other financial liabilities	228.2	212.7	212.7
Total current financial liabilities	228.2	212.7	212.7
Current net financial position	1,190.4	1,173.7	1,174.4
Non-current net financial position	346.1	337.7	337.7
Positive net financial position	844.3	836.0	836.7

(*) effects arising from the adoption of IFRS 9 at 01.07.2018

The officer in charge of drawing up the corporate accounting documents, Mr. Alessandro Brussi, declares, pursuant to paragraph 2 of article 154 bis of the Consolidated Law on Finance, that to the best of his knowledge, the accounting data in this press release match the results in the accounting records, books and book entries for the period ended December 31, 2018.

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