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Testo del comunicato

Vedi allegato.

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

The Board of Directors of Danieli & C. Officine Meccaniche S.p.A. (hereinafter also "Danieli") met today, March 11, 2021, to examine and approve the consolidated six-monthly report for the period ended December 31, 2020, 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 31.12.2020

(millions of euro)	31/12/2020	31/12/2019	Variation
Revenues(*)	1,278.1	1,389.6	-8%
Gross operating margin (Ebitda)	95.5	65.6	46%
Operating income (Ebit)	56.4	25.0	126%
Net profit from continued operations(**)	17.0	31.7	-46%
Net profit attributable to the Group	14.1	21.1	-33%

	31/12/2020	30/06/2020	Variation
Positive net financial position	908.3	903.2	1%
Total shareholders' equity	1,940.0	1,936.6	0%
Number of employees at period end	8,779	9,060	-3%
Group order book	2,688	2,936	-8%
(of which Steel Making)	296	190	56%

(*) Added to the revenues of 1,242.1 euro for the half-year ended December 31, 2020, is the figure of 36 million euro for self-constructed assets (compared to 44 million euro for the period ended December 31, 2019).

(**) In application of IFRS 5.

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

EBITDA is up 46% over the same period last year, driven by a Plant Making segment that in the period benefited from additional margins tied to the successful completion of some projects, and with a Steel Making segment in recovery in the second half of 2020.

On the other hand, the Net Result for the first six months of the 2020/2021 financial year is down, affected by negative exchange differences related to the alignment of cash on hand and the other items in the report expressed in USD with the exchange rate for the period ended December 31, 2020, which has lost about 10% compared to the exchange rate of the Euro for the year ended June 30, 2020.

In the period, the Plant Making segment continued to make rational use of its international facilities, aiming for competitiveness in terms of innovation, technology, quality, efficiency and customer service.

In the Steel Making sector, at ABS in Pozzuolo del Friuli, the project for the new Quality Wire Rod Mill took off, which will allow further production diversification while ensuring a high-quality product finish and extending the metallurgical range to sectors with greater value added, thus improving prices, quality and customer service.

The net profit of operating activities amounts to 17 million euro and does not include, for the period ended December 31, 2020, the activities to close down the ESW pipe mill in Germany, considered to be "discontinued" according to IFRS 5, as also reported for the period ended December 31, 2019.

In the first months of 2021, Steel Making segment activities benefited from a more receptive market, with the expectation that in the second half of the 2020/2021 tax year it will perform well, while the Plant Making segment continues to follow a linear path (thanks to the fact that manufacturing has begun on new orders acquired in the period), without the need for extraordinary provisions.

Group revenues are lower than they were in the same period last year, with sales showing a rise in the Steel Making segment and a 13% drop in the Plant Making segment compared to the same period of the 2019/2020 tax year. However, Plant Making revenues are in line with the forecasts made at the beginning of the year and are due to the fulfillment of construction schedules contractually agreed with customers, with an EBITDA of 68.0 million euro backed by production of more profitable orders with a more sophisticated technological content and consequently more added value.

The order intake for the period was also good, allowing us to maintain a high order backlog for the Plant Making segment for the period ended December 31, 2020, (a workload of two years), thanks to the innovative plants and technologies which were favorably received on the market.

Steel Making (ABS) revenues are in line with the budget drawn up at the beginning of the year and show a profitability of 27.5 million euro, with about 500,000 tons of products shipped during the period ended December 31, 2020, (in line with the volumes of 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 current tax year.

Finally, net consolidated profit is below the forecasts made at the beginning of the year and is penalized by the negative alignment of borrowings and receivables expressed in foreign currency with the USD-Euro exchange rate for the period ended December 31, 2020. The alignment of items expressed in foreign currency with the exchange rate of March 11, 2021, allegedly led to a positive variation of about 20 million euro due to unrealized exchange differences in the period, compared to the figure recorded for the period ended December 31, 2020.

The performance of both Plant Making (plant engineering and manufacturing) and 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 good recovery of results by the end of the tax year. In the Steel Making Segment in particular, the results of the second half of 2020 are expected to improve in 2021 thanks to a higher tonnage produced and more remunerative 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 2020, the world economy shrunk by 3.5%, a sharp drop compared to the growth of 2.8% recorded in 2019, even if is expected to quickly improve in 2021 and 2022 (IMF forecasts). There are, in fact, positive expectations of overcoming the COVID-19 pandemic thanks to the new vaccines and a general economic relaunch by the principal industrialized countries.

The average growth of 5.5% forecast for 2021 will, however, follow the marked stop that occurred in 2020, with varying implications among countries, depending on their access to medical care and the effectiveness of the economic aid policies implemented by each country.

