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Oggetto : Approval of the consolidated annual report
as of 30 June 2017

Testo del comunicato

Vedi allegato.

DANIELI & C. OFFICINE MECCANICHE S.p.A.

Buttrio (UD) – via Nazionale n. 41 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, September 26, 2017, to examine and approve the yearly financial statements for the parent company and the consolidated financial statements for the Danieli Group, referring to the year from July 1, 2016, to June 30, 2017.

CONSOLIDATED ANNUAL REPORT FOR THE YEAR ENDED JUNE 30, 2017

(millions of euro)	to 30/06/2017	to 30/06/2016	Variation
Revenues	2,490.9	2,493.4	0%
Normalized gross operating margin (Adjusted EBITDA)	225.0	211.4	6%
Gross operating margin (EBITDA)	202.5	211.4	-4%
EBIT	70.3	90.2	-22%
Net profit for the period	50.2	88.0	-43%
Net profit attributable to the Group	50.5	88.3	-43%
Net positive financial position	912.5	908.2	0%
Consolidated shareholders' equity	1,817.8	1,777.2	2%
Number of employees	8,959	9,419	-5%
Group order book	2.532	2,814	-11%
(Steel Making)	375	162	131%

Summary of results for the year 2016/2017

Group revenues are in line with last year's results with diminished sales in the *Plant Making* sector and increased sales in the *Steel Making* sector with the ABS Group, which is also showing higher production volumes than in fiscal 2015/16, in spite of the temporary production stoppage of ABS Sisak doo.

The normalized gross operating margin (which reflects the margins related to the order book for the year) remained steady as predicted but was penalized by the extraordinary non-recurring expenses incurred in companies that have recently joined the group and are either not yet fully integrated or have undergone a production stoppage: in the Steel Making segment, the ESW pipe mill in Germany and ABS Sisak in Croatia, the Italian company FATA in Plant Making, while the subsidiary Danieli Corus suffered unexpected losses on a job order for a *blast furnace* in the Netherlands.

However, *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 EBITDA of 138.0 million euro to be normalized to 154.8 million euro, having sustained in the period "non-recurring" charges amounting to about 16.8 million euro linked to non-repeatable costs and to restructuring on problematic projects or whose start-up was delayed, in markets that are not yet fully normalized.

Steel Making segment revenues, on the other hand, are slightly higher than what was budgeted at the beginning of the year and show a gross profitability of 64.5 million euro, to be normalized to 70.2 million euro, having sustained in the period non-recurring charges amounting to approximately 5.7 million euro due to the restart of the recently acquired pipe mill in Germany and the production stoppage of the Sisak meltshop in Croatia.

Products sold in the period in the Steel Making segment (ABS Group) reached about 1,080,000 tons by June 30, 2017, (a 10% increase over the same period last year), with the goal of maintaining this level of growth in volume next year as well.

Therefore for the 2016/2017 financial year EBIT is positive albeit lower in both operating segments; in Steel Making it is also negatively affected by the "one-time" writedown of energy certificates at ABS, amounting to almost 8 million euro and concerning certain projects that were initially approved but subsequently rejected by the Regulatory Body.

During the year, the consolidated net profit was consequently affected by these contingent situations including financial management, which was negatively influenced by the US dollar exchange rate; however it is felt that a recovery will be possible next year in both operating segments, thanks also to the Group's solid net financial position which continues to be considerable and stable.

The Board of Directors has acknowledged the results for the 2016/2017 fiscal year, pointing out that the performance of both the *Plant Making* and Steel Making segments – and the large amount of orders – lead us to forecast positive results for next year without being conditioned by any additional extraordinary restructuring charges.

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

In the first half of 2016, world steel production was almost 836 million tons, reporting an approximate 4.5% increase over the same period in 2015, which had reached a total of approximately 1,610 million tons over the 12-month period.

Forecasts for 2017 point to an overall increase of around 3.5-4.0%, with Asia (driven by China and India) showing 5% growth, and advanced and emerging countries showing a smaller growth rate of about 3.0-3.5%.

The steel market therefore improved in 2017 and is expected to stabilize further in 2018, although we feel we are in a "New Normal" phase similar to the one that occurred in the years 1970-2000 that could last for 10 years or more.

Steel makers worldwide are placing more attention on running their plants using innovative solutions and the *Green Steel* technologies that are available, thereby reducing both greenhouse gas emissions and energy consumption per ton, resulting in zero waste for socially sustainable and efficient production for the community and the environment.

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), combining several work stages into a single processing line, and widening the number of potential investors thanks to investments that are more economically feasible in countries with mature economies as well as in developing countries.

