

## 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](http://www.danieli.com)

### PRESS RELEASE

### DANIELI GROUP

The Board of Directors of Danieli & C. Officine Meccaniche S.p.A. (hereinafter also “Danieli”) met today, March 11, 2020, to examine and approve the consolidated six-monthly report for the period ended December 31, 2019, prepared according to international IAS/IFRS accounting standards, and acknowledging the result for the first six months of operations.

### CONSOLIDATED SIX-MONTHLY REPORT FOR THE PERIOD ENDED DECEMBER 31, 2019

(milions of euro)	31/12/2019	31/12/2018	Variation
Revenues	1,345.6	1,476.0	-9%
Gross operating margin (Ebitda)	65.6	104.6	-37%
Operating income (Ebit)	25.0	44.4	-44%
Net profit for the period from continued operations(*)	31.7	32.6	-3%
Net profit for the period attributable to the Group	21.1	32.7	-35%

  

	31/12/2019	30/06/2019	Variation
Positive net financial position(**)	865.8	928.3	-7%
Total shareholders' equity	1,908.1	1,899.2	0%
Number of employees at period end	9,378	9,521	-2%
Group order book	3,106	3,099	0%
(of which Steel Making)	190	237	-20%

(\*) The data referring to the period ended December 31, 2018, have not been reclassified since the activities performed at the ESW pipe mill up to that date could not be classified as discontinued (if said activities were reclassified, the sum of 32.6 million euro would amount to 38.5 million euro)

(\*\*) The positive net financial position for the period ended December 31, 2019, includes the effects resulting from the application of IFRS 16 as of July 1, 2019, amounting to 38.2 million euro.

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

The net profit of the business in operation is therefore in line with the last tax year and does not include, for the period ended December 31, 2019, the closing activities of the ABS - ESW Röhrenwerke GmbH pipe mill in Germany, which are considered to be “discontinued” pursuant to IFRS5.

The Net Result for the first six months of the 2019/2020 tax year is lower than last year, with an EBITDA that is also down by 37% for the period, due primarily to the poor result of the Steel Making (ABS) segment, which in the second half of 2019 saw a decline in production, with unsatisfactory prices and margins, in addition to the costs connected with the closing of the pipe mill in Germany, and to a Plant Making segment with better volumes and margins over last year but penalized by prudential contingency reserves for the startup of innovative plants.

However, in the months of January and February 2020, the Steel Making segment performed well, with a more receptive market and the expectation that the second half of the 2019/2020 tax year will be better. Conversely, the Plant Making segment is doing well due to the fact that manufacturing has begun on new orders acquired in the period, without the need for other or additional extraordinary provisions.

As regards the ABS Steel Making segment, in the month of November 2019, and following the negative results of the last few years, it was decided to shut down the ESW Röhrenwerke GmbH seamless pipe mill in Germany, a procedure that we estimate will be completed by June 2020.

Danieli Plant Making successfully completed the startup and tuning of the new Q-ONE digital transformer at ABS Sisak, which today represents one of the most innovative and promising eco-friendly technologies applied to the modern steelmaking industry, moving from the EAF to the Digital Melter.

The type of orders in the Plant Making backlog and the planning of production in the Group production units allowed an orderly saturation of design offices and manufacturing shops both in Italy and the Far East, without, for the time being, any significant delays in the supply chain due to production stoppages connected with COVID-19.

Group revenues are suffering due to diminished production volumes in Steel Making, which are 15% lower than the same period of the 2018/2019 tax year, in spite of the growth of the Danieli Plant Making segment, whose results are in line with the forecasts made at the beginning of the year, with an EBITDA of 42.1 million euro.

The order intake for the period was also good, allowing us to keep a high order backlog for the Plant Making segment for the period ended December 31, 2019, (a workload of two years), thanks to the innovative plants and technologies which were favorably received on the market.

However, Steel Making (ABS) revenues are below the budget drawn up at the beginning of the year and show a profitability of 23.5 million euros, with 510,000 tons of products shipped during the period ended December 31, 2019, (showing a decrease over the same period last year), with the goal of increasing profitability and volumes in the second half of the tax year and obtaining a positive result for the entire 2019/2020 tax year.

Therefore, for the above-mentioned reasons, the first six months of the 2019/2020 tax year show a diminished EBIT.

The performance of both Danieli Plant Making (plant engineering and manufacturing) and ABS Steel Making (production of special steels) as well as maintaining a good level of orders are such that for the time being we can predict a net recovery of results by the end of the tax year. In the Steel Making segment in particular, the results of the second half of 2019 are expected to improve in 2020 thanks to a greater volume of tons produced and more profitable prices tied to a better production mix in addition to a market that is more receptive to quality products.

