

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
00167460302www.danieli.com**PRESS RELEASE****DANIELI GROUP**

Danieli's Board of Directors met today, September 27, 2016, to examine and approve the financial statements for the parent company and the consolidated financial statements for the Danieli Group, referring to the year from July 1, 2015, to June 30, 2016.

CONSOLIDATED ANNUAL REPORT FOR THE YEAR ENDED JUNE 30, 2016

(millions of euro)	to 30/06/2016	to 30/06/2015	Variation
Revenues	2,508.4	2,765.9	-9%
Gross operating margin (EBITDA)	211.4	254.2	-17%
EBIT	90.2	150.2	-40%
Net profit for the period	88.0	161.7	-46%
Net profit attributable to the Group	88.3	161.8	-45%
Net positive financial position	908.2	956.0	-5%
Consolidated shareholders' equity	1,777.2	1,713.7	4%
Number of employees	9,419	10,954	-14%
Group order book	2,814	3,155	-11%
(Steel Making)	162	169	-4%

Summary of results for the year 2015/2016

Group revenues are lower in the period for both operating sectors - *Plant Making* (engineering and manufacturing of plants for the production of metals – steel and aluminum), and *Steel Making* (steel production) with the ABS Group (Acciaierie Bertoli Safau and ABS Sisak), albeit for different reasons:

- Danieli *Plant Making* did not reach all its production targets due to unforeseen events occurring in the plant-making areas, which will be recovered in the next financial year;
- The turnover of ABS *Steel Making*, on the other hand, is affected by lower selling prices than in 2014/2015, although production volumes remained unchanged (about 1 million tons), basically tied to a drop in raw material costs. Margins, however, were satisfactory throughout the year even though the plants were only utilized at 70% capacity because of the downturn in European and international markets, *Oil and Gas* in particular.

Consolidated profit for the period is almost in line with the forecasts made at the beginning of the year, albeit lower than the figure reported for the same period last year, which was largely tied to positive exchange rate effects that in 2016 were not significant.

The Group's financial position and shareholders' equity continue to be solid.

As regards capital expenditures, during the year the *Plant Making* sector saw the completion of both a production ramp up in our new plants in India and Russia, and the operational integration of the newly acquired FATA SpA into the Group.

In the *Steel Making (ABS)* sector, after the capital expenditures in the new blooming mill 1000 and the revamping of the MCC3 conticaster, the Rotoforge was also started up successfully. This machine was developed and designed by Danieli and is the first in the world to combine the two traditional hot-working technologies for long products made of special steels: rolling and forging.

The innovative content of the considerable capital expenditures made in ABS will bring about a significant improvement in the quality of the products being offered, while broadening the range and covering new market segments more competitively.

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 795 million tons, reporting an approximate 1.9% decrease over the same period in 2015, where a total of approximately 1,620 million tons was reached over the 12-month period.

Forecasts for 2016 point to an overall decline of around 1-1.5 %, with Asia showing a 1% decrease and advanced and emerging countries experiencing a sharper drop of about 2-2.5%.

In 2016, therefore, the steel market is stabilizing at levels lower than pre-recession figures, due to the lack of a Chinese driving force together with a slow global economy. We believe that we have entered a "new normal" phase similar to the one that characterized the years 1970-2000, and that could continue for at least 5/6 years or more. The low energy and raw material prices, together with a shift in Chinese industry from an investment-based economy to a consumer or service-based economy, are having a decisive impact (together with the effects of an accommodating monetary policy being implemented by the major central banks) on world growth. A shared strategy is still needed, especially in Europe, to bridge the development gap in some countries and promote greater competitiveness in the weaker economies.

It is expected that, in essence, steel consumption will remain at current levels for the next 2/3 years, after which it will grow by 1-2% per annum. This will also depend on the trend of oil and raw material prices to stimulate the economies and investment in developing countries.

Summary of Results by Business Segment

Revenues			
(millions of euro)	30/06/2016	30/06/2015	Variation
Plant Making	1,887.1	2,039.6	-7%
Steel Making	621.3	726.3	-14%
Total	2,508.4	2,765.9	-9%
Gross operating margin (EBITDA)			
(millions of euro)	30/06/2016	30/06/2015	Variation
Plant Making	149.3	183.7	-19%
Steel Making	62.1	70.5	-12%
Total	211.4	254.2	-17%

Operating income			
(millions of euro)	30/06/2016	30/06/2015	Variation
Plant Making	70.9	123.3	-42%
Steel Making	19.3	26.9	-28%
Total	90.2	150.2	-40%

Net profit attributable to the Group			
(millions of euro)	30/06/2016	30/06/2015	Variation
Plant Making	76.6	145.1	-47%
Steel Making	11.7	16.7	-30%
Total	88.3	161.8	-45%

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 ensure greater competitiveness 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 sufficient. More innovation and downstreams are needed, and we are working on a vision in this respect for the medium-long term.