To remain competitive in a "New Normal" market, Danieli has invested in technologies that always promote customer centricity while boosting plant productivity as well as per capita value

added. The DIGIMET project applies the principles of the 4.0 revolution in the steelmaking industry to guarantee total control of production variables with respect to the creation/start-up of plants and also to speed up the production processes, reducing costs and optimizing the efficiency of steel production.

Summary of Results by Business Segment

Revenues			
(millions of euro)	30/06/2017	30/06/2016	Variation
Plant Making	1,751.0	1,872.1	-6%
Steel Making	739.9	621.3	19%
Total	2,490.9	2,493.4	0%
Normalized gross operating margin (Adjusted EBITDA)			
(millions of euro)	30/06/2017	30/06/2016	Variation
Plant Making	154.8	149.3	4%
Steel Making	70.2	62.1	13%
Total	225.0	211.4	6%
Gross operating margin (EBITDA)			
(millions of euro)	30/06/2017	30/06/2016	Variation
Plant Making	138.0	149.3	-8%
Steel Making	64.5	62.1	4%
Total	202.5	211.4	-4%
Operating income			
(millions of euro)	30/06/2017	30/06/2016	Variation
Plant Making	57.1	70.9	-19%
Steel Making	13.2	19.3	-32%
Total	70.3	90.2	-22%
Net profit attributable to the Group			
(millions of euro)	30/06/2017	30/06/2016	Variation
Plant Making	41.3	76.6	-46%
Steel Making	9.2	11.7	-21%
Total	50.5	88.3	-43%

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 writedowns of receivables (since this is not specified in IFRS principles it may not be fully comparable with other entities that used other calculation criteria).

The normalized Gross Operating Income (adjusted EBITDA) does not include non-recurring charges and costs amounting to 22.5 million euro incurred during the year in connection with restructuring, reorganization and/or problematic one-time projects that will not be repeated in the next fiscal years.

Strategies

Below are some of Danieli's mottos:

- *"Passion to innovate and perform" but also "We do not shop around for noble equipment".*
The Danieli Group will continue to consolidate and expand its business in order to be more

competitive in terms of innovation, technology, quality, costs, productivity and customer service.

Not only is Danieli known for its capabilities in the supply of plants but also for its manufacturing know-how: in Europe, for its noble and high-tech products, in Asia for the design and manufacture of consolidated, proven products made with the same quality as those in Europe.

- “A *step ahead*” which aims to set up a new organizational model for the Group, promoting multicultural intellectual growth and creating solutions to meet current market requirements more effectively

In particular, in order to consolidate these strategies, the company plans to expand the Danieli Academy to train junior employees, provide refresher courses for senior staff, and make the most of talented youths.

As we are convinced that the New Normal period will last for at least 5 years, we consider the drop in investments in new plants as an established fact, a drop that will be offset by the revamping of existing plants and services. But this is not enough. More innovation and downstreams are needed, and we are working on a vision in this respect in the medium-long term.

Order Book

The Group’s order book is well diversified according to geographical area and product line, and for the year ended June 30, 2017, amounts to 2,532 million euro (of which 375 million euro in the production of special steels) compared to 2,814 million euro for the year ended June 30, 2016 (of which 162 million euro for special steels).

The recognized strategic role of the metals industry as well as its multiplying effect on employment and the development of the manufacturing industry generally continues to drive this sector through investments in innovative plants in both developing countries and in those with mature economies.

Human resources

As of June 30, 2017, the Danieli Group employed 8,959 people - 1,420 in the *Steel Making* segment and 7,539 in the Plant Making segment, a decrease of 460 over the figure of 9,419 for the year ended June 30, 2016.

In the period Danieli completed the reorganization of human resources at its facilities in India, Thailand and China, which in any event still make up 35% of the Group total, since Asia produces about 55% of all the steel in the world.

Danieli continues to pursue innovation, efficiency and quality of customer service at a fast pace, promoting team excellence, which is taking on an increasingly important and strategic role for the success of the company. Consequently, this confirms the importance of carefully managing and making the most of the potential and aptitude of people in order to ensure that the Group’s training programs are in line with the best practices.

Consolidated Value Added

The economic value that is generated converts the Group’s ability to create wealth and distribute it as remuneration for the *stakeholders*.

The tables below show how economic value is distributed among *stakeholders* through the reclassification of data from the consolidated income statement.

