

DANIELI ANNUAL REPORT
AL JUNE 30, 2020



Annual report for the period July 01, 2019 to June 30, 2020

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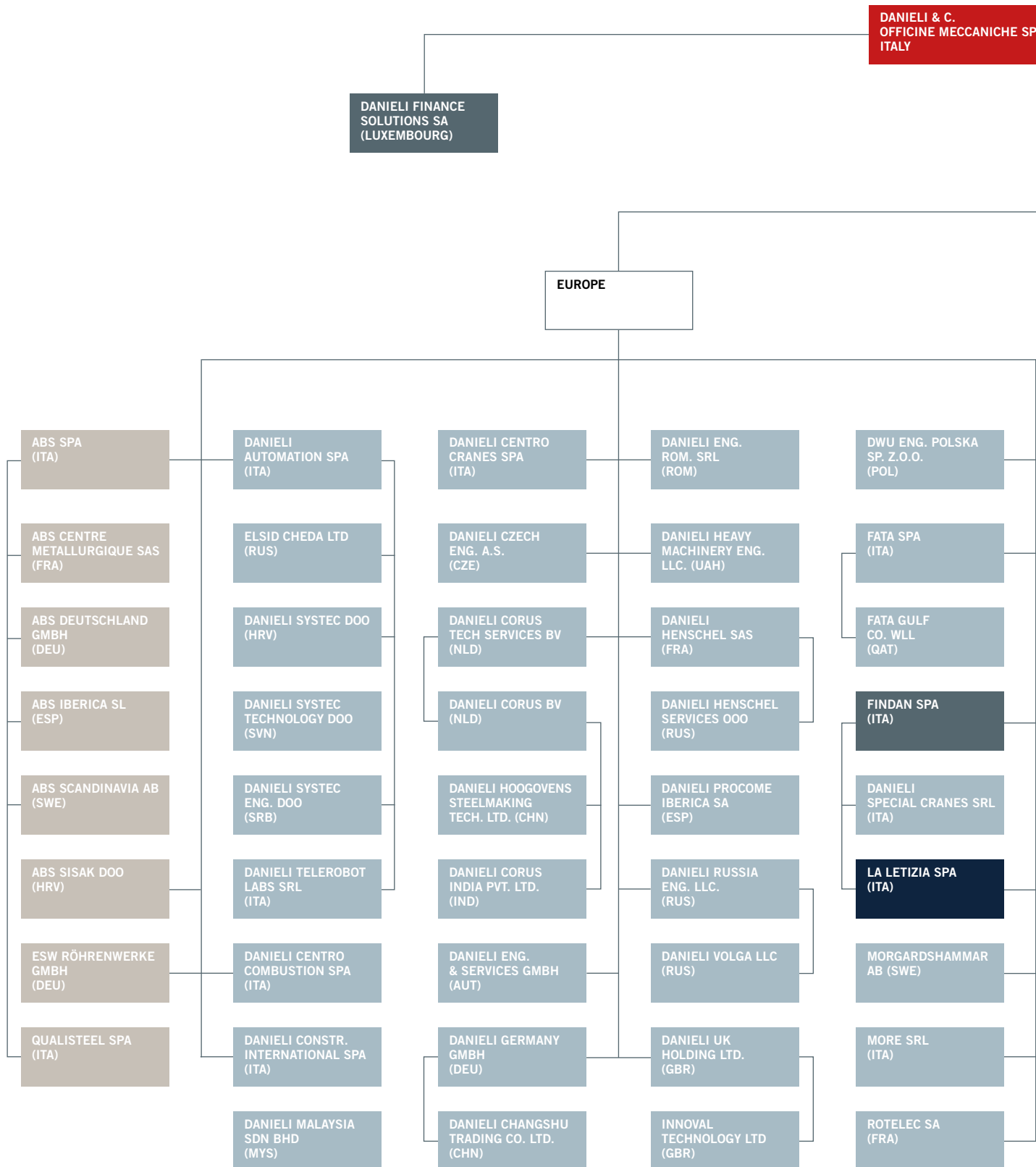
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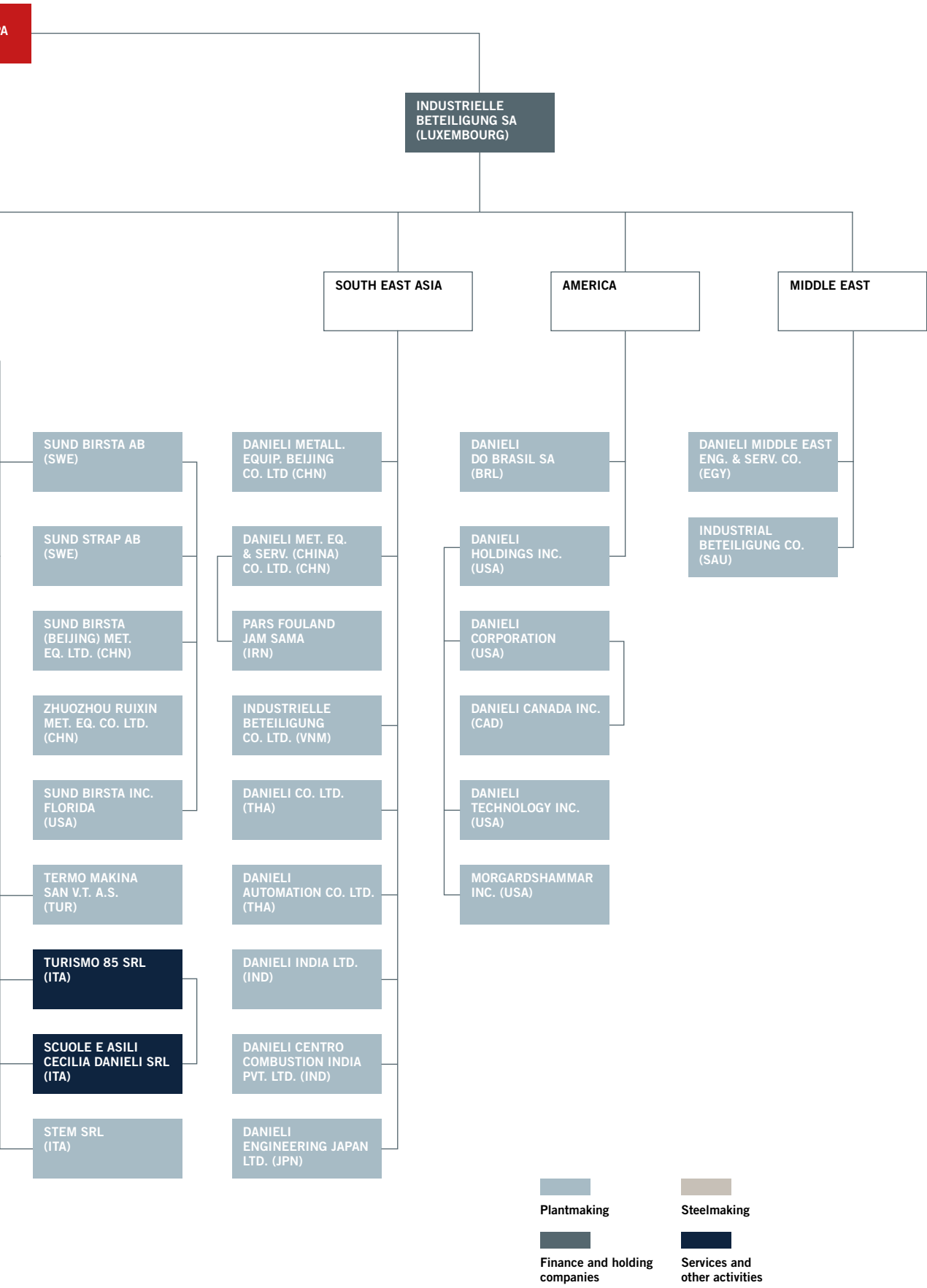
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Danieli Group structure (*)



(*) the diagram includes only line-by-line consolidated companies as at June 30, 2020



Boards and officers

Boards and officers as at September 24, 2020 were as follows:

Board of Directors	Gianpietro Benedetti (1) (4)	Chairman
	Camilla Benedetti (2)	Deputy Chairman
	Alessandro Brussi (3) (4)	Deputy Chairman
	Giacomo Mareschi Danieli (2) (4)	Chief Executive Officer
	Carla de Colle (6)	Director
	Giulio Capocaccia (5) (6)	Director
	Chiara Mio (5) (6)	Director
Board of Statutory Auditors	Davide Barbieri	Chairman
	Gaetano Terrin	Standing Auditor
	Vincenza Bellettini	Standing Auditor
	Giuliano Ravasio	Alternate Auditor
	Marina Barbieri	Alternate Auditor
	Emanuela Rollino	Alternate Auditor
Common representative of the savings shareholders	Edgardo Fattor	
Independent Auditors	Deloitte & Touche S.p.A. (7)	

(1) All powers of the Board of Directors except those that by law cannot be delegated, granted by Board of Directors' resolution of October 26, 2018

(2) Powers granted by Board of Directors' resolution of October 26, 2018

(3) Powers granted by Board of Directors' resolution of October 26, 2018 and December 12, 2019

(4) Member of the Executive Committee

(5) Independent directors in accordance with Article 148, Paragraph 3 of Italian Legislative Decree no. 58/1998 (Consolidated Finance Act)

(6) Director not vested with operating powers

(7) Appointed by the annual general meeting on October 26, 2018

Mission statement

The Danieli Group produces and installs innovative machines and plants worldwide for the iron and steel industry, the non-ferrous metals sector and the production of energy. The company's reliability is based on research, know-how and experience; in fact, Danieli not only supplies plants of a high technological level, but also innovative ones, and performs specialised services of great complexity and undisputed quality. Investment in research and development is considered a prerequisite for maintaining and strengthening the Group's leadership position in the global market.

Strategic approach

Danieli started operations in 1914 when Timo and Mario Danieli founded Acciaierie Angelini, one of the first production units to use electric arc melting furnaces.

From the outset, Danieli began to develop and produce equipment for the iron and steel industry, such as forges and auxiliary plant for rolling mills, which later gave rise to the motto "We know the Art of Steel".

Continuous efforts to produce innovative, environmentally sustainable plants and an unwavering commitment to quality and on-time delivery have driven the Danieli Group to expand its operations offering an ever more complete range of equipment with multiple production facilities throughout the world, in order to efficiently integrate itself into the international market, effectively applying the concept "We don't shop around for Noble Components" and striving for customer satisfaction as its main objective.

Among Danieli's key phrases:

- "*Innovation to be a step ahead in CapEx and OpEx*" which aims to enhance the new organisational model adopted by the group by encouraging multicultural intellectual growth and developing solutions in order to respond more effectively to current market needs.
- "*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 activities to assure better competitiveness in terms of innovation, technology, quality, costs, productivity and customer service. Danieli is not just known for its plant engineering capabilities, but also for its manufacturing skills: in Europe, with high-value, high-tech products, and in Asia with the design and production of consolidated, proven products with European quality levels.
- "*Absolute Steel Quality*", which summarises the constant commitment of the subsidiary Acciaierie Bertoli Safau S.p.A. to produce steels with a level of finish and customer service always in line with the most demanding expectations and for the most innovative and rigorous industrial applications. Acciaierie Bertoli Safau S.p.A. is internationally recognised as one of the most modern steelworks in the world for the quality of its plants that guarantee not only certified products but also maximum production efficiency and full protection of the ecosystem in which it operates.

> Mission



Danieli is a *full cycle provider* from raw materials to finished products in the metals industry.



We are *multicultural sparkling team* with deep knowledge of our business.



Our professional life is dedicated to understanding and satisfying the customer's needs through our *experience*, *continuous team-up* and *flexibility*.



We turn *ideas into end-to-end solutions* of technological excellence to create added value for our customers and stakeholders.



We empower people, our main asset, with *courage* and *creativity*.

Financial highlights of the Danieli Group

(millions of euro)	30/06/2020	30/06/2019	Variation	30/06/2019 restated(*)
Revenues (**)	2,673.4	3,063.6	-13%	3,023.5
Gross operating margin (Ebitda) (***)	187.7	239.2	-22%	254.1
Operating income	91.6	101.5	-10%	119.0
Net profit from continued operations	78.8	66.8	18%	89.6
Net profit for the period attributable to the Group	62.9	67.0	-6%	67.0

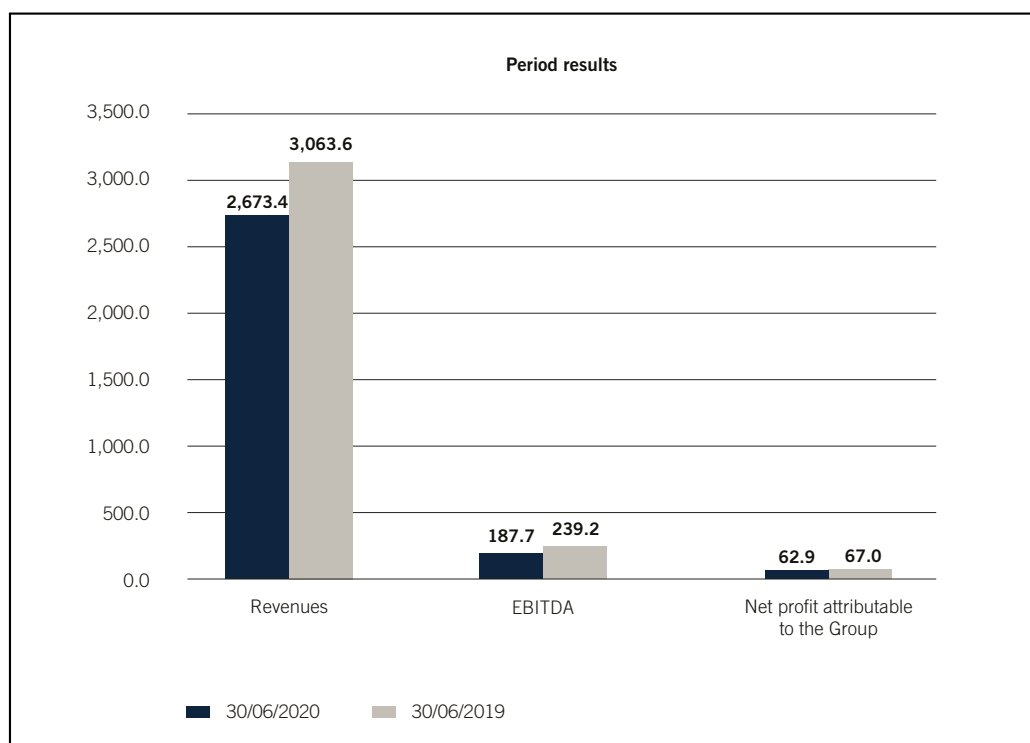
	30/06/2020	30/06/2019	30/06/2019 restated(*)
Net invested capital	1,084.1	1,021.0	1,021.0
Investments in tangible and intangible assets	175.4	83.4	83.4
Total shareholders' equity	1,936.6	1,899.2	1,899.2
Positive net financial position (****)	903.2	928.3	928.3
Ebitda/Revenues	7.0%	7.8%	8.4%
Net profit for the period/Revenues	2.9%	2.2%	3.0%
Number of employees at period end	9,060	9,521	9,521
Group order book	2,936	3,099	3,099
(of which Steel Making)	190	237	237

(*) As required by IFRS 5, the figures for the year ended June 30, 2019 have been reclassified to show discontinued operations consistently with those as at June 30, 2020.

(**) Operating revenues would amount to 2,803.1 million euro considering the value of internal constructions developed during the year for 129.7 million euro related to the new Quality Wire Rod Mill from the parent company to the subsidiary Acciaierie Bertoli Safau S.p.A. (which are classified in the financial statements as an adjustment to costs).

(***) The Gross Operating Margin (Ebitda) represents the operating profit as in the consolidated income statement, before depreciation, amortisation and write-downs of fixed asset and net write-downs of receivables.

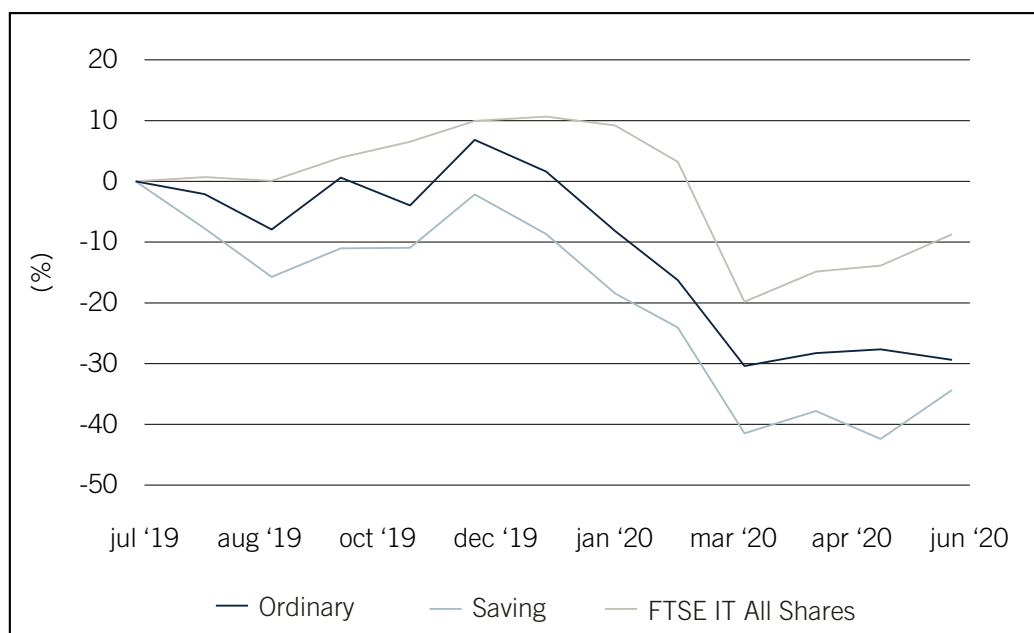
(****) The positive net financial position as at June 30, 2020 included the effects of the first-time adoption of IFRS 16 with effect from July 1, 2019, which resulted in the recognition of financial liabilities amounting to 45 million euro. Therefore, net of this item, the net financial position showed a slight improvement during the financial year.



Key share data

(millions of euro)	30/06/2020	30/06/2019
No. of shares in share capital	81,304,566	81,304,566
of which: Ordinary shares	40,879,533	40,879,533
N.C. Saving shares	40,425,033	40,425,033
Average no. of ordinary shares outstanding	37,918,320	37,918,320
Average no. of saving shares outstanding	36,479,670	36,479,670
Basic earnings per share (euro): Ordinary shares	0.8351	0.8906
N.C. Saving shares	0.8558	0.9113
Shareholders' equity per share (euro)	26.0307	25.5274
Period-end price of ordinary shares (euro)	11.3800	16.1200
Period-end price of savings shares (euro)	7.2600	11.0600
Maximum trading price of ordinary shares in the period (euro)	17.3600	23.2500
Maximum trading price of savings shares in the period (euro)	11.4000	15.8400
Minimum trading price of ordinary shares in the period (euro)	8.5400	14.4400
Minimum trading price of savings shares in the period (euro)	5.5500	10.9200

	30/06/2020	30/06/2019
Total stock exchange capitalisation - ordinary shares (thousands of euro)	465,209	658,978
Total stock exchange capitalisation - savings shares (thousands of euro)	293,486	447,101
Total	758,695	1,106,079



Danieli ordinary and savings shares compared with FTSE IT All-Shares for the time interval from July 2019 to June 2020

Group personnel	30/06/2020		30/06/2019	
	Plant making	Steel making	Plant making	Steel making
in Danieli & C. Officine Meccaniche S.p.A.	2,428		2,432	
Italian affiliates	943	1,163	894	1,210
Foreign Affiliates	4,361	165	4,568	417
Total	7,732	1,328	7,894	1,627
Group total	9,060		9,521	

DIRECTORS' REPORT

The initial expectations of an improvement in 2020 in the growth of the world economy, which fell to 2.9% in 2019 compared to 3.6% in 2018, were disregarded by the disruptive effect of the COVID-19 pandemic, which generated many restrictions on production and consumption, leading to negative growth in both emerging countries and those with advanced economies. The global economy shows a downward trend of 4.9% in 2020 with a forecast of an upward rebound in 2021 with growth at 5.4%: the US and EU are expected to decline by 8.0% and the emerging countries by 3.0% with China alone still in positive terms by 1%. On the other hand, in 2021, the average growth rate is expected to be positive at 4.5-5.0% for advanced countries and 6.0-7.0% for emerging countries with China above 8.0%, all to be confirmed against an expected significant containment of COVID-19 contagions by the end of 2020 accompanied by a marked resumption of economic activity at the global level. The experience in the medical management of the pandemic gained in the first half of 2020 will be of great help in the second half of the year to manage the possible recurrence of contagions more carefully, while the financial support launched by all countries will be more efficient and will allow a relaunch of activities for a promising 2021.

A good growth in the USA in 2021 with a recovery in consumption supported by a protected and financially strong domestic market, with Japan recovering and India and China growing strongly thanks to the public investment programmes developed by their governments, will hopefully be accompanied by a good recovery of the EU economy no longer conditioned by Brexit and supported by the expansive policies promoted by the European Central Bank and the low prices of energy factors, also related to the ongoing green revolution.

Maintaining a growing demand in 2021 will ensure that the prices of the main energy factors (oil, gas and coal) and of the main raw materials will remain stable with a relaunch of the economy of the producer countries, while the policies to control average inflation will lead to the implementation of an accommodating monetary management at negative rates by the main central banks with tax stimulus policies that favoured the consolidation of growth and employment by improving the quality and competitiveness of domestic production and containing dumping in exports thanks to the protectionist measures adopted by many countries in a similar way.

The steel market

Worldwide steel production reached nearly 875 million tonnes in the first half of 2020, down by 6.0% compared to the same period of 2019, which then reached approximately a total of 1,870 million tonnes over 12 months.

The forecasts for 2020 show an overall decrease by nearly 5.0-6.0%, with Asia (where China alone still shows growth in production) down slightly by 2.0-2.5% and advanced countries, together with emerging ones, with a more marked decrease of approximately 13.0-15.0%.

The plant utilisation average coefficient compared to the maximum theoretical level was slightly below 85% at the end of 2019 with a forecast down to 75% in 2020.

The steel market will therefore decrease in the second half of 2020 and then grow slightly in 2021 following the general recovery of the world economy.

Steel producers confirmed increasingly their commitment to operate plants worldwide in a sustainable manner, reducing energy consumption per tonne and using the new technologies available (Green Steel) to reduce GHG emissions and to make production towards the community and the environment socially sustainable.

The challenge undertaken by steel producers is to bring CO₂ emissions to zero with technological solutions to produce liquid steel using alternative energies and minimising the use of coal in the production process with increasingly flexible and highly verticalized plants that operate using continuous production solutions with great efficiency.

Production quality with a high-quality finish together with an accurate customer service remain the most important factors to obtain more remunerative prices from the market and greater continuity in the deliveries to serve customers who tend to reduce minimum stock volumes of warehouses and require more and more "on time" deliveries of customised products.

A market consolidation is expected in the second half of 2020 and improvement in 2021 and 2022, with the recovery of private investments and public infrastructure projects both in countries with emerging economies and in developed economies.

The market for steel making plants

The maintenance of a constantly high steel consumption in the world and the interest in further developing production in some geographical areas with renewed development prospects and where it may be possible to produce in an innovative, sustainable and efficient manner using the energy factors present, maintain our customers' keen interest in investing in new plants, in addition to technologically upgrading and developing those already existing to increase flexibility and quality by using available resources in a sustainable way.

Demand is maintaining appreciable growth in the BRIC and North African countries for new generation integrated large plants whereas in the USA and EU for mid-sized flexible plants and modernisation of existing plants to enable environmental-friendly, higher quality production with high finishes used in mechanical engineering, car making and infrastructure.

The anti-dumping policies now activated by all major steel producing countries have stimulated demand for new plants that must also guarantee low emissions for sustainable production in line with the trend of CO2 reduction required today by every production chain and which will lead to many investments in innovative plants already during 2020 and in the following years.

To maintain competitiveness in this “New Normal” market, Danieli invested heavily in technologies that maintain first of all the focus on the customer allowing Green Steel production:

- improving plant productivity, and with it, value added per capita;
- reducing GHG emissions per tonne produced by applying technological solutions with low environmental impact;
- making operational the principles of revolution 4.0 in the steel industry by developing the DIGIMET project to ensure total control of the production variables both when devising and commissioning the plants;
- and speeding up production processes by reducing time and costs and optimising production efficiency by integrating different processing phases with endless continuity solutions.

The research and technological development carried out by Danieli over the last ten years have led to an expansion in the range of products offered within the metals sector (steel, aluminium and other metals), reducing significantly the cost required for the initial investment per individual project (CapEx) and even optimising operational expenditure (OpEx), by integrating multiple stages of processing in the production process, widening the target audience of potential investors in the sector thanks to increased economic feasibility of investments, both in countries with mature economies and in those still at the development phase.

Maintenance by the Group of a significant order book that includes many green and innovative plants confirms the propensity of our customers to invest in new plants, thanks to the competitiveness and technological solutions proposed by Danieli currently qualified and well-referenced across the entire metalmaking industry.

Danieli Group operations

The Danieli Group designs, builds and sells plants for the iron and steel industry, offering a complete range of machines from primary process management to the manufacture of finished goods (essentially from ore to finished product). It also produces and sells special steels for the long products market through its subsidiaries Acciaierie Bertoli Safau S.p.A. and ABS Sisak d.o.o that use secondary metallurgy (electric arc furnaces) for the production of liquid steel.

Construction and sale of plants for the steel industry

- Twelve design centres:

• Danieli Centro Combustion S.p.A.	Italy
• Fata S.p.A.	Italy
• Danieli Germany GmbH	Germany
• Danieli Corus BV	The Netherlands
• DWU Engineering Polska Z.o.o.	Poland
• Danieli UK Holding Ltd.	United Kingdom
• Innoval Technology Ltd.	United Kingdom
• Danieli Engineering Rom S.r.l.	Romania
• Danieli Procome Iberica SA	Spain
• Danieli Heavy Machinery Engineering LLC	Ukraine
• Danieli Engineering Japan Ltd.	Japan
• Industrielle Beteiligung Co. Ltd.	Vietnam

- Fifteen production units and design centres:

• Danieli & C. S.p.A.	Italy
• Danieli Automation S.p.A.	Italy
• More S.p.A.	Italy
• Danieli Engineering & Services GmbH	Austria
• Rotelec SA	France
• Danieli Germany GmbH	Germany
• Danieli UK Ltd.	UK
• Danieli Czech Engineering AS	Czech Republic
• Danieli Volga LLC	Russia
• Morgårdshammar AB	Sweden
• Sund Birsta AB	Sweden, People’s Republic of China
• Termo Makina San VT AS	Turkey
• Danieli India Ltd.	India
• Danieli Met. Equipment & Service (China) Co. Ltd.	People’s Rep. of China
• Danieli Co. Ltd.	Thailand

The product lines are as follows:

• Danieli Plant Engineering	Turnkey plants and systems engineering	Italy
• Danieli Automation	Process control systems	Italy, Usa
• DanGreen	Hybrid technology solutions for Green Steel production	Italy, Netherlands
• Danieli Centro Metallics	Mineral treatment and direct reduction plants	Italy
• Danieli Corus IJmuiden	Integrated steel mills	Netherlands
• Danieli Centro Recycling	Scrap shredder plants	Italy, UK, France, Germany, USA
• Danieli Centro Met	Electric steelworks and continuous casting of long products	Italy, Austria
• Danieli Davy Distington	Continuous casting for thins and conventional slabs	UK, Italy
• Danieli Wean United	Rolling mills for flat products and strip processing lines	Italy, USA, Germany
• Danieli Kohler	Air blades for hot galvanisation plants	USA, Italy
• Danieli Fata Hunter	Casting, rolling and painting plants for aluminium strip	UK, USA, Germany, Italy
• Danieli Fata EPC	Turnkey building plants	Italy, USA, India, People's Republic of China, UAE
• Danieli Fröhling	Special plants for strip rolling and finishing	Germany
• Danieli Morgårdshammar	Rolling mills for long products	Italy, Sweden
• Danieli Centro Tube	Plants for seamless tubes	Italy
• Danieli Centro Maskin	Conditioning, drawing and finishing plants	Italy, Sweden
• Danieli Rotelec	Electromagnetic agitators and induction reheating systems	France, Italy
• Danieli Breda	Extrusion and forging plants	Italy
• Danieli Centro Combustion	Reheating systems	Italy
• Danieli Olivotto Ferrè	Heat treatment furnaces	Italy
• Danieli Hydraulics	Industrial hydraulic and lubrication equipment	Italy, Thailand
• Danieli Centro Cranes	Bridge cranes for heavy duty	Italy
• Danieli Environment	Ecological and recovery systems	Italy
• Danieli Construction	Construction of turnkey plants, assembly, systems engineering	Italy, Thailand
• Danieli Service	Customer support service and original spare parts	Italy, Austria, People's Rep. of China, India, Russia, USA, Brazil, Thailand
• Danieli Telerobot Italy	Advance robotics	Italy

Production and sale of special steels

These operations are carried out by the subsidiaries Acciaierie Bertoli Safau S.p.A. and ABS Sisak d.o.o., which are in a position of leadership in Europe in the special structural steels sector, with production to order of high quality products for the most demanding applications in the form of ingots up to 160 tonnes, blooms, billets, forged and rolled products with a high level of verticalization, with diameters from 15 to 800 mm, to which the high quality products of the new wire rod mill and special steels currently being completed and scheduled to be activated shortly at the Italian industrial site will be added.

The structural steels family includes high carbon steels, case-hardened, hardened and tempered, and surface hardened steels verticalized in many types of product, which have applications in all engineering components. Their field of use is very extensive: motor vehicles and engines in general, tractors and earthmoving machines, machine tools, the railway industry and the energy and petrochemical industries.

DANIELI GROUP STRUCTURE

Danieli & C. Officine Meccaniche S.p.A (Parent Company)

The company's revenues developed during the financial year by the parent company amounted to 1,101.7 million euro (1,018.9 million euro in 2019) with EBITDA of 6.5 million euro (31.7 million euro in 2019).

The value of production for the period includes 129.7 million euro (in 2019 it was 11.5 million euro) for the progress of work as at June 30, 2020 towards Acciaierie Bertoli Safau S.p.A. (hereinafter also ABS) for the new Quality WRM rolling mill: the company has made a very important effort to quickly build the plant in this time period, committing its technical offices and workshops to allow ABS to start already at the end of 2020, completing the learning curve in the first months of 2021 when the demand in the steel market will be in a better phase again.

In this period, the company still achieved an important turnover volume, with a good operating margin in relation to the orders developed, although reduced mainly due to the extraordinary provisions made for potential charges on some disputes related to the start-up of innovative projects. The company preferred to maintain a prudent approach to the ongoing litigation in view of the complexity of the dispute, while ultimately relying on a favourable solution for Danieli.

Research and development activities continued with the use of important corporate resources, above all to expand and complete the range of products offered, developing high-tech solutions and environmental management and energy recovery systems to be used mainly in cutting-edge facilities. The company continued to implement its investment plan to improve the productivity and efficiency of the Buttrio plants with a new plan to replace the operating machinery older than 15 years.

The financial management of the period shows a result in line with forecasts as regards the ordinary management of exchange rates and cash-flow related to job orders in progress, without significant penalties in the financial year albeit considering the additional charges for discounting financial receivables for which a deferred collection is expected beyond 12 months.

Order acquisition for the year is in line with the budget and already assures good production planning for next year, with operating income expected to improve also for the 2020/2021 financial year.

The Parent Company Danieli & C. Officine Meccaniche S.p.A. directly owns the following companies:

- INDUSTRIELLE BETEILIGUNG SA, the holding company for the Group's manufacturing firms;
- DANIELI FINANCE SOLUTIONS SA, which invests important liquidity available to the Group in the international financial markets.

Below is a description of the operations and results of the main companies of the Group around the world and of the Italian-based steel making and plant making businesses. Results are based on the companies' own financial statements, suitably reclassified and adjusted to bring them into line with the international accounting standards followed by the Group.

Steel making

Group companies – Italy

Acciaierie Bertoli Safau (ABS) S.p.A.

In 2019/2020, the ABS company had revenues of 648.2 million euro (931.3 million euro in 2018/2019), with a net profit of 11.7 million euro (profit of 59.6 million euro in the previous year).

The significant reduction in turnover experienced in the financial year ended June 30, 2020, reflects the complex trends of the reference market. In particular, the steel market experienced three very different phases during the 2019/2020 financial year.

The first period from June to November 2019, during which the main industrial sectors such as mechanics and automotive aimed to reduce stocks in a significant way, leading to a reduction in orders from all producers in the steel sector, triggering a significant downward trend in prices.

The second phase, from December 2019 to February 2020, characterised by a marked reversal of the trend in steel consumption, allowing a good level of order book to be restored.

And the last phase, from March until the end of the tax year, heavily impacted by the effects of the measures taken by governments around the world to react to COVID-19. Even after the closures in March and April, many of the most important areas of use of ABS products showed a drop in consumption of over 40%.

However, in this difficult context, the level of ABS deliveries during the months of May and June, which continued also in the first months of the current year, showed a limited drop (-20%) thanks to both the previously restored order book and the important presence of ABS in sectors that did not record significant drops, such as wind power generation and railways.

Once again, even in such a complex year, the strategy of constantly focusing on the development of high quality products for demanding applications in every end market that can be reached with ABS products is confirmed to be correct, and the order book after the lowest level reached at the end of the tax year is now recovering.

In the light of the above, the production values achieved in the year under review were affected both by a decrease in volumes and a fall in prices on the market, which by its very nature is characterised by a cyclical trend, compared to the previous year in which the reference sector had reached peak levels, both in terms of volumes and prices, in response to very strong demand in various sectors. With regard to the development of the plants and infrastructures serving the company, in the 2019/2020 financial year, investments in progress amounted to over 90 million euro.

The most important investment is undoubtedly the continuation of the construction of QWR 4.0 (Quality Wire Rod Mill), the new plant that will represent the “state of the art” for the rolling of wire rod with a percentage of completion at the end of June 2020 to allow the start of hot testing in October 2020, with a delay of a few months compared to the objectives, mainly due to the Government’s measures regarding the containment of COVID-19, which led to the interruption of the activities of the national sites during the peak of contagion.

Other main investments include those of the steelworks line such as the installation and commissioning of the new continuous casting turret no. 2, which replaced the previous plant that had reached the maximum life cycles envisaged by the original project and the Danarc efficiency improvement project that saw the collaboration of a multidisciplinary team of ABS, Danieli Centro Met, Danieli Automation, More and Centro Cranes in order to obtain a more productive and safer melting furnace for the operators, using the concepts of operation automation, remote control, installation of high definition cameras and thermal imaging cameras for the control and management of the most critical activities. The expansion of the 220 kV substation with the laying of a double underground cable line, which will replace the overhead line above the current storage area for finished products at the Luna rolling mill, and which will also act as an emergency line in the event of electrical out of service, is also important and strategic.

Finally, ABS’s activities with regard to sustainability are important:

- the obtaining of the Fire Prevention Certificate of the Cargnacco Plant in December 2019, which represented the crowning achievement of 6 years of work and over 7.5 million euro of investments, broken down in 340 detailed projects, positively passing 6 inspections by the Fire Brigade and making it possible to affirm that ABS is one of the safest steelworks in Italy;
- measures were implemented to improve the acoustic impact caused by production activities on the surrounding area, with a view to meeting the needs of the inhabitants of neighbouring municipalities and the commitment, which over the years has always distinguished ABS, towards the territory that hosts it;
- the cooling area of the slag has been rebuilt in order to obtain better mechanical characteristics of the Ecogavel - the EEC certified material that - in terms of circular economy - is an excellent substitute for quarry materials used for roadbeds and/or bituminous conglomerates.

Qualisteel S.r.l.

For 2019/2020, the company’s revenues amounted to 5.3 million euro, with a slight net loss of 0.2 million euro (making a slight profit of 0.9 million euro as at 30 June 2019).

The company significantly reduced production volumes and related revenues due to the restrictions suffered as a result of the COVID-19 pandemic but, despite this, continued in the process of increasing flexibility by focusing on fine tuning the production lines to make them interchangeable in the various processes, thanks to the strong specialisation of the internal team and, in part, the support of Danieli Service. Therefore, a boost in the carrying-out of small but targeted investments in order to be effective and efficient. For organisational reasons within the Steelmaking Division of the Danieli Group, starting from the new 2020/2021 financial year, i.e. from July 1, 2020, Qualisteel S.r.l. was merged into Acciaierie Bertoli Safau S.p.A., which had previously acquired control, becoming a Sole Shareholder, in May 2020.

Group companies - Europe

ABS Centre Métallurgique (ACM) SAS (France)

ACM is based in Metz and represents for the Danieli Group a centre of excellence in the study of steel production, covering the entire operating chain, from the raw material (scrap) to the finished product developed according to specific customer and market requirements.

A team of twenty-one engineers and specialists develops the research activities through several projects to improve operating processes and/or product quality.

The main objective of the research is to find technological solutions aimed at lightening the parts produced by ABS customers, while guaranteeing high mechanical performance, especially with the development of new ranges of steels completely innovative and focusing specifically on toughness behaviour.

However, the research does not only concern products in the strict sense, but also many technologies (developing digital twins) to support the different production areas in understanding the metallurgical mechanisms at stake.

In addition to research activities, ACM confirmed its accreditation according to the international standard ISO 17025 (General requirements for the competence of testing and calibration laboratories), also extending the scope of accreditation: all this to improve the service offered to customers in line with the best market trend.

ABS Deutschland GmbH (Germany) – ABS Scandinavia AB (Sweden) – ABS Iberica SL (Spain)

The three companies operate in their respective national markets for the development of commercial activities and sales of special steels. During the 2019/2020 financial year, they consolidated their presence in the country of reference, increasingly developing an on-demand service with local warehouses that allow a reduction in delivery times and greater flexibility in supply with a service of greater customer satisfaction.

ABS Sisak D.o.o. (Croatia)

The 2019/2020 financial year was marked by a stop of the production that affected almost the entire duration of the financial year. In fact, after the implementation of the innovative management system of the Q-ONE electric arc furnace, during the months of July and August, which was consequently accompanied by a total production stoppage due to the strong slowdown in the steel market, the company worked discontinuously during the period from September to December 2019. From January 2020, and for the whole six-month period, it was not possible to produce due to the COVID-19 pandemic.

As a result, there was a loss of 4.9 million euro for the year due to the almost total absence of production. Despite this situation, the performance of the new Q-ONE system was very positive. This aspect is very important because it will be able to consolidate the savings indicated with the preliminary assumptions of the investment, especially for the improvements in consumption and productivity that the innovative Q-ONE had assumed, making the forecasts of cost reduction and increase in productivity of the plant more solid. Despite the lack of production and the uncertainty as to when the economy will recover, on a global scale, due to the COVID-19 pandemic, the company decided to invest in its know-how while maintaining the level of employment in order to be able, immediately, once production resumes, to be competitive and performing to supply both the external market and the Quality Wire Rod Mill plant in ABS Italy.

The 2020/2021 financial year will certainly be affected by the costs of preparation for restarting, but it will also be characterised by a rapid growth curve in volumes to glut the Quality Wire Rod Mill plant in ABS Italy, which will produce wire rod from special steels, with the semi-product of ABS Sisak.

Moreover, the 2020/2021 financial year will open a new cycle of investments to be implemented over the next 3/5 years that will have to guarantee an increase in productivity in order to make the site more competitive, with consequent future production stability.

ABS ESW Röhrenwerke (Germany)

In November 2019, after extensive reflection on the losses incurred so far and the negative outlook for the economic scenario, the Group decided to get out of the special pipes business. Therefore, starting from that month, the plant was closed with the interruption of order collection; by the month of February 2020, the remaining processing was carried out and the last deliveries were completed at the beginning of March. At the end of March, after a long negotiation stage with the company's factory board and the IG Metall trade union, a social plan for the termination of the employment relationship of the over 200 employees was signed, voted almost unanimously by them. In the following months, cleaning work on the site began and is expected to be completed shortly. In accordance with IFRS 5, the operating results are reported separately in the financial statements under Profit/(loss) from assets held for sale and similarly the figures of the previous year presented for comparative purposes have been reclassified.

Plant making

Group companies – Italy

Danieli Automation S.p.A.

The 2019/2020 financial year ended with revenues equal to 171.4 million euro (2019: 195.9 million euro) and with a net profit of 8.1 million euro (15.6 million euro as at June 30, 2019).

The financial year ended June 30, 2020, was characterised by a first long period of stability in demand and acquisitions, thanks to the innovative and technologically advanced solutions that Danieli Automation is able to offer, only to be affected by the consequences of the worldwide situation due to the COVID-19 emergency, which caused a drop in industrial production in the last quarter compared to expected results.

During 2021, on the one hand, a recovery in the demand for steel is expected and, on the other, the confirmation of government pressures to reduce environmental impact and energy efficiency.

The latter aspect in particular validates the company's strategy aimed at enhancing and increasing specific skills in order to optimise plant performance, quality and stability of the related production as well as to propose unique and innovative power electronics solutions for the rationalisation of energy transfer to the finished product.

The resulting great value of intellectual property and technological basis allow and will allow Danieli Automation to present itself to the market in a front-runner position with unique green solutions for reducing energy consumption and minimising the environmental impact of metal production processes.

Particularly significant in this sense are the successful start-ups of the innovative feeders for the Q-ONE furnace, the first industrialised examples of digital power supply technology for the electric arc furnace, which took place during the financial year ended June 30, 2020.

Investments have also been directed towards the development of "artificial intelligence" and "automatic vision" technologies, enabling the testing of plants to be carried out even remotely, a technology that has proved to be fundamental, particularly following the restrictions on mobility imposed by the global epidemiological emergency.

In the light of the above, the direction taken by the company makes it possible to confirm a potential growth scenario.

The order book as at June 30, 2020 amounted to 159.6 million euro (184.8 million euro as at June 30, 2019), enabling to forecast a good level of production and a positive result for 2020/2021 as well.

Danieli Centro Combustion S.p.A.

The revenues came to 66.6 million euro (78.5 million euro in 2019) with a substantially breaking even net result as at June 30, 2020 (0.7 million euro in 2019).