Order Book

The Group's order book is in line with the figures expressed at the end of the last fiscal year, and is well diversified according to geographical area and product line. For the year ended June 30, 2016, it amounts to 2,814 million euro (of which 162 million euro in the special steelmaking sector) compared to 3,155 million euro for the year ended June 30, 2015 (of which 169 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, 2016, the Danieli Group employed 9,419 people - 1,215 in the *Steel Making* segment and 8,204 in the *Plant Making* segment.

The downturn in the Asian market has led to a reshaping of our facilities in India, Thailand and China, which in any event will still account for 40% of the Group total since Asia produces approximately 55% of the steel produced globally.

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 into 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	30/06/2016	30/06/2015
A. Value of production	2,508.4	2,765.9
B. Intermediate production costs	1,967.0	2,156.9
(A - B) Core global value added	541.4	609.0
C. Ancillary components	23.0	120.8
Global value added	564.4	729.8

Net global value added is divided among the following beneficiaries, where personnel (direct remuneration comprising salaries, wages, employee termination indemnity and indirect remuneration made up of social security contributions) and the Public Administration (income taxes and other taxes) cover almost 83% of the total, while the remaining 17% 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 global value added	30/06/2016		30/06/2015	
A. Personnel remuneration	443.8	78.6%	446.2	61.1%
B. Public administration remuneration	23.5	4.2%	110.2	15.1%
C. Venture capital remuneration	8.2	1.5%	24.3	3.3%
D. Third party remuneration	-0.3	-0.1%	-0.1	(0.0%)
E. Company remuneration	80.1	14.2%	137.5	18.8%
F. Lender remuneration	7.7	1.4%	10.0	1.4%
G. Donations and sponsorships	1.4	0.2%	1.7	0.2%
Global value added	564.4	100.0%	729.8	100.0%

Danieli also took part in the Carbon Disclosure Project (CDP), and in 2015 was among the most worthy Italian and European entities, showing a marked improvement in classification thanks to our increasing commitment to developing SusSteel and Green Steel 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

In addition to approving the financial statements, the Board of Directors will make the following proposals at the shareholders meeting to be held on October 28, 2016, at 2:00 p.m., following a single convocation:

Distribution of a unit dividend of 0.10 euro for ordinary shares and 0.1207 euro for savings shares, amounting to a total of 8,194,928 euro, in exchange for coupon n. 38 – for both categories of shares – on November 7, 2016, payable as of November 9, 2016 (record date: November 8, 2016). The dividends will be taken from the year's distributable profit and from the extraordinary reserve containing the profits from previous years.

The Board of Directors has decided to offer a low dividend for the just-ended year, which remains unchanged from last year. This will enable us to continue making significant investments in research and the making of prototypes in spite of the negative cycle of capital expenditure in new plants affected by the new normal of the world economy.

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

Please note that the annual assembly is also called to deliberate on the following items:

1. Appointment of a director following confirmation of the number of members;
2. The Report on Remuneration in accordance with art. 123-ter of Legislative Decree no. 58 of February 24, 1998;
3. 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 – sometimes 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) and ABS Sisak d.o.o. (ABS Sisak). 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.

Attached are the statement of assets and liabilities, the income statement (excluding the statement of comprehensive income), 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, 2016, compared with the data for the period ended June 30, 2015.