In 2020, world steel production was about 1,864 million tons, showing a decrease of only 0.9% over 2019 (as reported by the World Steel Association), with growth in Asia (driven by the 5.2% increase reached in China) and declining results in the rest of the world, especially in the US and the EU, while production in the Middle East, Russia and Africa remained stable or recorded a slight increase, especially in the second half of the year.
In 2020, the average plant utilization factor was about 80%, positively affected by a better utilization (about 85%) of production capacity by Chinese steelmakers, for which the forecasts made up to now point to steel production holding steady in 2021 as well.
Steelmakers in the rest of the world, on the other hand, report a utilization factor of about 65%, which is partially compromised by the high level of imports and still partially limited by the need to restructure the sector in order to increase production efficiency and the quality of finished products.
Therefore, the general outlook of the steel market for 2021 remains positive, with better prices and margins compared to 2020, thanks to a smaller fluctuation in the factors of production and a more receptive end market where quantities are expected to go up and a probable consolidation of results in 2022/2023.
The EU but also the US and China are programming their business priorities by trying to align themselves with the principles of sustainability (SDG) promoted by UN Global Compact to reach the goals of sustainable development of Agenda 2030.
After an unprecedented period of crisis caused by the COVID-19 pandemic, we will have to step up and take action to mitigate emissions by focusing on primary activities involving the entire value chain to cut Greenhouse Gas emissions in all industrial phases.
The ESG concept is becoming increasingly important for steelmakers as well, especially in terms of investments and sustainable development, considering the new taxation mechanisms (Carbon Border Tax) on the CO2 content of steel products imported into the EU, which will be implemented in 2021, together with a new European system of Environmental Certificates aiming to favor EAF steelmakers whose emissions impact is lower than traditional steelmaking using blast furnaces.

In conclusion, in the Plant Making segment the demand for digitalized, high-tech plants for the production of steel and aluminum with competitive OpEx, enhanced quality and flexibility, which are environment-friendly, is contributing to the good order intake for Danieli's Plant Making division, a trend we feel will strengthen even further.

The Danieli Plant Making segment 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 technological solutions with low environmental impact;
- put into practice the principles of the 4.0 revolution in the steelmaking industry with the DIGIMET project to monitor production variables by running the plants with dynamic predictive systems and managing all production variables;
- combine all production phases with endless solutions to speed up processes for both long and flat products, reducing time and costs and optimizing plant production efficiency.

Primary steelmaking accounts for approximately 7-9% of global CO2 emitted by fossil fuels (an industrial sector that is second only to the energy generation sector), and its transformation according to the Paris agreements involves a decarbonization process to initially improve the efficiency of blast furnaces but subsequently use new technologies to gradually replace them.

The now possible combination of direct reduction plants that use gas and hydrogen as an iron ore reducing agent together with digital, high-efficiency electric arc furnaces fed with renewable energy and rolling mills with induction heating furnaces leads, basically speaking, to green steel production with zero environmental impact without GHG emissions, thus reducing the average generated CO_2 volumes from 1,800Kg to 300-400Kg per ton of steel produced.

Summary of Results by Business Segment

Revenues (*) (millions of euro)	31/12/2020	31/12/2019	Variation
Plant making	925.3	1,065.3	-13%
Steel making	352.8	324.3	9%
Total	1,278.1	1,389.6	-8%
Gross operating margin (Ebitda)			
(millions of euro)	**31/12/2020**	**31/12/2019**	**Variation**
Plant making	68.0	42.1	62%
Steel making	27.5	23.5	17%
Total	95.5	65.6	46%
Operating income (Ebit)			
(millions of euro)	**31/12/2020**	**31/12/2019**	**Variation**
Plant making	53.3	24.5	118%
Steel making	3.1	0.5	520%
Total	56.4	25.0	126%
Net profit attributable to the Group			
(millions of euro)	**31/12/2020**	**31/12/2019**	**Variation**
Plant making	14.8	31.7	-53%
Steel making	(0.7)	(10.6)	-93%
Total	14.1	21.1	-33%

(*) Plant Making revenues include 36 million euro for the Quality Wire Rod Mill sold to ABS (44 million euro for the period ended December 31, 2019)

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, as already stated in the six-monthly report for the period ended December 31, 2019.

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:

- "*Innovaction 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 degree of finish and a 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), but also optimizing operating expenses (OpEx), combining several work stages in 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.

