**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, March 7, 2017, to examine and approve the consolidated six-monthly report for the period ended December 31, 2016, based on 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, 2016

| (millions of euro) | to 31/12/2016 | to 31/12/2015 | Variation |
|---|---|---|---|
| Revenues | 1,158.1 | 1,161.1 | 0% |
| Normalized gross operating margin (Adjusted Ebitda (*) | 93.6 | 108.4 | -14% |
| Gross operating margin (EBITDA) | 80.8 | 108.4 | -25% |
| EBIT | 13.3 | 55.4 | -76% |
| Net profit for the period | 38.7 | 45.0 | -14% |
| Net profit attributable to the Group | 39.0 | 45.2 | -14% |
| | **to 31/12/2016** | **to 30/06/2016** | Variation |
| Net positive financial position | 910.2 | 908.2 | 0% |
| Number of employees | 9,190 | 9,419 | -2% |
| Group order book | 2,385 | 2,814 | -15% |
| (*Steel Making*) | 172 | 162 | 6% |

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

Gross operating margin in the period remained steady as forecast but was reduced by the extraordinary expenses incurred in connection with companies that recently joined the group and that have not yet been properly integrated: the Dutch company Danieli Corus, the Italian company FATA and the pipe mill ESW Röhrenwerke in Germany. Group revenues at the end of the first six months of fiscal 2016/2017 are in line with the figures from the same period last year, with a lower turnover in Plant Making (plant engineering and manufacturing), and an increased turnover in Steel Making, which is also showing higher production volumes than in 2015. However, Plant Making revenues are in line with the forecasts from the beginning of the year and are due to the fulfillment of contractual construction programs agreed with customers, with an EBITDA of 54.9 million euro to be normalized to 65.3 million euro, since during the period "non-recurring charges amounting to about 10.4 million euro were paid in connection with non-repeatable restructuring costs incurred in problematic or delayed projects on markets that are not yet fully normalized.

Steel Making segment revenues are, however, slightly higher than what was budgeted at the beginning of the year and show a profitability of 25.9 million euro, to be normalized to 28.3 million euro, since non-recurring charges amounting to approximately 2.4 million euro were paid to restart the recently acquired pipe mill in Germany.

Products sold in the period in the Steel Making segment (ABS Group) reached about 480,000 tons by December 31, 2016, (a 10% increase over the same period last year), with the goal of maintaining this level of growth in volume throughout the entire current year.

The first six months of 2016/2017 therefore show a positive EBIT, albeit reduced in both operating segments (*Plant Making* and *Steel Making*) especially due to the effect of some *"one-time"* provisions such as the write-down of energy certificates for projects that were initially approved and then rejected by the Regulatory Body in the Steel Making segment, where an improvement is expected in the first six months of 2017, and greater production efficiency thanks also to the compliance of many products of the ROTOFORGE plant.

The consolidated profit for the period is slightly lower than the forecasts made at the beginning of the year, with the goal of a recovery for both operating segments in the second half of the year. The Group's net financial position continues to be solid.

The Board of Directors has acknowledged the results for the six-month period, pointing out that the performances of both the *Plant Making* and *Steel Making* segments - as well as maintaining a 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 2016 world steel production was about 1,628 million tons, showing a 0.8% rise compared to 2015, growing in Asia (driven by China and India), and holding steady in the US, Middle East and Russia, and declining in the European market.

In 2016 the average plant utilization factor was about 70%, in line with 2015, negatively affected by the low utilization of production capacity, especially by Chinese steelmakers, for which steel production is expected to hold steady in 2017 and recover in 2018.

Today China produces almost 50% of the steel in the world, which is mostly destined for domestic use, and the increase in the price of oil, energy-related factors and raw materials has led to a general rise in prices resulting in a better remuneration of production, which today, as opposed to the past, is performed according to economic fundamentals and the strictest environmental parameters.