### **Worldwide prospects for the metals production sector that affect Danieli's Plant Making business**

In 2019, the world economy reported an average growth of 2.9%, less than the 3.6% of 2018, but with the prospect of an improvement in 2020 and 2021 (IMF forecasts), except for possible differences resulting from a slowdown of the Chinese economy (which drives economies worldwide) due to discontinuous commercial negotiations with the US, and from production delays

caused by the effects of COVID-19 that could hold back growth in other world economies as well, given the health emergency of these past weeks.

In 2019, world steel production was about 1,870 million tons, up 3.4% over 2018 (as indicated by the World Steel Association), growing significantly in Asia (driven by China and India), and showing good results in the US and Middle East, while production remained steady in Russia and dropped in Europe, especially in the second half of the year.

In 2019, the average plant utilization factor was about 85%, higher than in 2018 and positively affected by a greater utilization of production capacity, especially by Chinese steelmakers, for which steel production is expected to hold steady in 2020 as well.

Therefore, the general outlook of the steel market for 2020 remains positive, with prices and margins in the EU and US more stable than in 2019, thanks to less fluctuation in the cost of raw materials and other factors of production, with a probable consolidation of results in 2021/2022.

In 2019, China continued its transition from primary metallurgy (ore-based) to secondary metallurgy (which uses recycled scrap metal), and steelmaking in electric arc furnaces (EAF) grew to 20% from 12% in 2018, thus making it possible to significantly reduce CO2 emissions thanks to a government support program that offers incentives to cut energy costs.

In Europe as well, the ESG concept has become more important for steelmakers, especially in terms of investments and sustainable manufacturing, also with a view to applying the fourth phase of the new environmental certification system in 2021, which will favor EAF steelmakers whose emissions impact is lower than that of traditional blast furnace steelmaking.

In the Plant Making segment, Danieli is a proven world leader in proposing solutions that:

- increase plant productivity and per capita added value of its personnel;
- reduce GHG emissions per ton produced by applying solutions with low environmental impact;
- apply in practice the principles of the 4.0 revolution in the steelmaking industry with the DIGIMET project to improve product quality and facilitate plant management by monitoring all production variables by means of dynamic predictive systems;
- efficiently combine production phases and endless solutions for both long and flat products, reducing time and costs and optimizing plant production efficiency.

Today, the concept - which is no longer only theoretical - of direct reduction plants that use hydrogen as an iron ore reducing agent combined with high-efficiency electric arc furnaces fed with renewable energy and rolling mills with electrical induction heating, leads, conceptually speaking, to steel production with zero environmental impact without CO2 emissions.

In conclusion:

- for the Plant Making segment, the demand for environment-friendly, high-tech, digitalized steel and aluminum making plants with competitive OpEx as well as enhanced quality and flexibility, has contributed to the good order intake for Danieli Plant Making, a trend we feel will become even stronger;
- for ABS Steel Making, the startup of the new wire rod mill scheduled for September 2020 will complete the range of quality steel products as well as improving the utilization factor of the steelmaking plants, resulting in lower average OpEx.

## **Summary of Results by Business Segment**

<b>Revenues</b>			
(milions of euro)	<b>31/12/2019</b>	<b>31/12/2018</b>	<b>Variation</b>
<b>Plant making</b>	1,021.3	934.2	9%
<b>Steel making</b>	324.3	541.8	-40%
<b>Total</b>	1,345.6	1,476.0	-9%

  

<b>Gross operating margin (Ebitda)</b>			
(milions of euro)	<b>31/12/2019</b>	<b>31/12/2018</b>	<b>Variation</b>
<b>Plant making</b>	42.1	44.1	-5%
<b>Steel making</b>	23.5	60.5	-61%
<b>Total</b>	65.6	104.6	-37%

  

<b>Operating income (Ebit)</b>			
(milions of euro)	<b>31/12/2019</b>	<b>31/12/2018</b>	<b>Variation</b>
<b>Plant making</b>	24.5	14.8	66%
<b>Steel making</b>	0.5	29.6	-98%
<b>Total</b>	25.0	44.4	-44%

  

<b>Net profit for the period attributable to the Group</b>			
(milions of euro)	<b>31/12/2019</b>	<b>31/12/2018</b>	<b>Variation</b>
<b>Plant making</b>	31.7	13.4	137%
<b>Steel making</b>	(10.6)	19.3	-155%
<b>Total</b>	21.1	32.7	-35%

Gross operating margin (EBITDA) is a measurement used by the Issuer to monitor and evaluate the performance of operations, and represents the operating profit before depreciation and amortization of fixed assets and net write-downs of receivables (this measure is not specified in the IFRS standards and therefore may not be fully comparable with other entities that use other calculation criteria).