During the year, the company acquired many new job orders, the most significant of which are:

- Marcegaglia revamping pusher-type furnace
- Marcegaglia revamping galvanising line furnace
- Abul Khair galvanising line furnace
- Evraz tunnel furnace
- Nucor steckel furnace

Whereas the final acceptances of the following plants were obtained:

- Hoa Phat galvanising line furnace
- Cemtas treatment furnace for tubes
- Rusal experimental aluminium furnace aeronautical sector
- Homogenising blast furnace of aluminium plates
- TATA galvanising furnace
- Atakas bell furnace for Coils heat treatment
- Elco Suez billet reheating furnace
- Tamsa treatment furnace for tubes
- Indalum aluminium melting furnace
- Nanshan special alloy treatment furnace
- OMK treatment furnaces for tubes

Danieli Centro Combustion continued its research work at the University of Engineering in Savona, focusing on:

- Industrialisation of under-stoichiometric burner to minimise scale formation
- Dry furnace development
- H₂ mixture burner development

by strengthening its collaboration with the University of Genoa with a framework agreement and in H₂ research activities, it has entered into a partnership with RINA CSM.

The order book as at June 30, 2020, amounted to 56.9 million euro; this value will ensure a healthy profit in 2020/2021 thanks to products known for their solid reputation, reliability and performance.

Danieli Construction International S.p.A.

This company, based in Italy, specialises in site management for plant installation in the metals sector carrying out all work required to build the technological foundation, assemble the machine and equipment and start up systems, and it operates on a worldwide basis with an independent operating structure for managing large construction sites in particular.

Revenues, at 18.5 million euro, increased from the previous period (2019: 10.1 million euro). The 2019/2020 result shows a loss of 0.9 million euro but is mainly due to higher costs - which will not occur again in 2020/2021 - to close a job order in the Netherlands.

During 2019/2020, the company carried out its service on important projects both abroad and in Italy, moving and positioning the mechanical equipment with movable machines at the customer sites of the Danieli Group.

Danieli Construction International is an important strategic asset of the Group, making it possible to offer customers in the metals sector the plant assembled and started up, completing the supply chain from initial design to industrial commissioning of the plant, completely carried out by the Danieli Group. This is particularly advantageous for customers who can significantly reduce the risks related to the construction of a new plant or performing complex revamping.

Fata S.p.A.

The 2019/2020 financial year was characterised by a significant improvement in results thanks to the progress of operations on ongoing EPC contracts, including the important project for the combined cycle cogeneration plant for HEP in Croatia. However, the overall result of the company is still conditioned by extraordinary charges for the completion of some problematic contracts of the Hunter product line, which, in order to guarantee a better synergy in design and production management, was integrated into the Parent Company Danieli & C. Officine Meccaniche S.p.A. in 2019/2020.

The projects successfully completed during the period include the cold rolling mill for the customer LOGAN (U.S.A.), which represents an important technological milestone for the FATA Hunter line being one of the fastest rolling mills in the world.

During the year, the order book was fed with the entry into force of the contract for the construction of a second power generation plant from solar concentrate in Sicily; delivery of the first plant with synchronisation to the electrical network is expected in the coming months.

The scope of consolidation of Fata S.p.A. includes Fata Gulf Co. WLL, included in the consolidation on a full line-by-line basis, and the subsidiary Fata Hunter India PVT, measured at equity.

Revenues for the 2019/2020 period amounted to approximately 146.1 million euro (109.0 million euro as at June 30, 2019), with a net profit of approximately 1.0 million euro; the acquisitions relating to the EPC activities carried out during the financial year and in previous years made it possible to report a positive financial year. The order book as at June 30, 2020, and the negotiations being finalised suggest a positive result for next year.

More S.r.l.

The company, which sells technological packages for electric arc furnaces used at steelworks, reported revenues of 22.3 million euro (2019: 24.5 million euro), with a net profit of 4.4 million euro (5.6 million euro in 2019) and an order book of approximately 8 million euro as at June 30, 2020.

During the year, several strategic orders were finalised for the supply of technology packages for the Nucor Brandenburg and North Star Bluescope Steel mills in the USA, and further job orders were acquired for major steel groups including CELSA (Spain), PITTINI (Italy) and TERNIUM (Mexico).

During the financial year, important plants were started up including Nucor Utah (U.S.A.), Emirates Steel (U.A.E.) and TERNIUM (Mexico), which will allow customers to achieve significant energy savings and increase the level of safety with the use of the "Zero Men Around" packages.

The activities of the production plant continued with the start of work to expand the departments in order to improve workshop efficiency and optimise equipment construction processes.

Research and development continue with the objective of boosting the efficiency and reliability of the equipment built with the company's own technologies and new innovative solutions to guarantee a reduction of environmental emissions in the production of liquid steel and the application of Industry 4.0 digital technologies to the electric arc furnace. This activity generated - during the year - the filing of several patents that allow the company to maintain a position of technological leadership on the world market.

More's good reputation, order book, consolidated testimonials and commitment to research and development confirm its leadership role and the likelihood that future results will be in line with those of the year that has just ended.

Group companies - Europe**Danieli UK Holding Ltd. (United Kingdom)**

The company recorded a turnover of 22.5 million pounds for 2019/2020, equivalent to 25.6 million pounds, a decrease of 12% year on year.

During the financial year, the company maintained its commitment to develop its product portfolio to meet customer needs in the metal recycling sector.

This has led to the following results:

- Design development of a new range of shredder mills focused on emerging markets,
- Development of a new heavy duty inclined shear added to the range of continuous duty shears,
- Carrying out a feasibility study for a new ASR Test Centre structure.

Sales remain geographically well diversified with key markets within the EU27 and South Asia representing a growth market for sales. Australia is an increasingly important market for Danieli UK also with the completion of shipments of a new shredder and pre-shredder mill that will come into service in the next 6 months.

The effects of the COVID-19 pandemic, together with the combination costs related to the consolidation of Akros and Henschel's activities, had an impact on operating income, resulting in a break-even result for the full year. The recovery in raw material prices, which began in the last quarter, translated into a strong market recovery for the company's products, which will therefore be sustained in the new year. The company's order book remains solid, making it possible to forecast a good level of profitability in 2020/2021.

Innoval Technology Ltd. (United Kingdom)

The company recorded a turnover of 2.2 million pounds for 2019/2020, equivalent to 2.5 million pounds, a decrease of 7% year on year. Despite this, the company was able to achieve a satisfactory operating profit of 12%. Trade for the 9 months to 31 March 2020 was particularly strong, but the effects of the COVID-19 pandemic led to a sharp reduction in new activities in the last quarter of the year. Being able to build on a solid order book, the company was able to operate during the last quarter maintaining a break-even position despite a difficult trading environment.

Innoval continues to support the growing applications of aluminium in automotive structures where the advantages of light weight and recycling of aluminium are being exploited. The switch to electric vehicles is offering new opportunities in battery structures and sheet-fed applications in lithium-ion batteries. Innoval provides consultancy services to aluminium manufacturers and develops new technologies through Innovate UK by means of their research and development programmes in which Innoval is involved in several projects along the supply chain.

The support of Innoval's experts for the sale of new equipment and the support for commissioning guarantees our customers access to the most developed technologies in line with the most advanced level of technological progress. Companies with older equipment continue to benefit from this experience to improve quality and productivity. Many of these support activities were carried out as remote services to ensure continuous access to skills also during limited travel periods.

The training offer is an important service for the aluminium industry and this is moving to online platforms to eliminate the need for travel abroad.

However, the order book remains at a level consistent with that achieved in previous years, which means that the company should be resilient to the effects of the current pandemic and remains well positioned to meet its performance targets for the coming year.

Danieli Engineering & Services GmbH (Austria)

This company, based in Völkermarkt, Austria, is specialised in the management and sale of components, spare parts and after-sales services for steel works and rolling mills and its volume of revenues for the period was 89.1 million euro (2018/2019: 87.8 million euro) and a net profit of 16.7 million euro mainly in line with the result of the previous year.

The company developed new "fast track" procedures to follow customers in the processes of prediction in the replacement of perishable components of plants ensuring both the availability "on time" of a large quantity of mechanical parts (even of small size) and the ability to supply with very short lead times around the world by intervening:

- in the logistics area, totally revised by modifying the transport and storage systems, now more oriented to the speed of transfer between departments in order to reduce the time it takes to make spare parts available to customers with huge investments in the ICT area to allow the company to have a real time monitoring of materials and related flows allowing a simple and effective management of delivery priorities by product;
- in the supply chain where the purchasing policies for components with greater sales repeatability were revised by increasing the purchase lots and managing products in stock where market conditions allowed significant savings on the purchase cost. The action has made it possible to offer customers products with delivery times considered more than competitive;
- in the production area, where the activities launched in the previous year to identify products that can be assembled inside the plant on customer's call in order to reduce delivery times and increase the available offer continued, important investments in operating machinery were started up and will enter production during the 2020/2021 financial year.

The company's order book is such as to allow a good volume of sales in the 2020/2021 financial year.

Danieli Heavy Machinery Engineering LLC (Ukraine)

Based in Dnepropetrovsk, Ukraine, this company has its own design centre that enables it to develop basic and detailed engineering for both steel and aluminium rolling mills.

Work continued on the enhancement of its local technical organisation to expand its engineering and design capacity and to diversify available skills, thanks also to the cooperation with the Metalworking Academy and the Academy of Architecture and Civil Engineering in Dnepropetrovsk by employing the best students for our technical offices and supervision activities at Danieli sites around the world.

Revenues for the year were 53.3 million UAH, equal to 1.9 million euro (71.3 million UAH or 2.3 million euro as at June 30, 2019), with a profit for the period of 9.2 million UAH, equal to 0.3 million euro (profit of 18.6 million UAH or 0.6 million euro as at June 30, 2019).

Danieli Czech Engineering AS (Czech Republic)

The company, located in Prague, has an independent project management and expediting structure and it is specialised in EPC (Engineering Procurement & Construction), using, among others, a group of loyal local suppliers for the supply of machinery and equipment of steelworks and rolling mills for quality steel bars.

During the financial year just ended, the company completed the delivery of the “new roller table with slider” to be installed at the customer Yehuda Steel to complete the supply of the MiDa rolling mill, successfully started in 2018. Within the year, a contract was also signed with CELSA Nordic (Norway) for a similar supply and the first phase of the engineering development project was started. Other important negotiations are underway and are expected to be finalised by 2020/2021.

The company showed operating revenues of 22.9 million CZK, equal to 0.9 million euro (2018/2019: 10.6 million CZK, equal to 0.4 million euro) and a substantially breakeven result (2018/2019: loss of 7.5 million CZK, equal to 0.3 million euro).

Danieli Germany GmbH (Germany)

Danieli Germany GmbH operates in Germany with over one hundred employees at three premises:

- the technical office of Kassel,
- the headquarters of Duisburg and
- the largest subsidiary in Meinerzhagen, where the Danieli Fröhling product line is developing new technologies for cold rolling mills and cutting and finishing lines.

To improve the competitiveness of the Danieli Fröhling product line, a complete restructuring and remodelling process was carried out during the period. The synergies achieved will reduce reaction times towards our customers and at the same time improve our quality standards.

Danieli Germany GmbH recorded revenues of 57.5 million euro with a loss of 2.1 million euro (36.8 million euro in revenues and 9.4 million euro in losses as at June 30, 2019). The result was negatively affected by restructuring costs as a one-off effect and delays in the start-up and commissioning of some projects due to the worldwide influence of COVID-19.

Despite the difficult period, our project team successfully completed several major projects worldwide and obtained the final acceptance certificate and remained a reliable partner for our customers.

Despite the current pandemic, the company was able to strengthen our market position and acquire an important project, the 6-high cold rolling mill for Northern Copper Industries in Yuncheng, Shanxi Province / China. Moreover, Danieli Germany is developing an important project for a customer in Uzbekistan with the cover of the German ECA Euler Hermes.

The collaboration with Euler Hermes in Germany is good and will allow the insurance cover of further projects currently under discussion.

Danieli Germany's structure will remain flexible and will adapt to upcoming needs in relation to the development of such projects, which may require the use of its own workshop in Meinerzhagen.

The Duisburg headquarters of Danieli Germany GmbH were further expanded. In addition to the already proven expertise in hot rolling and continuous casting technology, Danieli offers our customers the opportunity to also develop slab furnace technology in cooperation with Danieli Centro Combustion.

Moreover, Danieli Germany also manages in Kassel the direct service of Danieli Centro Recycling for the European and Russian markets.

Considering the projects mentioned above, Danieli Germany's order book amounts to a total value of about 117 million euro as at June 30, 2020, which will allow a good result for next year while waiting for a market recovery.

Danieli Procome Iberica SA (Spain)

Based in Sondica, Spain, this company produces long product finishing and inspection machines and closed the year with revenues of 15.1 million euro (2019: 15.9 million euro) and a net profit of 0.6 million euro (2019: 0.3 million euro).

During the financial year, the company carried out important technological development activities for its products in collaboration with the Danieli Centro MET product line to improve the manual component of additive feeding operations in the electric furnace.

Danieli Procome will continue to operate as a technological centre for the development of additive products and to work to ensure customer satisfaction throughout the Iberian Peninsula with the forecast of a still positive result in the 2020/2021 financial year.

Morgårdshammar AB (Sweden)

The company reported revenues of 220.2 million SEK, equal to 20.7 million euro (2019: 296.3 million SEK, or 28.4 million euro) and a net profit of 1.6 million SEK, the equal of 0.2 million euro (2019: a loss of 84.8 million SEK, or 8.1 million euro).

The company returns to profit again in 2019/2020 thanks to the development of the order book as at June 30, 2019 and the positive sales performance of the Service division in the current period.

During the current financial year, the company was totally reorganised and a close operational synergy is envisaged with the subsidiary Danieli Engineering & Services GmbH (Austria) from the next financial year.

Orders taken during the year and the order book as at June 30, 2020, will allow the company to achieve a profit next year as well.

Sund Birsta AB (Sweden)

The company's revenues amounted to 436.4 million SEK, equal to 40.9 million euro (2019: 408.9 million SEK, or 39.2 million euro) and a net profit of 40.9 million SEK, the equal of 3.8 million euro (2019: 41.3 million SEK, equal to 4.0 million euro).

The company was able to mitigate the effects of the COVID-19 pandemic on turnover during the period thanks to careful management of personnel and their movements: Sund Birsta AB maintains a strong resilience to the downtrend in revenues in a downward economic cycle in that an important part of its turnover is related to the continuous maintenance activities of the machines already sold and now in production.

The company was able to:

- further develop its laser welding technology for binding machines in workshops in Sweden,
- develop a new power supply system for binding machines,
- start with the new IoT (Internet of Things) project applicable to all Sund technology machines.

The above products must be considered a new technology in the field that enables the end user to achieve new levels of strap performance and robustness in combination with cutting-edge marking technology.

Sund is also preparing business models to enable customers to make a technology investment in Leases in an attempt to exceed the limits of a Capex investment budget.

Sund Birsta AB reported an order book of 19.2 million euro as at June 30, 2020, allowing a positive start for the 2020/2021 tax year.

The indications in the first part of the new tax year show a market slightly more optimistic than expected.

Rotelec SA (France)

The financial year reported revenues of 13.5 million euro as at June 30, 2020 (2019 13.8 million euro), with a net profit of 1.7 million euro (2019: 1.5 million euro), thanks to the new products developed in recent years and the ongoing renewal process.

The company continued both its research activities for new products, using synergies within the Group, in particular with the Danieli Research Centre and Danieli Automation, and the optimisation of production processes.

A new device for managing the flow of steel in ingot moulds for thin slabs and an innovative cross-flow reheating system for strips have been put into operation.

Rotelec maintains its technological leadership of the worldwide market for electromagnetic stirrers and installations for heating strip edges for coils, enabling the company to maintain good results in terms of sales and margins, with positive prospects for the coming year.

In the next financial year, the two historical sites (Paris and Lyon) in the production centre in Lyon will be unified to the benefit of technical product development and cost optimisation.

Danieli Corus Group (The Netherlands)

The subgroup of companies headed by Danieli Corus, based in IJmuiden in the Netherlands, consists of Danieli Corus BV and its subsidiaries in China and India. The subgroup operates in the primary metallurgical industry, offering the best available blast furnace technology and basic technology for steel production with oxygen converters. The subgroup ended the financial year as at June 30, 2020, with a turnover of 106.2 million euro and a profit of 6.6 million euro (after a turnover of 88.9 million euro and a profit of 9.9 million euro in the 2018-2019 financial year).

For the first time in the sector, Danieli Corus completed the installation of the container casing for the new hot blower convector no. 47 at SSAB Oxelösund in one piece, ensuring a very efficient start-up that has enabled successful commissioning.

In the Dung Quat plant in Vietnam, managed by Hoa Phat Steel, where Danieli Corus is building four greenfield blast furnaces, the second blast furnace has been turned on and the third has been completed to start commissioning at the beginning of the new financial year. At the Severstal Cherepovets plant in Russia, the blast furnace project is nearing completion and the first two of a total of three oxygen injection lance systems have been "remotely started" by a team made up of Severstal and Danieli Corus experts: another absolute novelty in the sector.

Despite the sharp slowdown experienced by the world steel industry due to the ongoing COVID-19 pandemic and the consequent delays in investments, new contracts were signed for key projects covering Danieli Corus entire technology portfolio with major customers in the United States, Brazil, Ukraine, China and Korea, to name but a few.

We expect a pause for reflection in the primary steel production technology market at least for the first half of the new financial year, but we see a recovery in 2021 and expect a positive result for the company thanks to the backlog at the end of the financial year and the new business opportunities under discussion.

Danieli Finance Solutions SA (former Danieli International SA) (Luxembourg)

Danieli Finance Solutions SA continued to manage and invest the Group's liquidity during the period. Management activities are carried out in full autonomy in terms of operations and presence in Luxembourg, ensuring a result in line with the best market benchmarks during the financial year. The company is classified as a "Professional of the Financial Sector" (PSF) and as such is subject to the supervision of the Luxembourg Financial Supervision Commission (CSSF) pursuant to Article 13 of the Law of 5 April 1993 on the Luxembourg financial sector. The company's governance envisages a clear separation of roles and responsibilities between the Back Office and Front Office and a financial and operational risk control committee (CRIC) which carries out an analysis and control activity on the work of the two operational managers.

During the period, liquidity management continued according to the principle of absolute prudence in investments and in continuity with the activities carried out in previous years, investments mainly concerned the bond and insurance sectors as well as guaranteeing the natural support to intra-group finance.

Cash and cash equivalents and deposits with primary banking counterparties are significant. The low risk tolerance compressed returns that, however, despite the significant reduction in rates, both in the Eurozone and in the dollar area, are slightly higher than in the previous year. The high degree of quality and liquidity of the investment activities is pointed out. The counterparties allowed by the investment policy are in fact qualified by an "Investments Grade" rating and the average duration of the investments as at June 30, 2020, was just over 2 years.

The average net profitability of the portfolio managed by Danieli Finance Solutions SA slightly improved compared to the previous year, despite the presence of negative or zero short-term interest rates on deposits in euro and sharply reduced returns on the US dollar component as a result of the monetary policies of the two main central banks (ECB and FED). As at June 30, 2020, the positive performance related to liquidity management amounted to 6.8 million euro (7.6 million euro as at June 30, 2019) and the positive component related to exchange rate differences amounted to approximately 5.1 million euro (3.3 million euro as at June 30, 2019).

Gruppo Danieli Henschel (France, Russia)

The company is based in France and as part of a restructuring project transferred its assembly workshop in Chambéry, while the Kassel workshop in Germany is now managed directly by Danieli Germany.

The Chambéry and Kassel workshops continue their activity as a centre of excellence, specialised in the production and development of machines for Europe, Russia and the Middle East, while Danieli UK and Danieli Germany continue with the construction in the Far East of machines for the Asian market, where the secondary metallurgy sector shows signs of significant increase with growing demand for scrap processing plants.

Group companies – Russia / Turkey

Danieli Russia Engineering LLC (Russia)

The company is specialised in installation, start-up and commissioning of plants with customers in the Russian market and during the period has worked in synergy with its affiliate Danieli Volga to support the projects carried out by the latter.

Danieli Volga LLC (Russia)

Danieli Volga (with its new factory in Nizhny Novgorod) operates mainly in the Russian market with a completely autonomous production plant to serve the other strategic markets throughout the former CIS territory.

The production site includes about 10,000 square meters of covered space and 3,000 square meters of technical and commercial offices and services for personnel and operates with the goal of designing, manufacturing and marketing machinery, mechanical components of spare parts, as well as turnkey production facilities in the mechanical engineering sector in general, and more specifically in the steel making business.

The company is equipped with systems for lifting heavy machinery and uses latest-generation operating machines and technical office, supporting Russian steel making companies' demand for spare parts, plant parts reconditioning, environmental equipment and for better energy management in the production process.

The activities carried out include the management of raw materials, welded manufacturing, mechanical processing of turning, milling, boring and grinding, ending with the assembly and final testing of the machines.

Qualified technical assistance, maintenance and reconditioning services are also provided by local personnel at the customer's plants throughout Russia and the former CIS.

In 2019/2020, the company Danieli Volga also consolidated its specialisation in plant engineering and construction and environmental certification services in accordance with Russian regulations, thus expanding its range of services to complete its traditional technological supplies to the Russian Federation/CIS market.

As at June 30, 2020, the company's turnover amounted to 1,809.2 million rouble, equal to 24.5 million euro (2019: 1,731.1 million rouble, equal to 23.1 million euro) and a loss of 83.9 million rouble, equal to 1.14 million euro (2019: a profit of 1.3 million rouble, i.e. 0.0 million euro, mainly related to negative exchange rate differences linked to the rouble's fluctuation).

Despite the difficult social, political and economic situation, the outlook in the near future remains positive to meet the needs of a strategic market demanding highly technological products and services to be delivered quickly and in quality.

Termo Makina San.V.T. AS (Turkey)

The company, based in Duzce (Turkey), operates with its own operating structure in a central location with respect to all major Turkish steel producers.

In 2019/2020, the company underwent a significant management restructuring, completing all existing projects to redirect its activities to support maintenance services and services for Danieli customers in Turkey.

As at June 30, 2020, Termo Makina had a negative operating income and a final loss of 32.3 million Turkish lira equal to 4.8 million euro mainly due to financial charges and exchange differences related to the strong depreciation suffered by the Turkish lira in the period (2019: loss of 16.4 million Turkish lira, equal to 2.6 million euro).

The company, which has a new operating structure, is expected to be profitable.

Group Companies – America

Danieli Holdings Inc. (United States)

The Daniel Group operates in North America with Danieli Holdings Inc., which coordinates the work of several local affiliates.

The United States subgroup, comprised of Danieli Holdings Inc. (holding company), Danieli Corporation, Danieli Technology Inc., Danieli Canada Inc. (Canada), Morgårdshammar Inc., Danieli Automation USA LLC (U.S.A.) and Danieli Taranis LLC 50% acquired since 2014/2015, shows consolidated revenues of 389.7 million USD, equal to 352.6 million euro (2019: 219.3 million USD, equal to 192.2 million euro) and a loss of 4.0 million USD, equal to 3.6 million euro (2019: loss of 6.1 million USD, equal to 5.4 million euro).

Sund Birsta Inc. is also present in the USA and is directly controlled by the Swedish company Sund Birsta AB.

The Group's operating companies are:

Danieli Corporation

The company continues to operate as the main operating company in the American continent, covering the entire range of products offered by the Group on the local market and providing assistance to customers for revamping and post-sale maintenance services for metal plants, machinery and spare parts,

Company activities are divided into the following product lines:

- DWU USA – developing sale, design, supply and project management activities for flat product plants;
- DMH USA, DCM USA – with the sale, design, supply and project management of plant and machinery for long product rolling mills, steelworks, casting machines and special lifting systems;
- DANIELI SERVICE – with the provision of equipment, services and spare parts for all product lines to the North American market;
- DANIELI HUNTER – with the sale, design and supply of casting machines, rolling and aluminium painting plants;
- DANIELI CRANES and DANIELI ENVIRONMENT with the sale of special lifting systems and auxiliary systems for steelworks.

During the financial year, the company opened a new 10,000 square meter warehouse and production centre in Kentucky to increase the level of service provided to American customers. In the 2019/2020 financial year, significant orders were acquired with important US customers both in terms of size of the projects and in terms of their high technological and innovative content.

The US steel market, while remaining strong following the anti-dumping measures activated by the Trump administration, declined significantly during the second quarter of 2020 due to the impact of COVID-19: however, the demand for steel remains driven by the development of the civil and residential construction sector and the automotive sector, with a growing demand for steels with high mechanical properties.

In particular, during the current year, Danieli was assigned the most important investment projects in the steel sector in North America. The most important include the new Plate Mill in Nucor Brandenburg, the new North Star Blue Scope steelworks and the new Commercial Metal Company plant for the production of merchant bars.

Taranis LLc

The activities of the Taranis Joint Venture continued successfully in the 2019/2020 financial year, being able to increase sales and turnover mainly thanks to improved commercial penetration with US customers.

Thanks to the order book as at June 30, 2020, a positive result is expected for the next financial year.

Sund Birsta Inc. (USA)

The company operates from Jacksonville, Florida, guaranteeing service to customers in North America for support, spare parts sales and technological updating of the machines in this area.

The company's revenues for the period amounted to 8.7 million US Dollars, equal to 7.9 million euro (7.5 million US Dollars in 2019, equal to 6.6 million euro) with a positive result in line with the previous year.

The company was able to maintain the lockdown period during the year:

- a good level of direct sales for plants and individual machines to American customers,
- improve customer service in total autonomy both for the services provided and the production of spare parts.

Group Companies – Southeast Asia

Danieli Co. Ltd. (Thailand)

The net profit for the year was 16.2 million euro (2019: 12.7 million euro) with a turnover of 247.9 million euro (2019: 202.7 million euro).

These results positively reflect the work of planning of workshop activities carried out with new hardware and software to efficiently plan and co-ordinate the production of mechanical components and work planning by local management.

During the financial year just ended, Danieli Thailand further consolidated the range of products offered to its customers for all steelworks equipment, scrap shears, technological cranes and hydraulics for all types of plant.

During the year, very important orders were completed, including a steelworks with slab casting for the U.S.A., a cold-rolling strip mill in Indonesia, and a steel mill and rolling mill in Taiwan; while service activities were developed for Taiwan, Indonesia and Korea.

During the period, the company continued to invest to improve the production efficiency of mechanical workshops, intensifying in the same way its work on research and development for new plants to enable our customers to produce environmentally compatible steel by reducing GHG emissions in accordance with the "green steel" concept.

The financial forecasts for 2020/2021 remain positive with stable revenues and margins thanks to a well consolidated order book, whereas in macroeconomic terms, Thailand continues to confirm the strength of its economic fundamentals remaining only partially exposed to risks of political and currency instability.

The company continues to pursue its projects for the community through sponsorship of schools located in rural areas of the country also by collaborating with the prestigious local engineering university King Monkut.

The order book as at June 30, 2020, suggests a positive result for next year as well.

Danieli Automation Co. Ltd. (Thailand)

The company Danieli Automation Co., Ltd. (DACO) based in Rayong, once the certification phase has been completed, continues its consolidation with important local companies. Today it can be confirmed that thanks to the effective and qualified service provided, DACO has become the primary supplier of maintenance and repair services for low and medium voltage AC electric motors for many industrial companies operating in Thailand. For the steel production sector, DACO provides support in all the major local companies, from Millcon, NTS & SCSC (of the Tata group), Zubb Steel, Ratchasima steel, BSI, and lastly the Japanese SYS Siam Yamato group. New orders were also received from Korea, Taiwan, Vietnam and Bangladesh for the supply of stirrers and engine repairs. Note the qualification obtained by the German group COVESTRO, world leader in the production of high tech polymers, where a contract for the annual maintenance of AC and DC electric motors for the Map Ta Phut (Rayong) plant will soon be finalised. The same qualification process, still in the audit phase, is underway with the Japanese group TANIJOBIS, producer of Tantalum and Niobium powders for the electronic sector of microprocessors.

Once the first agreement with an Asian customer for the DACO assembly of AC motors and gearboxes has been finalised, the first supply is expected by the end of November 2020, which will lead to an increase in both customer portfolio and volumes.

Note that the COVID-19 problem caused the cancellation of several maintenance orders, bringing the result for the period to a loss of 17.5 million THB, equal to 0.5 million euro, (14.6 million THB, equal to a loss of 0.4 million euro as at June 30, 2019), but current forecasts indicate a rapid return to normal operations for our customers allowing the company to achieve a profit thanks to a more efficient economic management in 2020/2021.

Danieli China

Danieli China is a well-established business serving the local and international market, comprised of three independent companies, located strategically in the Beijing and Shanghai areas.

Danieli Metallurgical Equipment (Beijing) Co. Ltd. (People's Republic of China)

The Beijing-based company is currently in liquidation and recorded a loss of 16.1 million CNY, equal to 2.1 million euro (2019: a loss of 5.5 million CNY, equal to 0.7 million euro).

The general restructuring process started in previous years aimed at transferring all operations to Changshu in order to manage activities more efficiently using the structure of the subsidiary DCS - Danieli Metallurgical Equipment & Service (China), is now almost complete with the closure of most of the activities and the liquidation of most of the liabilities.

The company will be integrated with DME & S (China) in the near future.

Danieli Metallurgical Equipment & Service (China) Co. Ltd. (People's Republic of China)

The company, with operating headquarters in Changshu in the Shanghai province, has become the Danieli Group's foremost production centre in China with a surface area of over 90,000 sq.m of covered structures dedicated to production and assembly activities using nearly 60 operating machines including boring machines, work centres and vertical lathes for high-precision machining. Revenues amounted to 2,242.8 million CNY, equal to 288.5 million euro (2019: 2,046.1 million CNY, equal to 262.8 million euro) and a net profit of 92.0 million CNY, i.e. 11.8 million euro (2019: 44.2 million CNY, equal to 5.7 million euro).

Local production offers a wide range of products including high quality reheating furnaces, electromagnetic agitators, compactors and presses, recycling machines, cold rolling mills, longitudinal cutting and packaging machines where most of the high value components are manufactured in-house to ensure high quality standards.

This year the company has made significant progress by introducing several strategic products in the Chinese market. For long products, the first Danieli Mi.Da high-speed continuous casting for billets was installed at the Pinggang steelworks with start-up scheduled for November 2020. At the same time, the first high speed bar line (HTC) was started in Chenggang, capable of reaching finishing speeds of up to 42 m/s on 12 mm bars. The first EAF with Automatic Scrap Charging System (ECS) started its operations in Guihang as well and will soon be followed by further references starting in the new year.

The order book as at June 30, 2020, remains solid and high and will generate a healthy volume of sales for 2020/2021 and a positive result also for next year.

SUND Birsta Metallurgical Equipment Co., Ltd. (People's Republic of China)

Sund Birsta Metallurgical Equipment Co. Ltd. is based in Beijing and operates in complete autonomy directly following the Chinese market.

The local production of machines and tools is expanding thanks to Sund's ability to develop engineering, build machine components and assemble them in quality but at a reduced cost.

In 2019/20, the company's revenues amounted to 57.9 million CNY, equal to 7.4 million euro (73.2 million CNY in 2018/2019, equal to 9.4 million euro) with a result of 8.8 million CNY, equal to 1.1 million euro, in line with the previous year.

The company produced and sold in 2019/2020:

- No. 42 binding machines,
- No. 4 strip compactors PCH Beta III-4KNB/4 600
- No. 1 packaging machine PET, SMB-PET-32/2500

operating all service and maintenance activities according to budget forecasts.

Danieli India Ltd.(India)

The operational activities of the subsidiary Danieli India are concentrated in its main factory near Chennai, in the southern part of India, while some technical offices and a small factory are located in Calcutta, in the eastern part of India. The company is active in the field of plant design and construction for the iron and steel industry offering a complete range of products from metal casting, casting machines to hot and cold finishing lines together with auxiliary plants as required.

The Indian steel market is the company's main market, although Danieli India guarantees a significant presence in other Asian countries.

A substantial part of revenues is related to the spare parts and after-sales service sector, which are constantly increasing in terms of volumes and turnover.

In 2019/2020, the company achieved a turnover level of 5,181.9 million INR, equal to 64.7 million euro (it was in 2019: 7,239.1 million INR, equal to 89.9 million euro), which decreased in the period mainly due to the difficulties encountered by the Indian steel industry in achieving the growth target set by the Indian government.

Despite the declining level of revenues in the financial year under review, the company's EBITDA improved significantly from 236 million INR to 388 million INR in the period ended June 30, 2020, (approximately 1.1 million euro). This is due to better cost control and recovery that has helped the company to reduce financial charges as well and avoid cash losses.

However, there was a net loss since the company was not able to recover the costs for depreciation, amortisation and write-downs for the period that transformed the positive EBITDA into a net loss that in the financial year amounted to 296.5 million INR (equal to 3.6 million euro) compared to 384.8 million INR in the previous year (equal to 4.8 million euro).

In general, the Indian economy is not going through a favourable economic cycle as originally expected and there was a drop in the GDP growth rate in the Indian tax year ending in March 2020. The matter worsened in the last quarter when, for the first time in decades, GDP fell due to the outbreak of the pandemic and the consequent long "lockdown" of the entire country. However, the Indian economy has the potential to quickly return to a growth trend in the coming years, and the government's stated steel policy, together with the plan to increase investment in infrastructure development, will support the revival of the steel industry and the Indian subsidiary's improved business prospects in the near future.

Danieli Centro Combustion India Pvt.Ltd. (India)

The company ended the year with revenues of 529.8 million INR, i.e. 6.6 million euro (2019: 716.3 million INR, i.e. 8.9 million euro) with a net profit of 26.2 million INR or 0.3 million euro (2019: a profit of 28.4 million INR, i.e. 0.4 million euro). Danieli Centro Combustion India operates locally, with full autonomy, providing local customers with reheating furnaces for long products, heat treatments, process lines for strip and bell furnaces having by now become a centre of excellence in the country and locally manufacturing all components required for its products.

The order book as at June 30, 2020 will generate a sufficient volume of sales for 2020/2021 and a positive result also for next year.

Danieli Engineering Japan Ltd. (Japan)

Based in Yokohama, Japan, the company reported revenues of 809.6 million JPY (equal to 6.8 million euro) as at June 30, 2020 (908.8 million JPY or 7.2 million euro as at June 30, 2019). It has been operating for 11 years in the local market as a premium project management and engineering development centre for the Group's product lines.

Danieli Engineering Japan continues its consolidation in Japan with an interesting growth oriented to High Tech products, where, considering only the current negotiations in progress, it will be possible to obtain a good order acquisition in 2020/2021.

In Japan, 70% of production derives from an integrated cycle whereas 30% from electric furnace; Danieli Engineering Japan signed in December 2019 with the customer Tokyo Steel Manufacturing, the supply of the Q-ONE product for the digital control of arc furnaces. This is the first application of its kind in Japan, opening the door to many new opportunities.

In addition to this project, which will be operative in summer 2021, Danieli Engineering Japan is negotiating many other opportunities for both rolling mills and casting plants, many of which are geared towards the digitisation of plants for the 4.0 industry.

Industrielle Beteiligung Company Ltd. (Vietnam)

This company is based in Ho Chi Minh City, Vietnam and had revenues of 237,011.4 million VND, equal to 9.2 million euro as at June 30, 2020 (274,029.6 million VND, equal to 10.3 million euro as at June 30, 2019), substantially breaking even and in line with 2018/2019.

During the year, the commercial and production structure was further strengthened with a direct focus on after-sales services but also for the supply of new plants.

Note that since last December, a new service centre has been operating near Hanoi to carry out maintenance and storage activities for "long lead time items".

All this allows us to consolidate our presence in Vietnam, which represents an important market for Danieli plants with its over 20 million tonnes of steel production per year.

The market for local steel production remains roborant supported by government policies aimed at significantly limiting imports from China with customs barriers to protect domestic producers.

The company's activities continue on the basis of this scenario with positive prospects also in upcoming years.

Group companies – Middle East

Danieli Middle East for Engineering & Services LLC (Egypt)

This Cairo-based company operates in the local management of large projects and closed the year substantially breaking even, as at June 30, 2019. The company's activities were carried out efficiently during the period with the prospect of maintaining a bottom-line profit in the future as well.

Analysis of/commentary on the economic and financial position of the Danieli Group

As at June 30, 2020, the main economic and financial data were as follows:

- revenues: 2,673.4 million euro down by 13% compared to 3,063.6 million euro as at June 30, 2019;
- Group's net profit: 62.9 million euro, marking a decrease of 6% compared to 67.0 million euro as at June 30, 2019;
- consolidated shareholders' equity: 1,936.6 million euro, up by 37.4 million euro compared to 1,899.2 million euro as at June 30, 2019;
- positive net financial position: 903.2 million euro reduced by 25.1 million euro compared to 928.3 million euro as at June 30, 2019, mainly due to the recognition of lease liabilities (amounting to 45.7 million euro as at June 30, 2020) following the first-time adoption of IFRS 16.

The Group order book is well-diversified by geographical area and by product type and as at June 30, 2020 amounted to approximately 2,936 million euro (of which 190 million euro in the special steel making segment) still solid albeit slightly down compared to 3,099 million euro as at June 30, 2019 (of which 237 million euro for special steels).

Moreover, some major contracts already signed with foreign customers are not included in the order book: they will come into force only upon completion of the engineering or with the finalisation of the related loan procedures.

The rationalisation process of management in the Plant Making sector continued strongly with a special attention to competitiveness in terms of innovation, technology, quality, efficiency and customer service, with:

- the research and production of innovative products with noble components mainly developed in Europe;
- the design and production of plants with consolidated technologies is carried out in the Asian factories, at a lower cost but with the same European quality, covering both the Western steelmaking market and the Asian one, which to date accounts for more than half of global steel production.

In the Steel Making sector, construction of the new Quality Wire Rod Mill plant, which will enter into production at the end of 2020, is nearing completion allowing ABS to expand its range of high quality products through the use of innovative thermomechanical processes (making a reclassification in the period of approximately 129.7 million euro, without which the group's revenues amounted to 2,803.1 million euro).

This investment is the first one in ABS's "Vision 2,300" programme, which aims to increase sales by 50%, with the distinction of being the only steel mill for the production of quality steels, with a product range from 5.5 mm to 500 mm in diameter at a single site, with all the savings on Op-Ex and logistics that this entails.

The objective is always to raise the technological competitiveness of ABS by improving production quality and efficiency, reducing the cost of processing and increasing quality and increasingly personalised customer service, rationalising and completing the product range to be able to export directly 50-60% of production.

Production at ESW Röhrenwerke GmbH in Germany ended during the period with the closure of the plants and the termination of contracts with almost the entire workforce. In the period, the company generated an operating loss of about 16 million euro, including extraordinary charges related to the termination of relations with employees. During the period, the operational and environmental safety of the plants was also completed.

It is significant to point out that without the losses of the German pipe manufacturer, the ABS Steel Making sector - despite the declining market trend - would have made a profit and this shows the competitiveness of the company. The ABS Sisak plant in Croatia also remained closed during the year (after completing the modernisation of the furnace and casting machine feed systems) and will be restarted at the end of 2020 in coordination and synergy with the start-up of the new quality wire rod mill in Italy.

In the Plant Making segment, investments will be approximately 10/15 million euro per year, in addition to those for research and innovation, which are still high, mainly due to the development of new green technologies to produce steel without CO₂ and with low GHG emissions.

COVID-19 pandemic

As indicated in more detail in the Non-Financial Statement, the company approached the COVID 19 issue with great care, promptly implementing in Italy (and at all foreign premises) all the necessary measures to limit any negative impact on its employees.

The Group's Italian plants were completely closed for a fortnight as from March 23, 2020, completing only urgent activities and making the plants safe, while the Russian and Indian plants closed for limited periods of time in April and June: the Chinese plants (although far from the Wuhan area) were

closed for a further two weeks in February to coincide with the New Year holidays. At the subsidiaries in the EU and the USA, activities continued without any particular restrictions, while taking the utmost care to ensure the safety of employees. With the subsequent opening of the production sites, we continued to pursue a very prudent approach, as was already done in the period immediately prior to closing, by checking the temperature of the personnel before each entrance, equipping them with medical safety devices and re-launching the work stations in a distanced and protected manner, installing hand sanitisation stations in the offices, prohibiting physical meetings and closing the canteen and refreshment points. Smart working was activated in all possible cases while, in other cases, the available hours of leave have been used up to the request of the ordinary wage guarantee fund if deemed necessary (used mainly by the Italian companies in the second quarter of 2020 about 17% in the Steel Making sector and about 6% in the Plant Making sector). Although there were no serious cases among the employees, many of the activities at our customers' construction sites had to be rescheduled in order to be able to manage plant start-ups with local supervisors who could not travel with the usual ease and activate remote assistance that allowed the work to be completed without incurring excessive delays. In the Plant Making sector, the pandemic caused limited delays in the performance of job orders, especially when compared to the normal duration of projects, which never stopped completely thanks to the on-site presence of technicians from our subsidiaries based in all the Group's main geographical markets. The pandemic did not lead to a significant slowdown in the collection of new orders from customers and no cancellations of orders already signed with counterparties resulted from this. On the other hand, in the Steel Making sector, the shutdowns related to the COVID-19 restrictions led to a further drop in turnover in a market that was already less attractive due to a more marked incidence of production costs and lower sales margins.

Highlights of the consolidated income statement as at June 30, 2020

(millions of euro)	30/06/2020	30/06/2019	Variation	30/06/2019 restated
Revenues (*)	2,673.4	3,063.6	-13%	3,023.5
Gross operating margin (Ebitda) (**)	187.7	239.2	-22%	254.1
% of revenues	7.0%	7.8%		8.4%
Depreciation, amortization and net write-downs of fixed assets and receivables	(96.1)	(137.7)		(135.1)
Operating income	91.6	101.5	-10%	119.0
% of revenues	3.4%	3.3%		3.9%
Financial Income and charges	9.3	3.6		3.4
Income/(charges) arising from the valuation of equity investments in assoc. with the equity method	0.1	0.5		0.5
Profit before taxes	101.0	105.6	-4%	122.9
Income taxes	(22.2)	(38.8)		(33.3)
Net profit from continued operations	78.8	66.8	18%	89.6
Profit and loss deriving from discontinued operations	(16.4)	0.0		(22.8)
Net profit for the period	62.4	66.8	-7%	66.8
% of revenues	2.3%	2.2%		2.2%
(Profit)/loss attributable to non-controlling interests	0.5	0.2		0.2
Net profit for the period attributable to the Group	62.9	67.0	-6%	67.0
% of revenues	2.4%	2.2%		2.2%

(*) Including the amount reclassified in the consolidated financial statements of 129.7 million euro for QWR supplies to ABS, the value of revenues would be 2,803.1 million euro.