In 2016 Chinese domestic steel demand remained more or less stable while the stock rationalization carried out at the end of 2015 (followed by the closing of the less efficient plants in 2016) this year relieved pressure on export prices, limiting the destabilizing effect on foreign markets, with a competitive rebalancing in favor of non-Chinese steelmakers.

The world steel market, which in the past accustomed us to significant fluctuations, today has reached a less changeable production level (referred to as the "New Normal") that economic globalization makes even more stable.

The year 2016 ended with positive signs in both the automotive and oil and gas sectors, and 2017 is therefore looking less uncertain, with steel production holding steady and tied to the major infrastructure market that, especially in 2018, may lead to greater consolidation of demand in both investments in fixed capital and quality products for the mechanical, ship-building and transportation industries.

## Summary of Results by Business Segment

(millions of euro)

| Revenues | 31/12/2016 | 31/12/2015 | Variation |
|---|---|---|---|
| Plant Making | 841.7 | 861.6 | -2% |
| Steel Making | 316.4 | 299.5 | 6% |
| Total | 1,158.1 | 1,161.1 | 0% |
| **Normalized gross operating margin (Adjusted EBITDA)** | **31/12/2016** | **31/12/2015** | **Variation** |
| Plant Making | 65.3 | 85.7 | -24% |
| Steel Making | 28.3 | 22.7 | 25% |
| Total | 93.6 | 108.4 | -14% |
| **Gross operating margin (EBITDA)** | **31/12/2016** | **31/12/2015** | **Variation** |
| Plant Making | 54.9 | 85.7 | -36% |
| Steel Making | 25.9 | 22.7 | 14% |
| Total | 80.8 | 108.4 | -25% |
| **Operating income (EBIT)** | **31/12/2016** | **31/12/2015** | **Variation** |
| Plant Making | 17.2 | 53.5 | -68% |
| Steel Making | -3.9 | 1.9 | -305% |
| Total | 13.3 | 55.4 | -76% |
| **Profit attributable to the Group** | **31/12/2016** | **31/12/2015** | **Variation** |
| Plant Making | 40.1 | 44.7 | -10% |
| Steel Making | -1.1 | 0.5 | -320% |
| Total | 39.0 | 45.2 | -14% |

In the *Plant Making* segment, the Danieli Group continues to expand internationally, focusing in particular on competitiveness in terms of innovation, technology, quality, efficiency and customer service.

Innovation and noble products are primarily developed in Europe, whereas the design and manufacture of plants with consolidated technologies are performed at a lower cost in our workshops in Asia, which guarantee the same European quality for both the western steelmaking market and the Asian market, where almost 70% of the world’s steel is produced.

To remain competitive in a “New Normal” market, Danieli has invested in technologies that can boost productivity together with per capita added value, such as the “Digimet” project developed in the period; this project encompasses the changes of the 4.0 revolution 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.

Investments went ahead in the *Steel Making* sector, downstream of the ROTOFORGE plant, for the finishing of large products, the goal being to reduce energy consumption and broaden the metallurgical range to include products with greater value added, improving prices, quality and customer service.

The integration process with the recently acquired Fata S.p.A. and Danieli Corus Technical Services B.V. is almost complete, but has generated restructuring/reorganization charges and costs amounting to about 10.4 million euro, which we consider non-recurring and not repeatable in the years to come.

**Order Book**

The Group's order book is well diversified by geographical area and product line, and for the period ended December 31, 2016, amounts to 2,385 million euro (of which 172 million euro in the special steelmaking sector) compared to 2,814 million euro for the year ended June 30, 2016 (of which 162 million euro for special steels).

**Group Employees**

As of December 31, 2016, the Danieli Group employs 9,190 people - a decrease of 229 over the number of 9,419 for the year ended June 30, 2016.
The downsizing primarily affected foreign subsidiaries in the *Plant Making* segment, which were re-engineered to adjust their human resources to the efficiency that is required in the present market situation. Today the *Steel Making* segment employs about 1,400 people, with linked industries employing an additional 1,500 people, while the *Plant Making* segment employs about 7,800 people, of which more than 3,000 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 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 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, Ukraine.