(millions of euro)

Total global value added	30/06/2017	30/06/2016
A. Revenues/ Value of production	2,490.9	2,493.4

B. Intermediate production costs	1,986.4	1,952.0
(A - B) Core global value added	504.5	541.4
C. Ancillary components	0.5	23.0
Total Value Added	505.0	564.4

Total value added is divided among the following beneficiaries, where personnel (direct remuneration comprising salaries, wages, employee termination indemnity and indirect remuneration in the form of social security contributions) and the Public Administration (income taxes and other taxes) cover almost 88% of the total, while the remaining 12% includes venture capital (dividend distribution), third parties (non-controlling interests), company remuneration (reinvested earnings), remuneration to lenders (interest on loans) and donations and sponsors (sponsorships, donations and other forms of contribution).

(millions of euro)

Distribution of total value added	30/06/2017		30/06/2016	
A. Personnel remuneration	425.1	84.2%	443.8	78.6%
B. Public administration remuneration	20.9	4.1%	23.5	4.2%
C. Venture capital remuneration	5.9	1.2%	8.2	1.5%
D. Third party remuneration	(0.4)	(0.1%)	(0.3)	(0.1%)
E. Company remuneration	44.6	8.8%	80.1	14.2%
F. Lender remuneration	7.7	1.5%	7.7	1.4%
G. Donations and sponsorships	1.2	0.2%	1.4	0.2%
Total Value Added	505.0	100.0%	564.4	100.0%

The Chairman of Danieli's Board of Directors and his executive directors confirm the company's commitment to augmenting its Corporate Responsibility towards the global community, not only directly but also indirectly, by promoting the research and development of steelmaking equipment and machines using *Green Steel* and *Sustainable Steel* solutions, thereby improving efficiency, safety and reducing waste as well as the impact of GHG for the protection of the environment.

Danieli also took part in the Carbon Disclosure Project (CDP), and in 2016 was one of the most worthy Italian and European companies, showing a marked improvement in classification thanks to our increasing commitment to developing innovative, environment-friendly solutions for our customers.

The CDP Climate Change initiative helps more than 800 institutional investors identify from among thousands of corporations the ones that are the most motivated to grow sustainably by managing the effects of climate change on their businesses.

Resolutions of the Board of Directors

The Board of Directors, in addition to approving the financial statements, will propose to the assembly of shareholders, who following a single call will meet at company headquarters on October 27, 2017 at 2 p.m., the distribution of a unit dividend of euro 0,10 for ordinary shares and euro 0,1207 for saving shares, for a total of euro 8,194,928 upon detachment of coupon n.39 – for both categories of shares – on November 6, 2017, payable as of November 8, 2017 (*record date*: November 7, 2017).

The Board of Directors proposes a dividend that is still low and unchanged from last year in order to keep making significant investments in research and innovation for the purpose of developing new products and specific technologies for the current "*New Normal*" of the steel market.

The Board of Directors has noted that in the last 10 years, as much as 86% of profits has been invested back into the company, not only to maintain its financial solidity but also to invest in new plants and innovation.

The Board of Directors has also appointed Giacomo Mareschi Danieli executive director, who will work with Alessandro Trivillin, and appointed Camilla Benedetti Vice-President of the company.

Note that the annual assembly, in addition to the approval of the financial statements, is also called to deliberate on the following items:

1. The Report on Remuneration in accordance with art. 123-ter of Legislative Decree no. 58 of February 24, 1998.
2. Authorization to purchase and sell own shares. Resolutions pertaining thereto and resulting therefrom.

Danieli Group Operations

The Danieli Group essentially runs two main businesses: the first (*Plant Making*) is in the field of engineering and manufacture 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, 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 – and 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 second in the manufacture of plants for flat products.

The second business (*Steel Making*) concerns the production of special steels through the companies of Acciaierie Bertoli Safau S.p.A. (ABS), ESW Rohrenwerke GmbH 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.

As concerns the well-being of our employees (and others), in addition to the kindergarten that has been running for several years, this year we launched the elementary school, whose teaching methods are considered to be avant-garde compared to traditional teaching methods.

Attached are the statement of assets and liabilities, the income statement (excluding the overall income statement), and the consolidated financial position of the Group and the Parent Company Danieli & C. – Officine Meccaniche S.p.A., for the period ended June 30, 2017, compared with the data for the period ended June 30, 2016.