(**) The Gross Operating Margin (EBITDA) represents the operating profit as in the consolidated income statement, before depreciation, amortisation and write-downs of fixed asset and receivables.

The Gross Operating Margin (EBITDA) is used by the issuer to monitor and evaluate the performance of the Danieli Group, although it is not defined as an accounting measurement within IFRS. Consequently, the criteria for determining this value may not be consistent with the one used by other entities, and therefore not be altogether comparable.

The level of revenues of the Group decreased by 13% compared to the previous year with an increase in turnover in the Plant Making segment and a decrease in the Steel Making segment, which shows lower production volumes compared to 2018/2019 due to the stop in the ABS Sisak plants, the closure of the ESW pipe manufacturer and periods of operational down-time in the Italian ABS plant. In 2020/2021, ABS Sisak's plants will restart to guarantee the supply of special steel billets to the new wire rod mill that will be started in Pozzuolo del Friuli in the last quarter of 2020 and total production in the Steel Making sector is therefore expected to grow thanks to the increase in the verticalization capacity of ABS S.p.A..

Revenues for the Plant Making segment are consistent with the forecasts at the beginning of the year and derive from the compliance with the construction programmes contractually agreed with the customers, with an EBITDA of 124.3 million euro, better than the result for the 2018/2019 period, even though a substantial provision was made in the period against ongoing disputes related to the start-up of innovative plants.

On the other hand, revenues for the Steel Making segment are lower than the budget at the beginning of the year and show a profitability of 63.4 million euro, penalised by unsatisfactory margins generated by production, which may improve in the coming year thanks to the start-up of new rolling mills.

Therefore, the 2019/2020 financial year showed a reduced operating profitability (EBIT) compared to the previous year mainly due to the above-mentioned non-recurring one-off negative factors and to restrictions to production suffered in the last quarter of the year related to the reduction in demand from our customers due to the COVID-19 pandemic effect.

The production sold during the financial year by the Steel Making segment (ABS Group) reached approximately 1,000,000 tonnes (down from last year), with the aim of increasing these volumes in the next financial year by bringing the company ABS Sisak in Croatia back to full production.

ABS S.p.A. provides high quality products and delivery times in line with the best global producers, and its objective is to be the leading operator in Italy in the special steel sector and among the top three in Europe.

The performances of both the Plant Making (engineering and plant construction) and Steel Making segments (special steel production) and keeping the order book at good levels suggest positive results for the next year and an improvement compared to 2019/2020.

In particular, in the Steel Making segment, 2020/2021 is expected to grow without one-off negative influences, with greater efficiency in production thanks to the start-up of the new QWR wire rod mill and with the full operation of ABS Sisak.

In the Plant Making segment, on the other hand, a better operating result is expected in 2020/2021 against the better margin included in the order portfolio and equally distributed throughout the main product lines (steelworks, long products and flat products), with a homogeneous distribution in all geographical areas affected by our projects, and an improved contribution to the Group's operating profitability from the Parent Company.

Thanks to investments made in both operating segments, the Danieli Group can offer its customers innovative and more environmentally-friendly products and an increasingly better service in terms of quality, price and delivery timeliness, operating with an organisation that aims to optimise company processes in order to reduce waste, striving for maximum customer satisfaction.

Liquidity management continued during the year in accordance with the usual low-risk and easy to realise investment principles, incurring no financial loss and with a satisfactory return both on investments in euro and on those denominated in foreign currencies (essentially in USD), with a positive effect on the income statement related to the alignment of the exchange rates to the exchange rates in force on June 30, 2020.

Group EBITDA as at June 30, 2020 was 187.7 million euro, a decrease by approximately 22% on the previous year, and margins were still substantial enough, compared to the turnover for the period, to cover the very high research and development costs incurred in the period.

Net financial income came to a negative 1.3 million euro, (after exchange rate alignment) and includes the discounting charges calculated on financial receivables with the expectation of a long deferred payment while exchange rate management was positive for 10.7 million euro due to the weakening of the euro against the US dollar as at June 30, 2020. Cash management was in any case handled prudently, maintaining a high solvency profile while closing the year with a satisfactory net cash position.

Total taxes for the period amounted to 22.3 million euro (38.8 million euro in the previous year), essentially deriving from the application of ordinary taxation to the results of consolidated companies without the significant impact of other one-off items.

The net profit for the period came to 62.4 million euro, decreasing by 7% compared with 66.8 million euro as at June 30, 2019.

Summary of results by business segment

The results discussed above are broken down by business segment in the following table:

Revenues (*)	30/06/2020	30/06/2019	Variation	30/06/2019 restated
(millions of euro)				
Plant making	2,012.5	2,019.2	0%	2,019.2
Steel making	660.9	1,044.4	-37%	1,004.3
Total	2,673.4	3,063.6	-13%	3,023.5
Gross operating margin (Ebitda)				
(millions of euro)				
Plant making	124.3	121.5	2%	121.5
Steel making	63.4	117.7	-46%	132.6
Total	187.7	239.2	-22%	254.1
Operating income				
(millions of euro)				
Plant making	77.4	47.5	63%	47.5
Steel making	14.2	54.0	-74%	71.5
Total	91.6	101.5	-10%	119.0
Net profit for the period attributable to the Group				
(millions of euro)				
Plant making	72.9	38.1	91%	38.1
Steel making	(10.0)	28.9	-135%	28.9
Total	62.9	67.0	-6%	67.0

(*) Operating revenues would amount to 2,803.1 million euro for the Group and 2,142.1 million euro for the Plant Making segment, considering the value of internal constructions developed of 129.7 million euro related to the new Quality Wire Rod Mill towards ABS (classified as lower costs).

Revenues by geographical area

The allocation of Group consolidated revenues by geographical area is as follows:

	30/06/2020	%	30/06/2019 restated	%	Variation
(millions of euro)					
Europe and Russia	1,359.6	51%	1,636.7	54%	-16.9%
Middle East	334.8	13%	442.1	15%	-24.3%
Americas	518.2	19%	360.5	12%	43.8%
South East Asia	460.8	17%	584.3	19%	-21.1%
Total	2,673.4	100%	3,023.5	100%	-11.6%

With regard to the Plant Making segment, the geographical distribution of revenues for the period reflects the target area of sales related to shipments made and includes the progress of equipment construction operations at our factories and the assembly and start-up activities carried out at our customers' sites on a worldwide basis.

On the other hand, the revenues of the Steel Making segment are concentrated in Italy and Europe and are included in the Europe and Russia area, where they account for 25% of the total value of this area as at June 30, 2020, and for 34% of the total value of this area as at June 30, 2019.

Highlights of the reclassified consolidated balance sheet as at June 30, 2020

(millions of euro)	30/06/2020	30/06/2019
Investments	15.8	11.7
Net tangible and intangible fixed assets	947.8	878.7
Right of use	45.0	0.0
Net fixed assets	1,008.6	890.4
Working capital	75.5	130.6
Net invested capital	1,084.1	1,021.0
Group shareholders' equity	1,936.7	1,899.7
Non controlling interest in shareholders' equity	(0.1)	(0.5)
Total shareholders' equity	1,936.6	1,899.2
Provisions for risks and employee benefits	50.7	50.1
Current financial assets	(1,609.2)	(1,691.1)
Non-current financial assets	(12.8)	(0.4)
Current financial liabilities	472.7	463.8
Non-current financial liabilities	246.1	299.4
Positive net financial position	(903.2)	(928.3)
Total sources of funds	1,084.1	1,021.0

Net Invested Capital increased compared to the previous year, with working capital decreasing thanks to advances received from customers on new orders acquired during the period, while the financial management for the period ensured adequate financial coverage for investments made in both operating sectors.

This situation, with expectations of continuing positive economic and cash flows in the next few years, will allow the Group to quickly repay its debt to banks, which remained stable during the period despite having supported new investments being developed in the Steel Making segment.

Analysis of the consolidated net financial position as at June 30, 2020

(millions of euro)	30/06/2020	30/06/2019	Variation
Non-current financial assets			
Other financial receivables	12.8	0.4	12.4
Total	12.8	0.4	12.4
Current financial assets			
Securities and other financial assets	618.8	588.2	30.6
Cash and cash equivalents	990.4	1,102.9	(112.5)
Total	1,609.2	1,691.1	(81.9)
Non-current financial liabilities			
Non-current financial liabilities	211.6	299.4	(87.8)
Lease liabilities non-current	34.5	0.0	34.5
Total	246.1	299.4	(53.3)
Current financial liabilities			
Bank debts and other financial liabilities	461.5	463.8	(2.3)
Lease liabilities current	11.2		11.2
Total	472.7	463.8	8.9
Current net financial position	1,136.5	1,227.3	(90.8)
Non-current net financial position	(233.3)	(299.0)	65.7
Positive net financial position	903.2	928.3	(25.1)

The net financial position remained strong but decreased by 25.1 million euro compared to the value as at June 30, 2019 (largely due to the effect of 45.7 million euro for the recognition of financial liabilities related to the first-time adoption of IFRS 16).

The net financial position was calculated by including, within "Bank debts and other financial liabilities", customer advance payments on job orders not yet in production, amounting to 117.0 million euro as at June 30, 2020 (229.1 million euro as at June 30, 2019). These amounts are still

included as payables for construction contracts and customer advance payments in the consolidated balance sheet.

As at June 30, 2020 there were no residual payables for the purchase of equity investments (6.6 million euro as at June 30, 2019), which were previously included in other liabilities.

The remaining customer advances, net of advances paid to suppliers, amounting to 647.5 million euro as at June 30, 2020 and 560.1 million euro as at June 30, 2019, are included in working capital as they are used to finance job orders in progress. The related amounts are still included as payables for construction contracts and customer advance payments in the consolidated balance sheet.

The net financial position remained positive as at June 30 reaching the amount of 903.2 million euro. This amount is still important, affected partly by advances collected on current contracts and partly by a careful financial management of production on job orders, enabling the Group to finance the important investments in research and development in the Plant Making segment as well as those required for the new QWR Mill in the Steel Making segment that will make it possible to diversify and increase production and strengthen the efficiency in operations.

By maintaining this level of cash, the Group can meet without financial stresses the new technological challenges of building plants with high innovative content, by independently covering all extraordinary expenses that may arise from technical difficulties during their start-up.

Key consolidated financial ratios

Profitability Ratios	Description	30/06/2020	30/06/2019
ROE	<u>Net profit for the period attributable to the Group</u> Group shareholders' equity	3.2%	3.5%
ROI	<u>Operating income</u> Operating income	8.4%	9.9%
	<u>Gross operating margin (Ebitda)</u> Total shareholders' equity	9.7%	12.6%
	<u>Gross operating margin (Ebitda)</u> Gross operating margin (Ebitda)	9.03	10.74
	<u>Gross operating margin (Ebitda)</u> Operating revenues	7.0%	7.8%
	<u>Gross financial indebtedness (**)</u> Gross operating margin (Ebitda)	2.96	2.23
ROS	<u>Operating income</u> Operating revenues	3.4%	3.3%
Financial charges over turnover	<u>Financial charges</u> Revenues	0.8%	0.8%
Capital ratios	Description	30/06/2020	30/06/2019
Debt to equity ratio	<u>Gross financial indebtedness</u> Total shareholders' equity	37.1%	40.2%
Financial independence	<u>Total shareholders' equity</u> Total Assets	38.2%	37.5%
Primary structural margin	<u>Total shareholders' equity</u> Non-current assets	158.8%	180.7%
Secondary structural margin	<u>Total shareholders' equity+Non Current Liabilities</u> Non-current assets	185.0%	216.8%
Current ratio	<u>Current assets</u> Current liabilities	136.8%	144.0%
Quick ratio	<u>Current assets -Inventories</u> Current liabilities	94.8%	103.6%

(*) net of interests on discounting operations

(**) excluding advances on job orders not yet in production and indebtedness in accordance with IFRS 16

Profit indicators	30/06/2020	30/06/2019
Revenues per employee (thousands of euro)	295.1	321.8

Note that the figures used to calculate the performance ratios shown above do not always constitute standard measurements in the context of the Group's accounting policies.

Consequently, the criteria for determining this value may not be consistent with the one used by other entities, and therefore not be altogether comparable.

Statement of changes in net financial position

The statement of changes in the net financial position confirms the Group's ability to generate significant positive cash flows from operations, which were only partially absorbed during the financial year to cover disbursements on investments made, and with an increase in working capital by 38.9 million euro (compared to a decrease of 19.3 million euro in the previous year). The net cash flow from operations amounted to 194.2 million euro (168.2 million in the previous period) and allowed the financial coverage of net operating investments, of 205.6 million euro (66.3 million euro as at June 30, 2019). Hence, a final cash decrease, after financing operating investments, of 11.4 million euro (it was positive by 101.9 million euro also as at June 30, 2019).

The total positive change in the net financial position, down by 25.1 million euro, in any case includes the outlay for the payment of dividends in November 2019, amounting to 11.9 million euro.

(millions of euro)	30/06/2020	30/06/2019
Initial positive net financial position	928.3	836.7
Profit before taxes	84.7	105.5
Adjustment for the determination of cash flows from operations		
Depreciation, amortisation and other non-monetary components	98.8	142.1
Losses/(gains) on disposal of property plant and equipment	(4.7)	(0.6)
Net financial charges/(income) for the period	(9.3)	(3.6)
Gross cash flow from operations	169.5	243.4
Net change in working capital	38.9	(19.3)
Collected (paid) interest and income taxes	(14.2)	(55.9)
Cash flow generated /(absorbed) by operating activities	194.2	168.2
Investments in tangible and intangible assets	(175.3)	(83.4)
Application of IFRS 16 - Right of use	(57.2)	0.0
Equity investments	(2.6)	(0.6)
Realised foreign exchange losses/(gains)	18.8	5.0
Disposals of tangible and intangible fixed assets	17.9	12.3
Changes in fair value of financial instruments measured at equity	(7.2)	0.4
Cash flow generated/(absorbed) by investing activities	(205.6)	(66.3)
Free cash flow	(11.4)	101.9
Other changes in net financial position		
dividends to parent company shareholders	(11.9)	(8.2)
Changes in balance sheet items due to exchange rate translation	(1.8)	(2.1)
Total	(13.7)	(10.3)
Total change in net financial position in the period	(25.1)	91.6
Final positive net financial position	903.2	928.3

Investments and research activities

The main investments in tangible and intangible fixed assets in the period, totalling 175.4 million euro, were as follows:

- 158.1 million euro in the Steel Making segment are mainly related to the works for the new wire rod mill (QWR) and for the modernisation at Sisak on the furnace power supply system to provide greater flexibility and efficiency in steel production, by expanding the range of products offered with improvements to their quality, together with a careful environmental management of all phases of production;
- 17.3 million euro in the Plant Making segment for new machine tools installed in Italy and in production facilities abroad, with the aim of improving efficiency and expanding the sales market for our plants, and in Italy to assure the replacement of operating machinery in use for more than fifteen years in the Parent Company's factories.

During the period, the Group moved ahead with research programmes initiated in previous years, with a view to providing customers with new-technology plants capable of superior quality output and lower investment (CAPEX) and production costs (OPEX). This process involved expenditure of approximately 35 million euro for direct and indirect research activities (almost entirely supported by the Plant Making segment for approximately 2% of the relevant turnover), with the management of a volume of innovative projects of approximately 165 million euro (approximately 10% of the turnover of the Plant Making segment).

Analysis of/commentary on the economic and financial position of Danieli & C. Officine Meccaniche S.p.A.

Highlights of the income statement as at June 30, 2020

(millions of euro)	30/06/2020	30/06/2019	Variation
Revenues	1,101.7	1,018.9	8%
Gross operating margin (Ebitda) (*)	6.5	31.7	-79%
% of revenues	0.6%	3.1%	
Depreciation, amortization and net write-downs of fixed assets and receivables	(13.9)	(25.2)	
Operating income	(7.4)	6.5	-214%
% of revenues	-0.7%	0.6%	
Financial Income and charges	4.4	(7.8)	
Profit before taxes	(2.9)	(1.3)	123%
Income taxes	0.1	1.4	
Net profit for the period	(2.8)	0.2	-1500%
% of revenues	-0.3%	0.0%	

(*) The Gross Operating Margin (Ebitda) represents the operating profit as in the income statement, before depreciation, amortisation and write-downs of fixed assets and receivables.

The Gross Operating Margin (EBITDA) is used by the issuer to monitor and evaluate the performance of the Danieli Company and Group, although it is not defined as an accounting measurement within IFRS. Consequently, the criteria for determining this value may not be consistent with the one used by other entities, and therefore not be altogether comparable.

Revenues for the year were 8% higher than in the previous year and the operating income for the period is negative and lower than last year.

The financial year was still affected by a significant one-off provision for risks that compromised the profitability of the period and without this non-recurring charge, the operating income showed an improvement in profitability in standard operations deriving from the regular development of the order book. On the other hand, net financial income was negative and amounted to 0.9 million euro, together with a positive exchange rate management in the period essentially due to the alignment of receivables, payables and other financial assets expressed in US dollars.

Cash continued to be managed prudently to allow the financial coverage of investments while maintaining reasonable subcontractor payment times, without significant changes in the net financial position at the close of the year, which, while remaining negative, will be redressed with a recovery in the next financial year thanks to the collections expected with the development of the order book as at June 30, 2020.

The financial year closed with a slight loss of 2.8 million euro net of the tax burden related to the composition of the relative taxable base (last year the break-even result of 0.2 million was negatively affected by heavy financial charges in the period).

Highlights of the reclassified balance sheet as at June 30, 2020

(millions of euro)	30/06/2020	30/06/2019
Investments	1,170.8	1,170.8
Net tangible and intangible fixed assets	65.4	66.0
Right of use	11.2	0.0
Net fixed assets	1,247.4	1,236.8
Working capital	(139.6)	(92.5)
Net invested capital	1,107.8	1,144.3
Total shareholders' equity	824.0	839.6
Provisions for risks and employee benefits	18.1	20.1
Current financial assets	(332.8)	(225.3)
Non-current financial liabilities	239.8	212.5
Bank debts and other financial liabilities	358.7	297.4
Net financial position	265.7	284.6
Total sources of funds	1,107.8	1,144.3

The Net Invested Capital is in line with the previous year reflecting the change in working capital deriving both from the collection and absorption of advance payments from customers on job orders in progress and the substantial stability of the other components of working capital (trade receivables, inventories and trade payables).

Albeit still negative, the net financial position as at June 30, 2020 of 265.7 million euro improved and was determined including financial receivables and payables from/to Group companies.

Analysis of the net financial position as at June 30, 2020

(millions of euro)	30/06/2020	30/06/2019	Variation
Current financial assets			
Securities and other financial assets	11.2	7.8	3.4
Cash and cash equivalents	321.6	217.5	104.1
Total	332.8	225.3	107.5
Non-current financial liabilities			
Non-current financial liabilities	230.0	212.5	17.5
Lease liabilities non-current	9.8	0.0	9.8
Total	239.8	212.5	27.3
Current financial liabilities			
Bank debts and other financial liabilities	356.9	297.4	59.5
Lease liabilities current	1.8	0.0	1.8
Total	358.7	297.4	61.3
Current net financial position	(25.9)	(72.1)	46.2
Non-current net financial position	(239.8)	(212.5)	(27.3)
Net financial position	(265.7)	(284.6)	18.9

The net financial position no longer includes, as “Bank debts and other financial liabilities”, any customer advance payments on job orders not yet in production as they are now in production, amounting to 47.5 million euro as at June 30, 2019. These amounts are included in the balance sheet as other current liabilities in the item payables for construction contracts and customer advance payments.

The remaining customer advances (including those from Group companies), amounting to 229.2 million euro as at June 30, 2020 and to 201.5 million euro as at June 30, 2019, respectively, were instead included in working capital as they are used to finance job orders in progress. These amounts are still included as payables for construction contracts and customer advance payments in the balance sheet.

The net financial position as at June 30, 2020 amounted to minus 265.7 million euro, with an increase of 18.9 million euro compared to the previous year; this position is expected to further improve in the next financial year thanks to the expected cash flow in 2020/2021.

Maintaining an adequate gross level of cash enables the company to suitably meet the technological challenges associated with the supply and start-up of innovative plants, with the ability to independently meet all extraordinary expenses associated with any technical difficulties.

Key financial ratios

Profitability Ratios	Description	30/06/2020	30/06/2019
ROE	<u>Net profit for the period</u> Total shareholders' equity	-0.3%	0.0%
ROI	<u>Operating income</u> Net invested capital	-0.7%	0.6%
	<u>Gross operating margin (Ebitda)</u> Total shareholders' equity	0.8%	3.8%
	<u>Gross operating margin (Ebitda)</u> Financial charges (*)	1.79%	2.28%
	<u>Gross operating margin (Ebitda)</u> Financial charges (*)	0.6%	3.1%
	<u>Gross financial indebtedness (**)</u> Gross operating margin (Ebitda)	90.3	14.59
ROS	<u>Operating income</u> Operating revenues	-0.7%	0.6%
Financial charges over turnover	<u>Financial charges</u> Revenues	0.59%	1.54%
Capital ratios	Description	30/06/2020	30/06/2019
Debt to equity ratio	<u>Gross financial indebtedness</u> Total shareholders' equity	72.6%	60.7%
Financial independence	<u>Total shareholders' equity</u> Total Assets	31.8%	34.5%
Primary structural margin	<u>Total shareholders' equity</u> Non-current assets	59.3%	62.9%
Secondary structural margin	<u>Total shareholders' equity+Non Current Liabilities</u> Non-current assets	78.0%	80.5%
Current ratio	<u>Current assets</u> Current liabilities	79.7%	80.9%
Quick ratio	<u>Current assets-Inventories</u> Current liabilities	59.6%	57.3%
(*) net of interests on discounting operations			
(**) excluding advances on job orders not yet in production and indebtedness in accordance with IFRS 16			
Profit indicators		30/06/2020	30/06/2019
Revenues per employee (thousands of euro)		453.7	419.0

Note that the figures used to calculate the performance ratios shown above do not always constitute standard measurements in the context of the company's accounting policies.

Management of business risks

The Danieli Group carries out a continuous monitoring of business risks for all corporate functions by carefully managing them, in accordance with risk management methodology and principles, in order to identify, reduce and eliminate risks and thereby safeguard shareholders' rights.

Considering the different operations between the Plant Making and Steel Making sectors and the specific risk profiles of the individual production processes, the Board of Directors defines the nature and level of risk compatible with the Group's short and medium/long-term strategic objectives. The centrally identified guidelines are valid for both business segments of the Danieli Group (Plant Making and Steel Making) and are followed with a view to standardising and coordinating Group policies.

The main industrial risks monitored by the Danieli Group are the following:

- risks associated with the general state of the economy;
 - risks associated with market conditions;
 - risks associated with commodity prices (energy and raw materials), the cancellation of job orders and relations with suppliers;
 - risks associated with environmental policy;
 - risks associated with human resources, safety and management and tax management;
- For information on financial risks, see the section "Management of financial risks" in the "Explanatory notes" to the consolidated financial statements.

Risks associated with the general state of the economy

The earnings and finances of the Danieli Group are solid, balanced and diversified by segments and product lines, albeit still affected by the various macro-economic situations of the markets it serves around the world. In the financial year ended June 30, 2020, financial markets were characterised by low interest rates and a still volatile exchange rate between the Euro and the USD: this allowed a good performance of the real economy on a global basis in 2019, which was stopped at the beginning of 2020 by the recessionary consequences of the COVID-19 pandemic, which also limited growth prospects for the second half of the year. The monetary policies implemented by the central banks of the main industrialised countries made it possible to contain the recession by aiming for growth in 2021 both in countries with consolidated economies that are penalised by the trend of sovereign debt, which remains under control essentially due to the low cost of money. However, the bank credit market is still weak, with possible positive changes for 2021 in some areas of the world: this could positively affect the strategies and outlook of the Danieli Group, in particular for the Steel Making segment, more sensitive to short term changes. On the other hand, the Plant Making segment, in which job orders extend over several years, made it possible to plan production over the long term and thereby reduce the short term negative impacts of market volatility caused by the economic lockdown.

Risk associated with market conditions

This risk consists of the possibility that there may be no demand from the market for Danieli products, either for technological reasons or because of financial problems. We believe, however, that the Danieli Group's constant focus on the research and development of new solutions to propose to customers to promote environmentally sustainable production and operate with ever better production efficiency is one of our major strengths. Group Management continuously monitors these aspects so as to safeguard our leadership position.

The Danieli Group operates in the engineering and plant making business and in the special steel making business through its main subsidiaries ABS S.p.A., ABS Sisak D.o.o. and ESW Röhrenwerke GmbH; manufacturing operations of the Danieli Group are certified to ISO 14001 and ISO 9001 and involve a continuous process of identifying, managing and mitigating the price risk that might have an impact on the Group's performance:

- in the Plant Making segment, purchases of the main components used in the facilities due to their nature and/or because of long delivery times are always managed by ordering them as soon as the job orders are effective to fix prices immediately, avoiding unexpected market fluctuations;
- in the Steel Making segment, procurement of scrap, ferroalloys and energy is carefully planned to correlate purchases and production with orders received from customers in order to reduce any price imbalances between purchases and sales.

Risks associated with commodity prices, the cancellation of job orders and relations with suppliers

Danieli Group results can be significantly affected by fluctuations in commodity prices, insofar as they affect the cost of completing job orders. Management at Group level carries out an ongoing process of identifying, managing and mitigating price, compliance, commercial and reputational risks related to shortcomings in the pre-qualification or performance of technically and qualitatively inadequate suppliers.

In the Steel Making segment, purchases of all production components subject to possible unexpected fluctuations (energy, electrodes, etc.) are carefully managed and selling prices include a variable component related to scrap and ferroalloy price trend, which substantially limits commodity price risk. In the Plant Making segment, the management of each project is always structured to align the "expenditure curve" with the "receipts curve", at least to limit financial imbalances in the event a job order is cancelled; in addition, for unusual projects in terms of type or geographical area, suitable insurance or financial coverage is taken out to ensure the continuity of the project at all times.

The Danieli Group is active in several markets around the world; operating mainly to job order, for each individual contract it sets up a policy for the management of subcontract price volatility, negotiating orders with deliveries exceeding six to eight months as soon as job orders are effective.

Risks associated with environmental policy

Danieli Group activities are subject to many national and international environmental protection laws and regulations: for the Steel Making segment, in particular, the adopted environmental policy complies with and often goes beyond the currently required standards. The ABS steelworks received the approval of the *Conferenza dei Servizi* (conference of administrative departments that reviews environmental projects) under Italian Legislative Decree 59/2005 for issuing the AIA (integrated environmental authorisation), received in July 2010, whilst production of Ecogravel continues, confirming it as a worthy endeavour.

In the Plant Making segment, developments in environmental policy should be seen as an opportunity rather than a risk: with the enactment of more stringent rules and regulations (for the reduction of GHG emissions and energy restraints in steel production, applying concepts like SustSteel and GreenSteel for a decarbonised steel), the company can explore new favourable markets for its internally developed technologies and for its innovative plants.

Risks associated with human resources, safety, compliance, management and taxation

As at June 30, 2020, the Danieli Group had 9.060 employees, of whom 1.328 in the Steel Making segment.

Environmental Compliance as well as compliance in Health and Safety in the workplace at production units and construction sites are the main operational areas where the company developed procedures and processes for the systematic mitigation of related risks.

The human resource department worked to manage normal turnover (with an improvement in education level and a decrease in average employee age), but also to adapt personnel to market requirements related to the rationalisation of the activities in Italy and in other operating units in Europe and in Southeast Asia, keeping production shifts in line with the current demand for plants. At ABS especially but at all other Group companies as well, measures have been taken to reduce injury risks by implementing adequate policies for the management and preventive maintenance of plants with a view to pursuing safety levels in line with the best industrial practices, and by using the insurance market to make sure our units are well protected even in the event construction is halted, against third-party liability and/or as part of the responsibility of directors towards shareholders/creditors.

Action has also been taken to train and motivate executive managers to ensure efficiency and continuity of operations, in the context of a difficult market caused by general reduction in consumption.

As part of corporate governance, the company adopted protocols, procedures and operating practices to prevent the risk of corruption and anti-money laundering by defining the guidelines of behaviour and the control measures of active and passive processes potentially involved (both in the sales process and in procurement) in accordance with international best practices.

In the area of tax risks, note that the Parent Company closed with a settlement deed the notice of assessment served in relation to the 2013/14 tax year and arising from the report on findings issued at the end of December 2018, setting the basis with the Revenue Agency to settle also the following tax years (2014/15 and 2015/16), although not yet assessed. The higher related taxes were recognised in the financial statements taking into account the use of losses carried forward from previous years.

A residual part of the findings remains to be clarified: a prudent provision has been made in the financial statements for a part of these, while for those that derive from interpretations of tax regulations that cannot be shared or from subjective analyses of valuation-related items that have yet to be analysed in detail, it was not deemed necessary to make any provision at the moment.

As indicated above, in October 2018 the Udine Court ruled on the trial concerning criminal violations related to certain tax violations by the Chairman and Chief Executive Officer and other managers and former managers of the Group: the judgement acquitted the defendants of the allegation of fraud due to the “non-existence” of the costs incurred in foreign sites and condemned the Chairman and the Group’s Manager in charge in relation to the offence of “esterovestizione” (setting up foreign companies to evade taxes) of the Luxembourg companies, a case for which the company had already obtained two tax judgements in its favour and then fully settled either in self-defence (without the payment of taxes) or settlement with the Revenue Agency.

The judgement is not enforceable and at the end of February 2019 an appeal was filed before the Court of Appeal of Trieste, which is currently scheduled for February 2021. The grounds for judgement do not consider several aspects in favour of the defendants and others require a different and more careful assessment by the Court of Appeal. The company acknowledged with great surprise the conviction in case of “esterovestizione” (setting up foreign companies to evade taxes) also in consideration of the positive conclusion of the same dispute in the tax area and confirms its complete trust in the work of its directors and specifies that this judgement will not have any effect on the Group’s Governance and its financial and industrial strategies.

Atypical and unusual transactions

There were no significant atypical or unusual transactions during the year.

Treasury shares

As at June 30, 2020 the company held 2,961,213 ordinary shares and 3,945,363 savings shares with a par value of 1 euro each, for a total par value of 6,907 thousand euro (8.49% of the share capital).

No ordinary or savings shares were purchased or sold during the year.

Secondary headquarters

Pursuant to art. 2428 of the Italian Civil Code, the Parent Company declares that it does not have any secondary headquarters.

Management and coordination

Danieli & C. Officine Meccaniche S.p.A. is not subject to management and control activities by companies or organisations and determines its own strategic, general and operating policies on a wholly independent basis.

Pursuant to 2497-bis of the Civil Code, the Italian companies controlled directly or indirectly, except for particular cases, identified Danieli & C. Officine Meccaniche S.p.A. as the body that exercises the activity of management and coordination. This activity consists in indicating Group strategic, general and operating policies and is achieved by defining and adapting the internal control system and corporate governance model and company structures, by issuing a Code of Ethics adopted at Group level and by formulating general policies for managing human and financial resources, procurement of production components, and marketing and communication.

The above enables the subsidiary companies, which retain full responsibility for their own managerial and operating independence, to achieve economies of scale, taking advantage of the skills and specialist services with increasing quality levels, and to concentrate their own resources on the management of their core business.

Statement pursuant to Art. 2.6.2 of the Stock Exchange Regulations

Pursuant to Art. 2.6.2 of the Stock Exchange Regulations, to comply with the terms of Art. 36 of the Consob Market Regulations no. 16191/2007, the company, as the parent of companies established and governed under the laws of countries outside the European Union, declares that:

1. it has made available to the public (as indicated in the provisions set forth in Part III, Title II, Chapter II, Section V of the regulations adopted by CONSOB with Resolution 11971/1999, as amended) the financial statements of its subsidiaries as prepared for drawing up these consolidated financial statements, including at least the balance sheet and income statement;
2. it has acquired from the subsidiaries the Articles of Association and the composition and powers of company boards;
3. it has verified that the subsidiaries have a suitable administration and accounting system for sending, in a timely manner, the necessary profit and loss, balance sheet and financial data to the parent company's management and external auditors for preparation of the consolidated financial statements.

Governance

The "Report on Corporate Governance and Ownership Structure" (hereafter, the Report) required by Art. 123-bis of Italian Legislative Decree no. 58/1998 of the Consolidated Finance Act is an independent document approved by the Board of Directors on September 24, 2020 and published on the authorised storage system SDIR & STORAGE, www.emarketstorage.com, and on the company's website, www.danieli.com, in the section "Investors - Corporate documents".

The Report was prepared in compliance with the spirit of transparency and correctness inspired by the Code of Conduct for Listed Companies issued by Borsa Italiana S.p.A., even though the Company, in 2010, decided not to continue to adopt it.

The Report provides a general and complete picture of the adopted corporate governance system: it describes the profile of Danieli & C. Officine Meccaniche S.p.A. and its guiding principles; it discusses the ownership structure and the main governance practices followed, including the main characteristics of the internal control and risk management system; and it describes the functioning and composition of the governing and control bodies and their committees, roles and responsibilities. It also presents the procedures adopted with regard to transactions involving interests of directors and statutory auditors and transactions with related parties, whose Regulations are available on the company's website in the section "Investors - Corporate documents", and the policy for communications with institutional investors and shareholders, and for the management of corporate information. The values and criteria used to determine the directors' fees are disclosed in the "2020 Remuneration Report", prepared in accordance with Art. 123-ter of Italian Legislative Decree 58/1998 and Art. 84-quarter of the Consob Regulations for Issuers, and published online in the section "Investors - Corporate documents" of the company's website.

The Independent Auditor appointed by the Shareholders' Meeting of October 26, 2018 for nine years from July 1, 2019 to June 30, 2028 is Deloitte & Touche S.p.A.

The fees paid to the independent auditor are those approved by the shareholders' meeting of October 26, 2018; only in case of new acquisition or transfers, they can be revised.

For the audit of the financial statements as at June 30, 2020, the consolidated consideration accrued as a whole by Deloitte & Touche S.p.A. and by its network for the external auditing activity was 699 thousand euro. The same network was recognised in the financial year 32 thousand euro for other audit activities and consulting activities. As at June 30, 2019, the auditing task was carried out by EY SpA (810 thousand euro for audit activities and 35 thousand euro for other consulting activities).

Remuneration

The company's remuneration policy provides for a fixed fee for the members of the Board of Directors, except for any Extraordinary Bonuses for the Managing Directors against well-defined objectives to be approved by the Board of Directors itself while it envisages, for key management personnel, a fixed remuneration with an additional variable component (according to Management By Objectives) related to the results achieved compared to previously agreed objectives, which does not however exceed 30% of the salary.

Considering the size of the Group and its operating structure, the use of a Remuneration Committee for regulating this matter was not envisaged, assigning this task to the Human Resource Management with the help, if necessary, of the Executive Committee as a leaner and more efficient operating body (for further details, see the Report on Remuneration approved by the Board of Directors of September 24, 2020).

Events occurring after the reporting period

In a world steel market which is still weak but with prospects for growth, company operations continued with no significant events occurring since June 30, 2020.

Alignment of currency items to the exchange rate prevailing on September 24, 2020 would result in a decrease of approximately 13.5 million euro in unrealised exchange differences for the year compared to the figure recorded considering the exchange rate as at June 30, 2020.

Except for what has already been discussed, no other events occurred after June 30, 2020 which could have had an impact on the economic, equity and financial position as shown in the balance sheet, the income statement and statement of comprehensive income at said date or required further adjustments or additional notes to the consolidated financial statements and to the separate financial statements.

Outlook

We believe that in the second half of 2020, the world economy will show a still negative level of growth due to the restrictions imposed by the COVID-19 pandemic with a significant improvement at the end of the year and especially in 2021 both in Asia but also in the USA and Europe.

The solution of the BREXIT problem and a desirable normalisation of the Trade War between the USA and China could allow an acceleration in the process of economic growth, especially for the manufacturing and steel sectors, which remain the basis for the development of infrastructures and the metalworking industry.

In any case, steel consumption remains strong in 2020 and 2021 in absolute terms, growing slightly in Asia and recovering in other countries.

The trend of the main players in the metals market to make targeted investments to improve production efficiency by starting the de-carbonisation process in steel production and always aiming at quality products is confirmed, also by migrating production to countries where the general competitiveness package (including the presence of domestic demand, energy, ore and transport) can guarantee greater production cost-effectiveness, with good opportunities for new orders in the plant engineering sector to be added to the current order book.

Based on these premises, the Danieli Group will be able to register steady performance in the next financial year in the engineering and plant making sector, whilst in the steelmaking sector 2020/2021 is expected to be positive, better than the financial year just ended.

With these objectives in mind, the Danieli Group, in the Plant Making sector, will continue to consolidate its international structure and in the Steel Making sector, important investments for the new wire rod mill (QWR) will be completed in Pozzuolo del Friuli and Sisak with the aim of widening the product range while also increasing production volumes, diversifying it towards more profitable ranges while maintaining competitiveness, quality and productivity.

The Group continues to pursue its efficiency objectives such as increased productivity, reduction in structural costs and innovation with the goal of improving competitiveness in the global market and ensuring an improved service especially to Southeast Asian customers where steel production is mostly concentrated.

There are no other significant unknown factors for the year ahead, barring unforeseeable events beyond our control.

Reconciliation between Parent Company shareholders' equity and profit for the year and Group shareholders' equity and profit for the year

The reconciliation between shareholders' equity and profit for the year as at June 30, 2020 and June 30, 2019, as shown in the financial statements of the Parent Company and in the consolidated financial statements, can be summarised as follows:

	30/06/2020		30/06/2019	
	Total shareholders' equity	Net profit for the period	Total shareholders' equity	Net profit for the period
(thousands of euro)				
Balances in the financial statements of Danieli & C. S.p.A.	824,022	(2,841)	839,551	194
Elimination of the carrying value of equity investments and of the shareholders' equity of investees	1,122,068		1,077,033	
Share in subsidiaries result		120,778		168,176
Intercompany dividends		(58,331)		(96,940)
Impact of the valuation with the equity method of equity investments not consolidated line-by-line	791	152	671	337
Elimination of the effect of intercompany transactions	(10,176)	3,127	(19,928)	(4,751)
Group shareholders' equity	1,936,705	62,886	1,899,724	67,016
Non controlling interest in shareholders' equity	(76)	(461)	(535)	(257)
Total shareholders' equity	1,936,629	62,425	1,899,189	66,760

Proposals by the Board of Directors to the Annual General Meeting

Dear Shareholders,

We express our appreciation and thanks to all those whose perseverance and professionalism contribute to maintaining our strong competitive position and high technological status in world markets. We rely on their enthusiasm, as well as on our own, as we seek to progress with the serenity, confidence and strength necessary to meet future challenges.

The financial statements of Danieli & C. Officine Meccaniche S.p.A. for the financial year ended June 30, 2020, which we submit for your approval, show a loss of 2,840,888 euro that will be covered by existing equity reserves.

Considering the net profit of the consolidated financial statements of the Danieli Group for the year ended June 30, 2020, which amounted to 62.9 million euro, we nevertheless propose the payment of a dividend of

- 0.1400 euro for the 37,914,320 ordinary shares;
- 0.1607 euro for the 36,479,670 savings shares.

The entire amount of the dividend is held in available reserves in the shareholders' equity of Danieli & C. Officine Meccaniche S.p.A. as at June 30, 2020 pursuant to Italian Ministerial Decree of May 26, 2017. The breakdown is shown below

Allocation of net profit for the year	Total shares outstanding at the period end	Dividend per share	Total
Ordinary shares(1)	37,918,320	0.1400	5,308,565
N.C. Saving shares(2)	36,479,670	0.1607	5,862,283
Total			11,170,848
Distribution of extraordinary reserve			-14,011,736
Total net profit for the year			-2,840,888

(1) net of 2,961,213 ordinary treasury shares held on September 24, 2020

(2) net of 3,945,363 savings treasury shares held on September 24, 2020

Dividends to shareholders will be payable as from November 25, 2020 (distribution date 23/11/2020; record date 24/11/2020).

You are reminded that the ordinary Shareholders' Meeting has been convened for October 28, 2020 in single call.

Consolidated non-financial statement pursuant to Italian Legislative Decree no. 254/2016.

In the 2019/2020 financial year, the Danieli Group presented its “Consolidated non-financial statement” as required by Italian Legislative Decree no. 254/2016.

This document describes the performance and management of the non-financial topics of the Group, which in more than one hundred years of international activity developed a modern business model with the aim of creating economic value for shareholders, investors and customers, generating at the same time social and environmental value shared with the community of the territories in which the Group operates.

Letter to stakeholders

Dear Business Partners,

the financial year 2019/20 closes with a profit, even though with lower values compared to 2018/19, essentially due to non-repeatable events that weighed down the results for the year one-off:

- Revenue Euro 2,803.1 million¹
- EBITDA Euro 187.7 million
- Net income Euro 62.9 million
- Net cash Euro 903.2 million
- Order book Euro 2,936 million

MARKET FORECAST

The downward cycle in steel demand began in Quarter 4 of 2019 and then was exacerbated by the Covid-19 crisis, weighing down the results for 2020 more than anticipated.

A slight recovery is forecast for 2021, although still down by 3 to 5% compared to 2019.

The only exceptions are China, Vietnam and few other countries, which are expected to exceed their respective 2019 figures during 2021.

Consequently, the years 2020 and 2021 will still be below par on average; whereas, in our opinion, an excellent 2022 can be expected.

DANIELI PLANT MAKING

Fiscal year 2019/20 ended with EBITDA not significantly affected by the impact of the Covid-19 pandemic.

The most significant achievement, however, was the consolidation of innovative technologies that are important to confirm our position among the front runners in metals technologies, now and in the future. Our main achievements include:

- Leadership in the supply of Endless Casting Rolling plants, for both long and flat products.
- The Danieli Digital Melter, which replaces the traditional EAF (electric arc furnace), has overcome the initial inertia typical of all innovative technologies and is increasingly appreciated on the market. We can therefore expect its success to grow, in both new and existing electric meltshops.
- The MI.DA. (Danieli Minimill) has consolidated its success as confirmed by a contract for a Hybrid MI.DA. (H MI.DA) in the USA. Thanks to the Danieli Digital Melter, this plant will be the first to operate with alternative renewable energies (solar panels, wind, own energy production with gas, water, etc.).
- The Digi&Met project is advancing as foreseen.
- Also, excellent the customer satisfaction for the performances by the plants recently brought into production.