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 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 steelmaking 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, and 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, 2020, amounts to 2,688 million euro (of which 296 million euro in the special steelmaking sector) compared to 2,936 million euro for the year ended June 30, 2020 (of which 190 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, 2020, the Danieli Group employed 8,779 people, of which 1,348 in the Steel Making segment and 7,431 in the Plant Making segment, down by 281 over the figure of 9,060 for the year ended June 30, 2020.

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 be further expanded to broaden the selection and training of junior employees, but will also provide 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 – 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 it is second in the manufacture of plants for flat products.

The second business (Steel Making), on the other hand, concerns the production of special steels through the companies of ABS ed 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, the Danieli Group has 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 of the education being offered for the learning of the English language.

After the daycare center and the primary school, the construction of the junior high school is also nearing completion, thus providing education for the children until they are ready to start high school, and giving them a solid background in humanistic and technical studies together with the necessary soft skills.

Danieli also took part in the *Carbon Disclosure Project* (CDP), and in 2020 was selected as one of the most worthy Italian and European companies and given the title of Supplier Engagement Leader for using a sustainable Supply Chain, thanks to our 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*.

Danieli is also part of the United Nations Global Compact (UNGC), promoting its principles regarding human rights, anti-corruption, employment and the environment, for ethical and sustainable business.

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, 2020, compared with the data for the periods ended December 31, 2019, and June 30, 2020.

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Consolidated Financial Statements of the Danieli Group

Consolidated Statement of Assets and Liabilities(*)	31/12/2020	30/06/2020
ASSETS		
Non-current assets	1,278.4	1,219.3
Current assets	3,853.9	3,855.9
Total Assets	**5,132.3**	**5,075.2**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Share capital	81.3	81.3
Other reserves and profit carries forward, including profit for the year	1,857.2	1,855.4
Group shareholders' equity	1,938.5	1,936.7
Non controlling interest in shareholders' equity	1.5	(0.1)
Non Current Liabilities	429.8	319.5
Current liabilities	2,762.5	2,819.1
Total liabilities and shareholders' equity	**5,132.3**	**5,075.2**

	Periods ended	
Consolidated Income Statement(*)	**31/12/2020**	**31/12/2019**
Revenues	1,242.1	1,345.6
Goods and finished products	(633.1)	(711.5)
Personnel costs	(217.3)	(233.0)
Other operating costs	(296.2)	(335.5)
Depreciation, amortisation and write-downs	(39.1)	(40.6)
Operating income	**56.4**	**25.0**
Financial Income and charges	14.0	5.1
Gains/(losses) on foreign exchange transactions	(53.5)	8.4
Income/(charges) arising from the valuation of equity investments in assoc. with the equity method	0.1	0.3
Profit before taxes	**17.0**	**38.7**
Income taxes	0.0	(7.0)
Net profit from continued operations	**17.0**	**31.7**
Profit and loss deriving from discontinued operations	(2.9)	(10.8)
Net profit for the period	**14.1**	**20.9**
(Profit)/loss attributable to non-controlling interests	0.0	0.2
Net profit for the period attributable to the Group	**14.1**	**21.1**

(*) 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)	31/12/2020	30/06/2020	Variazione
Non-current financial assets			
Other financial receivables	12.9	12.8	0.1
Total	**12.9**	**12.8**	**0.1**
Current financial assets			
Securities and other financial assets	629.1	618.8	10.3
Cash and cash equivalents	1,111.9	990.4	121.5
Total	**1,741.0**	**1,609.2**	**131.8**
Non-current financial liabilities			
Non-current financial liabilities	289.8	211.6	78.2
Lease liabilities non-current	31.8	34.5	(2.7)
Total	**321.6**	**246.1**	**75.5**
Current financial liabilities			
Bank debts and other financial liabilities	514.0	461.5	52.5
Lease liabilities current	10.0	11.2	(1.2)
Total	**524.0**	**472.7**	**51.3**
Current net financial position	**1,217.0**	**1,136.5**	**80.5**
Non-current net financial position	**(308.7)**	**(233.3)**	**(75.4)**
Positive net financial position	**908.3**	**903.2**	**5.1**

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 December 31, 2020.

CORPORATE CONTACTS:

Investor relations: investors@danieli.it
Mr. Alessandro Brussi (tel. 0432 1958763)

Department of Corporate Affairs:
Ms. Anna Poiani - Attorney (tel. 0432 1958380) a.poiani@danieli.it

Danieli & C. Officine Meccaniche S.p.A.
Via Nazionale 41
33042 Buttrio (Udine)
Fully paid-up share capital of euro 81,304,566
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REA (Index of Economic and Administrative Information): 84904 UD
Tel. +39 0432 1958111
Fax +39 0432 1958289
www.danieli.com
info@danieli.com

Financial statements and publications
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and on the Company's Web Site:
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