In compliance with the IFRS 5 accounting standard, the revenues and costs of the EWS pipe mill were not reported separately since they refer to discontinued operations and are correlated with their closing, and the loss for the period is directly entered under profit/loss for the year.

Thanks to the investments made in both operating segments, the Danieli Group intends to offer its customers better and better service in terms of quality, prices and on-time delivery, as well as streamlining company processes to reduce wastefulness and emissions, while striving for maximum customer satisfaction through innovative and environment-friendly products.

## **Strategies**

Below are some of Danieli's mottos:

- *"Innovation to be a step ahead in Capex and Opex"* which aims to make the most of the Group's new organizational model, promoting multicultural, intellectual growth and creating solutions to meet current market requirements more effectively.
- *"Passion to innovate and perform"* but also *"We do not shop around for noble equipment"*. The Danieli Group will therefore continue to consolidate and expand its business in order to be more competitive in terms of innovation, technology, quality, costs, productivity and customer service.

- “*Absolute Steel Quality*” which summarizes ABS’ constant commitment to produce steels with a finish and customer service that are always in line with the most demanding expectations and for the most innovative and rigorous industrial applications.

The research and technological development implemented by Danieli in the last decade have enabled us to expand the range of plants supplied to the entire metals sector (steel, aluminum and other metals), significantly lowering the cost of the initial investment of each project (CAPEX), while also optimizing operating expenses (OPEX), continuously combining several work stages within the production process, thereby increasing the number of potential investors thanks to more economically feasible investments in countries with mature economies as well as in developing countries.

In the period, the Plant Making segment continued to make rational use of its international structures, focusing in particular on competitiveness in terms of innovation, technology, quality, efficiency and customer service.

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

ABS is known worldwide as one of the most modern steel plants in the world for the quality of its facilities that not only guarantee certified products but also the highest production efficiency and full protection of the ecosystem in which it operates.

The product quality and delivery times of ABS are in line with those of the best producers in the world, as its goal is to be the leading special steelmaker in Italy and among the first three in Europe.

### **Order Book**

The Group’s order book is well diversified by geographical area and product line, and for the period ended December 31, 2019, amounts to 3,106 million euro (of which 190 million euro in the special steelmaking sector) compared to 3,099 million euro for the year ended June 30, 2019 (of which 237 million euro for special steels).

The order book does not include some important contracts that have already been signed but have not come into force yet.

For the Group, maintaining a stable and significant order book confirms steelmakers’ propensity to invest in new plants thanks to the competitiveness and innovative solutions being proposed by Danieli, which today has more and more qualifications and references for the entire range of steelmaking products.

### **Human Resources**

As of December 31, 2019, the Danieli Group employed 9,378 people, of which 1,589 in the Steel Making segment and 7,789 in the Plant Making segment, down by 143 over the figure of 9,521 for the year ended June 30, 2019.

Danieli continues to pursue innovation, efficiency and quality of customer service at a fast pace, encouraging team excellence by promoting merit and teamwork. Danieli Academy will undergo further expansion to broaden the selection and training of junior employees, while also providing refresher courses and professional improvement for senior employees.

### **Danieli Group Operations**

The Danieli Group essentially runs two main businesses: The first (Danieli Plant Making) is in the field of engineering and manufacturing of plants – including turnkey plants – for the production of metals. Its 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), with service centers in the US, Brazil, Egypt, Turkey 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 – which, in addition to being competitive in terms of Capex and Opex, are also environment-friendly, compared to integrated plants that use blast furnaces and coke); and it is also second in the manufacture of plants for flat products.

The second business (Steel Making) concerns the production of special steels at ABS and ABS Sisak d.o.o. 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 about 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.

Moreover, concerning the support provided to families, in addition to the daycare center and kindergarten that have been operating for years now, we have prepared a program for the primary school, whose teaching methods are considered to be more advanced than traditional ones, particularly as regards the consolidation of soft skills, and which has been certified as a “Cambridge Exam Preparation Center” thanks to the quality education being offered for English language learning.

After the daycare center and the primary school, a plan is under way to build a junior high school as well, to ensure education for the children until they are ready to start high school, giving them a solid background in humanistic and technical studies together with the appropriate soft skills.

Danieli also took part in the *Carbon Disclosure Project* (CDP), and in 2019 was one of the worthiest Italian and European companies, thanks to its significant commitment to developing innovative *environment-friendly* solutions for our customers.