Here we will highlight the most important ones:

- Thin Slab Rolling - Hoa Phat (Vietnam).
- MI.DA. - Nucor (USA).
- High-speed wire rod mills – Ferriere Nord (Verona, Italy)
- Long-product rolling for special steels - Acciaierie Venete (Italy)
- Successful start-up of the latest Cold Rolling Complex supplied to Yildiz Demir Çelik in Turkey.
- Numerous MI.DA. type steelmaking and rolling plants supplied in China.

The order backlog is satisfactory not only in quantity but also for its high-tech content, notably:

- Top-quality rail production mill for Evraz (USA).
- MI.DA. S., CMC (USA), the first in the world to produce sections in endless mode, even indeed in hybrid mode.
- Contract concluded in September 2020 with OMK (Russia) for a direct reduction plant equipped with an endless charging system directly feeding the EAF. It is a notable example of sustainable steel production with 64% lower emissions than the best integrated complexes, and it will be the first “green steel” plant in Russia and the European region.
- High-tech plate mill for high-quality plates at Nucor (USA).

These are just some of the most significant orders we have now in progress.

¹ The revenue includes the amount of Euro 129,7 million (classified in the financial statements as cost adjustment) for internal constructions relating to the new Quality Wire Rod Mill developed by the Parent Company in favor of ABS.

ABS – STEELMAKING

ABS - Acciaierie Bertoli Safau (Italy) has suffered the effects of the market downturn, even though its results were primarily affected by the loss generated by the ESW Röhrenwerke GmbH pipe mill in Germany.

The initiative and management of the pipe mill proved far from good, so much so that it was decided to close the plant and absorb its costs. Although some residual charges will remain into fiscal year 2020/21, we have substantially stopped the draining of financial resources resulting from this investment.

It must be emphasized that, without the loss generated by the pipe mill, ABS would have recorded a profit, despite the market downturn, which demonstrates the company's competitiveness.

ABS has confirmed its position as one of the three European leaders in high-quality long products. Investments in new plants have not been interrupted and by October or November 2020 the new wirerod mill (190 million Euro CapEx) will start producing high-quality steel wirerod thanks to the use of innovative thermomechanical processes.

This investment is the first of the "Vision 2,300" programme for ABS, which aims to increase its sales revenues by 50% and achieve the record of being the only meltshop to produce quality steels in a product range of dia. 5.5 mm to 500 mm at a single site, with consequent important savings in OpEx and logistics.

GROUP VISION

- ABS has set itself the goal of achieving 1,300 – 1,400 million Euro sales in the next two or three years, thereby accounting for an even more significant portion of Group turnover.
- Moreover, the parameters of competitiveness, productivity, added-value per person, product quality and customer service have been in general redefined for the whole Group, with a view to improving them. The new parameters have been agreed upon with the management, and new targets and time frames have been set.
- Fiscal year 2020/21 will still feel the effects of the downturn in steel consumption, affecting the order backlog not only of the steelmaking segment, but also of the plant-building segment. However, considering the volatility of the steel market, this can be considered as a routine event. What is most important is to gear up for the next upturn phase, in order to be ready to secure the new opportunities and added value it will bring.
- Investments in new plants and research continue according to plan.

The targets for FY 2020/2021 are:

- Revenue 2,900 – 3,100 million Euro
- EBITDA 210 – 220 million Euro
- Order backlog 3,100 – 3,300 million Euro

We also continue to invest in the design and supply of plants developed from "green steel" concepts (environmentally friendly steel production) as well as to improve safety in the workplace, with the pride of being – thanks to ABS – among the best in Europe regarding workplace safety. And the first results of these investments are already visible with the orders for the hybrid Minimills, the first ever in the world.

Danieli Academy continues to present an agenda that contributes to the professional growth and development of our employees and promotes teamwork and a positive culture.

The contributions directed at preserving the local cultural heritage also have been validated. A significant example is the structural repair work in progress for the Castle of Udine (Italy), one of the most cherished symbols of the Friuli region.

We conclude with thanks to the shareholders who allow to reinvest the majority of profits in the company.

This is perceived as an expression of trust and esteem by the shareholders towards the Danieli team which in turn undertakes to honor the Company to the best of its ability.

On behalf of the Board of Directors and the shareholders, thanks to the Danieli Group Team who with passion and professionalism is committed to achieve the agreed objectives for the continuous improvement of the company to honor the motto: "Danieli, the reliable and innovative partner to be a step ahead in CapEx and OpEx" for the satisfaction of all business partners.

Gianpietro Benedetti
Chairman

Methodological note

This document represents the Consolidated Non-financial Statement (hereinafter also referred to as “NFS” or “Non-financial statement”), prepared in accordance with Articles 3 and 4 of Italian Legislative Decree 254/2016 and the amendments required by Italian Law no. 145 of December 30, 2018, implementing Directive 2014/95/EU, of the companies belonging to the Group consisting of Danieli & C. Officine Meccaniche S.p.A. (hereinafter also referred to as the “company” or “parent company”) and its subsidiaries (hereinafter also referred to as “Danieli”, the “Danieli Group” or the “Group”).

The purpose of this document is to provide a representation of the Group’s business, performance, results and its impact in relation to the main sustainability issues relating to the 2019/2020 financial year, describing its initiatives and main results in terms of sustainability performance achieved during the period (reporting period: from July 1, 2019 to June 30, 2020).

This document describes the main policies applied, the management models and the results achieved by the Group during the reporting year in relation to the issues expressly referred to by Italian Legislative Decree 254/2016 (environmental, social, relevant to personnel, respect for human rights, fight against corruption), as well as the main risks identified in relation to these issues and the related management methods.

Consistently with one of the two options provided for by Article 5 of Italian Legislative Decree 254/2016, the Non-Financial Statement was integrated into the Directors’ Report. While ensuring that the Group’s activities are understood, some of the contents of the NFS expressly required by Italian Legislative Decree 254/2016 are present in specific dedicated sections of the Directors’ Report, as well as in the “Report on Corporate Governance and Ownership Structure”.

The 2019/2020 Non-Financial Statement was prepared mainly with reference to the “**GRI Sustainability Reporting Standards**” published in 2016 by the Global Reporting Initiative (GRI), while for the topic-specific Standards GRI 403 (Occupational Health and Safety) reference is made to the updates published in 2018.

These disclosures are detailed in the appendix to the document in a table that serves as a compass for readers (“GRI Content Index”).

The contents of the report were identified on the basis of the results of the materiality analysis carried out during the previous reporting period, which made it possible to identify and assess the material topics for the Group and its stakeholders (described in the section “Stakeholder engagement and Materiality Analysis”). In this regard, note that, even in the current global context characterised by the Covid-19 pandemic in progress, the Directors did not deem it necessary to update the surveys carried out there with regard to the identification of material issues, as it was not considered that the effects of the pandemic could in any way change the assessments of the stakeholders, who have already expressed their greater attention to issues such as health and safety and company welfare, highlighted by the COVID-19 emergency.

The process of defining the contents of the Non-Financial Statement was based on the principles of materiality, stakeholder inclusion, completeness of data and the context in which the Group operates. The main phases of the process followed involved the identification of possible non-financial topics relevant to the Group (essentially within the main ESG - Environmental, Social, Governance issues), the prioritisation of the topics identified (with the main internal and external stakeholders) and their relative approval by the company’s management.

Based on the reporting process already in place, during the previous reporting year the company set up an internal procedure to formalise the structured process of collecting quantitative data and non-financial qualitative information using the Talentia reporting software, common to all Group companies, indicating the methods of collection, the timing and the figures responsible for the data and information collected and included in the Non-Financial Statement. The aim is to ensure the adoption of standardised methods for reporting and implementing an adequate internal control system with the Parent Company and its subsidiaries for the reporting year and future years.

The principles of balance, accuracy, verifiability and comparability were followed with reference to the quality of the reported information.

The **scope** of the economic data is the same as that of the 2019/2020 Consolidated Financial Statements of the Danieli Group.

The **scope** of social and environmental data and information is made up of the companies belonging to the Danieli Group as at June 30, 2020 consolidated on a line-by-line basis within the Group Consolidated Financial Statements. Note that some Group companies that are not productive or operational have not been included solely in relation to the reporting of data relating, in whole or in part, to energy consumption, emissions, water consumption and waste, because the relevant parameters cannot be measured since they are very small units: any exceptions are expressly indicated in the text.

In order to allow the data to be compared over time and to assess the performance of the Group’s activities, a comparison with the previous year was proposed. Any restatements of previously published comparative data (as an indication, where it has been possible to improve the accuracy or completeness of the surveys or methods of calculating the reported data) are clearly indicated as such.

Moreover, for the purposes of a correct representation of the Group's performance and to ensure the data reliability, the use of estimates was limited as much as possible. The estimates, if any, are based on the best available and duly reported methods.

Note that there were no significant changes in the corporate reporting boundary compared to the previous period; in any case, refer to the "Danieli Group Structure" section of this Directors' Report for details of changes within Group companies.

The closure of the ESW subsidiary in Germany took place in an agreed manner with the social partners, using the social safety valves envisaged by German law with almost all employees joining the company and maintaining the closure charges as required by law.

The **frequency** of the publication of the Non-Financial Statement is set on an annual basis.

The analysis updated with the results of the materiality collected during the last reporting year and the identification of the material topics was confirmed by the Executive Committee of the Parent Company on September 2, 2020 and subsequently submitted to the attention of the Board of Directors of Danieli & C. S.p.A. at the same time as approving this Non-Financial Statement on September 24, 2020.

This document was submitted to compliance opinion ("limited assurance engagement" according to the criteria indicated by the ISAE 3000 Revised standard) by Deloitte & Touche S.p.A., which expresses, in a separate report, a certificate of compliance of the information provided pursuant to Article 3, paragraph 10, of Italian Legislative Decree 254/2016. The audit was carried out in accordance with the procedures indicated in the "Independent Auditors' Report", included in this document.

For any information regarding the Non-Financial Statement, please contact the manager in charge at investors@danieli.it.

The Non-Financial Statement is also available on the Danieli website www.danieli.com, in the Investors section.

THE GROUP

For information on the Group's structure and Governance system, the significant changes that have taken place since the previous reporting year, the geographical areas of operation and the main markets, the main trademarks, products and services and the management of business risks, refer to the specific sections of this Directors' Report ("The steel market", "The market for steel making plants", "Danieli Group operations", "Danieli Group structure", "Highlights of the consolidated income statement as at June 30, 2020", "Management of business risks" sections), and of the Report on Corporate Governance and Ownership Structure ("Information on ownership structures on June 30, 2020", "Board of Directors", "Internal board committees", "Diversity policies applied in relation to the composition of the governing, management and control bodies", "Control and Risk Management System" sections).

The Group's approach to Corporate Social Responsibility

The Chairman of the Board of Directors of the company and his Directors confirm the commitment of the Group to increasingly promote its role of Corporate Responsibility towards the global community not only directly but also indirectly promoting the research and development of equipment and machines for producing steel with Green Steel and Sustainable Steel solutions, improving efficiency, safety and reducing waste and the impact of Green House Gas emissions (GHG) to protect the environment.

Danieli has always considered as a priority the issue of protecting human health and the environment, accompanied by a commitment to research, innovation and social responsibility.

Today, it is necessary to operate in a complex global context, with the Group aimed at consolidating its reputation by carrying out business activities increasingly integrating industrial strategies with sustainability issues.

The increasingly challenging objectives in the metal industry to make conscious use of resources by reducing emissions, noise and waste production required, and still require, a great commitment from Danieli to develop new technological solutions that guarantee customers sustainable production and, at the same time, a competitive OPEX in plant management. Therefore, on the basis of what has been achieved so far and with a view to continuous improvement, the path taken by the Group in the field of sustainability is based on a continuous implementation of the values and operating practices in implementation of the principles of the Code of Ethics, which inspires the Group, and the main compliance models (primarily the Organisational Model pursuant to Italian Legislative Decree 231/01). In this context, the Group has set itself some specific objectives for the short to medium term (within the next three years), including:

- The monitoring and assessment of non-financial risks, related to the Group's main sustainability issues, and their integration into the business risk management process.
- In particular, during the 2019/2020 financial year, the Executive Committee, set up within the Board of Directors of the Parent Company, reviewed the material topics previously identified, also to update, where necessary, the monitoring and assessment procedures for non-financial risks, linked to the main sustainability issues of the Group, as already identified in the Risk Assessment phase.

- At the same time, the IA&C (Internal Audit & Compliance) function updated the mapping of business risks involving the persons in charge of different product lines and prepared the Audit plan for 2019/2020, and also collaborated with operational functions in the analysis of Compliance risks in relation to commercial operations (by checking carefully the identity of third parties in contact with the Danieli Group in line with the international regulatory compliance framework).
- The strengthening of the Governance of Sustainability within the Group.

With reference to the initiatives undertaken in this perspective by the Group in the 2019/2020 financial year, the Sustainability Committee - set up during the previous financial year to coordinate the various managers of the investment projects undertaken and/or financed and to verify their implementation - (made up of the main operational function managers) continued to operate in ABS S.p.A.; as from July 1, 2020, this responsibility was entrusted to a single person reporting directly to the Chief Executive Officer of the company.

- The implementation of the new guidelines published on June 20, 2019 by the European Commission on integrating the disclosure of non-financial information with specific information on the control measures adopted in relation to climate change, as well as on the effect of business activities on climate and the impacts of climate change on business activities.

In this regard, note that the Group begun the process of implementing the aforementioned recommendations by including information on the main initiatives undertaken so far on environmental management for the carrying-on of its activities in this Non-Financial Statement. Refer to the paragraph “Commitment to the environment” below for more details.

Within this path of sustainability, the communication of non-financial information thus represents a further step in the Group’s commitment to work in line with the provisions of the Paris Climate Agreement and to achieve the most strategic objectives (Sustainable Development Goals) for the Group among those defined by the United Nations with Agenda 2030 for Sustainable Development, promoting all ESG issues as well.

The result of the company is not limited only to the management profits but should be understood considering also the capital strength, the international reputation, the propensity to innovation and protection of the personnel by promoting professional growth and safety in the workplace together with support to local communities in Italy and abroad and attention to culture and youth.

Therefore, Danieli’s values for future generations represent an important legacy of skills, knowledge and processes for the creation of value that form a heritage to be preserved and further developed in a logic of long term and continuous improvement.

Given the above, Danieli defined the relevant material topics to be reported in this Non-Financial Statement, reconfirming those of the previous year, taking into account the reference context, the specific nature of the operating sector and the indications received from stakeholders.

The macro areas covered by this statement are:

Governance and Compliance
 Human capital
 Research, development and product quality
 Commitment to the Environment
 Supply chain
 Community commitment

Stakeholder Engagement and materiality analysis

Danieli mapped the stakeholders present in the geographical contexts in which it operates, by identifying the most important ones on the basis of the interactions existing with the two main operating sectors of the Group.

The Group adopted flexible and diversified practices of dialogue and involvement in order to share present and future development strategies and objectives with the main stakeholders.

No critical issues and/or significant aspects emerging from stakeholder engagement activities carried out by Group companies are reported. The main stakeholders recognised by the Danieli Group are:

Environment	Trade associations	Local authorities
Customers	Local communities	Employees
Suppliers and Business Partners	Future generations	Investors and financial analysts
Public bodies	Media	Non-governmental organisations
Trade unions	Universities and Research Centres	

The Danieli Group operates in two substantially different industrial sectors:

- Steel production with Acciaierie Bertoli Safau S.p.A. (hereinafter also referred to as “ABS S.p.A.”) and affiliates (Steel Making segment), which use secondary metallurgy (electric arc furnaces) for the production of liquid steel;
- Production of machines to produce steel with Danieli & C. Officine Meccaniche S.p.A. and affiliates (Plant Making segment), by offering a complete range of machines from primary process management to the manufacture of finished goods (essentially from ore to finished product).

The Group has always addressed in a more structured and careful way the management in the territory of issues related to the steel sector in consideration of the greater significance of the social and environmental impacts related to this specific activity.

The process followed by the Group was based on the preparation of questionnaires submitted to the main stakeholders to collect information in an independent manner and across the board.

During the financial year, the Danieli Group did not update the materiality analysis drawn up during the previous year, considering it still in line with what emerged from the stakeholder engagement, also in the light of the COVID-19 emergency, which did not have a significant impact on the Group's material topics.

For the Plant Making segment, the assessments of the top management and the main function managers also include the assessments of the main suppliers and customers.

The Steel Making sector also maintained the internal and external stakeholder engagement, involving senior employees (second, third and a few fourth levels), main customers and some partners in the assessments.

The analysis with the materiality results and the identification of the material topics was then confirmed by the Executive Committee of the company, which absorbed the main ones considering that the Board of Directors had already previously absorbed as its own the most strategic topics for the Group among the “Sustainable Development Goals” (SDGs) defined by the United Nations.

Material topics of the Danieli Group

Anti-Corruption	Business ethics and integrity	Governance and management of sustainability
Relations with stakeholders	Creation of economic value	Presence on the market and indirect economic impacts
Occupational health and safety	Training and Development	Protection of human rights
Diversity	Industrial relations	Company welfare
Innovation and R&D	Product quality and safety	Environmental impact of products
Management of energy consumption	Greenhouse Gas Production	Water resource management and quality of wastewater discharges
Waste and hazardous materials management		

Some topics, including the social and environmental assessment of suppliers, support to local communities, biodiversity and the conscious consumption of raw materials, were found to be below the stability materiality threshold, and are therefore not linked to a specific GRI Standard indicator, however, the Group believes that it indicates what activities are carried out within these topics.

GOVERNANCE AND COMPLIANCE

The Corporate Governance structure adopted by Danieli is indicated in the 2019/2020 Report on Corporate Governance and Ownership Structure (approved by the Board of Directors on September 24, 2020) and envisages a Board of Directors, an Executive Committee, in addition to the Board of Statutory Auditors and the Supervisory Body.

The company adopts a corporate management model based on a system of principles and rules of behaviour (collected in a Code of Ethics and in the protocols developed pursuant to Italian Legislative Decree 231/2001) and by Risk Management and control tools for both financial and non-financial issues under the supervision of Internal Audit.

Danieli adopted and implemented a Code of Ethics (adopted by all the Companies of the Group with very small changes required by organisational characteristics of some subsidiaries) to identify and promote homogeneous behaviour standards for those who work with and for Danieli and complying with the principles of legality and transparency. In this context, special emphasis is placed on the rules aimed at prohibiting acts of corruption, private or otherwise, and the provisions on the prevention of conflicts of interest.

During 2018, a general census of the active employees to whom the Code of Ethics was sent was conducted. A very large percentage of employees replied that they had examined and read it. For all Group employees and in particular for new employees, the Code of Ethics is available on the company portal and is being included in the “welcome kit” the new employees are provided with. All new employees since 2019 have reviewed and complied with the Company’s Code of Ethics.

Over the year, Danieli developed and applied its own Organisation, Management and Control Model for the prevention of crimes pursuant to Italian legislative decree no. 231 of 2001, hereinafter also referred to as “Model 231” adopted today by the Parent Company, Danieli Automation S.p.A., Fata S.p.A. and ABS S.p.A., by progressively expanding it with new protocols to gradually cover all the sensitive operating areas of the company and changing its contents in accordance with legislative innovations and organisational changes in time.

The internal regulations aimed at preventing environmental crimes are particularly important in this area: although 35% of the Group’s production sites with ISO 14001 certification cover over 90% of the volumes produced. In addition to the Parent Company, the most significant production sites are also ISO 14001 certified: ABS S.p.A., ESW GmbH, Danieli Met. Equipment & Service (China) Co. Ltd., Danieli Co. Ltd, Danieli India Ltd. During the last six months of the financial year, the activities of ESW GmbH were discontinued because it was no longer considered economically viable, also in view of the negative prospects in the reference market.

The Parent Company and Danieli Germany GmbH already obtained the transition from OHSAS 18001 certification to ISO 45001 certification, while the other companies that obtained OHSAS 18001 certification are in the transition phase, and in any case, will adopt this standard upon expiry of the three-year certificate. The affiliates equipped with the occupational health and safety management system certified by the above standard are ABS S.p.A., Danieli Automation S.p.A., Qualisteel S.r.l., Danieli Met. Equipment & Service Co. Ltd., Danieli Co. Ltd, Danieli India Ltd., Danieli Corporation, and Danieli Centro Combustion S.p.A.

The Supervisory Body oversees the updating and verification of compliance of the above-mentioned Model. This body has autonomous powers and consists of internal and external personnel with impartiality and specific skills. Moreover, in the area of environmental issues, the company ABS S.p.A. is a member of the ETS system (Emission Trading System) for the calculation and certification of direct greenhouse gas emissions.

Training programmes are planned and implemented on a regular basis aimed at disseminating a culture of corporate responsibility and business legality as outlined in the internal regulations, first of all the Code of Ethics. In particular, new hires at the Parent Company and the Buttrio production centre will follow a work placement path within the company’s organisation.

The main companies of the Group asked their employees to confirm that they have read the Code of Ethics, which was sent to all in order to inform them of the zero tolerance position and the practices adopted by the company to prevent corruption, export control and the security of financial transactions.

Danieli established the Compliance Manager function, who in the performance of his/her functions also planned a series of courses for senior employees on Anti Bribery practices to mitigate the risk of corruption towards agents and suppliers.

This function developed in March 2019 two policies approved by the Parent Company’s Board of Directors: the “Gift and Hospitality Policy” and the “Third Parties Compliance Management Policy”. These documents were communicated to the top management of the Group companies and published on the company portal Danieli Synapse, to which reference is made in the following pages. During the 2019/2020 financial year, an activity was carried out to share the new policies that employees are asked to view and whose acceptance must be confirmed. With regard to the internal protocol “Gift and Hospitality Policy”, during the year the Group Compliance Manager received a single report that did not reveal any anomalies after appropriate analyses and checks.

In each company of the Group, a whistle-blowing system is being implemented through dedicated channels and independent control authorities to report violations of the Code of Ethics or Model 231. Some of them have already implemented the whistle-blowing platform (Digital PA), which will subsequently be adopted by all companies.

The Parent Company set up an internal control and risk management system consisting of a set of rules, procedures and organisational structures that allow the identification, measurement and management of the main business risks in order to protect the correct management of the company’s operating activities with:

- orderly management of powers and decision-making;
 - segmentation of activities separating operational and control activities;
 - traceability of the choices and decisions taken;
- the whole maintaining confidentiality and compliance with the regulations for the protection of privacy.

The Group’s interfunctional privacy committee continued to implement the organisational privacy model. The training activities are underway in order to ensure compliance with the GDPR (EU Regulation 2016/679) for all Group companies in Europe.

The Parent Company and some Italian companies of the Group (ABS S.p.A. and Danieli Automation S.p.A.) have an Internal Audit function in charge of verifying - on a continuous basis and in relation to specific requirements and in accordance with international professional standards - that the internal control and risk management system is functioning and adequate, taking into account the development of business operations and the context of reference as well as existing best practices for:

- carrying out interventions aimed at checking that the rules and procedures of the control processes are observed and that all the subjects involved work in compliance with the set objectives;
- ensuring support to the other Control Bodies and with the players of the Internal Control and Risk Management System in order to ensure a sound, consistent and correct management of the company with the set goals.

Preliminary due diligence procedures were implemented and are regularly applied to the main contractual partners of the company, which envisage the use of software systems that allow to carry out analytical checks (as defined by the transparency principles issued by the World Bank) in order to preventively monitor the presence of any risk areas.

The applicable CONSOB regulations were adopted and, in particular, the CONSOB regulation on related-party transactions is implemented, with the obligation of reporting by senior management of each company of the Group any commercial/financial transaction with related parties of significant value.

Danieli is committed to complying with the anti-corruption laws in force in all the countries in which it operates, adopting a “zero tolerance” approach to all forms of corruption and spreading a culture of compliance to its personnel so as to always operate with honesty and integrity in line with the relevant international best practices.

In the field of competitive practices, as formalised in the Code of Ethics, the company is inclined to ensure maximum competitiveness on the market and, therefore, its commercial policy is developed in full compliance with all applicable laws and regulations on competition.

The monitoring activity carried out by the Compliance Manager and by the Internal Audit pursues the objective of preventing and minimising the risk of active and passive corruption by carrying out a specific Risk Assessment process where necessary and providing for conservative penalties, termination of employment and actions for damages against employees and collaborators who have committed these serious contractual violations.

Moreover, Danieli adopted as its own the principles of transparency of the International's Business Principles for Countering Bribery and also takes part in a Collective Action in the Metal Technologies segment under the coordination of the Basel Institute on Governance, aimed at maintaining a “fair competition” among the key competitors operating in the segment (SMS Group, Primetals and Tenova), through the adoption of similar internal rules for all participants, aimed at preventing corruption and other improper practices.

In the 2019/2020 tax year, the Group Compliance Officer received two reports. With reference to these reports, appropriate analyses and checks were carried out in agreement with the relevant functions, confirming the absence of offences committed by Group companies and defining the appropriate measures for those responsible.

The company maintains its “zero tolerance” policy in the face of situations of non-transparency and confirms its position of firm and harsh action against those who do not comply with the indications of the company's code of ethics.

With reference to environmental topics, the Group's organisational model:

- clearly identified the roles, tasks and responsibilities of the management involved in managing the two main operating sectors: Danieli Plant Making for the production of industrial machinery and ABS Steel Making for the production of special steels
- defined the objectives to be achieved related to environmental topics for both operating sectors:
 - a) the development and marketing of new technological solutions to produce steel with lower environmental impact for the Danieli Plant Making sector (DRI, MIDA, DUE and Q1 HYBRID technologies)
 - b) obtain a reduction in the average energy consumed per tonne of steel produced in the ABS Steel Making sector using the latest generation plants to increase production with a very limited environmental impact.

With regard to the process of identifying and assessing risks related to climate change, the Group is developing an important action towards the market to promote new technologically advanced products to produce steel with low environmental impact and lower emissions.

Innovative products to produce Green Steel with lower energy consumption per tonne produced but also using new technologies that reduce related Co2 emissions. The improvements resulting from the green management of Danieli's direct production activities will in any case not be very significant in view of the high operating standard already present in the group in both the Steel Making and Plant Making sectors, while the overall improvements that can be achieved by modifying our customers' plants are, on the other hand, very significant, going from about 2,000 kg of Co2 per tonne of steel produced with traditional blast furnaces to about 350 kg of Co2 per tonne if produced with new hydrogen-based direct reduction plants and the new hybrid fusion system developed by Danieli with an 80% reduction in emissions.

HUMAN CAPITAL

Human resources, prime origin and driving force behind all innovation, are in Danieli the central pivot of the organisation of the work that aims to ensure excellence and quality in customer service. Consistently with this concept, they are always the subject of constant attention: from enhancing the individual employees' potential and aptitudes, to promoting the professional development of teams and individuals, with instruments and initiatives to improve and enrich managerial skills, technical and specialist competencies, ethics and dedication to perform.

With a structured simplification, the values with which it is desirable for the Danieli Team to identify itself were identified:

- customer-oriented approach;
- passion;
- team spirit;
- respect for people;
- consistency and reliability;
- excellence;
- sustainability.

These values are built every day with concrete actions and are transmitted by setting an example with transparency and trust.

Personnel management is developed in accordance with the principles included in the Code of Ethics and in compliance with the laws and regulations applicable in the countries in which the Danieli Group operates.

The approach of the company with regard to the personnel aimed at:

- attracting talented people through scouting activities and in particular graduates also with the collaboration of the best educational institutions;
- enhancing individual skills through development and training programmes by supporting an extensive and shared culture that also allows the consolidation and transfer of skills between employees;
- promoting a culture of safety at all levels of the organisation and always maintaining the highest level of health and safety protection for workers by using appropriate measures for the protection and prevention of occupational risks;
- motivating and retaining professional resources with an incentive and fair remuneration system based on meritocracy following market best practice.

Danieli operates on a worldwide basis and the planning of human resource requirements (according to a standardised process for defining organic plans) is carried out centrally in coordination with the production units, while selection, recruitment and contracting are then managed independently by the individual Group companies, also taking into account the different national legislations applicable on site.

The recruitment process also uses a computer tool that allows an initial evaluation of soft and hard skills.

Danieli's remuneration policy follows:

- all practices and procedures necessary to comply with the provisions on minimum wages where required by applicable local regulations;
- a careful management of remuneration in order to obtain the loyalty of key figures, encouraging them to remain and stabilising collaboration in the medium to long term in the interests of the company and its stakeholders.

In particular, during the 2019/2020 tax year, the Italian companies fully implemented what was envisaged by the renewal of the CCNL (National Collective Labour Agreement) signed on November 26, 2016, both in terms of salary, with the payment of the one-off bonus and the increases of the minimum amounts according to the pay-scale - and in terms of supplementary health care.

The Group adopts a remuneration policy with incentive systems: the remuneration of personnel holding positions of greater responsibility is subject to assessment based on shared objectives (Management by Objectives) every three years.

Therefore, the variable component of remuneration, which usually never exceeds 30% of remuneration, is related to the achievement of the set objectives (of the company as a whole and/or of individual product lines) compared to the budget values.

In the Steel Making segment, environmental objectives are assigned for some positions that result in the achievement of production efficiency while at the same time improving environmental impact.

The Group also uses a management application called MET YOU to assess performance, the progressive development of skills and to have a complete view of the resources used by the Group ensuring transparency and traceability of what has been done.

The objective is to fill all company positions with qualified and back-up profiles so as to always guarantee the continuity of operations, always taking into account the induction period necessary for the assimilation of company policies and procedures and the need for training for specific technical alignment.

The Group points out that the workforce used in its factories and construction sites is highly specialised and that the risk of using child labour or the risk of forced labour is minimal.

For all employees, projects were started in the business and staff areas through the Hoshin method to disclose and measure the application of Danieli's values with continuity.

As explained in the Code of Ethics, Danieli also confirms its commitment to respect human rights, against discrimination in the workplace and child, irregular or forced labour by promoting equal opportunities (in terms of gender, origin, religion, age, political orientation, sexual orientation, disability), protection of diversity, freedom of association and the development of knowledge and professionalism of its own employees to better express their talents and the responsiveness to problem solving.

Danieli's position on human rights refers to the principles promoted by the United Nations (United Nations Guiding Principles on Business and Human Rights), fully in line with the Universal Declaration of Human Rights, with the commitment to require the entire chain of subcontractors used to be treated equally in their structures.

Danieli protects the integrity of its personnel by protecting workers from acts of physical, psychological or mobbing violence and by guaranteeing working conditions that respect the dignity of the person in compliance with the labour laws applicable in the countries in which it operates and with national collective agreements where present.

The company deals, where applicable, with organisations representing workers with an attitude that is always open and constructive where required.

The working conditions, working hours and economic treatment of employment relationships are established on the basis of the national rules envisaged with the aim of ensuring compliance with the applicable legislation in each country ensuring full transparency of information on contractual terms and conditions of employment for candidates.

Danieli never received any reports from employees or third parties in charge for well-founded violations of working conditions, not even through national or foreign trade unions.

There are no significant risks in terms of personnel management and in relation to the protection of diversity, duly referred to in the Company's Code of Ethics and in the Report on Corporate Governance and Ownership Structure regarding the composition of the board and the independent control bodies.

This continuous investment, together with the constant offer of career opportunities and prospects tied to merit, engenders a strong pride of place among our personnel, stimulating all of them to do their part in maintaining their companies' efficiency, effectiveness and competitiveness.

Total number of employees by contract category (fixed-term and permanent), gender and geographical area

GRI 102-8	30/06/2020			30/06/2019		
	Male	Female	Total	Male	Female	Total
Europe and Russia						
Fixed-Term contracts	124	36	160	310	53	363
Permanent contracts	5,120	707	5,827	5,344	699	6,043
Total	5,244	743	5,987	5,654	752	6,406
Middle East						
Fixed-Term contracts	44	7	51	55	9	64
Permanent contracts	11		11	22	4	26
Total	55	7	62	77	13	90
Americas						
Fixed-Term contracts	2	1	3	1	3	4
Permanent contracts	91	20	111	71	22	93
Total	93	21	114	72	25	97
South East Asia						
Fixed-Term contracts	446	97	543	575	121	696
Permanent contracts	2,092	262	2,354	2,003	229	2,232
Total	2,538	359	2,897	2,578	350	2,928
Total personnel	7,930	1,130	9,060	8,381	1,140	9,521

The significant change in Europe and Russia is mainly due to the suspension of operations at ESW GmbH, in Germany, where almost all employees have been relocated to a transfer company co-financed by the German Federal Employment Agency.

The figures include only internal employees of the Danieli Group and not external workers.

The Group makes use of an external workforce for certain specific activities, such as the installation of special equipment at foreign sites.

The figure for female personnel accounts for about 12% of the total at Group level and is influenced by the characteristics of work in the steel and metalworking sectors (historically dominated by men) without, however, showing significant deviations in the average ratio of women's remuneration to that of men for similar functions and levels of seniority.

Total number of employees by type of employment (full time, part time), by gender

GRI 102-8	30/06/2020			30/06/2019		
	Male	Female	Total	Male	Female	Total
Full time	7,889	1,075	8,964	8,351	1,083	9,434
Part time	41	55	96	30	57	87
Total personnel	7,930	1,130	9,060	8,381	1,140	9,521

Total number of employees entering the Group and the entry rate by age group, gender and geographical area

GRI 401-1	30/06/2020					30/06/2019				
	Male	%	Female	%	Total	Male	%	Female	%	Total
Europe and Russia										
Under 30 years	197	27%	53	41%	250	308	36%	78	57%	386
30 - 50 years	270	9%	48	10%	318	403	12%	72	15%	475
Over 50 years	77	5%	7	5%	84	73	5%	10	7%	83
Total	544	10%	108	15%	652	784	14%	160	21%	944
Middle East										
Under 30 years		0%		0%	-	4	133%	1	50%	5
30 - 50 years	-	0%	-	0%	-	-	0%	-	0%	-
Over 50 years		0%		0%	-	9	31%		0%	9
Total	-	0%	-	0%	-	13	17%	1	8%	14
Americas										
Under 30 years	7	47%	2	40%	9	4	40%	3	38%	7
30 - 50 years	18	45%	3	33%	21	15	44%	2	20%	17
Over 50 years	12	32%	2	25%	14	6	21%	1	14%	7
Total	37	40%	7	32%	44	25	35%	6	24%	31
South East Asia										
Under 30 years	89	27%	17	24%	106	183	36%	29	27%	212
30 - 50 years	142	7%	26	9%	168	182	9%	33	14%	215
Over 50 years	15	9%	3	25%	18	7	7%		0%	7
Total	246	10%	46	13%	292	372	14%	62	18%	434
Total	827	10%	161	14%	988	1,194	14%	229	20%	1,423

Total number of outgoing employees and exit rate by age group, gender and geographical area

GRI 401-1	30/06/2020					30/06/2019				
	Male	%	Female	%	Total	Male	%	Female	%	Total
Europe and Russia										
Under 30 years	144	20%	31	24%	175	139	16%	18	13%	157
30 - 50 years	437	14%	65	14%	502	308	9%	54	12%	362
Over 50 years	319	22%	26	18%	345	136	9%	10	7%	146
Total	900	17%	122	16%	1,022	583	10%	82	11%	665
Middle East										
Under 30 years	7	233%		0%	7	3	100%		0%	3
30 - 50 years	14	34%	6	600%	20	39	87%	1	9%	40
Over 50 years	1	9%		0%	1	5	17%		0%	5
Total	22	40%	6	86%	28	47	61%	1	8%	48
Americas										
Under 30 years	1	7%	2	40%	3		0%		0%	-
30 - 50 years	11	28%	2	22%	13	5	15%	2	20%	7
Over 50 years	10	27%	4	50%	14	8	29%	1	14%	9
Total	22	24%	8	36%	30	13	18%	3	12%	16
South East Asia										
Under 30 years	86	26%	12	17%	98	140	27%	27	25%	167
30 - 50 years	216	11%	27	10%	243	256	13%	49	21%	305
Over 50 years	26	16%	2	17%	28	26	27%	1	20%	27
Total	328	13%	41	11%	369	422	16%	77	22%	499
Total	1,272	16%	177	16%	1,449	1,065	13%	163	14%	1,228

Note: the data shown do not take intercompany steps into account.

Percentage breakdown of actual members of corporate governance bodies by age group and gender

GRI 405-1	30/06/2020						30/06/2019					
	Male	%	Female	%	Total	%	Male	%	Female	%	Total	%
Board of Directors												
Under 30 years	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
30 - 50 years	1	25.00%	1	33.33%	2	28.57%	2	40.00%	1	33.33%	3	37.50%
Over 50 years	3	75.00%	2	66.67%	5	71.43%	3	60.00%	2	66.67%	5	62.50%
Total	4	57.14%	3	42.86%	7	100.00%	5	62.50%	3	37.50%	8	100.00%
Board of Statutory Auditors												
Under 30 years	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
30 - 50 years	1	50.00%	0	0.00%	1	33.33%	1	50.00%	0	0.00%	1	33.33%
Over 50 years	1	50.00%	1	100.00%	2	66.67%	1	50.00%	1	100.00%	2	66.67%
Total	2	66.67%	1	33.33%	3	100.00%	2	66.67%	1	33.33%	3	100.00%

Percentage breakdown of employees by category and gender and by age group

GRI 405-1	30/06/2020						30/06/2019					
	Male	%	Female	%	Total	%	Male	%	Female	%	Total	%
Apprentices	161	2%	39	3%	200	2%	162	2%	41	4%	203	2%
Blue collars	2,780	35%	62	5%	2,842	32%	3,063	37%	56	5%	3,119	33%
White collars/ Managers	4,797	60%	1,018	90%	5,815	64%	4,966	59%	1,032	90%	5,998	63%
Executives	192	2%	11	1%	203	2%	190	2%	11	1%	201	2%
Total personnel	7,930	88%	1,130	12%	9,060	100%	8,381	88%	1,140	12%	9,521	100%

GRI 405-1	30/06/2020						30/06/2019					
	Under 30 years	%	30 - 50 years	%	Over 50 years	%	Under 30 years	%	30 - 50 years	%	Over 50 years	%
Apprentices	195	15%	5	0%		0%	192	12%	11	0%		0%
Blue collars	373	29%	1,852	31%	653	36%	523	32%	1,936	32%	660	37%
White collars and middle managers	710	56%	4,029	67%	1,030	57%	941	56%	4,056	67%	1,001	57%
Executives	1	0%	89	1%	123	7%	1	0%	91	1%	109	6%
Total personnel	1,279	14%	5,975	66%	1,806	20%	1,657	17%	6,094	64%	1,770	19%

Company welfare

The development and expansion of the welfare platform dedicated to all Italian employees and other similar formulas for other employees abroad continued where required by current local regulations. Specifically, the Group signed an agreement with a number of specialised operators for the management of the flexible benefits provided for in the trade contract of Italian companies, which envisage the use of these portions for the purchase of goods and services or the reimbursement of health or education-related expenses.

The personnel are covered by an insurance programme against accidents, travel and reimbursement of medical expenses in case of business trips to mitigate the risks of these events.

Moreover, both the Metasalute Fund for health care and a general coverage programme against accidents of the working personnel operate whereas the Danieli Foundation provides support to former employees in case of any situation of emergency. The Steel Making sector was characterised by a number of initiatives that continued at the ABS plants, such as the “heart of steel” initiative (free annual cardiology check-up for employees over 50) and the management of company uniforms (the cleaning of which is taken care of directly by the company, guaranteeing employees savings on washing and at the same time providing them with a garment that is always clean and in line with safety standards).

In order to protect the health of employees and prevent the spread of seasonal epidemics, the flu vaccine is given free of charge to employees who request it.

The Danieli Foundation provides support and assistance in the event of mournful events or serious needs to former employees and their families.

The Turismo 85 S.r.l. travel agency, company belonging to the Group, offers attractive prices to employees, proposing monthly tourist destinations at discounted prices and day trips, promoting co-worker socialisation outside working hours.

Many initiatives have been developed by Danieli for its employees:

- Concerts organised for employees and family members;
- MetYou project for the management of Soft and Hard Skills of personnel;
- “Pink” (gender) parking (at the Parent Company and in ABS S.p.A.);
- Family party and open factory in ABS S.p.A.;
- Parent company Christmas party and lottery;
- Blood donation with mobile blood bank;
- Support activities for personnel employed in operating units in Thailand, China and India.

Occupational health and safety

Danieli defined a company management model identifying the roles, operational responsibilities and methods for carrying out the main production processes, paying the utmost attention to the health and safety of workers.

In particular, specific guidelines and company procedures were prepared for each operating unit and the activities carried out by them in order to:

- identify and assess any possible exposure to the hazard;
- use the prevention and protection systems made available by the company;
- identify potentially exposed persons;
- implement risk mitigation measures and control their application;

by training the personnel at the same time and raising their awareness through specific information and communication campaigns.

Employers and Safety Managers are responsible for the implementation of health prevention activities and the implementation of safety in the workplace using specialist personnel who devote particular attention to the training and education of personnel assigned to specific operational tasks.

Risk Assessment Documents are prepared and coordination meetings are held between third-party companies and site managers, verifying the health and safety issues of external workers.

The health of workers is guaranteed in the workplace also with the help of an internal Company Health Service present in all production units that carries out a health surveillance program with prevention and control procedures, information campaigns and periodic inspections.

ABS completed an important activity: the obtaining of the Fire Prevention Certificate of the Cagnacco Plant in December 2019, which represented the crowning achievement of 6 years of work and over 7.5 million euro of investments, broken down in 340 detailed projects, positively passing 6 inspections by the Fire Brigade and making it possible to affirm that ABS is one of the safest steelworks in Italy. During 2020, the company approached the COVID 19 issue with great care, promptly implementing in Italy (and at all foreign premises) all the necessary measures to limit any negative impact on its employees.

Comprehensive information on the COVID-19 infection situation was immediately made available on the company's intranet system to update all employees in real time for the entire group and in full transparency.