In the Plant Making sector Danieli is one of the top three manufacturers in the world for metalmaking 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.

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 profit and loss account, assets and liabilities statement and consolidated financial position for the six-month period ended December 31, 2016, together with some comparative data.

## Consolidated Financial Statements of the Danieli Group

**in millions of euro**

| | to 31/12/2016 | to 30/06/2016 |
|---|---|---|
| **CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (*)** | | |
| **Assets** | | |
| Non-current assets | 1,161.2 | 1,183.7 |
| Current assets | 3,837.4 | 4,149.4 |
| **Total Assets** | **4,998.6** | **5,333.1** |
| **Liabilities and Shareholders' Equity** | | |
| Share capital | 81.3 | 81.3 |
| Other reserves and profits carried forward, including profit for the year, net of own shares | 1,733.9 | 1,695.2 |
| Group shareholders' equity | 1,815.2 | 1,776.5 |
| Minority interest in shareholders' equity | 0.3 | 0.6 |
| Non-current liabilities | 539.0 | 647.0 |
| Current liabilities | 2,644.1 | 2,909.0 |
| **Total Liabilities** | **4,998.6** | **5,333.1** |

| | to 31/12/2016 | to 31/12/2015 |
|---|---|---|
| **CONSOLIDATED INCOME STATEMENT (*)** | | |
| Revenues | 1,158.1 | 1,161.1 |
| Raw materials and consumables | (572.0) | (524.3) |
| Personnel costs | (210.6) | (228.9) |
| Other operating costs | (294.7) | (299.5) |
| Amortization, depreciation and write-downs | (67.5) | (53.0) |
| Operating income | **13.3** | **55.4** |
| Net financial income (charges) | 30.9 | 3.3 |
| Income from valuation of shareholdings in affiliates and jointly controlled companies according to the net equity method | 0.3 | (0.3) |
| **Profit (loss) before taxes** | **44.5** | **58.4** |
| Income Taxes | **(5.8)** | **(13.5)** |
| **After-tax profit** | **38.7** | **44.9** |
| Net loss (profit) attributable to non-controlling interests | 0.3 | 0.3 |
| **Group Profit** | **39.0** | **45.2** |

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

## CONSOLIDATED NET FINANCIAL POSITION

| (millions of euro) | 31/12/2016 | 30/06/2016 | Variation |
|---|---|---|---|
| Financial assets | | | |
| - Securities and other financial receivables | 529.4 | 456.1 | 73.3 |
| - cash at banks | 1,244.8 | 1,389.5 | (144.7) |
| **Total current financial assets** | **1,774.2** | **1,845.6** | **(71.4)** |
| Non-current financial liabilities | | | |
| - bank debts | 324.1 | 410.0 | (85.9) |
| **Total non-current financial liabilities** | **324.1** | **410.0** | **(85.9)** |
| Current financial liabilities | | | |
| - bank debts and other financial liabilities | 539.9 | 527.4 | 12.5 |
| **Total current financial liabilities** | **539.9** | **527.4** | **12.5** |
| | | | |
| Non-current net financial position | **(324.1)** | **(410.0)** | **85.9** |
| Current net financial position | **1,234.3** | **1,318.2** | **(83.9)** |
| **Net positive financial position** | **910.2** | **908.2** | **2.0** |

The officer in charge of drawing up the corporate accounting documents, Mr. Alessandro Brussi, declares, pursuant to paragraph 2, article 154 bis of the Consolidated Law on Finance, that to the best of his knowledge, the accounting data in this press release correspond to the results in the accounting records, account books and book entries for the period ended December 31, 2016.

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www.emarketstorage.com and on the company’s web site:
www.danieli.com, *Investors* section