Consolidated Financial Statements of the Danieli Group

in millions of euro

CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (*)	30/06/2017	30/06/2016
Assets		
Non-current assets	1,157.4	1,183.7
Current assets	3,654.5	4,149.4
Total Assets	<u>4,811.9</u>	<u>5,333.1</u>
Liabilities and Shareholders' Equity		
Share capital	81.3	81.3
Other reserves and profits carried forward, including profit for the year	<u>1,737.2</u>	<u>1,695.2</u>
Group shareholders' equity	1,818.5	1,776.5
Non-controlling interests	(0.7)	0.6
Non-current liabilities	250.2	503.7
Current liabilities	2,743.9	3,052.3
Total liabilities and shareholders' equity	<u>4,811.9</u>	<u>5,333.1</u>

	Year ended	
CONSOLIDATED INCOME STATEMENT (*)	30/06/2017	30/06/2016
Revenues	2,490.9	2,493.4
Raw materials and consumables	(1,233.9)	(1,204.5)
Personnel costs	(425.1)	(443.8)
Other operating costs	(631.3)	(633.6)
Amortization, depreciation and write-downs	<u>(130.4)</u>	<u>(121.3)</u>
Operating income	70.2	90.2
Financial income/(charges)	0.8	(0.6)
Profit (loss) from foreign currency transactions	(7.3)	17.3
Income from valuation of shareholdings in affiliates according to the net equity method	(0.7)	(1.3)
Profit (loss) from extraordinary transactions	<u>0.0</u>	<u>0.0</u>
Profit (loss) before taxes	63.0	105.6
Income Taxes	<u>(12.9)</u>	<u>(17.6)</u>
Net profit for the period	50.1	88.0
(Profit) loss attributable to non-controlling interests	<u>0.4</u>	<u>0.3</u>
Net profit attributable to the Group	<u>50.5</u>	<u>88.3</u>

(*) 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)	30/06/2017	30/06/2016	Variation
Current financial assets			
- Securities and other financial receivables	557.1	456.1	101.0
- cash at banks	1,078.5	1,389.5	(311.0)
Total current financial assets	1.635.6	1,845.6	(210.0)
Non-current financial liabilities			
- bank debts	159.0	410.0	(251.0)
Total non-current financial liabilities	159.0	410.0	(251.0)
Current financial liabilities			
- bank debts and other financial liabilities	564.1	527.4	36.7
Total current financial liabilities	564.1	527.4	36.7
Current net financial position	1,071.5	1,318.2	(246.7)
Non-current net financial position	(159.0)	(410.0)	251.0
Net positive financial position	912.5	908.2	4.3

Financial statements of Danieli & C. - Officine Meccaniche S.p.A.

in millions of euro

BALANCE SHEET (*)	30/06/2017	30/06/2016
Assets		
Non-current assets	1,357.3	1,300.7
Current assets	974.4	1,299.1
<u>Total Assets</u>	<u>2,331.7</u>	<u>2,599.8</u>
Liabilities and Shareholders' Equity		
Share capital	81.3	81.3
Other reserves and profits carried forward, including profit for the year	<u>573.2</u>	<u>567.2</u>
Shareholders' equity	654.5	648.5
Non-current liabilities	118.5	362.6
Current liabilities	1,558.7	1,588.7
<u>Total liabilities and shareholders' equity</u>	<u>2,331.7</u>	<u>2,599.8</u>

	Year ended	Year ended
INCOME STATEMENT (*)	30/06/2017	30/06/2016
Revenues	935.3	1,029.2
Raw materials and consumables	(525.2)	(585.4)
Personnel costs	(133.5)	(139.3)
Other operating costs	(239.5)	(278.9)
Amortization, depreciation and write-downs	<u>(19.3)</u>	<u>(24.2)</u>
Operating income	17.8	1.4
Financial income/(charges)	(0.7)	(3.8)
Profit (loss) from foreign currency transactions	<u>(3.1)</u>	<u>8.1</u>
Profit (loss) before taxes	<u>14.0</u>	<u>5.7</u>
Income Taxes	<u>(0.4)</u>	<u>(2.1)</u>
<u>Net profit for the period</u>	<u>13.6</u>	<u>3.6</u>

(*) 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.

NET FINANCIAL POSITION OF DANIELI & C, - OFFICINE MECCANICHE S.p.A.

Analysis of Net Financial Position

(millions of euro)	30/06/2017	30/06/2016	Variation
Current financial assets			
- Other financial receivables	32.5	46.5	(14.0)
- cash at banks	239.2	427.9	(188.7)
Total current financial assets	271.7	474.4	(202.7)
Non-current financial liabilities			
- bank debts	95.0	332.0	(237.0)
Total non-current financial liabilities	95.0	332.0	(237.0)
Current financial liabilities			
- bank debts and other financial liabilities	458.3	179.9	278.4
Total current financial liabilities	458.3	179.9	278.4
Current net financial position	(186.6)	294.5	(481.1)
Non-current net financial position	(95.0)	(332.0)	237.0
Negative net financial position	(281.6)	(37.5)	(244.1)

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 June 30, 2017.

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Financial statements and publications
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and on the Company's Web Site:
www.danieli.com, Investors section

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