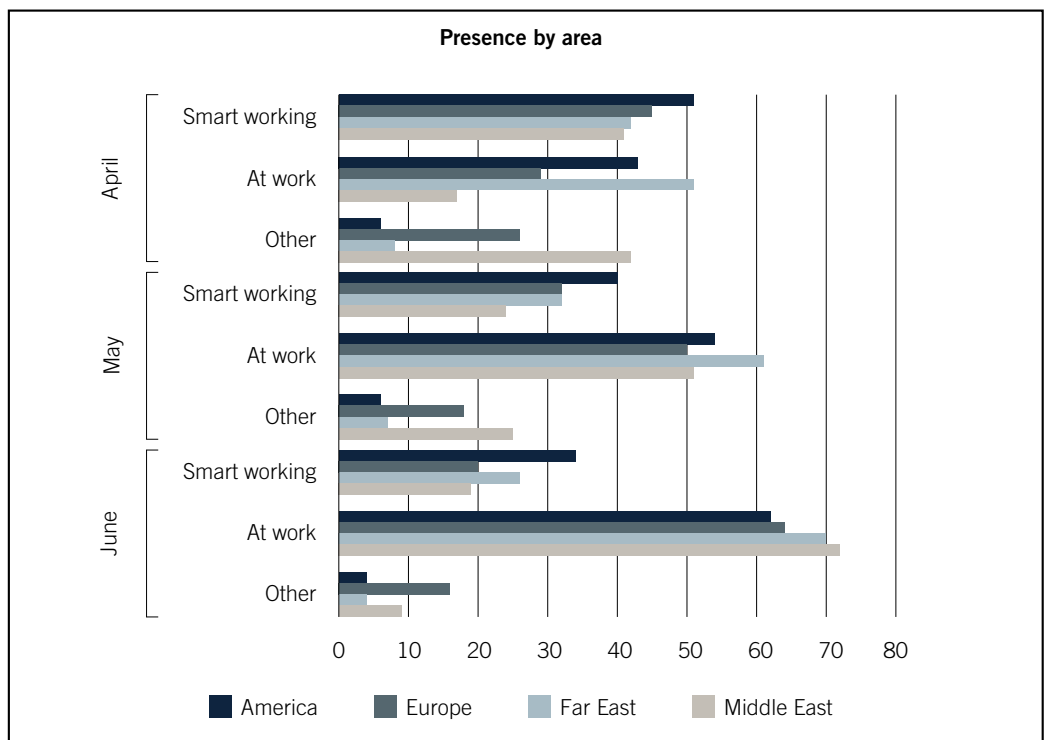
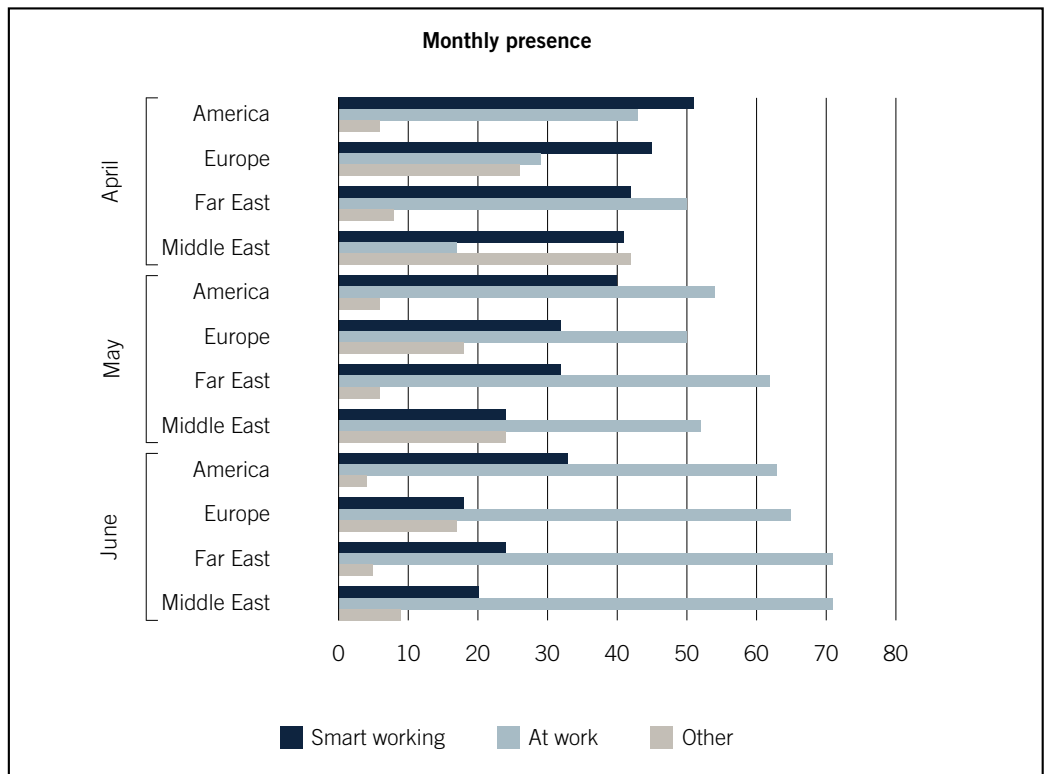
The Group's Italian plants were completely closed for a fortnight as from March 23, 2020, completing only urgent activities, while the Russian and Indian plants closed only in April and June: the Chinese plants (although far from the Wuhan area) were closed for a further two weeks in February to coincide with the New Year holidays.

The Italian companies remained in constant contact with the Prefect of Udine from whom the authorisations to continue the most delicate activities considered of strategic importance for the national economy were obtained, as envisaged by Article 1, par. 1, letter h) of the Italian Decree of the President of the Council of Ministers of March 22, 2020.

With the subsequent opening of the production sites, we continued to pursue a very prudent approach, as was already done in the period immediately prior to closing, by checking the temperature of the personnel before each entrance, equipping them with medical safety devices and re-launching the work stations in a distanced and protected manner, installing hand sanitisation stations in the offices, prohibiting physical meetings and closing the canteen and refreshment points. Moreover, the general services did more cleaning and sanitisation work on the premises not only in the evening but also during working hours.

Insurance cover was also activated to guarantee compensation to its employees, should they be hospitalised for more than 7 days following COVID-19 infection.

Smart working was activated in all possible cases while, in other cases, the available hours of leave have been used up to the request of the ordinary redundancy fund if deemed necessary. On the other hand, the situation at the ABS S.p.A. steelworks is more complex in that before using up back holidays and before applying for the ordinary wage guarantee fund, all the necessary works to make the plants safe were carried out. In China, our company suffered a very limited slowdown, managing the lockdown imposed by the local authorities by extending the leaves for the New Year holidays in February and then resuming normal work activities at the end of the same month. The chart below shows by geographical area the statistical data of presence in our worldwide factories, pointing out the lower progressive use of smart working and the return to normal operations in all areas in June 2020. All in all, on a population of more than 9,000 employees, the cases of COVID-19 infection were very limited without any outcome of absolute seriousness.



Similar safety and control procedures were applied to workers of subcontractors who work on sites for which the Group implements the same procedures for monitoring the risks of employees and checks and controls the technical and professional requirements of the operating companies.

The Parent Company and Danieli Germany GmbH obtained ISO 45001 certification, whereas Danieli Automation S.p.A. is in the process of transition to obtain it; ABS S.p.A., Qualisteel S.r.l., Danieli Met. Equipment & Service Co. Ltd., Danieli Co. Ltd, Danieli India Ltd., Danieli Corporation and the design centre Danieli Centro Combustion S.p.A., which have an OHSAS 18001 certified management system, will adopt the ISO 45001 standard upon expiry of the three-year certificate. In December 2019, the inspection was carried out at the subsidiary ABS S.p.A during which non-compliance was not found. The company approach for the prevention of accidents and injuries achieved positive results on average over the years.

On the other hand, ABS S.p.A. obtained a reduction in the INAIL Premium for interventions to improve prevention conditions and to protect health and safety in the workplace.

Note that data relating to injuries recorded during the reporting year and in the previous year were shown by indicating all of them, thus also considering injury cases with days lost of less than 3 days. The injury indexes are calculated in accordance with the procedures established by UNI 7249: 2007 “Statistics on injuries at work”, indicating the number of injuries that occurred per million hours worked.

The positive results, despite the slowdown in the last period, were achieved also thanks to the pursuit of the project entitled “Alcohol and the workplace”, directed at contrasting alcohol abuse in the company, which is often a contributing cause in unacceptable accident situations both from the viewpoint of the frequency of events, and of their severity.

During the 2019/2020 tax year, training activities on safety were carried out totalling approximately 29,741 hours.

The company carries out training and information courses with the aim of forming all employees on occupational health and safety issue, correct emergency management practices and the use of the equipment available in the company. This year, given the situation linked to the pandemic, SPP (Health Prevention and Protection) in collaboration with Danieli Academy used the e-learning/webinar tool to guarantee an important training/informative intervention on the COVID issue, in order to disseminate the company directives and the correct behaviour required by the mandatory regulations. Particular attention is also paid to periodic training for workshop technicians on the procedures to be used in carrying out daily activities.

During the first months of the year, the activity related to the five-year compulsory retraining of the basic training for all workers began.

The personnel are covered by an insurance programme against injuries, travel and reimbursement of medical expenses in case of business trips to mitigate the risks of these events.

If local needs require a special control unit, the company equips foreign sites with a security structure with specialised personnel that:

- develops an action plan to protect the job order,
- operates in line with local regulations and standards,

in order to guarantee the continuity of operations, the integrity of personnel and that of the company assets used, operating in compliance with the company's Code of Ethics.

Number of injuries in the workplace, fatalities and main injury indexes²

Work-related injuries - Employees GRI 403-9	30/06/2020	30/06/2019
Number of recordable work-related injuries	97	134
of which:		
Total High consequence work related injuries (>180 dd recovery time)	2	2
Total Work-related fatalities	-	-
Total worked hours by employees (number)	15,255,642	16,163,240
Rate of recordable work-related injuries	6.36	8.29
Rate of high-consequence work-related injuries	0.13	0.12
Rate of fatalities as a result of work-related injuries	0.00	0.00
Main types of work-related injuries Employees GRI 403-9	30/06/2020	30/06/2019
Bruises and lacerations	63	64
Sprains and fractures	20	35
Muscle strains and joint pains	4	7
Others (loss of consciousness, burn, fume inhalation)	10	28
Total Main types of work-related injuries Employees	97	134
Work related injuries - External workers GRI 403-9	30/06/2020	30/06/2019
Number of recordable work-related injuries	10	2
of which:		
Total High consequence work-related injuries (>180dd recovery time) Externals		
Total Work-related fatalities - Externals		
Main types of work-related injuries Externals GRI 403-9	30/06/2020	30/06/2019
Bruises and lacerations	9	2
Sprains and fractures		
Muscle strains and joint pains	1	
Others (loss of consciousness, burn, fume inhalation)		
Total Main types of work-related injuries Externals	10	2

² Data on injuries at work are reported in line with the specific GRI Standard 403-9 Work-related injuries (2018). On the other hand, in the 2018/2019 NFS, the standard referred to the previous version GRI 403-2 (2016). Note that the 2018/2019 data were shown according to the new method required by the GRI Standards (adopted in the 2019/2020 NFS) in order to be made comparable to the 2019/2020 data. For the 2018/2019 data calculated using the old method, please refer to the 2018/2019 Consolidated Non-Financial Statement of the Group, available on the Group's website.

The Rate of work-related injuries represents the ratio between the total number of injuries and the total number of hours worked in the same period, multiplied by 1,000,000; injuries while travelling to/from work are included only when transport was organised by the organisation.

The Rate of high-consequence work-related injuries represents the ratio between the total number of injuries that have caused more than 180 days of absence and the total number of hours worked in the same period, multiplied by 1,000,000.

The Rate of fatalities as a result of work-related injury represents the ratio between the total number of fatalities and the total number of hours worked in the same period, multiplied by 1,000,000.

Training

The “Danieli Academy” is the kingpin and the organisational centre of the corporate training system and it pursues the dual objective of promoting and improving the growth and development of human resources and of fostering and consolidating corporate vision and values.

The “Danieli Academy” is a business school in the company to support both the process of change and the organisational development, as well as a place of learning where resources are enhanced through professional consolidation and team work with the support of Universities and of local High Schools.

Danieli Academy maintains lasting and fruitful collaborations with Italian and foreign Higher Technical Institutes and Universities thanks to the Talents area. Internships are promoted and organised with a view to alternating schoolwork both within the Academy and at the various product lines. During the curricular internships, trainees are followed daily by the company tutors in a constant training activity alongside and “on the job” which involves thousands of hours of personnel dedicated to the training of the new generations. Thanks to these activities, the hosted students develop school projects or thesis in the company. The Talents area of the Danieli Academy also deals with the recruitment, selection, management and development of young graduates and new graduates in the company. At Schools and Universities, company presentations, lectures and Career Days are organised with the aim of attracting the best talents within the Danieli company organisation.

Abroad, the Group is also determined to create new development opportunities, with particular reference to technology and employment, and it actively cooperates with major Universities and Education Institutions, sponsoring innovation projects and offering concrete suggestions to promote youth employment.

Training by category	30/06/2020		30/06/2019	
	Male	Female	Male	Female
GRI 404-1				
Average hours of apprentice training	82	65	66	57
Average hours of blue-collar training	9	15	9	22
Average hours of staff training	13	12	13	10
Average hours of manager training	11	20	28	61

The refresher and training courses for employees (2,136 courses equal to about 117,536 hours) represent a company investment and are of different types with multiple goals:

- sharing the basic technical and technological knowledge that constitute the company’s value and uniqueness today, and will increasingly do so in the future;
- development of specific technical – specialist knowledge and skills, including managerial ones, both general and running across the entire organisation, and tied to a specific role/function;
- consolidation of language skills;
- training and updating of workers on rules of behaviour and company procedures related to safety.

Collaboration with institutions for school and university education

The Parent Company constantly collaborates with High Schools, ITS and Italian and foreign Universities, organising and managing each year approximately 100 work-related learning projects and about thirty curricular internships with related thesis.

Moreover, the company actively takes part in the study programmes of High Schools, ITS and Universities as follows:

- frontal lessons;
- organising guided tours in the company;
- taking part in vocational meetings aimed at student work placement;
- taking part in career days.

The Parent Company is a founding member of the Fondazione ITS Malignani of Udine and sponsors each year the Mechatronic Course that has 2 classes totalling 50 students.

Each year, approximately 100 newly-qualified students and new graduates are hired by Danieli & C. Officine Meccaniche S.p.A. with a professionalising training contract.

This initiative focuses on young people to stimulate them in a training course that essentially gives them four perspective elements of development, which are of crucial importance today:

- a highly specialised career, within a multinational context;
- guarantee of recruitment at the end of the training and work placement course;
- a remuneration aligned with that of the personnel of the same level from the beginning of the training course;
- the possibility of taking a highly specialising training course thanks to the support of expert business tutors (training on the job) and to the participation in training courses (Danieli Academy).

The focus on young talents is also emphasised by the annual sponsoring of scholarships and graduation awards for worthy newly-qualified students and new graduates in technical and scientific branches.

The Group actively participates in the organisation of specific Master courses for the metallurgical sector and economically supports Masters courses in economic/administrative subjects in which some employees take part at advantageous economic conditions.

Company Portal

In addition to the company website, the Danieli Synapse company portal is also available for each employee, allowing immediate interaction with the company, guaranteeing up-to-date information on topics of specific interest, as well as services and assistance on safety and governance in the broadest sense.

Each employee can customise the service that is continuously updated and guaranteed even on smartphones. The “Danieli Synapse” portal during the COVID-19 emergency and the simultaneous lockdown were particularly important, allowing Group companies to inform their employees about the various activities and tools put in place to combat the effects of the virus and to keep employees up to date with the effects of the epidemic in the various countries in which the group operates.

IT Security

A special attention was paid to the company for business protection concerning Cyber Risks operating on several fronts:

- dedicated personnel training on a worldwide basis to promptly assist Group employees;
- carrying out specific interactive courses for all Danieli personnel on the main IT risk issues;
- cognitive analysis of system, network and user behaviour to reduce the time required for accident interception;
- BIA revision (Business/IT alignment), gap identification and application of corrections to machines and software;
- revising and publishing safety policies;
- accident management standardisation.

All the above-mentioned activities are covered by a dedicated budget and personnel training beyond the high standard of our systems (as Danieli is a world leader in the development of Hi Tech technologies) and updating existing firewalls has prevented any intrusion into the internal network to date.

RESEARCH, DEVELOPMENT AND PRODUCT QUALITY

Danieli concentrates its research and development activities exclusively in the technological areas falling within the Group's operating sector (metal production and production of machinery for the metal working industry), starting with the development of the primary process and ending with the finished product (in practice, from ore to finished product).

In summary, the following process areas are covered:

- reduction of iron ore;
- melting;
- casting;
- rolling;
- finishing;
- management of non-ferrous metals.

The ability to develop new technologies and technological packages in the sectors indicated above is for the Danieli Group a fundamental ability to maintain competitiveness in the steel and aluminium market.

The research process usually develops in an orderly manner:

- starting from the collection and analysis of data from existing plants;
- then developing studies on the physics, chemistry and mechanics of products validating the conclusions with mathematical models and laboratory tests;
- continuing with the 3D engineering of the plants (operating them also in a virtual manner);
- and completing with the implementation of prototypes and/or industrial equipment in the laboratory or at customers where to carry out tests of production and performance.

Research results in the form of ideas, concepts, technological approaches and operational capabilities represent an important intangible asset to ensure Danieli's technological leadership in the market.

To this end, the Group created the Danieli Innov-Action Award, a competition open to all employees and collaborators to stimulate and encourage the development of new technologies, applications or processes to improve environmental sustainability with four main themes

- Energy saving
- Energy recovery
- Waste reduction
- Improving workers' safety.

The proposed innovations, after examination by a technical commission, are tested in the research laboratories and, if they are considered valid, applied to the plants in production. The "innovators" (teams or individuals) are awarded during the company's annual meeting with employees and families around the Christmas holidays.

Again with a view to searching new developments, Danieli Digi&Met Lab was inaugurated in February 2020 at the University of Udine (Uniud Village Labs), the first private laboratory set up at a university centre, with the aim of stimulating the interest of students, researchers and professors in the search for concrete innovative solutions in the field of metallurgical production.

The protection of intellectual property plays a strategic role for the company that every year invests countless resources to develop new products and new technologies to be applied in industrial solutions offered to customers.

The maintenance of know-how and existing patents requires a constant updating activity that is also carried out with dedicated projects and with the involvement of the main local universities.

The total annual expenditure of about 200 million euro includes both prototype and direct research and related expenditure for innovative projects without margins and the first industrial applications that require a strong commitment for the company in start-ups and performance tests.

In Italy, there is a Research Centre with about 150 employees with a new structure opened in 2017 to serve the machinery and plant sector and in France there is a Research Centre with about 25 employees to serve the steel sector to offer customers new alloys for industrial applications while Innoval Technology Ltd. operates in the UK with its own laboratories and offers innovative solutions to customers operating in the aluminium sector.

In France, ABS Centre Métallurgique ACM obtained accreditation according to the international standard ISO 17025 (General requirements for the competence of testing and calibration laboratories).

Product quality

Meeting deadlines and quality of the products supplied in line with the obligations contracted towards the customer is the main objective of the company and of its employees to obtain customer satisfaction.

To achieve these results, the Group adopted a Corporate Quality Policy based on company values and culture that defines construction methods, quality standards and performance indicators to be followed to prevent product non-conformities and provide quality goods and services contractually required.

Therefore, the Danieli quality system operates in compliance with the standards required by the certifications:

- ISO 9001:2015
- ISO 3834-2:2005
- EN 1090-1:2009 + A1:2011

ensuring that the products supplied are manufactured in accordance with the customer's expectations and in compliance with contractual, safety, statutory or regulatory obligations.

The standardised application of rules and processes across all Group units represents company know-how available to all employees to identify best practices to be followed in all Group factories, always guaranteeing the same level of quality and safety.

The production of machinery for the metal industry and the production of steel both require compliance with regulations, laws and requirements issued by national and international directives whose observance is required and regulated by the production specifications envisaged by the company and ABS S.p.A. that envisage the use of technical personnel trained and aware of the limits envisaged and imposed by applicable standards and regulations.

Finally, the company's quality system envisages verification plans and controls to ensure compliance with the followed production standards.

To ensure the prevention and mitigation of health and safety risks to which customers are exposed, the Group obtained certifications attesting to compliance with the required standards on product quality (the company ABS S.p.A. obtained the ZF certificate), prepares accurate manuals for the use and maintenance of the plants, organises training courses for customers' personnel who will work on the plants built by the Group.

Moreover, note that ABS S.p.A., which represents the main operating site of the Group's Steel Making sector, checks compliance with legal requirements for incoming and outgoing materials and has undertaken to purchase material that does not contain minerals from conflict zones.

COMMITMENT TO THE ENVIRONMENT

Environmental protection is not only a priority for the Group in relation to the production activities directly carried out in both the Steel Making and Plant Making sectors, but also an opportunity for the latter to be promoted to customers to enable them to comply with applicable legal requirements, and a conscious use of resources as part of a continuous improvement process in line with best practices. Danieli is an active participant in the ClimateNeutralEU process to achieve a substantial reduction in GHG emissions in 2030, raising the awareness of European authorities on the need to achieve these objectives promoted by the general commitment of the main European companies.

The Group's environmental protection approach is aimed primarily at ensuring compliance with the legal requirements applicable to its own production activities by identifying, monitoring and mitigating all related environmental topics:

- using appropriate safety procedures and efficient technical prevention systems;
- developing new technologies (also with HOSHIN projects) that allow a rational use of natural resources (raw materials, energy, water and waste management);
- achieving an increasingly effective mitigation of pollution, GHG emissions, waste, noise and any inconvenience to the local communities concerned;
- by raising personnel awareness through specific training and education.

The Danieli Group defined reference targets in order to maintain high environmental protection standards:

- promoting a culture of health and environmental protection in all workers and their families;
- designing plants with ever better performance from the viewpoint of the environment and workers' health and safety;
- constantly informing and training workers on general and specific risks, on rules of behaviour and company procedures;
- investments of economic, technical and human resources to achieve environmental protection goals for Danieli and for customers;
- promoting knowledge of environmental regulations and generating widespread awareness of their importance, by example and through systematic oversight of their compliance also along the supply chain used by the Group;
- improving waste management by providing specific labelled containers and dedicated areas bearing appropriate signs, and through more accurate separation of waste for disposal;
- improving hazardous materials management by identifying and labelling all containers, providing containment basins and suitable absorbing materials in case of spills, conducting practical emergency simulation exercises.

In the production of metals, the "Green technologies" are those that allow to limit waste and emissions with lower consumption of raw materials in the production process, resulting not only in benefits for producers but also in reductions in the use of water and GHG emissions.

In new projects and in the modernisation of existing ones, the use of innovative design, logistics and plant layout using "Best Available Technologies" (BAT) make production more efficient and cleaner, above all by reducing energy consumption, which is one of the main sources of CO₂ emissions. Products such as the Q-ONE, which allow to digitally power the electric furnaces preventing disturbances on the network will allow their better sizing at the service of the whole community reducing consumption, waste and Flicker disturbances and allowing the direct connection of the systems with renewable energy sources.

The development of processes that continuously manage the casting and rolling phase (MI.DA and QSP-DUE) and the treatment of products at lower temperatures with induction heating systems (QHEAT) already allow us to obtain quality products with a substantial increase in efficiency compared to the past.

The lower use of natural gas with the use of controlled flame burners and the replacement of hydrogen in direct reduction plants will lead to steel production with a very significant reduction in CO₂ emissions.

The future will be even better thanks to "green" research using predictive models and artificial intelligence, transferring the know-how developed through Danieli's research to the service of customer plants for highly efficient production and low waste.

In this context, a new DanGreen product line has been launched with three main objectives:

- develop and market machines and plants that will allow a significant reduction in CO₂ related to steel production by 2030 and a cancellation of CO₂ produced by 2050;
- build steel plants with HYBRID technologies that allow the use of renewable energy;
- use new Green technologies within the steel production cycle reducing the environmental impact of the production itself by recovering the related GHGs.

During the launch of new projects (especially in the Plant Making segment), the company always carries out a risk assessment, which also identifies significant environmental issues related to the development of the job order at its customers' production sites, and identifies the measures needed to mitigate the impact on local communities, which in most projects are manageable and extremely limited.

The Parent Company (which covers both the operating unit as well as head office and the headquarters of the Research Centre), ABS S.p.A., ESW GmbH, Danieli Met. Equipment & Service (China) Co. Ltd., Danieli Co. Ltd and Danieli India Ltd developed an ISO 14001 certified Environmental Management System. The subsidiary ABS S.p.A., whose business activities are highly energy-intensive, also implemented an ISO 50001 certified energy management system in which an energy audit is carried out every 4 years. ISO 50001 certification was also obtained by Danieli Germany GmbH for its three premises.

Energy consumption, emissions and water withdrawals are the main indicators of the environmental impact of the Group's production processes. In particular, as part of energy efficiency initiatives, the Parent Company and Danieli Automation S.p.A. installed some photovoltaic systems covering the roofs of industrial buildings and the company ABS S.p.A. installed an ORC (Organic Rankine Cycle) system to produce energy using the heat from the fumes of electric furnaces used in the production of steel. Also in ABS, a district heating system was built to recover the hot fumes from the Rotoforgia's Walking Beam furnace to heat some buildings, including the office building, canteen and dressing room. It is planned to extend this plant to other buildings on the Pozzuolo site.

ABS launched an LCA (Life Cycle Assessment) project to measure and validate the impacts of its processes/products from birth to end of life, since sustainability must necessarily be a supply chain sustainability, and attention to the environmental and social performance of suppliers is therefore fundamental.

The purposes of the project aim to:

- identify areas for improvement on the technical, management and logistics level;
- compare the environmental loads related to the processes;
- study alternative technical solutions to help reduce the environmental footprint throughout the supply chain;
- guide the re-design of products and processes in order to minimise their impact through efficient consumption of natural resources.

The project is expected to be completed within the next financial year.

The Group's energy consumption is presented below:

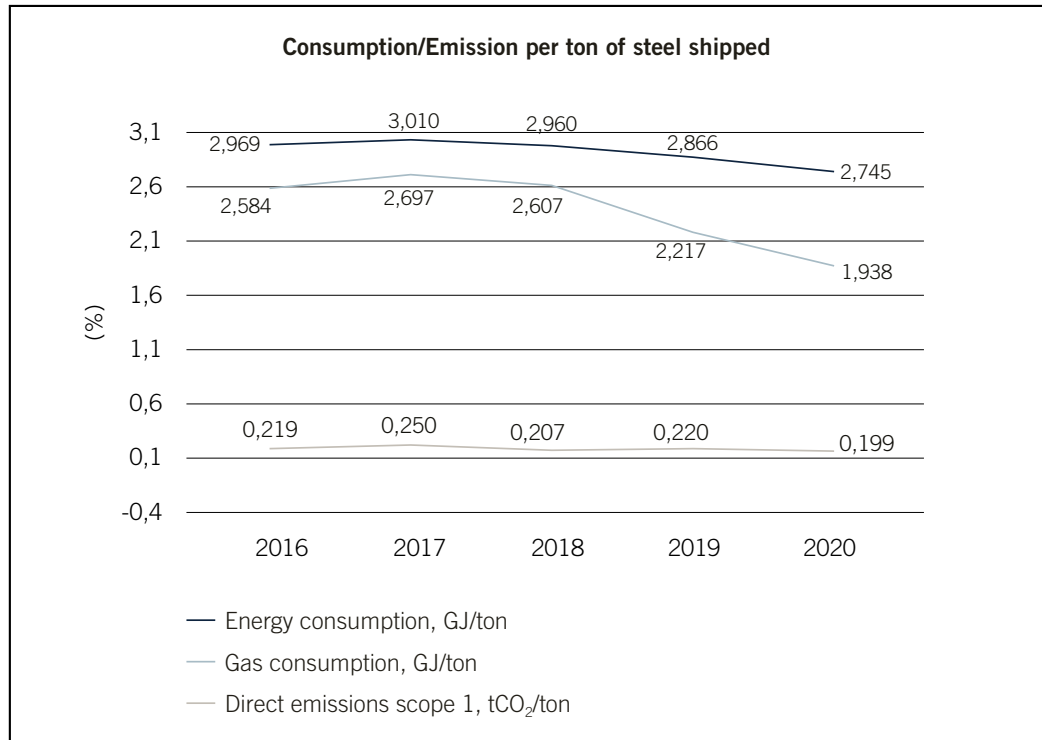
Energy GRI 302-1	30/06/2020	30/06/2019
Energy consumption by type of fuel and process		
LPG (GJ)		
By production process (GJ)	10,959	13,833
Methane Gas (GJ)		
By production process (GJ)	2,148,108	2,882,470
Diesel (GJ)		
For non-production process (GJ)	166,022	20,419
Petrol and other fuels (GJ)		
For company cars (owned and rented) (GJ)	18,509	18,056
Electricity consumed (GJ), of which	3,240,613	3,888,804
Electricity purchased from the grid (GJ)	3,235,235	3,881,542
Internally produced and self-consumed electricity (GJ), of which	5,378	7,261
produced by photovoltaic plant (MWh)	4,432	4,363
produced by an ORC (Organic Rankine Cycle) plant (MWh)	947	2,898
Total energy consumption (GJ)	5,584,212	6,823,582

The conversion factors used are taken from the document “UK Government – GHG Conversion Factors for Company Reporting 2019”. Some items that contribute to the determination of the Group’s energy consumption were partly estimated, using criteria that can provide as accurate and exhaustive a representation as possible.

Note that with reference to electricity purchased from the network, 85% (84% in the previous year) of it comes from a supplier that declares that its energy mix used for the production of electricity sold is about 36% from renewable sources (data referring to 2018, latest available).

Environmental data refer to the Danieli Group. As regards the Parent Company, in addition to its head office, the main Italian local units are also included.

The decrease in energy consumption derives mainly from lower production in the Steel Making sector, but also from the efficiencies achieved in reducing consumption, as shown in the chart below.



Note: Please note that the chart refers to the Steel Making sector and that the data source was processed internally.

The Steel Making sector progressively improved the main consumption and emission indexes per tonne of steel shipped thanks to the investments made to improve production efficiency, always applying the best available technology. In particular, the drop in energy consumption per tonne is due to the improvement in efficiency in scrap casting and liquid steel treatment over the last two years. Due to the specific nature of its activities, this sector uses a series of procedures to identify all the environmental topics that may suffer a beneficial or negative impact as a result of interaction with the production activities of the plants:

- under normal operating conditions;
- in abnormal or extraordinary operating conditions;
- in case of emergency

and manage any substantial changes to the internal and external context of the factories, in particular with regard to the quality of environmental components and compliance requirements.

The identification of environmental topics and the assessment of their significance is carried out by following a matrix assessment methodological approach, identifying both direct (compliance with laws/regulations and impacts on all parties involved) and indirect (regulatory, economic based on the influence related to Danieli’s activities) environmental topics.

Procedures and assessments are periodically updated and every time interventions are made on the plants that modify their characteristics and performance.

The Group's water withdrawals are presented below:

Total volume of water withdrawn with a breakdown by sources (m³)	30/06/2020	30/06/2019
GRI 303-1		
Surface water utilisation (m ³)	149,397	547,511
Groundwater utilisation (m ³)	1,191,571	1,157,072
Municipal water utilisation (m ³)	398,948	345,230
Total water utilisation	1,739,916	2,049,813

Note: Data partly estimated, using criteria that can provide as accurate and exhaustive a representation as possible.

Water withdrawals from surface water sources mainly refer to the company ABS Sisak d.o.o.; therefore, the reduction found during the year is attributable to the production down-time of this company, which affected almost the entire duration of the year.

The data relating to the Group's atmospheric emissions are shown below:

Greenhouse gas emissions into the atmosphere	30/06/2020	30/06/2019
GRI 305-1		
Scope 1 CO ₂ direct emissions tCO ₂ e	211,231	291,508
GRI 305-2	30/06/2020	30/06/2019
Location-based Scope 2 CO ₂ indirect emissions tCO ₂	325,879	391,629
Market based Scope 2 CO ₂ indirect emissions tCO ₂	416,476	539,132

The emission factors used for calculating direct CO₂ emissions - Scope 1 are taken from the document "UK Government - GHG Conversion Factors for Company Reporting 2020", with the exception of those relating to ABS S.p.A., the calculation of which was estimated based on the certification issued by the Emission Trading System (ETS).

The emission factors used for the calculation of indirect emissions are those proposed by Terna for Location-based Scope 2 indirect emissions (Terna, International Comparisons 2017), and the residual mixes for Market-based Scope 2 indirect emissions (AIB, European Residual Mixes 2018, Vers. 1.1 of May 29, 2020).

Emissions of Scope 2 are expressed in tonnes of CO₂; however, the percentage of methane and nitrous oxide has a negligible effect on total greenhouse gas emissions (CO₂ equivalent) as can be inferred from the technical literature of reference.

Other pollutant emissions into the atmosphere	30/06/2020	30/06/2019
GRI 305-7		
NO _x Nitrogen oxide (t)	855	809
SO _x Sulphur oxide (t)	1	14
Dust (t)	58	73
CO (t)	1,501	1,129
Dioxin and furans (PCDD/F) (g)	1	0

Note: The data for other pollutant emissions into the atmosphere were estimated based on the measurements and analyses carried out at the emission points.

It can be seen that 89% of energy consumption, 82% of water utilisation and 96% of direct CO₂ - Scope 1 emissions are related to the Danieli Group's Steel Making segment, while the residual portion is related to the Plant Making segment, which has a much lower environmental impact than the steel making segment, which requires careful and continuous assessment of all the environmental parameters associated with production.

Environmental sustainability

The steel industry accompanies the economic growth of the world community contributing to social welfare with an increasing respect for the environment following the guidelines defined by the United Nations (UN-SDGs) and in line with the commitments undertaken with the COP21 Paris Treaty. The World Steel Association identified eight main parameters to measure the sustainable performance of steel production divided into three families:

A) environmental sustainability

- reduction of Greenhouse Gas Emissions (GHG);
- reduction of energy consumption;
- efficiency in production;
- environmental protection;

B) social sustainability

- safety in production;
- development and training of human capital;

C) economic sustainability

- innovation in new technologies;
- equitable distribution of value added.

The development of these indicators in the past years shows a constant commitment in the protection of the environment and in social responsibility and an improvement in economic sustainability related to increased investments in new technologies with an increased value added distributed to the community.

Danieli became an integral part of these results by accompanying (with the equipment supplied) customers in the process of technological and productive improvement with innovative and sustainable solutions.

In the construction of plants, Danieli guarantees the principles described above also to customers by implementing technical solutions in line with the contractual obligations undertaken and with those envisaged by the various regulations in force, both in terms of energy performance and in terms of reduction in emissions, in order to minimise their environmental impact.

As part of the protection of biodiversity and to mitigate the environmental impact of the steelworks, in recent years ABS has built about 2 km of mitigation hills, natural noise barriers and visual filter towards the industrial core. The hills were made using Ecogravel, i.e. the inert slag resulting from the production process. The ABS Forest, with an extension of more than 13 hectares and with the presence of more than 10.000 medium-sized and tall trees, has been for years a green area at the disposal of the community and an oasis of conservation of the local biodiversity, ideal refuge for the small local fauna. The piezometric tower, converted to a vertical wood, with the presence of ornamental plants and plants typical of the Friulian countryside also contributes to creating an oasis of refuge, especially for birds.

These measures actively contribute to improving air quality, absorbing around 200 tonnes of CO₂ per year.

During the 2019/2020 financial year, a number of measures were implemented to improve the acoustic impact caused by production activities on the surrounding area, with a view to meeting the needs of the inhabitants of neighbouring municipalities and the commitment, which over the years has always distinguished ABS, towards the territory that hosts it.

Moreover, as part of the reuse of processing stocks, the cooling area of the steel slag has been rebuilt in order to obtain better mechanical characteristics of the Ecogravel - the EC certified material that - in terms of circular economy - is an excellent substitute for quarry materials used for roadbeds and/or bituminous conglomerates.

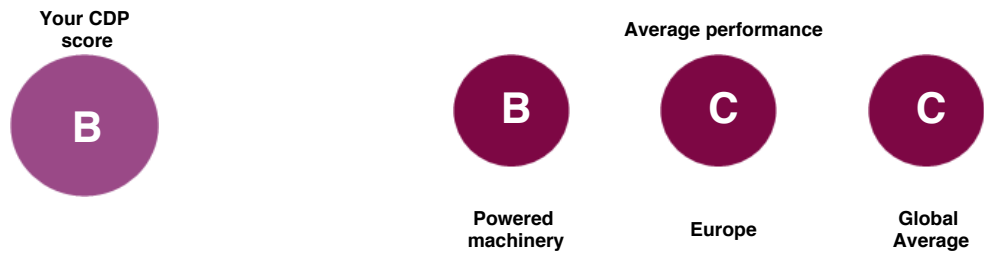
CDP SCORE REPORT - CLIMATE CHANGE 2019



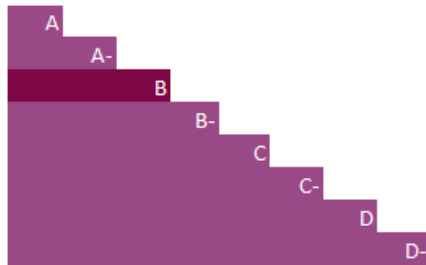
Danieli & C Officine Meccaniche S.p.A.

Region	Europe
Country	Italy
Questionnaire	General
Activity Group	Powered machinery

The CDP Score Report allows companies to understand their score and indicate which categories require attention in order to reach higher levels. This enables companies to progress towards environmental stewardship through benchmarking and comparison with peers, in order to continuously improve their climate governance. Investors will additionally receive a copy of the CDP Score Report upon request. For further feedback please contact your account manager of your key CDP contact.



UNDERSTANDING YOUR SCORE REPORT



Danieli & C Officine Meccaniche S.p.A. received a B which is in the Management band. This is higher than the Europe regional average of C, and same as the Powered machinery sector average of B.

- Leadership (A/A-):** Implementing current best practices
- Management (B/B-):** Taking coordinated action on climate issues
- Awareness (C/C-):** Knowledge of impacts on, and of, climate issues
- Disclosure (D/D-):** Transparent about climate issues

The Parent Company participated also in the Climate Change Program of the Carbon Disclosure Project, a programme that aims to monitor the reduction of greenhouse gas emissions and involves both the public sector and private companies with the ultimate aim of mitigating the risk of climate change. In 2019, the Parent Company was in a good position in the international rankings of the sector, better than the European average. This excellent goal was achieved thanks to our commitment to developing SusSteel (increasing efficiency in steel production) and Green Steel (minimising environmental impacts in steel production) solutions for the Group and our customers. For 2019, Danieli also obtained the A- rating for “Supplier Engagement”, resulting in a significantly better leadership position than the sector and geographical area average.

CDP SUPPLIER ENGAGEMENT RATING REPORT 2019



Danieli & C Officine Meccaniche S.p.A.

Region	Europe
Country	Italy
Questionnaire	General
Activity Group	Powered machinery

CDP evaluates organizations engagement with their suppliers on climate change. Purchasing organizations have the potential to incentivize significant environmental changes through engagement with their suppliers. By evaluating supplier engagement and recognizing best practice, CDP aims to accelerate global action on supply chain emissions. This document presents your supplier engagement rating and helps you benchmark against your peers.

YOUR SER RATING



Average performance



Powered machinery

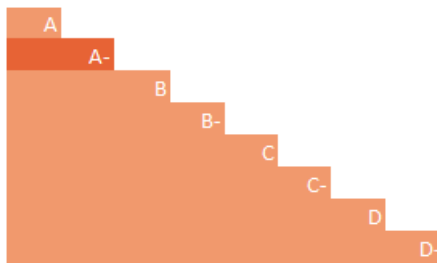


Europe



Global Average

UNDERSTANDING YOUR SCORE REPORT



Danieli & C Officine Meccaniche S.p.A. received a A- which is in the Leadership band. This is higher than the Europe regional average of C, and higher than the Powered machinery sector average of C.

Leadership (A/A-): Implementing current best practices

Management (B/B-): Taking coordinated action on supplier engagement

Awareness (C/C-): Knowledge of impacts of supplier engagement

Disclosure (D/D-): Transparent about supplier engagement

In June 2019, Danieli also obtained confirmation from SBTi (Science Based Targets Initiative) that its GHG emission reduction targets by 2030 fall within the global “well-below 2°C trajectory” decarbonisation target, i.e. in line with the level of decarbonisation required to keep the global temperature increase below 2 degrees compared to pre-industrial temperatures. This certification was obtained on the company’s 2030 objectives of reducing emissions related to Scope 1 and Scope 2 by 36% compared to 2017 levels and by 62% per dollar value added compared to 2017 for indirect emissions related to Scope 3.



The use of specific parameters prepared by Quantis Evaluator guaranteed a refining of data entered for the completion of the CDP questionnaire, above all in defining the information related to indirect emissions (Scope 3), by obtaining a better quality of data presented; moreover, by joining the Science Based Initiative, Danieli received further validation for long-term targets for Scope 1 and 2 emissions related to direct and/or directly manageable activities. The achievement of emission targets results in the objective of reducing greenhouse gas emissions to keep the global temperature increase below 2 degrees compared to pre-industrial temperatures. The definition and achievement of Science Based Targets allow, on the one hand, to make a contribution to the challenge against climate change and, on the other, to stimulate innovation and increase competitiveness.

Waste management is carried out in compliance with the regulations in force, following their methods of disposal and destination envisaged by the law classification for each specific category of waste. Disposal activities are carried out by certified external companies where permitted by the relevant regulations and with the use of the most up-to-date and efficient technological solutions on the market.

Waste (t)	30/06/2020		30/06/2019	
	Hazardous	Non-hazardous	Hazardous	Non-hazardous
GRI 306-2				
Reuse	70	210	54	
Recycling	18,136	96,883	19,595	38,768
Landfill	982	33,757	652	99,805
Incineration	692	5	703	3
Recovery	1,094	5,365	132	6,455
On-site storage	1	386		14,633
Other	8,171	4,825	16,266	5,079
Tons of waste production	29,145	141,431	37,400	164,743

Note: Hazardous and non-hazardous waste disposal operations listed under "Other" concern physical-chemical treatment (D9) or preliminary storage (D15) in authorised plants.

Over the years, the Danieli Group implemented a policy of reducing the consumption of raw materials that enabled it to optimise them; last year, heat treatment activities increased and improved product quality by using the plants efficiently with integrated and waste-free production cycles. In particular, the ABS S.p.A. company and the entire Steel Making sector are the Group's most impactful companies in terms of raw material consumption. The following table shows the materials used during the year by the Group's main production companies in which the various materials included in the production process include gas and refractory materials, machinery for steelmaking plants and other consumables, while the last item includes scrap and metal machine parts used in the production process.

Materials used in the Group production process	30/06/2020	30/06/2019
Gases used in the production process (m3/000)	52,432	65,996
Materials used in production process (t)	434,993	480,031
Scrap and ferrous materials used in the production process (t)	1,104,495	1,420,467

Note: Methane has not been taken into account for data related to gases. Note that the data related to the 2018/2019 financial year was restated to align it with the new recognition criteria. For previously published data, please refer to the 2018/2019 Consolidated Non-Financial Statement available on the Group's website.