Consolidated Financial Statements of the Danieli Group

in millions of euro

CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (*)	30/06/2016	30/06/2015
Assets		
Non-current assets	1,183.7	1,165.0
Current assets	4,149.4	3,991.8
Total Assets	<u>5,333.1</u>	<u>5,156.8</u>
Liabilities and shareholders' equity		
Share capital	81.3	81.3
Other reserves and profits carried forward, including profit for the year	<u>1,695.2</u>	<u>1,631.5</u>
Group shareholders' equity	1,776.5	1,712.8
Minority interest in shareholders' equity	0.6	0.9
Non-current liabilities	647.0	589.0
Current liabilities	2,909.0	2,854.1
Total liabilities and shareholders' equity	<u>5,333.1</u>	<u>5,156.8</u>
	Year ended	Year ended
CONSOLIDATED INCOME STATEMENT (*)	30/06/2016	30/06/2015
Revenues	2,508.4	2,765.9
Raw materials and consumables	(1,204.5)	(1,354.3)
Personnel costs	(443.8)	(446.2)
Other operating costs	(648.6)	(711.3)
Amortization, depreciation and write-downs	<u>(121.3)</u>	<u>(104.0)</u>
Operating income	90.2	150.1
Financial income/(charges)	(0.6)	6.1
Profit (loss) from foreign currency transactions	17.3	103.9
Income from valuation of shareholdings in affiliates according to the net equity method	(1.3)	0.7
Profit (loss) from extraordinary transactions	<u>0.0</u>	<u>0.0</u>
Profit (loss) before taxes	105.6	260.8
Income Taxes	<u>(17.6)</u>	<u>(99.1)</u>
Net profit for the period	88.0	161.7
(Profit) loss attributable to non-controlling interests	<u>0.3</u>	<u>0.1</u>
Net profit attributable to the Group	<u>88.3</u>	<u>161.8</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)	30/06/2016	30/06/2015	Variation
Current financial assets			
- Securities and other financial receivables	456.1	340.5	115.6
- cash at banks	1,389.5	1,359.3	30.2
Total current financial assets	1,845.6	1,699.8	145.8
Non-current financial liabilities			
- bank debts	410.0	314.7	95.3
Total non-current financial liabilities	410.0	314.7	95.3
Current financial liabilities			
- bank debts and other financial liabilities	527.4	429.1	98.3
Total current financial liabilities	527.4	429.1	98.3
Non-current net financial position	(410.0)	(314.7)	(95.3)
Current net financial position	1,318.2	1,270.7	47.5
Net positive financial position	908.2	956.0	(47.8)

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

in millions of euro

BALANCE SHEET (*)	30/06/2016	30/06/2015
Assets		
Non-current assets	1,300.7	1,310.7
Current assets	1,299.1	1,057.6
<u>Total Assets</u>	<u>2,599.8</u>	<u>2,368.3</u>
Liabilities and shareholders' equity		
Share capital	81.3	81.3
Other reserves and profits carried forward, including profit for the year	<u>567.2</u>	<u>571.3</u>
Shareholders' equity	648.5	652.6
Non-current liabilities	451.4	337.7
Current liabilities	1,499.9	1,378.0
<u>Total liabilities and shareholders' equity</u>	<u>2,599.8</u>	<u>2,368.3</u>

	Year ended	Year ended
INCOME STATEMENT (*)	30/06/2016	30/06/2015
Revenues	1,029.2	1,013.6
Raw materials and consumables	(585.4)	(546.8)
Personnel costs	(139.3)	(148.2)
Other operating costs	(278.9)	(282.2)
Amortization, depreciation and write-downs	<u>(24.2)</u>	<u>(21.8)</u>
Operating income	1.4	14.6
Financial income/(charges)	(3.8)	125.1
Profit (loss) from foreign currency transactions	<u>8.1</u>	<u>17.6</u>
Profit (loss) before taxes	<u>5.7</u>	<u>157.3</u>
Income Taxes	<u>(2.1)</u>	<u>(17.5)</u>
<u>Net profit for the period</u>	<u>3.6</u>	<u>139.8</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.

(millions of euro)	30/06/2016	30/06/2015	Variation
Current financial assets			
- Other financial receivables	46.5	3.8	42.7
- cash at banks	427.9	213.1	214.8
Total current financial assets	474.4	216.9	257.5
Non-current financial liabilities			
- bank debts	332.0	201.7	130.3
Total non-current financial liabilities	332.0	201.7	130.3
Current financial liabilities			
- bank debts and other financial liabilities	179.9	190.2	(10.3)
Total current financial liabilities	179.9	190.2	(10.3)
Non-current net financial position	(332.0)	(201.7)	(130.3)
Current net financial position	294.5	26.7	267.8
Negative net financial position	(37.5)	(175.0)	137.5

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, 2016.

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Financial statements and publications

available on the authorized storage mechanism

SDIR & STORAGE www.emarketstorage.com

and on the Company's Web Site:

www.danieli.com, *Investors* section