Specifically, Danieli took part in the “*Climate Change*” initiative promoted by “*Science Based Targets Initiative*” which helps companies grow more sustainably by dealing with the effects of climate change on their *businesses*.

Attached is a summary of the statement of assets and liabilities, the income statement (excluding the overall income statement), and the consolidated financial position of the Group for the period ended December 31, 2019, compared with the data for the periods ended December 31, 2018, and June 30, 2019.

## Consolidated Financial Statements of the Danieli Group

<b>CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (*)</b>	<b>31/12/2019</b>	<b>30/06/2019</b>
<b>ASSETS</b>		
Non-current assets	1,139.8	1,050.9
Current assets	4,015.7	4,020.1
<b><u>Total Assets</u></b>	<b><u>5,155.5</u></b>	<b><u>5,071.0</u></b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Share capital	81.3	81.3
Other reserves and profit carries forward, including profit for the year	1,827.5	1,818.4
Group shareholders' equity	1,908.8	1,899.7
Non controlling interest in shareholders' equity	(0.7)	(0.5)
Non Current Liabilities	271.0	379.2
Current liabilities	2,976.4	2,792.6
<b><u>Total liabilities and shareholders' equity</u></b>	<b><u>5,155.5</u></b>	<b><u>5,071.0</u></b>

<b>CONSOLIDATED INCOME STATEMENT (*)</b>	<b>Periods ended</b>	
	<b>31/12/2019</b>	<b>31/12/2018</b>
<b>Revenues</b>	1,345.6	1,476.0
Goods and finished products	(711.5)	(795.1)
Personnel costs	(233.0)	(232.1)
Other operating costs	(335.5)	(344.0)
Depreciation, amortisation and write-downs	<u>(40.6)</u>	<u>(60.4)</u>
<b>Operating income</b>	<b>25.0</b>	<b>44.4</b>
Financial Income and charges	5.1	(3.5)
Gains/(losses) on foreign exchange transactions	8.4	5.6
Income/(charges) arising from the valuation of equity investments in assoc. with the equity method	<u>0.3</u>	<u>1.2</u>
<b>Profit before taxes</b>	<b>38.7</b>	<b>47.7</b>
Income taxes	<u>(7.0)</u>	<u>(15.1)</u>
<b>Net profit for the period from continued operations</b>	<b>31.7</b>	<b>32.6</b>
Profit and loss deriving from yielded assets	<u>(10.7)</u>	<u>0.0</u>
<b>Net profit for the period</b>	<b>21.0</b>	<b>32.6</b>
<b>(Profit)/loss attributable to non-controlling interests</b>	<b>0.1</b>	<b>0.1</b>
<b><u>Net profit for the period attributable to the Group</u></b>	<b><u>21.1</u></b>	<b><u>32.7</u></b>

(\*) Please note that some items of the consolidated balance sheet and income statement are presented in abridged form compared to the schedules of the annual report.

## **CONSOLIDATED NET FINANCIAL POSITION**

(millions of euro)	31/12/2019	30/06/2019	Variation
<b>Non-current financial assets</b>			
Other financial receivables	13.1	0.4	12.7
<b>Current financial assets</b>			
Securities and other financial assets	639.4	588.2	51.2
Cash and cash equivalents	1,067.3	1,102.9	(35.6)
<b>Total</b>	<b>1,706.7</b>	<b>1,691.1</b>	<b>15.6</b>
<b>Non-current financial liabilities</b>			
Non-current bank loans	163.2	299.4	(136.2)
Non-current financial loans according to IFRS16	29.8		29.8
<b>Total</b>	<b>193.0</b>	<b>299.4</b>	<b>(106.4)</b>
<b>Current financial liabilities</b>			
Bank debts and other financial liabilities	652.6	463.8	188.8
Current financial loans according to IFRS16	8.4		8.4
<b>Total</b>	<b>661.0</b>	<b>463.8</b>	<b>197.2</b>
<b>Current net financial position</b>	<b>1,045.7</b>	<b>1,227.3</b>	<b>(181.6)</b>
<b>Non-current net financial position</b>	<b>(179.9)</b>	<b>(299.0)</b>	<b>119.1</b>
<b>Positive net financial position</b>	<b>865.8</b>	<b>928.3</b>	<b>(62.5)</b>

The officer in charge of drawing up the corporate accounting documents, Mr. Alessandro Brussi, pursuant to paragraph 2 of article 154 bis of the Consolidated Law on Finance, declares that to the best of his knowledge, the accounting data in this press release correspond to the results in the accounting records, books and book entries for the period ended December 31, 2019.

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