SUPPLY CHAIN

The quality of the supply is a key element for Danieli and the supplier is an important asset with which to build relationships based on principles of transparency, integrity and trust that can last in the long term.

The Group manages its activities with suppliers selecting them correctly and impartially based on quality/competitiveness checking of the offers and without taking advantage of any situations of weakness or dependence.

In the Plant and Steel sectors, the Danieli Group uses a total of around 5,000 suppliers to service its activities and factories in the West and the East:

- in the steel sector, there are about 500 strategic suppliers for about 2,000 customers;
- in the machinery sector, there are about 4,500 strategic suppliers for about 500 customers.

The suppliers are subject to technical and ethical prequalification according to the Group Code of Ethics, company anti-corruption directives and relations between individuals and the management of privacy.

During the year, the Parent Company and the main companies that manage production workshops implemented a specific procedure to obtain acceptance of the Code of Ethics by all active suppliers to achieve 100% coverage.

Danieli is investing in the supply chain to prevent procurement risks and to ensure their compliance with existing environmental and social issues.

The choice and management of Group suppliers for the Plant Making segment follows a guideline that envisages:

- segregation of duties;
- the use of a Vendor list managed by a computer system;
- acceptance of general conditions of supply including security, environment and human rights issues;
- acceptance of the provisions of the Danieli Code of Ethics;
- getting through a Supplier Quality Development (SQD).

Danieli is increasingly using qualified and certified suppliers to limit the occurrence of technical, qualitative, environmental and safety problems in its supplies, reducing commercial and reputational risks for the company.

The qualification process of strategic suppliers is managed by the Parent Company's Procurement Department and envisages:

- the completion of questionnaires to identify their company structure, governance and financial data, certifications, environment and safety and human rights;
 - Specific in-depth sessions with visits to the production units to assess the technical and operational capacities and quality procedures followed in general and specifically for the types of products and services of interest to the Danieli Group;
 - Scheduled Quality Audit and Verification Sessions at suppliers even without prior notice to the latter.
- Specific clauses are included in contracts with suppliers who undertake to accept and comply with the Code of Ethics, in addition to the requirements of Model 231 and the requirements of quality, health and safety.

Supplier performance and compliance monitoring activities are carried out by Danieli personnel during the order Expediting sessions.

In the Plant Making segment, there is a high presence of high-tech knowledge-intensive suppliers that are part of a "make or buy" strategy with an impact on noble components and on solutions offered to customers.

In the Steel Making sector, suppliers are mainly engaged in continuous deliveries and large handling volumes where the quality and punctuality of the service are crucial to ensure a rational and efficient production process.

In order to maintain a sustainable value in the long term through lasting and solid supplier relationships, a process was developed for the qualification, selection and constant monitoring of supplier performance.

The qualification process involves the assessment of the ability to guarantee economic and financial soundness over time, technical and quality management requirements, compliance with international standards and sustainability criteria: protection of the environment and occupational health and safety, energy impact and ethics. It does so through a primary selection process in which compliance with standard ABS requirements is assessed in economic, financial, quality, safety and environmental terms, and an approval phase in which the quality of the supplies and of the supplier's company procedures is checked through second party audits and supply tests.

This vendor rating process was implemented for all new suppliers as early as last year, while the revaluation of all existing suppliers is underway and is expected to be completed in the next two financial years.

With regard to conflict minerals, ABS is also committed to eliminating supplies of raw materials from Countries involved in conflicts.

Danieli continues to participate in the "Corporate Social Responsibility" qualification procedure on the ECOVADIS platform, obtaining a Silver rating in 2020 with 56% positive parameters and a ranking better than 79% of the companies surveyed at June 30, 2020; the result is an improvement compared to 2019 and new targets have already been defined and will be brought to the attention of the management to integrate the current profile and further improve the company's ranking.



COMMUNITY COMMITMENT

The Danieli Group believes in its social role within the complex systems in which it operates at a global level and contributes to the development of the areas in which it is involved with projects in favour of the social communities present there (social initiatives, sponsorships and philanthropic donations) by following the guidelines and counterparty checks and with budgets approved by company management.

Most of the actions carried out can be classified into 3 macro areas of intervention:

- social and charitable
- culture, art and education
- sports and entertainment.

Danieli takes an active part in the development of positive relations with local communities, defining and managing initiatives in their favour (e.g., the initiatives to restore the historical and architectural heritage on buildings of public interest in the city of Udine, the Telethon marathon in Udine, work in support of local communities and medical research, contributions to local musical events, support to schools through contributions to expand classrooms/improve learning instruments, etc.).

During the year, Danieli signed several sponsorship contracts for cultural and sporting events that unfortunately had to be postponed or cancelled due to COVID-19. In particular, the events related to the World Series of Paralympic swimming, which were to take place in Lignano Sabbiadoro in February and April 2020, have been cancelled, while other sponsored events, among which the performance of the opera “Le Nozze di Figaro” at the Giovanni da Udine theatre and the International Symposium of stone sculptures of Friuli Venezia Giulia have been postponed to a later date. Danieli continued its support for the Illegio Exhibition, which for many years has been attracting thousands of people to the small town of Carnia.

During the period, Danieli continued its work to promote architectural restoration in the main sites of cultural and historical interest of Udine.

The support guaranteed was of particular significance in terms of entity and destination with a donation to the municipality of Udine for the conservative restoration of the covering of the municipal Castle of Udine, which began in 2019 and will be completed by 2021.

During the year, the Parent Company, together with Confindustria Udine, supported the Sa.Pr.Emo - Salute Protagonisti Emozioni Project, an initiative consisting of various coordinated actions for the prevention of the distress and illegality of narcotic substances. The activity was aimed at high school students, teachers and more generally young citizens and families in the area. Various initiatives have been put in place, including meetings to promote informed choices on health, legality and the fulfilment of individuals, with the participation of qualified speakers, and a competition to stimulate the imagination and the involvement of young people through cooperative learning with the aim of overcoming the challenges they face.

During the year, the project for the redevelopment of the “Locanda alle Officine” area in Buttrio, acquired at the end of last year, was launched and will continue in the coming years with the renewal of the hotel and restaurant structure, the renovation of the existing sports facilities and the construction of other accommodation facilities that will also be available to the local community.

The company Telefriuli S.p.A. is part of the Danieli Group and working in the region for more than 20 years with the aim of providing the community with local television and news report highly dedicated to and rooted in the territory, while the weekly magazine “Il Friuli”, also related to the same publisher, is distributed free of charge in the region and also made available to Parent Company employees.

As part of the support to local communities, Danieli participates in the “Think Tank Fvg >2030” project, an initiative that aims to be a fundamental contribution to the need for modernisation in Friuli Venezia Giulia, with the aim of envisaging actions to adequately manage the socio-economic developments and changes taking place, with a time horizon of 2030. The objectives are:

- Foresee possible scenarios between now and 2030 in relation to the actions that will be implemented to maintain and improve the current per capita income level, development and social services;
- Identify the factors that currently delay the development process;
- Present the results to the Regional Government to share the implementation of improvement actions in the fields of education, family, environment and energy;
- Configure the “optimal system” for the FVG Region and then carry out a further optimisation in the North-East context (Veneto and Trentino-Alto Adige), creating a favourable environment for investments in logistics and especially for start-up projects with high added value.

Danieli provides the children of its employees and of contractor workers with the support of the company nursery school, accommodating family needs through work schedule flexibility and opening days, and kindergartens, providing the possibility of caring for children from 3 to 6 years of age with the same flexibility of working hours and hospitality. The traditional training offer is supplemented by permanent English language labs, outdoor activities of contact with nature, the weekly proposal of psychomotor practice sessions according to the Aucouturier method, music sessions with a master and only for kindergarten children, an annual course that provides a day every other week to spend at a teaching farm in the area.

The officially recognised primary school “Cecilia Danieli” (now with a new accommodation facility), both for the families of the employees and for the families of the local community, where the Italian tradition blends with an innovative approach to the English language and to new technologies was opened in September 2016. An innovative teaching path based on lectures with mother-tongue teachers and on the laboratory approach to science and new computer technologies.

The English Plus course envisages 5 hours of weekly English Language from the first class and modules of Science, Geography, Art and Computing (3 to 5 hours a week) with mother-tongue teachers (CLIL - Content and Language Integrated Learning method).

The Tech Plus course consists of specific programming and educational robotics (Scratch and Lego Wedo) enabling the approach of the child to “coding” and to technology through the construction of animated objects. It ensures a certification of skills released by Eipass Junior (European Informatics Pass).

In June 2019, the Primary School was certified as a “Cambridge Exam Preparation Centre”. The recognition means that the prestigious English institution recognises the specialisation of the language preparation of the students thanks to the quality of the training offer and to the structured approach to the learning of the English language.

During the year, the Group continued with the construction of the new structure that will house the Middle School, as a natural development of the teaching path already created, which should come into operation with the 2021/2022 school year.

In addition to direct sponsorship of Group companies with a number of local sports teams, the Danieli Sports Group was also set up in Italy. It operates as an association open to the community (with more than 2,000 members) founded to promote aggregation, physical fitness and Group spirit, while maintaining a healthy sense of sporting competition. The latter has also promoted a series of agreements with various commercial and service operators in the area to ensure favourable conditions for its members (employees and non-employees).

Participation in trade associations

The Italian companies of the Group are registered with Confindustria in their own local areas whereas Danieli is also registered with the World Steel Association with headquarters in Brussels, Belgium and with the European Engineering Industries Association with headquarters in Brussels, Belgium, while the subsidiary ABS S.p.A. is registered with the Italian association METALFER.

Directly generated and distributed economic value

The following tables show the distribution of economic value among stakeholders through the reclassification of the figures of the consolidated income statement. In particular, the determination of the generated value added shows the wealth created by the Group and its method for distributing it to the identified stakeholders.

(millions of euro)

Directly generated and distributed economic value	30/06/2020	30/06/2019
A. Directly generated economic value	2,695.8	3,040.3
B, Distributed economic value	2,540.6	2,853.3
(A-B) Economic value retained	155.2	187.0

Note: The economic value retained includes the values related to the assets held for sale.

The data related to the financial year ended June 30, 2019 shown for comparative purposes has been restated with that published in the 2018/2019 NFS, in line with the requirements of IFRS 5. For previously published data, please refer to the 2018/2019 Consolidated Non-Financial Statement available on the Group's website.

Net distributed economic value is divided among the following beneficiaries: personnel (direct remuneration consisting of wages, salaries, employee severance indemnity and indirect remuneration consisting of social security contributions); Public Administration (income taxes and other taxes and duties); venture capital (dividend distribution); third parties (non-controlling interests); company remuneration (reinvested earnings); remuneration to lenders (interest on loans) and donations and sponsorships (sponsorships, donations and other forms of contribution).

Non recurring ancillary components derive from net financial income and expenses (excluding the expenses relating to payables to banks), gains and losses from foreign currency transactions and income and expenses on equity investments.

(millions of euro)

Analysis of the distributed economic value	30/06/2020		30/06/2019	
Operating costs	2,041.7	80.4%	2,328.6	81.6%
Personnel remuneration	453.8	17.9%	456.3	16.0%
Public Administration remuneration	27.6	1.1%	39.0	1.4%
Venture capital remuneration	11.9	0.5%	8.2	0.3%
Non controlling interest remuneration	(0.5)	0.0%	(0.3)	0.0%
Ancillary components	(0.5)	0.0%	13.8	0.5%
Lender remuneration	5.2	0.2%	6.1	0.2%
Donations and sponsorships	1.4	0.1%	1.6	0.1%
Total	2,540.6	100.0%	2,853.3	100.0%

The data related to the financial year ended June 30, 2019 shown for comparative purposes has been restated with that published in the 2018/2019 NFS, in line with the requirements of IFRS 5. For previously published data, please refer to the 2018/2019 Consolidated Non-Financial Statement available on the Group's website.

GRI content index

The following table shows the sustainability topics considered material for the Danieli Group, related to the pertaining “GRI Sustainability Reporting Standards” that have been reported in this document, as well as the issues referred to in Italian Legislative Decree 254/16. For these topics, the column called “Boundary of material topics” shows the subjects that can generate an impact with respect to each topic, both internally and externally to the Group. Moreover, the column called “Type of impact” also indicates Danieli’s role in relation to the impact generated with respect to each material topic.

Material topics of the Danieli Group	Correlation with GRI Standards	Correlation with Issues referred to by Italian Legislative Decree 254/2016	Boundary of material topics	Type of impact
Governance and management of sustainability	102 General disclosure		Danieli Group	Caused by the Group
Relations with stakeholders	102 General disclosure		Danieli Group, all stakeholders	Caused by the Group
Business ethics and integrity	206 Anti-competitive behaviour	Fight against active and passive corruption	Danieli Group	Caused by the Group
Anti-corruption	205 Anti-corruption	Fight against active and passive corruption	Danieli Group	Caused by the Group
Occupational health and safety	403 Occupational health and safety	Personnel-related	Danieli Group, suppliers and third-party companies	Caused by the Group and directly related to its activities
Company welfare	401 Employment	Personnel-related	Danieli Group	Caused by the Group
Industrial relations	402 Labour/Management Relations	Personnel-related	Danieli Group	Caused by the Group
Training and Development	404 Training and education	Personnel-related	Danieli Group	Caused by the Group
Diversity	405 Diversity and equal opportunity	Personnel-related	Danieli Group	Caused by the Group
Protection of human rights	406 Non-discrimination	Human rights	Danieli Group, suppliers and third-party companies	Caused by the Group and directly related to its activities
Management of energy consumption	302 Energy	Environmental	Danieli Group	Caused by the Group e direttamente connesso alle sue attività
Water resource management and quality of wastewater discharges	303 Water	Environmental	Danieli Group	Caused by the Group and directly related to its activities
Greenhouse Gas Production	305 Emissions	Environmental	Danieli Group	Caused by the Group and directly related to its activities
Waste and hazardous materials management	306 Effluents and waste	Environmental	Danieli Group	Caused by the Group and directly related to its activities
Environmental impact of products	307 Environmental compliance	Environmental	Danieli Group	Caused by the Group
Creation of economic value	201 Economic performance	Social	Danieli Group	Caused by the Group
Presence on the market and indirect economic impacts	201 Economic performance	Social	Danieli Group, Local communities	Caused by the Group
Innovation and R&D	n/a		Danieli Group	Caused by the Group
Product quality and safety	n/a		Danieli Group	Caused by the Group and directly related to its activities

Each indicator is provided with a reference to the section of the Non-Financial Statement in which the indicator can be found or to other publicly available sources to be referred to. This material refers to the following Disclosures:

GRI Standards	Disclosure	Page number	Notes/ Omissions
GRI 102: GENERAL DISCLOSURE (2016)			
Profilo dell'organizzazione			
102-1	Name of the organisation	2-3	
102-2	Activities, brands, products and services	10-11	
102-3	Location of headquarters	12, 226	
102-4	Location of operations	10-25	
102-5	Ownership and legal form	2-3; Report on Corporate Governance and Ownership Structure, section "Information on ownership structures as at June 30, 2020"	
102-6	Markets served	10-25	
102-7	Scale of the organisation	7, 10-11, 26-27, 49-50	
102-8	Information on employees and other workers	49-50	
102-9	Supply chain	67-68	
102-10	Significant changes to the organisation and to the supply chain	12-26, 43	
102-11	Precautionary Principle or approach	34-36	
102-12	External initiatives	44, 65-66	
102-13	Membership of associations	70	
Strategy			
102-14	Statement from senior decision-maker	40-41	
Ethics and integrity			
102-16	Values, principles, standards and norms of behaviour	45-47	
Governance			
102-18	Governance structure	37, Report on Corporate Governance and Ownership Structure, sections "Board of Directors" and "Internal Board committees"	
Stakeholder engagement			
102-40	List of stakeholder groups	44	
102-41	Collective bargaining agreements		52% of the workforce covered by collective bargaining agreements
102-42	Identifying and selecting stakeholders	44-45	
102-43	Approach to stakeholder engagement	44-45	
102-44	Key topics and concerns raised	No critical issues and/or significant aspects emerging from stakeholder engagement activities are reported	
Reporting practice			
102-45	Entities included in the consolidated financial statements	42-43	
102-46	Defining report content and topic boundaries	42-43, 45	
102-47	List of material topics	45	
102-48	Restatements of information	43	
102-49	Significant changes in terms of material topics and their boundary	43, 45	

GRI Standards	Disclosure	Page number	Notes/ Omissions
102-50	Reporting period	42	
102-51	Date of most recent report	43	
102-52	Reporting cycle	43	
102-53	Contact point for questions regarding the report	43	
102-54	Claims of reporting in accordance with the GRI Standards	42	
102-55	GRI content index	71-75	
102-56	External assurance	77-79	This Non-Financial Statement was submitted to external assurance
TOPIC-SPECIFIC STANDARDS			
GRI 200: Economic series (2016)			
GRI 201: Economic Performance (2016)			
103-1	Explanation of the material topic and its Boundary	45, 70-71	
103-2	The management approach and its components	45, 70	
103-3	Evaluation of the management approach	70	
201-1	Direct economic value generated and distributed	70	
GRI 205: Anti-corruption (2016)			
103-1	Explanation of the material topic and its Boundary	45-47, 71	
103-2	The management approach and its components	45-47	
103-3	Evaluation of the management approach	45-47	
205-3	Confirmed incidents of corruption and actions taken		During the reporting period, the Group did not record any incidents of corruption.
GRI 206: Anti-competitive behaviour (2016)			
103-1	Explanation of the material topic and its Boundary	45-47, 71	
103-2	The management approach and its components	45-47	
103-3	Evaluation of the management approach	45-47	
206-1	Legal actions for anti-competitive behaviour, anti-trust and monopoly practices		During the reporting period, the Group did not record any anti-competitive behaviour.
GRI 300: Environmental series (2016)			
GRI 302: Energia (2016)			
103-1	Explanation of the material topic and its Boundary	45, 60-61, 71	
103-2	The management approach and its components	60-61, 64-67	
103-3	Evaluation of the management approach	60-61, 64-67	
302-1	Energy consumption within the organisation	61-62	
GRI 303: Water (2016)			
103-1	Explanation of the material topic and its Boundary	45, 60-61, 71	
103-2	The management approach and its components	60-61, 64-67	
103-3	Evaluation of the management approach	60-61, 64-67	
303-1	Water withdrawal by source	63	

GRI Standards	Disclosure	Page number	Notes/ Omissions
GRI 305: Emissions (2016)			
103-1	Explanation of the material topic and its Boundary	45, 60-61, 71	
103-2	The management approach and its components	60-61, 64-67	
103-3	Evaluation of the management approach	60-61, 64-67	
305-1	Direct (Scope 1) GHG emissions	63	
305-2	Energy indirect (Scope 2) GHG emissions	63	
305-7	Nitrogen oxides (NOX), sulphur oxides (SOX) and other significant air emissions	63	
GRI 306: Effluents and waste (2016)			
103-1	Explanation of the material topic and its Boundary	45, 60-61, 71	
103-2	The management approach and its components	60-61, 64-67	
103-3	Evaluation of the management approach	60-61, 64-67	
306-2	Waste by type and disposal method	67	
GRI 307: Environmental Compliance (2016)			
103-1	Explanation of the material topic and its Boundary	45-47, 71	
103-2	The management approach and its components	45-47	
103-3	Evaluation of the management approach	45-47	
307-1	Non-compliance with environmental laws and regulations		During the reporting period, the Group did not receive significant fines or non-monetary penalties for non-compliance with environmental laws and regulations.
GRI 400: Social series (2016)			
GRI 401: Employment (2016)			
103-1	Explanation of the material topic and its Boundary	45, 48-49, 71	
103-2	The management approach and its components	48-49	
103-3	Evaluation of the management approach	48-49	
401-1	New employee hires and employee turnover	50-51	
GRI 402: Labour/Management Relations (2016)			
103-1	Explanation of the material topic and its Boundary	45, 48-49, 71	
103-2	The management approach and its components	48-49	
103-3	Evaluation of the management approach	48-49	
402-1	Minimum notice periods regarding operational changes		The minimum notice period is defined in the National Collective Labour Agreements, where applicable, and by the laws in force in the countries where the Group operates.
GRI 403: Occupational Health and Safety (2018)			
103-1	Explanation of the material topic and its Boundary	45, 71	
103-2	The management approach and its components	53-55	

GRI Standards	Disclosure	Page number	Notes/ Omissions
103-3	Evaluation of the management approach	53-55	
403-1	Occupational health and safety management system	53-55	
403-2	Hazard identification, risk assessment, and incident investigation	53-54	
403-3	Occupational health services	53-54	
403-4	Worker participation, consultation, and communication on occupational health and safety	53	
403-5	Worker training on occupational health and safety	53-54	
403-6	Promotion of worker health	53-54	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	53-54	
403-9	Work-related injuries	56	
GRI 404: Training and education (2016)			
103-1	Explanation of the material topic and its Boundary	45, 57, 71	
103-2	The management approach and its components	57	
103-3	Evaluation of the management approach	57	
404-1	Average hours of training per year per employee	57	
GRI 405: Diversity and equal opportunity (2016)			
103-1	Explanation of the material topic and its Boundary	45, 48-49, 71	
103-2	The management approach and its components	48-49, Report on Corporate Governance and Ownership Structure, section "Diversity policies applied in relation to the composition of the governing, management and control bodies"	
103-3	Evaluation of the management approach	48-49, Report on Corporate Governance and Ownership Structure, section "Diversity policies applied in relation to the composition of the governing, management and control bodies"	
405-1	Diversity of governance bodies and employees	52, Report on Corporate Governance and Ownership Structure, section "Diversity policies applied in relation to the composition of the governing, management and control bodies"	
GRI 406: Non-discrimination (2016)			
103-1	Explanation of the material topic and its Boundary	45-49, 71	
103-2	The management approach and its components	45-49	
103-3	Evaluation of the management approach	45-49	
406-1	Incidents of discrimination and corrective actions taken	During the reporting period, the Group did not record any incidents of discrimination.	

GRI Standards	Disclosure	Page number	Notes/ Omissions
Material topics of Danieli not related to specific Disclosures of GRI Standards			
Innovation / R&D			
103-1	Explanation of the material topic and its Boundary	45, 58-59, 71	
103-2	The management approach and its components	58-59	
103-3	Evaluation of the management approach	58-59	
Product quality and safety			
103-1	Explanation of the material topic and its Boundary	45, 59, 71	
103-2	The management approach and its components	59	
103-3	Evaluation of the management approach	59	



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**INDEPENDENT AUDITOR'S REPORT
ON THE CONSOLIDATED NON-FINANCIAL STATEMENT
PURSUANT TO ARTICLE 3, PARAGRAPH 10 OF LEGISLATIVE DECREE No. 254
OF DECEMBER 30, 2016 AND ART. 5 OF CONSOB REGULATION N. 20267/2018**

**To the Board of Directors of
Danieli & C. Officine Meccaniche S.p.A.**

Pursuant to article 3, paragraph 10, of the Legislative Decree no. 254 of December 30, 2016 (hereinafter "Decree") and to article 5 of the CONSOB Regulation n. 20267/2018, we have carried out a limited assurance engagement on the Consolidated Non-Financial Statement of Danieli & C. Officine Meccaniche S.p.A. and its subsidiaries (hereinafter "Danieli Group" or "Group") as of June 30, 2020 prepared on the basis of article 4 of the Decree, presented in the specific section of the Directors' Report, and approved by the Board of Directors on September 24, 2020 (hereinafter "NFS").

Responsibility of the Directors and the Board of Statutory Auditors for the NFS

The Directors are responsible for the preparation of the NFS in accordance with articles 3 and 4 of the Decree and the "Global Reporting Initiative Sustainability Reporting Standards" established in 2016 by GRI – Global Reporting Initiative (hereinafter "GRI Standards"), with reference to the selection of GRI Standards, which they have identified as reporting framework.

The Directors are also responsible, within the terms established by law, for such internal control as they determine is necessary to enable the preparation of NFS that is free from material misstatement, whether due to fraud or error.

The Directors are moreover responsible for defining the contents of the NFS, within the topics specified in article 3, paragraph 1, of the Decree, taking into account the activities and characteristics of the Group, and to the extent necessary in order to ensure the understanding of the Group's activities, its trends, performance and the related impacts.

Finally, the Directors are responsible for defining the business management model and the organisation of the Group's activities as well as, with reference to the topics detected and reported in the NFS, for the policies pursued by the Group and for identifying and managing the risks generated or undertaken by the Group.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the compliance with the provisions set out in the Decree.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

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Auditor's independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our auditing firm applies International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's responsibility

Our responsibility is to express our conclusion based on the procedures performed about the compliance of the NFS with the Decree and the GRI Standards, with reference to the selection of GRI Standards. We conducted our work in accordance with the criteria established in the "International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (hereinafter "ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. The standard requires that we plan and perform the engagement to obtain limited assurance whether the NFS is free from material misstatement. Therefore, the procedures performed in a limited assurance engagement are less than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised, and, therefore, do not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures performed on NFS are based on our professional judgement and included inquiries, primarily with company personnel responsible for the preparation of information included in the NFS, analysis of documents, recalculations and other procedures aimed to obtain evidence as appropriate.

Specifically we carried out the following procedures:

1. Analysis of relevant topics with reference to the Group's activities and characteristics disclosed in the NFS, in order to assess the reasonableness of the selection process in place in light of the provisions of article 3 of the Decree and taking into account the adopted reporting standard.
2. Analysis and assessment of the identification criteria of the consolidation area, in order to assess its compliance with the Decree.
3. Comparison between the financial data and information included in the NFS with those included in the consolidated financial statements of the Danieli Group at June 30, 2020.
4. Understanding of the following matters:
 - business management model of the Group's activities, with reference to the management of the topics specified by article 3 of the Decree;
 - policies adopted by the entity in connection with the topics specified by article 3 of the Decree, achieved results and related fundamental performance indicators;
 - main risks, generated and/or undertaken, in connection with the topics specified by article 3 of the Decree.



Moreover, with reference to these matters, we carried out a comparison with the information contained in the NFS and the verifications described in the subsequent point 5, letter a).

5. Understanding of the processes underlying the origination, recording and management of qualitative and quantitative material information included in the NFS.

In particular, we carried out interviews and discussions, in presence and remote meetings, with the management of Danieli & C. Officine Meccaniche S.p.A. and its subsidiaries Acciaierie Bertoli Safau S.p.A., Danieli Systec Doo., Danieli India Ltd., Danieli Met. Equipment & Service (China) Co. Ltd., e Danieli Co. Ltd. and we carried out limited documentary verifications, in order to gather information about the processes and procedures which support the collection, aggregation, elaboration and transmittal of non-financial data and information to the department responsible for the preparation of the NFS.

In addition, for material information, taking into consideration the Group's activities and characteristics:

- at the parent company's and subsidiaries' level:
 - a) with regards to qualitative information included in the NFS, and specifically with reference to the business management model, policies applied and main risks, we carried out interviews and gathered supporting documentation in order to verify its consistency with the available evidence;
 - b) with regards to quantitative information, we carried out both analytical procedures and limited verifications in order to ensure, on a sample basis, the correct aggregation of data.
- for the following companies, Danieli & C. Officine Meccaniche S.p.A., Acciaierie Bertoli Safau S.p.A., Danieli Systec Doo., Danieli India Ltd., Danieli Met. Equipment & Service (China) Co. Ltd., e Danieli Co. Ltd., which we selected based on their activities, their contribution to the performance indicators at the consolidated level and their location, we carried out visit on site or remote meetings, during which we have met their management and have gathered supporting documentation with reference to the correct application of procedures and calculation methods used for the indicators.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of the Danieli Group as of June 30, 2020 is not prepared, in all material aspects, in accordance with articles 3 and 4 of the Decree and the GRI Standards, with reference to the selection of GRI Standards.

DELOITTE & TOUCHE S.p.A.

Signed by
Barbara Moscardi
 Partner

Udine, Italy
 October 6, 2020

This report has been translated into the English language solely for the convenience of international readers.

DANIELI GROUP

CONSOLIDATED FINANCIAL STATEMENTS

AS AT JUNE 30, 2020

Consolidated Financial Statements Sheet

Consolidated Balance Sheet

(thousands of euro)

ASSETS	notes	30/06/2020	30/06/2019
Property plant and equipment	1	907,759	835,230
Right of use	2	45,024	0
Intangible Assets	3	40,079	43,511
Equity investment in associates measured at equity	4	6,745	6,622
Other equity investments	4	9,042	5,088
Deferred tax assets	5	76,078	78,593
Other financial receivables	6	12,842	420
Trade and other receivables	7	121,730	81,406
Total non-current assets		1,219,299	1,050,870
Current assets			
Inventories	8	1,182,464	1,127,028
Trade receivables	9	934,507	1,060,436
Other Receivables	10	74,855	76,295
Current tax assets	11	54,874	65,240
Current financial assets	12	618,789	588,181
Cash and cash equivalents	13	990,441	1,102,883
Total currents assets		3,855,931	4,020,064
Total Assets		5,075,230	5,070,934

(thousands of euro)

LIABILITIES AND SHAREHOLDERS' EQUITY	notes	30/06/2020	30/06/2019
Shareholders' equity			
Share capital		81,305	81,305
Treasury shares		(82,935)	(82,935)
Other reserves and profit carries forward, including profit for the year		1,938,335	1,901,354
Group shareholders' equity		1,936,705	1,899,724
Non controlling interest in shareholders' equity		(76)	(535)
Total shareholders' equity	14	1,936,629	1,899,189
Non-current liabilities			
Non-current financial liabilities	15	246,142	299,428
Deferred tax liabilities	5	20,889	29,561
Post employment benefits	16	29,691	33,091
Provisions for risks	17	21,046	17,033
Other non-current liabilities	18	1,726	68
Total non-current liabilities		319,494	379,181
Current liabilities			
Trade payables	18	1,091,860	1,113,181
Payables for construction contracts and customer advance payments	8/19	1,196,923	1,258,576
Other current liabilities	20	154,667	165,304
Current tax liabilities	21	19,970	20,774
Bank debts and other financial liabilities	22	355,687	234,729
Total current liabilities		2,819,107	2,792,564
Total liabilities and shareholders' equity		5,075,230	5,070,934

Consolidated Income Statement

	notes	Financial year ended			
		30/06/2020	30/06/2019 restated*	30/06/2019	
(thousands of euro)					
Operating revenues		2,308,942	2,576,939	2,615,053	
Other operating income		74,700	92,742	96,832	
Changes in inventories of finished products and construction contracts	8	289,803	353,808	351,703	
Total revenues	24	2,673,445	3,023,489	3,063,588	
Purchase cost of of raw materials and consumables	25	(1,403,587)	(1,641,326)	(1,656,034)	
Personnel costs	26	(453,755)	(456,306)	(472,713)	
Other operating costs	27	(628,369)	(671,756)	(695,646)	
Depreciation, amortisation and write-downs	28	(96,121)	(135,135)	(137,685)	
Operating income		91,613	118,966	101,510	
Financial income	29	22,390	15,454	16,921	
Financial charges	30	(23,690)	(24,104)	(25,359)	
Gains/(losses) on foreign exchange transactions	31	10,604	12,007	12,004	
Income/(charges) arising from the valuation of equity investments in assoc, with the equity method	32	142	467	467	
Profit before taxes		101,059	122,790	105,543	
Income taxes	33	(22,256)	(33,303)	(38,783)	
Net profit from continued operations		78,803	89,487	66,760	
Profit and loss deriving from discontinued operations	34	(16,378)	(22,727)	0	
Net profit for the period		62,425	66,760	66,760	
(Profit)/loss attributable to non-controlling interests		461	257	257	
Net profit for the period attributable to the Group		62,886	67,016	67,016	
Basic earnings per share (euro):					
	Ordinary shares	35	0.8351	0.8906	0.8906
	N.C. Saving shares	35	0.8558	0.9113	0.9113

Consolidated statement of comprehensive income

	notes	Financial year ended		
		30/06/2020	30/06/2019 restated*	30/06/2019
(thousands of euro)				
Net profit for the period		62,425	66,760	66,760
<i>Components of comprehensive income subsequently reclassified in the result of the period</i>				
Foreign financial statements translation difference		(8,016)	(1,003)	(1,003)
Change in fair value reserves		(9,988)	606	606
Tax effect related to the other components of comprehensive income		2,787	(169)	(169)
	14	(15,217)	(566)	(566)
<i>Components of comprehensive income not subsequently reclassified in the result of the period</i>				
Actuarial gains/(losses) recognised in the statement of comprehensive income		1,020	(1,520)	(1,520)
Tax effect		(245)	365	365
	14	775	(1,155)	(1,155)
Consolidated comprehensive income		47,983	65,039	65,039
Attributable to:				
Danieli Group		48,346	65,278	65,278
Non-controlling interests		(363)	(239)	(239)
		47,983	65,039	65,039

(*) Data restated in accordance with IFRS 5

Consolidated Statement of Changes in Shareholders' Equity

	Share capital	Treasury shares	Share Premium reserve
(thousands of euro)			
Shareholders' equity as at 30/06/2018	81,305	(82,935)	22,523
Reserve of first time adoption of IFRS 9	0	0	0
Shareholders' equity as at 01/7/2018	81,305	(82,935)	22,523
Operations with shareholders			
Allocation of profit per shareholders' meeting of 26/10/2018			
to reserves	0	0	0
dividends to parent company shareholders	0	0	0
Acquisition of non-controlling interests	0	0	0
Total operations with shareholders	0	0	0
Profit as at 30/06/2019	0	0	0
Other comprehensive income			
Change in fair value reserves	0	0	0
Actuarial gains/(losses) from IAS 19	0	0	0
Foreign financial statements translation difference	0	0	0
Comprehensive income (expenses) for the period	0	0	0
Shareholders' equity as at 30/06/2019	81,305	(82,935)	22,523
Operations with shareholders			
Allocation of profit per shareholders' meeting of 28/10/2019			
to reserves	0	0	0
dividends to parent company shareholders	0	0	0
Acquisition of non-controlling interests	0	0	0
Total operations with shareholders	0	0	0
Profit as at 30/06/2020	0	0	0
Other comprehensive income			
Change in fair value reserves	0	0	0
Actuarial gains/(losses) from IAS 19	0	0	0
Foreign financial statements translation difference	0	0	0
Comprehensive income (expenses) for the period	0	0	0
Shareholders' equity as at 30/06/2020	81,305	(82,935)	22,523

Fair value reserve	Other reserves	Translation difference	Net profit (loss) of the period	Group shareholders' equity	Non controlling interest in shareholders' equity	Total shareholders' equity
(446)	1,773,951	539	58,374	1,853,311	(297)	1,853,014
0	(10,670)	0	0	(10,670)	0	(10,670)
(446)	1,763,281	539	58,374	1,842,641	(297)	1,842,344
0	50,179	0	(50,179)	0	0	0
0	0	0	(8,195)	(8,195)	0	(8,195)
0	0	0	0	0	0	0
0	50,179	0	(58,374)	(8,195)	0	(8,195)
0	0	0	67,016	67,016	(257)	66,759
437	0	0	0	437	0	437
0	(1,155)	0	0	(1,155)	0	(1,155)
0	0	(1,021)	0	(1,021)	18	(1,003)
437	(1,155)	(1,021)	67,016	65,277	(239)	65,038
(9)	1,812,306	(482)	67,016	1,899,724	(535)	1,899,189
0	55,101	0	(55,101)	0	0	0
0	0	0	(11,915)	(11,915)	0	(11,915)
0	550	0	0	550	822	1,372
0	55,651	0	(67,016)	(11,365)	822	(10,543)
0	0	0	62,886	62,886	(461)	62,425
(7,201)	0	0	0	(7,201)	0	(7,201)
0	775	0	0	775	0	775
0	0	(8,114)	0	(8,114)	98	(8,016)
(7,201)	775	(8,114)	62,886	48,346	(363)	47,983
(7,210)	1,868,732	(8,596)	62,886	1,936,705	(76)	1,936,629

Consolidated Statement of Cash Flows

(thousands of euro)	30/06/2020	30/06/2019
Reconciliation of profit before taxes with net cash flows from op.activities		
Profit before taxes	84,682	105,543
Net increase/(decrease) in prov.for risks&charges	4,013	5,085
Income/(charges) arising from the valuation of equity investments in assoc. with the equity method	(142)	(467)
Depreciation, amortisation and write-downs	97,164	123,211
Losses/(gains) on disposal of property plant and equipment	(4,650)	(585)
Write-down/(Reversal) of impairment losses	(1,043)	14,474
Business combinations of the period and the previous financial year	(3,071)	(13,427)
Other non-monetary changes	1,473	0
Net change in employee sev. indemnity prov.	(2,625)	(243)
Foreign exchange losses/(gains) for the period	(10,604)	(12,004)
Financial income for the period	(22,390)	(16,921)
Financial charges for the period	23,690	25,359
Total	166,497	230,025
Net change in working capital		
(Increase)/decrease in inventories	(55,436)	(117,374)
(Increase)/decrease in trade and other receivables	82,261	(38,954)
Increase/(decrease) in trade and other payables	20,135	129,944
Unrealised foreign exchange losses/(gains)	(8,193)	6,957
Total	38,767	(19,427)
(Interest paid)	(17,548)	(12,746)
Interest received	22,930	15,669
Taxes paid in the period	(18,851)	(59,077)
Cash flow generated /(absorbed) by operating activities	191,795	154,444
Investing activities		
Investments:		
Property plant and equipment	(167,458)	(73,769)
Intangible Assets	(7,934)	(9,752)
Business combinations of the period and the previous financial year	(3,509)	(200)
Equity investments	(2,563)	(621)
Available for sale financial assets	(46,911)	(128,705)
Realised foreign exchange losses/(gains)	18,797	5,047
Disposals:		
Property plant and equipment	17,786	11,107
Intangible Assets	101	1,169
Cash flow generated/(absorbed) by investing activities	(191,691)	(195,724)
Financing activities		
Application of IFRS 16 - Financial loans	(11,591)	0
New loans payable	492,125	112,945
Increase/(decrease) in advances on job orders not yet in production	(112,088)	176,691
Repayment of loans payable	(463,297)	(61,859)
Short term derivative financial instrument	(4,397)	(746)
dividends to parent company shareholders	(11,915)	(8,195)
Cash flow generated/(absorbed) by financing activities	(111,163)	218,836
Changes in balance sheet items due to exchange rate translation	(1,383)	(1,858)
Total cash flow	(112,442)	175,698
Opening cash and bank position	1,102,883	927,185
Closing cash and bank position	990,441	1,102,883

Explanatory notes

Introduction

These annual consolidated financial statements for the year ended June 30, 2020, comprise the balance sheet, income statement, statement of comprehensive income, statement of cash flows, statement of changes in shareholders' equity and explanatory notes.

Unless otherwise indicated, amounts included in the financial statements are rounded to the nearest thousand euro.

Danieli & C. Officine Meccaniche S.p.A. (the Parent Company) is a joint stock company, listed on the Borsa Italiana (Italian stock exchange), operating in the design, construction and sale of plants for the iron and steel industry. Its registered office is at Via Nazionale 41, Buttrio (Udine – Italy).

As at June 30, 2020, the share capital consisted of 40,879,533 ordinary shares and 40,425,033 savings shares. The ordinary shares are held by:

	Shares representing the share capital
Sind International s.r.l.	67.175%
Treasury shares	7.24%
Santa Lucia Seguros S.A.	3.01%
Market	22.575%

The consolidated financial statements of the Danieli Group have been audited by independent auditor Deloitte & Touche S.p.A.

The draft consolidated financial statements were approved on September 24, 2020, by the Board of Directors, which authorised their publication in the September 24, 2020, press release containing the main elements of these financial statements.

Danieli Group operations

Danieli & C. Officine Meccaniche S.p.A. is a corporate entity set up in accordance with the law of the Italian Republic and has been listed on the Milan Stock Exchange since 1984.

The Danieli Group constructs and sells plants for the iron and steel industry, offering a range of machines extending from primary process management to the manufacture of finished goods (essentially from ore to finished product), and produces and sells special steels through the subsidiaries Acciaierie Bertoli Safau S.p.A. and ABS Sisak d.o.o.

In brief, the Danieli Group designs and builds plants for the iron and steel industry for all process areas, such as:

- Mines;
- Pellet production plants;
- Blast furnaces;
- Direct reduction;
- Scrap shredders,
- Steelworks for production of liquid steel;
- Continuous casting for:
 - blooms and billets;
 - slabs;
 - thin slabs;
- Rolling mills for long products;
- Rolling mills for seamless tubes;
- Lines for welded tubes;
- Hot and cold rolling mills for flat products (all ferrous and non-ferrous metals and stainless steel);
- Process lines for flat products;
- Complete plants for dimensional checking and for non-destructive quality control, and conditioning plants;
- Plants for secondary processing, such as peeling, straightening, 2-roll reeling and drawing machines;
- Forging presses and manipulators and complete forging plants;
- Extrusion presses for ferrous and non-ferrous materials;
- Plants for longitudinal cutting and for transversal cutting to size of sheet and plate in all non-ferrous metals and stainless steel;
- Level 1, 2, 3 and 4 plant automation systems;
- Cranes and lifting equipment.

In the long product rolling plant sector, the Danieli Group is world market leader in terms of both the number of plants in use and annual sales, and in particular, is the undisputed technological leader for plant reliability, productivity and achievable product quality as well as for level of automation.

Statement of compliance with IFRS

The consolidated financial statements for the year ended June 30, 2020, have been prepared in compliance with the IFRS issued by the International Accounting Standards Board and endorsed by the European Commission, in accordance with the procedure per Art. 6 of Regulation (EC) no. 1606/2002 of the European Parliament and the Council of July 19, 2002, in force at the date of preparation (September 2020), together with recommendations set out in the Regulations for Issuing Companies as approved by CONSOB (the Italian S.E.C.). The term "IFRS" encompasses all of the International Accounting Standards (IAS) and all interpretations published by the International Financial Reporting Interpretations Committee (IFRIC), previously known as the Standing Interpretations Committee (SIC).

The consolidated financial statements have been prepared on the historical cost principle, except for derivative financial instruments and available-for-sale financial assets, which have been recorded at fair value; investments in associates and joint ventures, valued by the equity method; and construction contracts, recognised according to the percentage of completion method, as well as on a going concern basis.

From the various options permitted by IAS 1, the Group has chosen, in the balance sheet, to show current and non-current assets and liabilities separately on the basis of whether they will be realised/settled as part of the company's normal operating cycle within twelve months of the closure of the period, and to provide an analysis of costs on the basis of their nature in the income statement. The statement of cash flows has been drawn up using the indirect method.

SUMMARY OF ACCOUNTING STANDARDS

Accounting standards applied as from July 1, 2019

The accounting standards used to prepare the consolidated financial statements for the year ended June 30, 2020, are the same as those followed the previous year, with the exception of the new accounting standards and interpretations summarised below.

IFRS 16 Leases - IFRS 16 was published in January 2016 and replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating leases - Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 specifies the principles for recognition, measurement, presentation and disclosure of leases. The new standard defines a lease as a contract or part of a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The lessee model in the new standard is similar to the model used by IAS 17 for accounting for finance leases; upon lease commencement, a lessee recognises a lease liability and a right-of-use asset. The lessees will have to recognise separately interest expenses on a lease liability and the amortisation of a right-of-use asset. The Group used the practical expedients provided for the transition to IFRS 16 in order not to recalculate when a contract is or contains a lease. Therefore, the definition of leases in accordance with IAS 17 and IFRIC 4 will continue to apply to leases entered into or amended prior to its first-time application. The change in the definition of lease mainly refers to the criterion based on control ("right of use"). According to IFRS 16, a contract contains a lease if the customer has the right to control the use of an identified asset for a period of time in exchange for a payment. The Group applies the definition of leases and the related provisions of IFRS 16 for all lease contracts entered into or amended on or after July 1, 2019.

The lessees will also have to re-measure the lease liability when certain events occur (e.g.: change in the lease term, change in future lease payments resulting from a change in an index or a rate used to determine those payments).

IFRS 16 requires lessees and lessors more extended financial disclosure compared to IAS 17.

The Group chose to apply the modified retrospective method by recognising the cumulative effect at the date of first-time adoption in accordance with paragraphs C7-C13.

The standard allows lessees to apply the provisions of IFRS 16:C5(b), which does not require comparative balances to be restated, as an alternative to retrospective application of IFRS 16.

In particular, the Group recorded, with regard to the lease contracts previously classified as operating:

- a financial liability (lease liabilities), equal to the present value of the remaining future payments at the transition date, discounted using for each contract the incremental borrowing rate applicable at the transition date;
- a right of use equal to the value of the financial liability at the transition date, net of any accruals and deferrals relating to the lease and recognised in the balance sheet at the end of the reporting period of these financial statements.

The duration of the contracts is contractually established and in the case of contractual clauses

allowing its early termination or its extension or renewal, an analysis is made for each contract on whether or not such clauses are expected to be exercised. The Group relied on its own experience in determining the duration of leases containing extension or termination options.

The adoption of IFRS 16 at the transition date, July 1, 2019, led to the recognition of rights of use of 46.8 million euro and a financial liability of the same amount.

The incremental borrowing rate was calculated for each contract starting from the spreads commonly applied to the Group for its own loans with conditions and duration similar to those of leases with the addition of the normal variable rates based on duration, currency and geographical area (e.g. EURBOR, USD LIBOR, EURIRS).

In order to present in the financial statements, the impacts deriving from the first-time adoption of IFRS 16, the Group decided to make use of the exemptions granted by IFRS 16, paragraph C5 letters a) and b).

The Group availed itself of these exemptions in two cases granted by the standard: leases where the underlying asset has a “low value” (IFRS 16:5(b) - such as personal computers, printers - and short-term leases (such as leases with a lease term of 12 months or less – IFRS 16:5(a)). The value of the costs for the use of third-party assets related to these exemptions is equal to approximately 4.4 million euro for the 2019/2020 financial year.

For these exemptions, neither the financial liability of the lease nor the related right of use was recognised, but the lease payments were recognised in the income statement, as previously done, under operating costs.

The right of use is depreciated on a systematic basis at the lower of the lease term and the residual useful life of the underlying asset. If the lease contract transfers ownership of the related asset or the cost of the right of use reflects the Group’s intention to exercise the purchase option, the related right of use is amortised over the useful life of the asset in question. Depreciation starts from the commencement of the lease term.

The Liability arising from the lease is not shown under a separate item but under current and non-current loans.

Subsequent to initial recognition using the amortised cost method for the measurement of the Liability arising from the lease, the carrying value of this liability is increased by the interest on it (using the effective interest method) and decreased to take account of payments made under the lease contract. The Group recalculates the balance of the Liabilities arising from the lease (and makes an adjustment to the corresponding value of the right of use) if:

- The duration of the lease changes or there is a change in the valuation of the exercise of the option right;
- The value of the lease payments changes as a result of changes in indices or rates or if the amount of the guarantees changes for the expected residual value;
- A lease contract has been amended and the amendment is not included in the cases for the recognition of a separate contract.

The Group did not record any of the above amendments in the current period.

Uncertainty over Income Tax Treatments (IFRIC Interpretation 23) - On 7 June 2017, the IASB issued the interpretation “Uncertainty over Income Tax Treatments (IFRIC Interpretation 23)”. The interpretation deals with the issue of uncertainties on the tax treatment of income taxes. In particular, interpretation requires an entity to analyse uncertain tax treatments (individually or as a whole, depending on their characteristics) on the assumption that the tax authority will examine the tax position in question, with full knowledge of all relevant information. If the entity believes that it is not probable for the tax authority to accept the followed tax treatment, the entity will reflect the effect of the uncertainty in measuring its current and deferred income taxes.

Moreover, the document does not contain any new disclosure requirement but emphasises that an entity will have to determine whether it will be necessary to disclose information on management considerations and on the uncertainty relating to tax accounting in accordance with IAS 1. The adoption of this amendment did not have any significant effect on the Group’s consolidated financial statements.

Amendments IFRS 9 “Prepayment Features with Negative Compensation” - This document specifies the instruments that envisage early repayment that could comply with the “SPPI” test even if the “reasonable additional compensation” to be paid in the event of early repayment is a “negative compensation” for the lender. The adoption of this amendment did not have any effect on the Group’s consolidated financial statements.

Annual Improvements to IFRSs 2015-2017 Cycle - On 12 December 2017, the IASB issued the document “Annual Improvements to IFRSs 2015–2017 Cycle”, which implements the amendments to the standards as part of their annual process of improvement.

The main amendments refer to:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements: the amendment clarifies that when an entity obtains control of a business that represents a joint operation, it must remeasure the previously held interest in that business. On the other hand, this process is not envisaged in the event of joint control being obtained.

- IAS 12 Income Taxes: the amendment clarifies that all tax effects related to dividends (including payments on financial instruments classified as equity) should be accounted for in a manner consistent with the transaction that generated those profits (income statement, OCI or equity).
- IAS 23 Borrowing costs: the amendment clarifies that in the case of loans that remain in place even after the qualifying asset in question is ready for use or sale, these become part of the set of loans used to calculate financing costs.

The adoption of this amendment did not have any effect on the Group's consolidated financial statements.

Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement" - The document clarifies how an entity should recognise an amendment (i.e. a curtailment or settlement) in a defined benefit plan. The amendments require the entity to update its assumptions and remeasure the net liability or asset arising from the plan. The amendments clarify that after the occurrence of such an event, an entity uses updated assumptions to measure the current service cost and interest for the rest of the reporting period following the event. The adoption of this amendment did not have any effect on the Group's consolidated financial statements.

Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures" - This document clarifies the need to apply IFRS 9, including the requirements of impairment, to other long-term interests in associate companies and joint ventures that are not accounted for under the equity method. The adoption of this amendment did not have any effect on the Group's consolidated financial statements.

Standards in force but not yet applied

The standards and interpretations in force at January 1, 2020, and not applied by the Group in the preparation of the financial disclosure in that not in force at July 1, 2019, starting date of the reporting period, are shown below. The group intends to adopt these standards as from July 1, 2020 as permitted by these provisions.

On 29 March 2018, the IASB published an amendment to the "*References to the Conceptual Framework in IFRS Standards*". The amendment is effective for periods beginning on or after 1 January 2020, but early application is permitted. The Conceptual Framework defines the fundamental concepts for financial reporting and guides the Board in the development of IFRS standards. The document helps to ensure that the Standards are conceptually consistent and that similar transactions are treated in the same way to provide useful information to investors, lenders and other creditors. The Conceptual Framework supports companies in developing accounting standards when no IFRS standard is applicable to a particular transaction and, more generally, helps stakeholders to understand and interpret the Standards.

Consolidation scope and method

The consolidated financial statements of the Danieli Group include the fully consolidated financial statements for the year ended June 30, 2020 of Danieli & C. Officine Meccaniche S.p.A. and of the Italian and foreign companies over which it exercises control, either directly or indirectly; the details of the companies consolidated line-by-line are provided in Attachment I-C.

In June 2019, the company La Letizia S.p.A. was established and will be responsible for the redevelopment of the Locanda, the historic hotel near the headquarters of Buttrio. The company was included in the scope of consolidation from July 1, 2019, until then inactive.

As at June 30, 2020, Zhuozhou Ruixin Met. Eq. Co. Ltd. entered the scope of consolidation.

At the end of November 2019, the closures of the plant at ESW Röhrenwerke GmbH began as a result of the company's heavy losses and the difficult macroeconomic environment in the steel industry.

In March 2020, the signing of a social plan for the termination of the employment of more than 200 employees was reached, then the cleaning of the site began, which is expected to be completed shortly. In accordance with IFRS 5, ESW's operating results are reported separately in the financial statements under Profit/(loss) from assets held for sale and similarly the figures of the previous year presented for comparative purposes have been reclassified. Please refer to Note 34.

There were no other significant changes in the scope of consolidation compared to the financial year ended June 30, 2019, however, note that during the year some mergers and other extraordinary transactions that did not have any impact on the consolidated financial statements took place within Group companies; the most important operations are:

- merger of Piave s.r.l. into Danieli Automation S.p.A.;
- transfer of the business unit Fata Hunter from Fata S.p.A. to Danieli & C. Officine Meccaniche S.p.A.

The activity of the most significant companies is described in the Directors' report.

The financial statements used in the consolidation were those prepared for approval by the relevant boards and officers and, in the case of subsidiaries whose financial years do not coincide with that of Danieli & C. Officine Meccaniche S.p.A., interim annual financial statements specially prepared for this purpose by the Directors for the year ended June 30, 2020. The individual financial statements have been suitably aligned with the accounting principles adopted by the consolidating company.

Companies measured at equity

The list of companies measured at equity is shown in attachment II-C, whereas the key figures of the last approved financial statements are listed in attachment III-C.

Equity investments in subsidiaries, allocation of the price of acquisition and goodwill

Companies over which the Group exercises control (subsidiaries) are included in the consolidation on a full line-by-line basis in accordance with IFRS 10, i.e. as a result either of directly or indirectly owning the majority of the shares with the right to vote or of exercising a dominant influence, demonstrated by the power to determine, even indirectly, the financial and operating policies of these companies and to obtain the relative benefits (or relative losses), irrespective of shareholding relationships. The existence of potential voting rights that can be exercised at the date of the financial statements is considered for the purpose of determining control. Subsidiaries are consolidated from the date on which control is acquired and deconsolidated from the date on which control ceases. The Group checks, taking into account all applicable facts and circumstances, at the end of each reporting period (or interim financial statements) whether or not control over its investee companies exists and, if necessary, makes the necessary changes to the scope of consolidation.

Business combinations whereby control of a company is acquired are recorded by use of the purchase method: on the basis of this method, the acquisition is valued as the sum of the consideration transferred, measured at fair value at the date of purchase, and the amount of any non-controlling interests in the acquired company. For each business combination, this latter can be measured at fair value or in proportion to the acquired company's net assets attributable to non-controlling interests. Acquisition costs are charged to the income statement.

The consideration recognised for a business combination includes the fair value of any contingent consideration as of the acquisition date. A change in the fair value of contingent consideration classified as an asset or liability is recognised in accordance with IAS 39, in the income statement or in the statement of comprehensive income. If the contingent consideration is classified as equity, it needs not be re-measured until settlement of the contingency is reflected within equity.

Goodwill from a business combination is initially stated at cost, measured as the excess between the consideration paid and the amount recognised for the non-controlling interest in respect of the net identifiable assets acquired and the liabilities assumed by the Group. If the consideration paid and the recognised value of the non-controlling interests are less than the fair value of the subsidiary's net purchased assets, the difference is recorded in the income statement.

Recognition of goodwill, even initially, is only made where, as a result of the business combination, there are tangible valuation criteria and measurable future profitability of the new subsidiary. Where these cannot be clearly identified, due to the difficulty of integrating the subsidiary into the Group and adapting to its manufacturing policies, or if the subsidiary's independent capability to generate profits cannot be objectively proved, the goodwill is prudently written down.

After the acquisition, goodwill is subjected to impairment test once a year or more frequently in case of events or changes that may lead to impairment, in accordance with the provisions of IAS 36 - Impairment of Assets. Any impairment is identified through valuations that refer to each unit's capability to generate cash flows sufficient to recover the part of goodwill allocated to it, with the procedures indicated subsequently in the section "impairment of property, plant and equipment and intangible assets".

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation disposed of shall be included in the carrying value of the operation when determining the gain or loss on disposal. The goodwill associated with the operation disposed of must be measured on the basis of the relative values of the disposed operation and the portion of the cash-generating unit retained.

If a business combination is achieved in stages, upon acquiring control the investor has to re-measure the fair value of the interest previously held that was valued using the equity method; any resulting gain or loss is recognised in the income statement.

The effects of purchasing or selling shares subsequent to taking control, without this resulting in a loss of control, are measured at equity.

If the partial disposal of an investment results in loss of control, the residual holding is re-measured to fair value, and any difference is included in the capital gain or loss on the disposal.

During consolidation, using the full line-by-line method:

- the following are eliminated: accounts payable and receivable between companies included in the consolidation, income and expenses relating to transactions between those same companies, and profits and losses resulting from transactions between these companies relative to items included in equity;
- the non-controlling interests in shareholders' equity of subsidiaries is entered as a specific shareholders' equity item called "Non-controlling interests in shareholders' equity". The non-controlling interest in the consolidated profit and loss is recognised as "(Profit)/loss attributable to non-controlling interests".

Equity investments in associates

Equity investments in companies over which a significant influence is exercised (“associates”), which is presumed to be the case when the percentage of shares held is between 20% and 50%, are valued by the equity method. As a consequence of using this method, the carrying value of the equity investment is aligned with shareholders’ equity (adjusted, where necessary, to reflect the application of IFRS approved by the European Commission) and includes any goodwill identified at the time of the acquisition.

The share of profits and losses made by associates after the acquisition is recognised through the income statement, while movements in reserves subsequent to acquisition are entered in reserves in shareholders’ equity. When the Group share of losses in an associate equals or exceeds the amount of its holding in that company, the value of its shareholding is reduced to zero and the Group does not book further losses relating to its share, unless and to the extent that the Group is responsible for them. Unrealised profits and losses generated by transactions with associates are eliminated in proportion to the percentage of the Group’s equity investment in those companies.

Other equity investments

Other equity investments in which the ownership percentage is less than 20%, or 10% if listed, or over which the Group exercises no significant influence, are measured at fair value. If the fair value of these assets cannot be reliably calculated, they are measured at purchase or subscription cost net of any write-downs for impairment losses.

They continue to be carried at cost even when this exceeds the amount determined by the equity method, provided that earnings prospects or implicit capital gains make it likely that the higher value will be recovered.

Translation of foreign currency accounts and financial statements

Identification of the functional currency

Amounts in the income statement and balance sheet of each Group company are entered in the currency of the primary economic environment in which the entity operates (functional currency). The Danieli Group consolidated financial statements are prepared in euro, which is the functional currency of the Parent Company.

Translation of foreign currency transactions

Elements in currencies other than the functional currency, both monetary (liquid assets, assets and liabilities that will be paid in preset or determinable amounts of cash, etc.), and non-monetary (advances to suppliers and advances received from customers for goods and/or services, goodwill, intangible assets, etc.), are initially recorded at the spot exchange rate on the date when the transaction takes place. Subsequently, monetary items are translated into the functional currency on the basis of exchange rates at the date of the financial statements and differences arising from the conversion are booked to the income statement. Non-monetary items are maintained at the historical rate of exchange of the transaction except in the case of a persistent unfavourable trend in the reference exchange rate. The allocation of differences (to the income statement or translation reserve) follows that applied for changes in value of the related items.

Translation of financial statements in currencies other than the functional currency

The rules for translation of financial statements in foreign currencies into the functional currency of the Parent Company are as follows:

- assets and liabilities are translated using financial year-end closing exchange rates;
- costs, revenue, expenses and income are translated at the average rate for the year;
- the “translation reserve” holds both exchange differences generated by translation of foreign currencies at rates different from those at the reference date of the consolidated financial statements and those generated by translation of opening shareholders’ equity at an exchange rate different from that at the end of the reporting period;
- goodwill and adjustments resulting from the fair value associated with the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the spot exchange rate at the end of the reporting period.

The exchange rates used for translation of financial statements in currencies other than the euro for the years ended June 30, 2020, and June 30, 2019, are shown below (foreign currency value of 1 euro):

	2019/2020		2018/2019	
	Average	30/06/2020	Average	30/06/2019
Thai Baht	34.325	34.624	36.803	34.897
Czech Koruna	25.999	26.740	25.736	25.447
Swedish Krona	10.658	10.495	10.440	10.563
Serbian Dinar	117.57	117.24	118.14	117.96
Canadian Dollar	1.4840	1.5324	1.5103	1.4893
US Dollar	1.1054	1.1198	1.1410	1.1380
Vietnamese Dong	25703.3	25983.0	26541.1	26527.0
Swiss Franc	1.0799	1.0651	1.1348	1.1105
Ukrainian Hryvnia	28.032	29.899	31.136	29.765
Croatian Kuna	7.4752	7.5708	7.4191	7.3973
Romanian Leu	4.7834	4.8397	4.6978	4.7343
Egyptian Lira	17.784	18.101	20.097	19.001
Turkish Lira	6.7563	7.6761	6.3981	6.5655
Brasilian Real	4.9517	6.1118	4.4084	4.3511
Chinese Renminbi (Yuan)	7.7744	7.9219	7.7859	7.8185
Malaysian Ringgit	4.6517	4.7989	4.7073	4.7082
Iranian Rial	46428.3	47032.0	48088.8	47796.0
Qatar Riyal	4.0238	4.0761	4.1531	4.1423
Saudi Riyal	4.1454	4.1993	4.2786	4.2675
Russian Rouble	73.940	79.630	74.926	71.598
Indian Rupee	80.129	84.624	80.531	78.524
Sterling (Great Britain)	0.8777	0.9124	0.8817	0.8966
Japanese Yen	119.51	120.66	126.75	122.60
Polish Zloty	4.3584	4.4560	4.2965	4.2496

Property, plant and equipment

Property, plant and equipment are recognised in the balance sheet at cost of purchase or internal production, including directly attributable ancillary expenses, net of accumulated depreciation. Where there is a present obligation and where significant, cost is increased by the present value of the estimated cost of dismantling and removing the asset.

Borrowing costs directly attributable to the purchase, construction or production of an asset that requires significant time before the asset is available for use (a qualifying asset pursuant to IAS 23 – Borrowing costs) are capitalised, as part of the cost of such asset, and amortised over the useful life of the class of asset to which they refer.

Plant and machinery may include parts with different useful lives. Depreciation is calculated over the useful life of each individual part; in the event of replacement, the new parts are capitalised to the extent that they meet the criteria for recognition as assets, and the carrying value of the parts replaced is derecognised.

The residual value and useful lives of the assets are reviewed at least every year-end. Regardless of existing depreciation, whenever impairment is determined on the basis of IAS 36, the asset is written down accordingly; the write-down is reversed in subsequent years, net of depreciation, if the reasons cease to apply. Ordinary maintenance costs are expensed in full in the income statement, while maintenance costs that increase the value of assets are allocated to the relative assets and depreciated over their residual useful lives.

Depreciation charged to the income statement has been calculated on a systematic and straight-line basis, at rates considered to be representative of the estimated useful economic and technical life of the assets. For some specific plants in the Steel Making segment, and, in particular, melting furnaces and endless casting rolling plants, considering the technological innovations inherent in their realisation and the long period necessary for start-up and bringing them up to capacity, it has been considered appropriate to relate the depreciation rate to the actual production capacity used in the period, compared to the normal total production capacity expected for each year of useful life of the plants. The main yearly or annualised depreciation rates are as follows:

Buildings and light constructions	3-10%
Plant and machinery	from 10 to 17.5%
Furnaces and large automated plants	from 5 to 23.4%
Equipment	20-25%
Motor vehicles, wheeled internal transport and cars	20-25%
Furniture and office machinery	12-20%

Land, free of construction or annexed to buildings, is not depreciated since it has an unlimited useful life.

Intangible assets

Intangible assets are recognised at purchase or production cost, including directly attributable ancillary expenses.

The cost of an internally generated intangible asset includes only those expenses that can be directly attributed to the asset as from the date on which the criteria for recognition of that asset are met.

After initial recognition, intangible assets are recorded at cost, net of accumulated amortisation and any impairment losses calculated as set out in IAS 36.

Research costs relating to production activities are fully expensed the year they are incurred.

Intangible assets are subject to amortisation unless they have indefinite useful lives. Amortisation is charged systematically over the useful life of the asset in accordance with estimated future economic use. The residual value at the end of the useful life is assumed to be zero unless there is a commitment by third parties to buy the asset at the end of its useful life or if there is an active market for the asset. The Directors review the estimated useful lives of intangible assets every financial year-end.

The main annual amortisation rates applied are in the following ranges:

Intellectual property rights	from 6.67 to 20%
Licences and trademarks	20%
Other intangible assets	from 20 to 33%

Goodwill is the difference between the purchase price and the fair value of the assets and liabilities identifiable on the date of acquisition of the subsidiaries included in the consolidation. After initial recognition, goodwill is no longer amortised and is decreased by any impairment losses.

After the acquisition, goodwill is subjected to impairment test once a year or more frequently in case of events or changes that may lead to impairment, in accordance with the provisions of IAS 36 - Impairment of Assets. For the purpose of impairment test, goodwill acquired in a business combination is allocated from the acquisition date to each cash flow generating unit of the Group that is expected to benefit from the synergies of the aggregation, regardless of other assets or liabilities of the acquired entity being assigned to these units. Any impairment is identified through valuations that refer to each unit's capability to generate cash flows sufficient to recover the part of goodwill allocated to it, with the procedures indicated subsequently in the section "impairment of property, plant and equipment and intangible assets".

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation disposed of shall be included in the carrying value of the operation when determining the gain or loss on disposal. The goodwill associated with the operation disposed of must be measured on the basis of the relative values of the disposed operation and the portion of the cash-generating unit retained.

Impairment of property, plant and equipment and intangible assets

At the date of each set of financial statements and in the circumstances in which indicators of a possible impairment are identified, the recoverable amount of the intangible assets or property, plant and equipment, or of the group of intangible assets or property, plant and equipment (Cash Generating Unit, hereinafter also “CGU”), net of the sale costs and its value in use, is estimated. If the carrying value of an asset exceeds its recoverable value, then the asset is written down to its recoverable value.

The recoverable value is the fair value after sale costs or value in use, whichever is higher. In measuring value in use, expected future cash flows are discounted using a rate before taxes that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate amply independent cash flows, the realisation value is determined in relation to the cash flow generating unit to which said asset belongs. Impairment losses are recognised in the income statement among costs for depreciation, amortisation and write-downs. These impairment losses are reversed if the reasons that caused them no longer apply, with the exception of goodwill impairment losses.

Financial receivables and assets

Upon initial recognition, financial assets are classified, as the case may be, on the basis of subsequent measurement methods, i.e. at amortised cost, at fair value recognised in other comprehensive income (OCI) and at fair value recognised in the income statement.

The classification of financial assets at initial recognition depends on the characteristics of the contractual cash flows of the financial assets and on the business model that the Group uses to manage them. With the exception of trade receivables that do not contain a significant loan component or for which the Group has applied a practical expedient, the Group initially values a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant loan component or for which the Group has applied a practical expedient are valued at the transaction price determined in accordance with IFRS 15.

For a financial asset to be classified and measured at amortised cost or at fair value recognised in OCI, it must generate cash flows that depend solely on the principal and interest on the amount of principal to be repaid (known as “*Solely payments of Principal and interest (SPPI)*”). This measurement is referred to as the SPPI test.

Treasury shares

Treasury shares that are purchased back are deducted from shareholders’ equity on the basis of the purchase price. The purchase, sale, issue and cancellation of equity instruments in the company share capital do not have any impact on profit or loss in the income statement. Voting rights associated with treasury shares are cancelled, as is the right to receive dividends.

Inventories

Inventories of raw and ancillary materials and consumables are recognised at the lower of purchase cost (including ancillary expenses), determined using the weighted average cost method, and estimated realisable value as determined from market trends at the end of the period.

Finished and semi-finished products are valued at the weighted average purchase or production cost; any negative difference between cost and the corresponding market value at the end of the period is accrued to a specific product write-down reserve, which directly reduces the closing value of inventories.

Work in progress is measured at the production cost relative to the year of manufacture, based on the stage of completion achieved.

Construction contracts with duration of more than one year are recorded according to progress (or percentage of completion) method, under which income (and consequently margins) are recognised on the basis of production progress, determined by the Group Companies on the basis of the costs already incurred for the completion of the job order in proportion to the total, including the costs to be updated. For all job orders in progress where the invoicing exceeds the costs incurred plus margins recognised for accrual, the net value is recognised under current liabilities – payables for construction contracts.

The value of the work in progress is measured on the basis of estimated revenues and costs over the full life of the contract, for which estimates necessarily have a significant subjective component. The assumptions on which the measurements are based are updated periodically. Any effects on profit and loss of the revision of estimates are recorded in the financial year in which the updates are made. The valuation of construction contracts includes additional fees, compared to those agreed contractually, if their receipt is considered more than probable and the amount can be reliably estimated.

If it is expected that completion of a job order will result in a loss at operating margin level, also deriving from the estimate of any future charges relating to the completion of the job order, this is recognised in full in the financial year in which it becomes reasonably predictable and recognised to a specific provision.

Construction contracts denominated in currencies other than the functional currency and exceeding the advances collected are influenced by the exchange rate at the end of the reporting period, which helps to determine the total job order contractual revenue, to which must be applied the percentage of the stage of completion achieved.

Cash and cash equivalents

Cash and cash equivalents are kept to meet short-term cash commitments; the latter are highly liquid and easily convertible to cash for a known amount. Their value is subject to an irrelevant risk of fluctuation, with the exception of those in foreign currencies, which are subject to exchange rate risk.

Post-employment benefits

Employee severance indemnity (*trattamento di fine rapporto, or TFR*) for employees of the Group's Italian companies falls within the scope of IAS 19 (employee benefits), since it is similar to defined benefit plans. The amount recorded in the financial statements is subject to actuarial valuation in the form of the projected unit credit method, which discounts the obligation at an interest rate reflecting the market yield on high quality corporate bonds of comparable maturity; the calculation concerns accrued TFR for service already rendered, and incorporates assumptions about future salary increases. Actuarial gains and losses are recognised in the statement of comprehensive income entirely in the period in which they occur. Actuarial gains and losses are classified among retained earnings and will not be reclassified in the income statement in subsequent periods.

Following the changes made to the TFR provision rules by Italian Law 296 of December 27, 2006, and subsequent decrees and regulations issued in the early months of 2007, TFR accrued from January 1, 2007 has assumed the nature of a defined contribution plan, whether the employee has opted for benefits to be held in a complementary pension fund or in the Treasury Fund managed by the Social Security agency INPS.

Provisions for risks and charges

The Group accrues a provision only when a present obligation exists for a future outflow of economic resources as a result of past events, it is probable that this outflow will be required and the amount of which can be estimated with reasonable precision. The amount recognised is the best estimate of the expense required to completely extinguish the present obligation.

Restructuring costs are recognised if the Group has a detailed restructuring plan that it has communicated to the interested parties.

For contracts whose execution involves inevitable costs that exceed the presumed economic benefits of the agreements, the present contractual obligation is recorded on the same basis as a standard provision.

Greenhouse gas emission shares

Greenhouse gas emission shares (grey certificates) represent the right to inject a certain quantity of greenhouse gas into the atmosphere. These shares are an instrument to reduce pollution that originates from the Kyoto Protocol, and they were introduced with the goal of abating greenhouse gas emissions through the improvement of technologies used in the production of energy and in industrial processes, as well as more efficient use of energy.

Emission shares are assigned, free of charge, by the competent national authority and they allow to inject a certain quantity of greenhouse gases into the atmosphere.

If this quantity is exceeded, it will be necessary to hand over shares to be acquired on the market; surplus shares may be used in following years or sold at auctions organised by the competent national authority.

Purchasing emission shares entails recognising a cost in the income statement and a payable in the balance sheet. Their sale entails recognising a revenue and a receivable.

The Group adopted a policy whereby the net liability pertaining to granted emission rights is recognised. Therefore, an allocation to the provision for risks is recognised only when actual emissions exceed the emission rights received and still available.

Financial liabilities

Group financial liabilities include trade payables, other liabilities, bank debts and loans.

Trade payables, customer advance payments and other liabilities

Trade payables, advance payments received from customers and other current and non-current liabilities are entered initially at nominal value, which represents fair value at the reference date. After initial recognition, these financial liabilities are measured at amortised cost, using the original effective interest method.

Loans

Initially, all loans are entered at the fair value of the amount received, net of transaction costs incurred to obtain the loan. After initial recognition, loans are valued at amortised cost using the effective interest rate method.

Loans are classified within current liabilities unless Group companies have an unconditional right to defer payment for at least 12 months after the reporting date.

Financial liabilities are removed from the balance sheet when they are extinguished and the Group has transferred all risks and charges relative to the instrument.

Derivative financial instruments

The Group uses derivative financial instruments such as: forward sales/purchases of foreign currency, including synthetic ones with knock-out clause and accumulation of forward purchases/sales, interest rate swaps.

Derivatives are classified as hedging instruments, in accordance with IFRS 9, when the relationship between the derivative and the hedged item is formally documented and the effectiveness of the hedge, verified initially and periodically, is high.

The transactions that meet all the criteria for hedge accounting are accounted for as follows:

Fair value hedge

The change in the fair value of hedging derivatives is recognised in profit or loss under other costs. The change in the fair value of the hedged item attributable to the hedged risk is recognised as part of the carrying value of the hedged item and is also recognised in profit or loss under other costs.

With regard to fair value hedges relating to items recognised at amortised cost, any adjustment to the carrying value is amortised in profit or loss over the remaining life of the hedge using the effective interest rate (EIR) method. The amortisation so determined can commence as soon as there is an adjustment but cannot extend beyond the date on which the hedged item ceases to be adjusted due to changes in the fair value attributable to the hedged risk.

If the hedged item is derecognised, the fair value not amortised is immediately recognised in profit or loss.

When an unrecognised irrevocable commitment is designated as a hedged item, the subsequent accumulated changes in its fair value attributable to the hedged risk are entered in the accounts as assets and liabilities and the corresponding profits or losses are recognised in profit or loss.

Cash flow hedge

The portion of gain or loss on the hedged instrument related to the effective portion of the hedge is recognised in other comprehensive income under the “cash flow hedge” reserve, while the ineffective portion is recognised directly in the profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in the fair value of the hedged item.

Changes in the fair value of derivatives that do not meet the conditions to be classified as hedging instruments in accordance with IFRS 9 are recognised in the income statement.

Revenues, contributions, interest and dividends

Revenues from construction contracts are recognised on the basis of the agreed considerations in proportion to the stage of completion of the work, determined using the percentage of completion method (“Performance obligations satisfied over time”) measured on the basis of the costs already incurred for a specific project out of the total estimated costs for a specific project (input method). This method of recognition and the contracts with customers on which it is based comply with the requirements of IFRS 15.

This is illustrated in greater detail in the section on inventories.

Revenues from sales and services are recognised in accordance with the provisions of IFRS 15 and of the transfer of control over the goods sold or services rendered and the fulfilment of the “Performance obligation” envisaged by the contractual agreements with the counterparties (“Performance obligations satisfied at a point in time”).

Revenues for partially provided services are recognised for the amount of the consideration earned, provided it is possible to reliably determine the stage of completion and there is no significant uncertainty about the amount or existence of the income and relative costs; otherwise they are recognised up to the amount of the recoverable costs incurred;

Revenues are booked net of returns, discounts, allowances and rebates, as well as of directly associated taxes on sales (value added tax).

Among the other operating revenues are recorded the “energy efficiency credits” (*titoli di efficienza energetica, TEE*), also known as white certificates, issued by the Italian Power Exchange in favour of certain parties as a result of energy efficiency improvement projects. They are credits that certify the reduction in consumption achieved within a certain time interval and they are allocated to companies only after the competent authorities give their prior approval to the project and subsequently verify the periodic reports filed; they may be exchanged within a dedicated organised market or through bilateral contracts outside the aforesaid market.

The right matured with respect to the Power Exchange is recorded in the financial year when the production that generated the energy savings takes place, evaluated on the basis of the presumable realisation value of the energy efficiency credits at the date of recognition.

Contributions for operating expenses are recognised directly in the income statement when the entitlement to their disbursement is considered definitive and their amount can be determined objectively. When contributions are commensurate to specific components of operating costs (excluding depreciation), they are recognised directly in reduction thereof.

Contributions related to assets are recognised among the other operating revenues according to the systematic and rational criterion that reflects the process of depreciation of the asset to which they refer.

Based on this accounting approach, the tax credit for new investments in machinery, prescribed by Italian Law Decree no. 91 of June 24, 2014, was also recognised among tax receivables - beyond the next financial year. Its recognition in the income statement follows a systematic and rational criterion in view of the depreciation of the fixed assets to which it refers, with the consequent recognition under deferred income of the portion of contribution not yet accrued.

For all financial instruments valued at amortised cost and interest-bearing financial assets classified as available-for-sale, interest income is entered using the effective interest rate (EIR), which is the rate that discounts estimated future payments and receipts over the expected life of the financial instrument.

Dividends are recognised the year in which they are resolved and the right to their collection arises.

Contributions

Contributions are recorded at fair value when reasonable certainty exists that they will be received and that all the conditions for obtaining them will be satisfied.

Specifically:

- i) subsidised tariffs received as energy-intensive enterprise are recorded on the basis of reported consumption and reducing energy costs;
- ii) Energy Efficiency Credits (*titoli di efficienza energetica, TEE*, or white certificates), obtained for energy efficiency projects authorised by the GSE (*Gestore Servizio Elettrico*, Electric Service Manager), are recorded in other income on the basis of production volumes and energy saved as a result of the project;
- iii) the tax credit for new investments in machinery, envisaged by Italian Law Decree no. 91 of June 24, 2014, is recorded under other non-current and current assets of the balance sheet and will be used as tax credit based on the methods envisaged by the reference regulations. Its recognition in the income statement follows a systematic and rational criterion in view of the depreciation of the fixed assets to which it refers, with the consequent recognition under other current liabilities of the portion of contribution not yet accrued.

Costs

Costs are recognised when they relate to goods and services sold or consumed in the financial year or by systematic allocation or when a useful future life can no longer be determined.

Operating lease instalments are allocated to the income statement over the life of the contract.

Personnel costs include the amount of earnings paid, accruals for complementary pension funds and holidays due but not taken and social security costs, in accordance with the labour contracts and current legislation.

Costs for the acquisition of new knowledge or discoveries; for research into alternative products or processes, new technologies or models; for design and construction of prototypes or, in any case, for other scientific research or technological development activities are normally treated as research costs and charged to the income statement the year they are incurred. Development costs incurred relative to a given project are recorded as intangible assets when the Group can demonstrate:

- i) the technical feasibility of completing the project to make it available for use or sale;
- ii) its intention to complete the asset;
- iii) its ability to use it or sell it;
- iv) the way in which the asset will generate future economic benefits;
- v) the existence of available resources to complete the asset; and
- vi) the ability to reliably evaluate the cost attributable to the asset during its development.

Borrowing costs directly attributable to the purchase, construction or production of an asset that requires significant time before the asset is available for use (a qualifying asset pursuant to IAS 23 – Borrowing costs) are capitalised as part of the cost of such asset. All other financial charges are recognised as costs the year they are incurred.

Income taxes

Current tax receivables and payables are valued at the amount that is expected to be recovered from or paid to the tax authorities, in accordance with the laws in force at the closing date of the financial statements in the countries where the Group operates and generates its taxable income.

Current taxes related to items not reported in the income statement are taken directly to equity or to the statement of comprehensive income, consistently with the recognition of the item to which they refer.

Current tax assets and liabilities are only offset if there is an exercisable right to offset the amounts recorded in the accounts and the Group intends to settle or pay the net amounts or to realise the asset and settle the liability at the same time.

Deferred tax assets are recorded for all temporary differences to the extent that it is probable that taxable income will be achieved against which the deductible temporary difference can be used. The same principle applies to the recording of deferred tax assets for usable tax losses.

The carrying value of deferred tax assets is reviewed at the reporting date and, if necessary, reduced to the extent that it is no longer probable that sufficient taxable income will be generated to permit recovery of all or part of the asset. Such reductions are reversed in the event that the conditions for which they were made no longer apply.

Deferred tax liabilities are calculated using the "liability method" on all temporary differences existing at the reporting date between the value of assets and liabilities for tax purposes and the value reported in the balance sheet, save for specific exceptions.

Deferred tax assets and liabilities are calculated using tax rates and regulations which are in force or substantially in force at the reporting date in the countries where the Group operates.

Use of estimates

Preparation of the financial statements involves making accounting estimates based on complex and/or subjective opinions, estimates based on past experience and assumptions considered to be reasonable and realistic on the basis of information known at the time of the estimate. The use of accounting estimates influences the carrying value of assets and liabilities, and information on potential assets and liabilities at the date of the financial statements, as well as the amount of income and costs for the period. Actual results may differ due to the uncertainty of the assumptions and the conditions on which the estimates are based.

The following accounting estimates used in drawing up the consolidated financial statements are considered to be significant because they involve significant recourse to subjective judgements, assumptions and estimates regarding matters that are by nature uncertain. Changes in the conditions on which opinions and assumptions are based can have a significant effect on the subsequent results. In particular, the estimates made for measuring the construction contracts are more significant in the preparation of the consolidated financial statements due to their undoubted complexity and relevance.

Construction contracts

The job orders managed by the Danieli Group mainly refer to plants for the iron and steel industry and for non-ferrous metals, they may be highly significant in size and concluded sometimes with counterparties in Countries subject to political instability. These projects with duration exceeding one year are always characterised by a highly technological and often highly innovative level, and include performance guarantees upon the final delivery of the plants, which contribute to making the estimates related to the measurement of the construction contracts particularly complex.

The estimate process used by the companies of the Group envisages the preparation for each job order of a well-structured and rigorous identification and management process of all the cost items required for its completion, broken down in detail for the different types of activities and/or services (grouped by project affinity). This process is aimed at quantifying and monitoring throughout the life of the project all the activities to be carried out for the various stages of production with the relative costs and revenues and the overall margin, by also identifying the gradual stage of completion related to the timely development of each single order. These estimates take into account any additional fee if agreed contractually or if their receipt is considered probable and the amount can be reliably estimated, whereas any additional costs compared to those initially estimated and any penalties are measured in the estimate of construction contracts by using all the information available to the company's management at the time of preparation of the financial statements. Assumptions and estimates are reviewed periodically and their effects are reflected in the income statement. As part of these assumptions and estimates, the impact of the COVID-19 pandemic, albeit limited, was also considered at the end of the reporting period.

If it is expected that completion of a job order will result in a loss at operating margin level, also deriving from the estimate of any future charges relating to the completion of the job order, this is recognised in full in the financial year in which it becomes reasonably predictable and recognised in a specific provision. In particular, funds totalling 62 million euro (48 million euro as at June 30, 2019) were determined for the Group's job orders in progress of the company as at June 30, 2020, which include the estimate of any other related charges that appear probable on the basis of a careful measurement of the overall stage of the construction contracts at the end of the reporting period.

The measurement of construction contracts denominated in currencies (mainly USD) other than the functional currency envisages that the portion exceeding the advances invoiced at the end of the reporting period be translated at the exchange rate at the end of the reporting period, helping to determine the total job order contractual revenue.

Group policy relative to exchange risk requires contracts whose incoming and outgoing cash flows are significantly affected by exchange rate fluctuations to be monitored to determine the best hedging policy, which may envisage the management of foreign currency purchases in order to obtain a natural hedging effect or the use of derivative contracts. Due to the intrinsic difficulty in preparing a meticulous planning of incoming cash flows to order, derivative contracts on exchange rates used in the period (and in the previous one) do not have the characteristics to qualify for hedging from an accounting point of view (known as hedge accounting). Consequently, the measurement of construction contracts is also affected by the change in the Euro/USD exchange rate occurred in the period.

Provisions for risks

The Danieli Group makes accruals mainly in connection with employee benefits, legal and tax disputes and measurement of the job orders. Estimates for these accruals are the result of a complex process involving the subjective opinions of the Company management that vary over time in relation to the information available.

Write-downs

Property, plant and equipment and intangible assets are written down in value when events or changed circumstances indicate that the amount recognised in the financial statements is not recoverable. The write-down is calculated by comparing the carrying value with the related recoverable amount, represented by the greater of fair value net of disposal costs and value in use, which is calculated by discounting to present value the expected cash flows deriving from use of the asset, net of disposal costs. Expected cash flows are quantified in light of the information available when the estimate is made, on the basis of subjective opinions on the trend of future variables — such as prices and the consequent revenues, costs, growth in demand and production profiles — and discounted to present value using a rate that takes into account the risk inherent in the asset in question.

Payables for business combinations

Payables for business combinations are essentially based on an estimate of the contingent consideration due for each acquisition, which is initially made at fair value on the basis of the information available at the time of the transaction. That estimate may be revised to reflect either additional information obtained by the Group after the acquisition date concerning facts and circumstances in effect as of that date, or events occurring after the acquisition date, relating to the achievement of earnings objectives, the realisable value of assets or the generation of liabilities or the absence of certain conditions precedent to which the recognition of potential assets were linked.

Deferred tax assets

Deferred tax assets are recognised on the basis of expected profit in future years. The estimation of future profits for the purpose of recognising deferred tax assets depends on factors that can change over time and significantly impact their measurement.

The Group recognised assets for tax losses amounting to 28.2 million euro, to the extent to which it is highly likely that there will be such a taxed income as to allow use of the benefit related to the carrying forward of the aforementioned losses. The Group also has prior tax losses amounting to 232.6 million euro, relating to subsidiaries, which cannot be used to offset the taxable income in other members of the Group. Since the aforesaid subsidiaries do not have temporary taxable differences that could support the recognition of assets for prepaid taxes connected to such losses, the Group correctly deemed that the conditions are not met for the recognition of the related deferred tax assets, whose total amount would be approximately 50.8 million euro.

Estimate of fair value

The fair value of financial instruments listed on public markets is determined with reference to bid prices at the end of the reporting period.

The fair value of financial instruments not listed on public markets is calculated using financial measurement techniques. Specifically:

- the fair value of interest rate swaps is calculated by discounting future cash flows based on interest rate curves;
- the fair value of currency purchase/sale contracts with optional content is calculated by discounting the differentials between contractual forward exchange rates and market forward exchange rates at the end of the reporting period on the basis of the expected forward rates, and taking account of the optional components if inherent in certain types of contract.

Management of financial risks

The main financial risks identified, monitored and managed by the Danieli Group are the following:

- market risk, arising from exposure to fluctuations in interest rates and exchange rates between the euro and other currencies in which the Group companies operate;
- credit and country risk, concerning the possibility of default by a counterparty;
- liquidity risk, which could arise from a lack of financial resources to meet short-term financial commitments.

Management of financial risks is based on centrally-issued guidelines designed to standardise and coordinate Group policies.

Concerning industrial risks, see the section “Management of business risks” in the Directors’ Report.

Market risk associated with fluctuations in exchange rates and interest rates

Market risk concerns the possibility that changes in interest rates and exchange rates between the euro and other currencies in which the Group operates could negatively affect the value of assets or liabilities or the amount of cash flows.

Exchange rate risk

Group policy relative to exchange risk requires contracts whose incoming and outgoing cash flows are significantly affected by exchange rate fluctuations to be monitored to determine the best hedging policy, which may include use of derivative contracts or the management of foreign currency purchases in order to obtain a natural hedging effect.

Exposure to exchange rate risks can have the following impacts:

- income risk from the different valuation of costs and income expressed in foreign currencies at different periods of time;
- transaction risk from the conversion of trade and/or financial receivables and payables expressed in foreign currencies;
- translation risk from the conversion of the assets and liabilities of consolidated companies that prepare their financial statements in non-euro currencies.

Risk management by the Group’s finance department addresses both income and transaction risks, whereas translation risks are not monitored.

Exposure to exchange rate risk is closely correlated with future cash flows from the gradual completion of contracts, taking account of contractual advances received, and with the payment of purchases in currencies other than the euro. The effects of such transactions are reflected in revenues and the valuation of current inventory, as well as in purchase cost.

The planning, coordination and management of these activities, and the measurement of exchange rate derivative instruments at fair value, are supervised by the Group’s finance department that monitors the correct correlation between derivative instruments and underlying cash flows, systematically basing these on market prices and ensuring proper accounting in compliance with international accounting standards.

In the year ended June 30, 2020, very little use was made by the Group of derivative instruments to cover exchange rate risk on receivables and financial assets denominated in currencies. This also reflects the mix of job orders in progress and those in the order backlog, comprised of contracts with prices expressed in US dollars for which a substantial portion of direct costs are expressed in currencies closely linked to the US dollar.

The foreign exchange gain reported in the income statement for the period is mostly related to the performance of the US Dollar against the Euro, which entailed a revaluation of receivables and of foreign currency funds of the Group at the end of the financial year.

Regarding all significant financial assets and liabilities in foreign currencies, a sensitivity analysis was conducted to determine the impact on the income statement and on shareholders’ equity in the event of a hypothetical 5% or 10% increase or decrease in the Euro/USD exchange rate compared to exchange rates as at June 30, 2020, without considering the change in fair value of derivative contracts but only their effectiveness compared to the new exchange rate. Moreover, this analysis did not consider the impact of exchange rate fluctuations on the measurement of construction contracts (as these are not financial assets according to IAS 32).

The following table summarises the adverse effects on shareholders’ equity and on the income statement, before the tax effect, deriving from a possible strengthening of the euro and the positive effects should the US currency strengthen:

(in thousands of euro)	-10%	-5%	5%	10%
Foreign exchange gain/(loss) deriving from a fluctuation in the Euro/USD exchange rate	50,844	24,063	(21,776)	(41,550)
Total	50,844	24,063	(21,776)	(41,550)

Interest rate risk

For the Danieli Group, the risk associated with interest rate fluctuations essentially concerns variable-rate, long-term loans for which no interest rate swaps (IRS) have been negotiated.

A sensitivity analysis has been conducted to measure the profit and loss impact that could arise from a hypothetical increase or decrease by 10 or 15 bp in interest rates. This increase or decrease in interest rates would entail higher or lower financial income and charges before the tax effect as reported below:

(in thousands of euro)	-15BP	-10BP	+10BP	+15BP
(Lower)/Higher financial income	(2,414)	(1,609)	1,609	2,414
Lower /(Higher) financial charges	839	559	(559)	(839)
Total	(1,575)	(1,050)	1,050	1,575

Credit and country risk

Credit risk is the Danieli Group's exposure to potential losses arising from the failure of counterparties to meet their obligations; this activity is monitored continuously by both the Group's financial and executive management teams as part of routine business operations, starting from the contract negotiation stage for the construction of plants for the Plant Making sector and from the review of the supply request for the Steel Making sector.

The Danieli Group carries out most of its activities in foreign countries and continuously evaluates political, social and financial risks in the areas in which it does business.

Exposure to counterparty credit risk is minimised by using insurance coverage to protect against the insolvency of customers or the countries in which they operate.

In the current year, there have been no significant cases of counterparty default, and credit risk is not significantly concentrated by area and/or customer, except for receivables from an important Egyptian customer already present in the financial statements in the previous year.

In the first half of 2020, the customer completed an important corporate restructuring and even though it suffered some delays in production due to COVID-19, it is developing a positive cash flow generation to finance its new investments and a progressive, albeit slow, reduction in its exposure to Danieli.

Its activities will be positively consolidated in the second half of 2020 and will continue positively in 2021 thanks to the restart of the Egyptian steel market now supported by strong customs barriers and with an adequate energy availability.

We believe that in the course of 2020/21 the company will be able to conclude a financial agreement with the Egyptian customer that will allow a faster repayment of the receivable.

Liquidity risk

Liquidity is managed prudently, favouring low risk investments with certain convertibility to cash.

By maintaining this level of cash along with unutilised credit lines, the Group can meet the new technological challenges of building plants with high innovative content, by independently covering all extraordinary expenses that may arise from technical difficulties during their start-up.

Management of capital

Capital includes ordinary shares, savings shares and equity attributable to the shareholders of the parent company. The primary objective of Group capital management is to obtain a strong credit rating and healthy financial ratios, in order to support operating activities and maximise shareholder value.

The Group manages and makes adjustments to its capital structure, based on changes in general economic conditions. To maintain or adapt the capital structure, the company can adjust dividend payments to shareholders, return capital to shareholders or issue new shares, convert preference shares and buy and sell treasury shares.

There were no changes to the objectives, policies or processes during the financial years ended June 30, 2020 and June 30, 2019, or capital transactions during the two periods, except for the distribution of dividends.

The Group monitors capital by following the indebtedness ratio, which compares the amount of net indebtedness with total capital plus net indebtedness. For this purpose, net indebtedness includes interest on loans and borrowing and cash and cash equivalents.

(millions of euro)	30/06/2020	30/06/2019
Gross financial indebtedness	718.8	763.3
Financial assets	(1,622.0)	(1,691.5)
Net financial position	(903.2)	(928.2)
Shareholders' equity	1,936.7	1,899.7
Capital and net indebtedness	1,033.5	971.5
Indebtedness ratio with third parties	n.a	n.a

Classes of financial instruments and hierarchical levels of measurement at fair value

The following table shows the classes of financial instruments held by the Group:

30/06/2020		Financial assets at fair value recognised through profit or loss	Financial assets measured at amortised costs	Financial assets at fair value recognised through comprehensive income	Equity Instruments (Initial recognition)	Total
	Notes	Initial recognition	According to IFRS9			
(thousands of euro)						
Financial assets						
Other financial receivables	6	12,842				12,842
Other non current receivables	7			121,730		121,730
Trade receivables	9/10			1,009,362		1,009,362
Current financial assets	12	618,789				618,789
Total Financial assets		631,631	0	1,131,092	0	1,762,723

30/06/2020		Financial assets at fair value recognised through profit or loss	Financial assets measured at amortised costs	Financial assets at fair value recognised through comprehensive income		Total
	Notes	Initial recognition	According to IFRS9			
(thousands of euro)						
Financial liabilities						
Bank debts and other financial liabilities	15/22	116		601,713		601,829
Trade payables	18/19			2,288,783		2,288,783
Other current liabilities	20			154,667		154,667
Total Financial liabilities		116	0	3,045,163	0	3,045,279

30/06/2019		Financial assets at fair value recognised through profit or loss	Financial assets measured at amortised costs	Financial assets at fair value recognised through comprehensive income	Equity Instruments (Initial recognition)	Total
	Notes	Initial recognition	According to IFRS9			
(thousands of euro)						
Financial assets						
Other financial receivables	6	420				420
Other non current receivables	7			81,406		81,406
Trade receivables	9/10			1,136,731		1,136,731
Current financial assets	12	588,181				588,181
Total Financial assets		588,601	0	1,218,137	0	1,806,738

30/06/2019		Financial assets at fair value recognised through profit or loss	Financial assets measured at amortised costs	Financial assets at fair value recognised through comprehensive income		Total
	Notes	Initial recognition	According to IFRS9			
(thousands of euro)						
Financial liabilities						
Bank debts and other financial liabilities	15/22	1,193		532,964		534,157
Trade payables	18/19			2,371,757		2,371,757
Other current liabilities	20			165,303		165,303
Total Financial liabilities		1,193	0	3,070,024	0	3,071,217

Among these financial instruments, the Group measured at fair value through OCI current financial assets, as detailed in note 12) Current financial assets, and derivative contracts, whose essential aspects are summarised below. For the other financial instruments, the carrying value represents a reasonable approximation of fair value.

	30/06/2020			30/06/2019		
	Value of input	Nominal value	Fair value in euro	Nominal value	Fair value in euro	
(values in thousands)						
Forward sale with positive mark to market	USD	200,000	3,367	5,006		33
Forward sale with positive mark to market	JPY	423,150	7	0		0
Total forward sales			3,374			33
Forward purchase with positive mark to market	USD	3,793	20	4,001		41
Forward purchase with negative mark to market	USD	6,079	(116)	11,196		(83)
Forward purchase with negative mark to market	EUR	0	0	4,500		(1,070)
Total forward purchases			(96)			(1,112)
Interest Rate Swap negative mark to market	EUR	0	0	4,500		(40)
Total IRS		0	0	4,500		(40)
Total financial instruments recorded as assets			3,394			74
Total financial instruments recorded as liabilities			(116)			(1,193)

“Other financial receivables” and “Current financial assets” measured at fair value as at June 30, 2020, are classified in the hierarchical fair value measurement Level 1) (prices in active markets), whereas the derivative financial instruments included among financial assets and liabilities pertain to the hierarchical level number 2 (measurement techniques based on data observable on active markets). During 2019/2020, there were no transfers from Level 1 to Level 2 and vice versa.

Business combinations

Danieli Corus Technical services BV

The business combination finalised with the purchase in May 2015 of the remaining 50% of the company, definitively recorded as at June 30, 2018 for a total consideration of 22,000 thousand euro, of which a portion for 6,580 thousand euro payable only upon finalisation of certain events. During the 2019/2020 financial year, the parties agreed to an early closure with the payment of a smaller amount and the positive economic component was recorded in the income statement among other revenues.

INFORMATION ON THE BALANCE SHEET

NON-CURRENT ASSETS

1) Property, plant and equipment

The net value of 907,759 thousand euro as at June 30, 2020 increased by 72,529 thousand euro compared to 835,230 thousand euro as at June 30, 2019, due to the investments in the financial year, as shown below.

Property and plant as at June 30, 2020, were not encumbered by mortgages or liens as guarantees for loans obtained.

(thousands of euro)	Land	Industrial buildings Light constructions	Plant and machinery	Industrial and commercial equipment	Other tangible assets	Assets in progress	Total
Historical cost	76,657	555,771	1,253,213	88,825	124,759	71,510	2,170,735
Accumulated depreciation		(252,925)	(874,332)	(75,275)	(102,950)	0	(1,305,482)
Balance at June, 30 2018	76,657	302,846	378,881	13,550	21,809	71,510	865,253
Changes during the period							
Increase	1,404	18,977	25,491	8,379	5,736	13,733	73,720
Exchange impact and other changes	142	124	92	(10)	77	267	692
Transfers and disposals	(109)	(7,544)	(2,243)	(209)	(417)	0	(10,522)
Write-down	0	0	(4,132)	0	0	0	(4,132)
Depreciation	0	(15,589)	(62,749)	(4,712)	(6,730)	0	(89,780)
Historical cost	78,094	563,586	1,269,458	95,831	126,951	85,509	2,219,428
Accumulated depreciation	0	(264,773)	(934,117)	(78,834)	(106,475)	0	(1,384,199)
Balance at June, 30 2019	78,094	298,813	335,341	16,997	20,476	85,509	835,230
Changes during the period							
Increase	1,454	4,690	22,704	7,156	5,139	126,315	167,458
Exchange impact and other changes	(1,959)	(4,809)	(1,400)	292	144	(63)	(7,795)
Transfers and disposals	(2,336)	(2,926)	(5,877)	(116)	(1,881)	0	(13,136)
Write-down	0	(77)	(553)	(272)	(94)	(178)	(1,174)
Depreciation	0	(15,323)	(46,218)	(5,557)	(5,726)	0	(72,824)
Historical cost	75,253	554,851	1,280,680	100,167	119,701	211,583	2,342,235
Accumulated depreciation	0	(274,483)	(976,683)	(81,667)	(101,643)	0	(1,434,476)
Balance at June, 30 2020	75,253	280,368	303,997	18,500	18,058	211,583	907,759

The amount of the depreciations allocated to the income statement was 72,824 thousand euro, recognised on the basis of rates deemed representative of the estimated useful life of the assets, taking into account, for some specific plants of the Steel Making segment, the actual production capacity used in the period relative to the normal total production capacity expected for each year of useful life of the plants.

“Other tangible assets” include 7,359 thousand euro for transport vehicles, 3,125 thousand euro for furniture and fittings, 5,086 thousand euro for electronic machines and 2,488 thousand euro for other items.

The main investments in the period concerned new plants used by the subsidiary Acciaierie Bertoli Safau S.p.A. in the Steel Making segment, to improve production capacity and ensure appropriate environmental management at all stages of production, as well as the completion of some buildings and plants in Italy and at workshops in the Far East in the Plant Making segment.

Assets under development at the end of the financial year stood at 211,583 thousand euro (85,509 thousand euro as at June 30, 2019 and mainly refer to new plants under construction in the Steel Making sector.

2) Right of use

It amounts to 45,024 thousand euro as at June 30, 2020, (not present as at June 30, 2019) and referred to the right of use (ROU) underlying the application of IFRS 16 net of the depreciation charge calculated for the period. Changes as at June 30, 2020 are shown below:

(thousands of euro)	Industrial buildings in leasing	Machines and installation in leasing	Industrial and commercial equipment in leasing	Other asset in leasing	Total
Balance at June, 30 2019	0	0	0	0	0
Changes during the period					
Application of IFRS 16 - Right of use	26,849	13,238	603	6,182	46,872
Increase	6,489	0	348	1,152	7,989
Exchange impact and other changes	870	0	0	1,506	2,376
Depreciation ROU benefit to employees	(867)	0	0	(606)	(1,473)
Depreciation	(6,547)	(1,848)	(275)	(2,070)	(10,740)
Historical cost	34,208	13,238	950	8,841	57,237
Accumulated depreciation	(7,414)	(1,848)	(275)	(2,676)	(12,213)
Balance at June, 30 2020	26,794	11,390	675	6,165	45,024

3) Intangible assets

The balance of 40,079 thousand euro as at June 30, 2020, is lower than the previous year's total of 43,511 thousand euro as at June 30, 2019, due mainly to the difference between investments in the financial year and amortisation and write-downs charged, as shown below.

(thousands of euro)	Goodwill	Intellectual property rights	Concessions, licences and trademarks	Other intangible assets	Asset under development and advances	Total
Historical cost	21,271	26,603	102,122	82,446	600	233,042
Write-downs	(13,482)			(4,389)		(17,871)
Accumulated amortisation		(25,121)	(84,413)	(41,622)		(151,156)
Balance at June, 30 2018	7,789	1,482	17,709	36,435	600	64,015
Changes during the period						
Increase	0	1,030	5,143	39	3,540	9,752
Exchange impact and other changes	(13)	(26)	(17)	197	0	141
Transfers and disposals	0	(8)	(43)	(1,118)		(1,169)
Write-down	(9)	0	0	(16,049)	0	(16,058)
Amortisation	0	(1,250)	(7,452)	(4,469)	0	(13,171)
Historical cost	21,258	27,699	106,770	69,617	4,140	229,484
Write-downs	(13,491)	0	0	(20,438)		(33,929)
Accumulated amortisation		(26,470)	(91,431)	(34,143)		(152,044)
Balance at June, 30 2019	7,767	1,229	15,339	15,036	4,140	43,511
Changes during the period						
Increase	0	1,312	3,570	845	2,207	7,934
Exchange impact and other changes	(34)	(14)	124	1,087		1,163
Transfers and disposals	0	0	(78)	(23)		(101)
Write-down	0	0	(12)	0	0	(12)
Amortisation	0	(1,187)	(6,570)	(4,659)	0	(12,416)
Historical cost	21,224	29,064	109,442	87,060	6,347	253,137
Write-downs	(13,491)	0	(12)	(20,438)		(33,941)
Accumulated amortisation		(27,724)	(97,057)	(54,336)		(179,117)
Balance at June, 30 2020	7,733	1,340	12,373	12,286	6,347	40,079

Note that in the past financial year, due to the absence of certain conditions contractually envisaged with the acquisition of Fata S.p.A., the item “Other intangible assets” decreased by 16,049 thousand euro, since it was no longer possible to perform the contracts originally valued at the time of the first recognition of the combination.

“Goodwill” in the financial statements as at June 30, 2020, includes the higher amounts paid for the acquisitions that took place in previous years, and in particular for the acquisition of Innoval Technology Ltd. (1.8 million euro) and Akros Henschel Sas and subsidiaries (3.1 million euro), FATA Group (2.8 million euro) as well as the acquisition of the company Telerobot Labs S.r.l. (0.3 million euro). These goodwill amounts were allocated to CGUs identified in the same acquired companies, all belonging to the Plant Making sector. The impairment test, in accordance with IAS 36 - Impairment of Assets, was carried out comparing the recoverable value of the goodwill attributed to the individual CGUs with the related carrying value as at June 30, 2020. The recoverable value utilised was the value in use, since it was deemed reasonably higher than fair value, after selling costs.

The valuation was carried out using a method based on the discounting of expected cash flows (DCF). Cash flows were derived from budgets approved by the competent bodies in relation to the specific CGUs. The models were prepared with an explicit period of 5 financial years and a terminal value for the unspecified period.

The main parameters used to calculate the discount rate (WACC) were the following:

	Risk free	Market premium	Beta unlevered	Risk premium	Debt/equity ratio	Cost of debt	WACC
Akros Henschel and subsidiaries	2.80%	5.50%	0.96	0.00%	0.14	0.60%	8.08%
Innoval Technology Ltd.	2.80%	5.50%	0.96	0.00%	0.44	1.81%	8.08%
Fata S.p.A.	2.80%	5.50%	0.98	0.00%	0.14	0.60%	8.20%

With regard to the risk free rate, the average rate of return for the past 12 months compared to the starting date of the reference period of the plan data (June 30, 2020) of ten-year Italian Government bonds was used. The impairment test carried out did not indicate that there was any need to make adjustments to the carrying amount of goodwill.

“Concessions, licences and trademarks” consist mainly of the costs of acquiring licences and of developing management software and programmes used in Group company activities.

“Other intangible assets” mainly includes the higher values allocated to the order book (16.3 million euro) and know-how (8.6 million euro) as part of past acquisitions, in addition to other expenses recognised by Group companies.

Assets under development refer to costs incurred by some Group companies up to June 30, 2020 on some investment projects for management software programmes not yet completed.

The consolidated financial statements do not include any intangible assets with indefinite useful lives, with the exception of goodwill.

Impairment of property, plant and equipment and intangible assets

As at June 30, 2020, there were no indications that property, plant and equipment and intangible assets might be impaired. In accordance with IAS 36, no impairment test was carried out in addition to those described above.

4) Equity investments

(thousands of euro)	30/06/2020	30/06/2019
Equity investment in associates measured at equity	6,745	6,622
Other equity investments	9,042	5,088
Total	15,787	11,710

Changes in the various items are shown in attachment II-C, where equity investments in companies measured at equity are also shown.

The essential figures of the financial statements of the associated companies, including the aggregate value of current and non-current assets and liabilities, revenues and costs of production, financial income and charges, income taxes, the net profit or loss for the period and the number of employees are shown in Attachment III-C.

The item increased mainly due to the increase in the investment in the consortium company Metal Interconnettor S.c.p.A.

5) Deferred tax assets and liabilities

These include the provisions for benefits and liabilities respectively related to losses that can be carried forward by Group companies, and temporary differences between assets and liabilities entered in the balance sheet and their corresponding values for tax purposes.

The amounts of deferred tax assets and deferred tax liabilities for which recovery is expected within or beyond the next financial year are as follows:

(thousands of euro)	30/06/2020	30/06/2019
Deferred tax assets		
- Recoverable within next fiscal year	37,725	43,852
- Recoverable beyond next fiscal year	38,353	34,741
Total	76,078	78,593
Deferred tax liabilities		
- Payable within the next financial year	18,501	20,397
- Payable beyond the next financial year	2,388	9,164
Total	20,889	29,561
Net position	55,189	49,032

Deferred tax assets

The composition of deferred tax assets and their changes in the years ended June 30, 2020, and June 30, 2019, were as follows:

(thousands of euro)	Changes with impact on				
	30/06/2019	Income Statement	Statement of comprehensive income (cash flow and fair value reserve)	Other changes	30/06/2020
Taxed provision	26,960	3,445	0	566	30,971
Recoveries of unrealised exchange differences	11	(11)	0	3	3
Tax losses	32,754	(4,198)	0	(348)	28,208
Other adjustments	17,748	(2,680)	0	(911)	14,157
Employee benefits	978	14	(70)	(37)	885
Measurement at fair value	142	(127)	0	1,839	1,854
Total	78,593	(3,557)	(70)	1,112	76,078

(thousands of euro)	Changes with impact on					
	30/06/2018	Effect of adoption IFRS9 01.07.2018	Income Statement	Statement of comprehensive income (cash flow and fair value reserve)	Other changes	30/06/2019
Taxed provision	23,606	1,895	(3,815)	0	5,274	26,960
Recoveries of unrealised exchange differences	90	0	(78)	0	0	12
Tax losses	27,112	0	5,934	0	(293)	32,753
Other adjustments	23,871	0	(4,129)	0	(1,994)	17,748
Employee benefits	855	0	(4)	252	(125)	978
Measurement at fair value	226	173	22	(279)	0	142
Total	75,760	2,068	(2,070)	(27)	2,862	78,593

Deferred tax assets are recognised in the tax losses for which future use is reasonably expected. On the contrary, deferred tax assets are not prudentially recorded with reference to tax losses for which it is not expected at the moment that they will be recovered through future taxable income for a total amount of 50.8 million euro (47.4 million euro as at June 30, 2019); most of that amount refers to tax losses that can be carried forward of approximately 232.6 million euro (219.5 million euro as at June 30, 2019) realised by certain Group companies this year and in previous years).

“Other adjustments” mainly refer to temporary differences deriving from the adjustment of the value of revenues of some foreign branches to the IFRS standards used by the Group, as described in the explanatory notes.

Deferred tax liabilities

The breakdown of deferred tax liabilities and their changes in the years ended June 30, 2020 and June 30, 2019 were as follows:

	Changes with impact on				30/06/2020
	30/06/2019	Income Statement	Statement of comprehensive income (cash flow and fair value reserve)	Other changes	
(thousands of euro)					
Net tangible and intangible fixed assets	816	(117)	0	(375)	324
Measurement at fair value	(2)	0	0	0	(2)
Change in scope of consolidation	2,368	0	0	114	2,482
Other deferred LT taxes	26,379	(6,882)	0	(1,412)	18,085
Total	29,561	(6,999)	0	(1,673)	20,889

	Changes with impact on				30/06/2019
	30/06/2018	Income Statement	Statement of comprehensive income (cash flow and fair value reserve)	Other changes	
(thousands of euro)					
Net tangible and intangible fixed assets	1,984	(1,541)	368	5	816
Measurement at fair value	118	(120)	0	0	(2)
Change in scope of consolidation	12,042	(7,081)	0	(2,593)	2,368
Other deferred LT taxes	20,051	62	0	6,266	26,379
Total	34,195	(8,680)	368	3,678	29,561

“Other deferred tax liabilities” mainly refer to temporary differences deriving from the adjustment of the value of revenues of some foreign branches to the IFRS standards used by the Group, as described in the explanatory notes.

6) Other financial receivables

They amounted to 12,842 thousand (420 thousand as at June 30, 2019) and mainly included receivables from the Luxembourg tax authorities for the payment of significant amounts not due as certified by the tax authorities, pending reimbursement. The COVID-19 pandemic did not have an impact on the measurement of these receivables.

7) Trade and other receivables

(thousands of euro)	30/06/2020	30/06/2019
Trade receivables from customers	56,328	23,033
Non current receivables from the Revenue	2,616	7,526
Other receivables	62,786	50,847
Total	121,730	81,406

Trade receivables mostly include non-current receivables relating to the terms of sale negotiated for the supply of complex plants with long start-up times due to their technical characteristics. "Other receivables" mainly comprise the receivables amounting to 74,704 thousand USD claimed from an important Egyptian customer relating to the management of certain significant job orders currently being performed with it, which for this reason are deemed to be trade receivables. In consideration of the long extension of time envisaged for the repayment of these receivables, another adjustment component of 2,149 thousand euro was set aside for the discounting of the expected cash flows. In the first half of 2020, the customer completed an important corporate restructuring and even though it suffered some delays in production due to COVID-19, it is developing a positive cash flow generation to finance its new investments and a progressive, albeit slow, reduction in its exposure to the parent company Danieli. Its activities will be consolidated in the second half of 2020 and will continue positively in 2021 thanks to the restart of the Egyptian steel market now supported by strong customs barriers and with an adequate energy availability. We believe that in the course of 2020/2021 the company will be able to conclude a financial agreement with the Egyptian customer that will allow a faster repayment of the receivable. Receivables from tax authorities for VAT include VAT reimbursement requests on annual returns not expected to be paid before the end of the financial year.

Receivables are broken down below by maturity at the end of this and the previous year:

(thousands of euro)	30/06/2020			
Deadlines	Trade receivables from customers	Non current receivables from the Revenue	Other receivables	Total
2021/2022	40,084	2,283	10,353	52,720
2022/2023	13,662	333	5,260	19,255
2023/2024	121	0	5,075	5,196
2024/2025 and beyond	2,461	0	42,098	44,559
Total	56,328	2,616	62,786	121,730

(thousands of euro)	30/06/2019			
Deadlines	Trade receivables from customers	Non current receivables from the Revenue	Other receivables	Total
2020/2021	10,854	7,193	7,420	25,467
2021/2022	5,850	333	20	6,203
2022/2023	5,918	0	5,268	11,186
2023/2024 and beyond	411	0	38,139	38,550
Total	23,033	7,526	50,847	81,406

CURRENT ASSETS

8) Inventories

The balance of 1,182,464 thousand euro as at June 30, 2020, increased by 55.436 thousand euro from its value of June 30, 2019, i.e. 1,127,028 thousand euro.

(thousands of euro)	30/06/2020	30/06/2019
Raw materials & supplies	176,891	193,994
Write downs	(9,954)	(15,207)
Raw materials, consumables and supplies	166,937	178,787
Work in progress and semi-finished products	145,820	213,454
Construction contracts with third parties valued using the cost to cost method	2,467,037	2,275,644
Turnover on job orders in progress with third parties	(1,745,679)	(1,734,322)
Write-down provision on job orders in progress for third parties	(26,168)	(21,057)
Construction contracts	695,190	520,265
Finished products	83,535	118,409
Advances	90,982	96,113
Total	1,182,464	1,127,028

Construction contracts with a negative net value, resulting, for each individual job order, from the sum between work progress and amounts invoiced, have been reclassified to "Payables for construction contracts and customer advance payments" in current liabilities (see also note 19).

They are broken down as follows:

(thousands of euro)	30/06/2020	30/06/2019
Construction contracts with third parties valued using the cost to cost method	3,965,981	3,962,706
Turnover on job orders in progress with third parties	(4,272,123)	(4,309,112)
Write-down provision on job orders in progress for third parties	(35,288)	(26,869)
Total Payables for construction contracts	(341,430)	(373,275)

Payables for construction contracts and customer advance payments also include amounts paid by third-party customers prior to the start or at the beginning of works and related job orders in progress. These advance payments, intended to be reabsorbed in proportion to the invoices issued as job order progresses, are broken down in note 19).

The write-down provision on job orders in progress includes the estimates of any future charges related to its completion as well as to the recognition of contractual penalties where considered probable.

9) Trade receivables

The balance of 934,507 thousand euro as at June 30, 2020, was 125,929 thousand euro lower than the amount of 1,060,436 thousand euro as at June 30, 2019.

There are no significant concentrations of counterparty credit risk.

Receivables were factored without recourse in the financial year by the Group companies for 8,706 thousand euro.

Trade receivables are shown net of the provision for doubtful accounts in the amount of 77,520 thousand euro.

(thousands of euro)	30/06/2020	30/06/2019
Customers	884,364	973,755
Collection order and bills	120,634	162,887
Provision for doubtful accounts	(77,520)	(82,523)
Total trade receivables from third parties	927,478	1,054,119
Trade receivables from Group companies	7,029	6,317
Total trade receivables	934,507	1,060,436

Trade receivables from Group companies are due from associates not consolidated on a full line-by-line basis.

Changes in the "Provisions for doubtful accounts" are shown below:

(thousands of euro)	30/06/2020	30/06/2019
Opening balance	82,523	74,965
Provision	3,131	3,920
Release of unused provisions	286	(152)
Utilisation and other changes for the period	(8,420)	3,790
Closing balance	77,520	82,523

Regarding the provision for doubtful accounts, the risk of loss on receivables has often a component of technical risk (arising from design changes and/or delays in execution) as well as counterparty risk and country risk. Credit risk and the appropriateness of this provision should therefore be viewed together with the write-down provision for construction contracts described in note 19).

The Group determines the expected amount of credit risks by estimating losses based on historical experience related to past due customers considering both current and future economic conditions. As a result, the credit risk profile is updated according to the past due brackets in relation to the collection terms provided for in existing contracts.

In the assessment of credit recovery risks, carried out on the basis of the provisions of IFRS 9, the possible, albeit limited, worsening of the solvency of counterparties arising from the COVID-19 pandemic were considered.

10) Other receivables

These amounted to 74,855 thousand euro as at June 30, 2020, showing a decrease of 1,440 thousand euro compared to the balance of 76,295 thousand euro as at June 30, 2019, and comprising:

(thousands of euro)	30/06/2020	30/06/2019
Insurance reimbursements	3,335	3,335
ST accrued income	1,270	1,632
ST Prepaid expense	11,427	10,526
Due from social security institutions	2,073	922
Foreign tax receivables	1,788	1,895
Travel expenses advances to employees, consultants and sites	1,774	2,527
Deposits to third parties	2,173	2,156
Indirect tax receivables	25,634	32,134
Other Receivables	25,381	21,168
Total	74,855	76,295

Other current receivables included 5,148 thousand euro of receivables from the Italian Power Exchange relating to Energy Efficiency Credits accrued on the basis of savings in energy sources in the production process of the Steel Making segment (1,904 thousand euro as at June 30, 2019) and 1,706 thousand euro deriving from CO2 quotas purchased during the year. Securities are measured at fair value to profit and loss. Whereas the receivable from the *Cassa Conguaglio per il Settore Elettrico* (Equalisation Fund for the Electricity Sector) (public non-profit organisation submitted to the supervisory of the Authority for Electricity and Gas) for disbursements of contributions in favour of energy-intensive businesses (2,935 thousand euro as at June 30, 2019) was collected. Receivables for indirect taxes mainly included VAT receivables, for part of which repayment was requested. The change compared to the balance as at June 30, 2019, reflects both the portion of receivables repaid during the financial year and an assignment of receivables without recourse of approximately 16,180 thousand euro carried out by some Italian companies of the Group.

11) Current tax assets

This item is made up as follows:

(thousands of euro)	30/06/2020	30/06/2019
Foreign tax receivables	17,936	33,190
Direct tax receivables	22,808	17,412
Other current tax receivables	14,130	14,638
Total	54,874	65,240

Direct tax receivables as at June 30, 2020, originated mainly from excess advance payments during the year and in previous years, net of the provision for current taxes.

Other receivables for foreign taxes include the receivables of some foreign Group companies, which are expected to be repaid in the near future.

12) Current financial assets

As at June 30, 2020, they amounted to 618,789 thousand euro, up by 30,608 compared to the balance as at June 30, 2019, i.e. 588,181 thousand euro. In addition to the portfolio of securities and equities carried at market value by the subsidiary Danieli Finance Solutions SA and recorded among available for sale financial assets, they include certain financial receivables and derivative financial assets existing at year-end.

They can be broken down as follows:

(thousands of euro)	30/06/2020	30/06/2019
Bonds in euro nom.value 424,453 at variable rates from 0.00% to 6.10% maturing by 2030 (*)	416,727	390,759
Bonds in usd nom.value 83,683 at variable rates from 0.00% to 2.80% maturing by 2026 (*)	Usd 83,683	Usd 88,927
Other securities in other currencies	89,567	78,513
Accrued income on securities and other current financial assets	1,274	1,159
Financial Receivables ST	30,723	36,354
Accrued interest on bank deposits and other financial receivables	2,383	3,179
Derivative financial instruments	3,394	74
Total	618,789	588,181

(*) descriptions refer to the portfolio as at June 30, 2020

The portfolio does not include any bonds issued by central or local governments or government entities.

Regarding the effects of the measurement of securities, as at June 30, 2020, the change in the fair value reserve, net of the tax impact, was negative by 7,201 thousand euro, after the tax effect.

The item "Other securities and accrued interest on securities" includes other securities in currencies other than Euro and USD and some financial products issued by leading insurance companies.

The "Other financial receivables" comprise time deposits and receivables with banks and financial institutions, with maturity over three months (but lower than twelve months).

The characteristics and fair value of derivative financial instruments as at June 30, 2020 and 2019, are detailed in the section “Classes of financial instruments and hierarchical levels of measurement at fair value”.

Forward sales and purchases in currency are financial instruments to hedge mainly US dollar exchange rate risks and occasionally other currency risks (euro for Group foreign companies). The notional value indicated for outright instruments indicates the maximum residual amount envisaged by the signed contract, which allows to accumulate every day outright forward (sales) with monthly recurring payment. In relation to the lock of each derivative contract, a possible strengthening of the Euro against the dollar may make the contract ineffective and therefore not lead to the actual forward sale of the dollars at the exchange rate included within the set range.

If these instruments qualify as cash flow hedges and meet the effectiveness tests set up by the Group, the gains and losses deriving from their fair value measurement at year-end are recognised in shareholders’ equity in the Cash Flow reserve.

In case of instruments that qualify as fair value hedge, ineffective cash flow hedges or instruments entered into for hedging purposes but not meeting hedge accounting rules, the effects of fair value measurement are recognised through profit or loss. Net income pertaining to the measurement of these instruments recognised during the period amount to 3,278 thousand euro.

As at June 30, 2020, as well as at the end of the previous financial year, the interest rate swaps contracted by the Group do not meet the hedge requirements of IFRS 9, because the underlying loan was repaid in advance, so changes in fair value are booked directly to shareholders’ equity.

13) Cash and cash equivalents

(thousands of euro)	30/06/2020	30/06/2019
Cash and cash equivalents	990,441	1,102,883
Total	990,441	1,102,883

The balance of 990,441 thousand euro as at June 30, 2020, decreased by 112,442 thousand euro compared to the amount of 1,102,883 thousand euro as at June 30, 2019, and included cash in hand of 1,312 thousand euro and short-term bank deposits of 989,129 thousand euro.

Part of this liquidity will be used in the coming year to finance new research programmes, as well as to complete the new investments started in the Steel Making segment, while providing these companies with enough working capital to support the substantial production volumes currently being achieved. See the statement of cash flows for further details on change in cash and cash equivalents.

SHAREHOLDERS’ EQUITY

14) Shareholders’ equity

Shareholders’ equity as at June 30, 2020, amounted to 1,936,629 thousand euro, compared to 1,899,189 thousand euro as at June 30, 2019, with an increase of 37.440 thousand euro. Changes in the various components are summarised in the “Consolidated statement of changes in shareholders’ equity”. Those components are as follows:

14.1) Share Capital

Share capital is fully paid in and amounted to 81,305 thousand euro as at June 30, 2020, (81,304,566 shares with a par value of 1 euro each, comprised of 40,879,533 ordinary shares and 40,425,033 savings shares).

14.2) Treasury shares

The value of treasury shares amounted to 82,935 thousand euro as at June 30, 2020, unchanged since June 30, 2019. The portfolio was made up of 2,961,213 ordinary shares and 3,945,363 savings shares, with a unit par value of 1 euro each and a total par value of 6,907 thousand euro (8.49% of the share capital).

14.3) Other reserves

These totalled 1,884,045 thousand euro (1,834,820 thousand euro as at June 30, 2019) and consist of:

Share premium account

As at June 30, 2020, this amounts to 22,523 thousand euro (unchanged compared to June 30, 2019) and concerns the share premiums paid on the exercise of warrants associated with the conversion of bonds from the bond loans that matured in November 1999 and on July 1, 2003, and the gains/losses realised from the sale of treasury shares.

Fair value reserve

As at June 30, 2020, the fair value reserve had a negative balance of 7,210 thousand euro (a balance of 9 thousand euro as at June 30, 2019) and it includes the changes arising from the fair value measurement of available-for-sale financial assets.

Other reserves

As follows:

(thousands of euro)	30/06/2020	30/06/2019
Revaluation reserve	7,634	7,634
Legal reserve	18,576	18,576
Other Parent company reserves	760,210	796,660
Reserve of first time adoption of IFRS 9	(10,670)	(10,670)
Undistributed profits and impact of consolidation adjustments	1,092,982	1,000,106
Total	1,868,732	1,812,306

The Legal Reserve amounts to 18,576 thousand euro as at June 30, 2020, unchanged since June 30, 2019: its amount exceeds the requirement stated in art. 2430 of the Italian Civil Code, so a further allocation of the net profit for the year is no longer mandatory.

14.4) Translation difference reserve

As at June 30, 2020, this reserve had a negative balance of 8,596 thousand euro (a negative balance of 482 thousand euro as at June 30, 2019). The negative change was due to the exchange impacts from translation of the financial statements of foreign companies prepared in the local currency, mainly the Russian rouble, the Chinese Renminbi and the Indian Rupee.

14.5) Group's net profit

The Group's share of net profit came to 62,886 thousand euro as at June 30, 2020, (67,016 thousand euro as at June 30, 2019).

14.6) Dividends

Dividends paid in the last two financial years and relating to profits earned in the financial years ended June 30, 2019, and June 30, 2018, were as follows:

(thousands of euro)	Dividends paid during the financial years ended			
	30/06/2020		30/06/2019	
	euro per share		euro per share	
Ordinary shares	0.1500	5,688	0.1000	3,792
N.C. Saving shares	0.1707	6,227	0.1207	4,403
Total dividends paid		11,915		8,195

14.7) Non-controlling interests in shareholders' equity

Non-controlling interests in shareholders' equity amounted to a negative 76 thousand euro (a negative 535 thousand euro as at June 30, 2019). The change of 459 thousand euro is the combined result of the positive effect of 98 thousand euro related to the translation difference, the negative effect of 461 thousand euro related to the loss for the year attributable to minority interests and the increase in minority interests of 822 thousand related to the entry into the scope of consolidation of Zhuozhou Ruixin Met. Eq. Co. Ltd., 51% owned by the Group.

NON-CURRENT LIABILITIES

15) Loans

Financial payables, which amounted to 246,142 thousand euro as at June 30, 2020, included financial payables recorded in accordance with IFRS 16 of 34,493 thousand euro and 211,649 thousand euro consisting of the medium/long-term portion of loans arranged with banks and other institutional lenders (299,428 thousand euro as at June 30, 2019, with a change of 53.286 thousand).

There are contractual covenants on some Group loans, shown in detail in attachment IV-C, which also indicates the breakdown by current/non-current portion and the characteristics of each loan.

Based on the results of the financial statements for the year ended June 30, 2020, the economic and equity parameters set out in the loan agreements have been complied with.

The maturity dates of the non-current portions of loans were as follows:

(thousands of euro)	30/06/2020	30/06/2019
2020/2021	-	244,993
2021/2022	56,779	22,531
2022/2023	116,430	29,435
2023/2024	29,691	2,469
2024/2025 and beyond	43,242	-
Total	246,142	299,428

The breakdown of the Group's net financial position as at June 30, 2020, compared to the previous financial year, was as follows:

(thousands of euro)	30/06/2020	30/06/2019	Variation
Non-current financial assets			
Other financial receivables	12,842	420	12,422
Total	12,842	420	12,422
Current financial assets			
Securities and other financial assets	618,789	588,182	30,608
Cash and cash equivalents	990,441	1,102,883	(112,442)
Total	1,609,230	1,691,065	(81,834)
Non-current financial liabilities			
Non-current financial liabilities	211,649	299,428	(87,779)
Lease liabilities non-current	34,493	0	34,493
Total	246,142	299,428	(53,286)
Current financial liabilities			
Bank debts and other financial liabilities	461,499	463,782	(2,283)
Lease liabilities current	11,153		11,153
Total	472,652	463,782	8,870
Current net financial position	1,136,579	1,227,283	(90,704)
Non-current net financial position	(233,300)	(299,008)	65,708
Positive net financial position	903,279	928,275	(24,996)

"Bank debts and other financial liabilities" as at June 30, 2020 included 116,965 thousand euro (229,053 thousand euro as at June 30, 2019) for advances received from customers on job orders not yet in force. These amounts are included among payables for construction contracts and customer advance payments in the balance sheet.

The remaining advances from customers, still recognised under payables for construction contracts and customer advance payments and amounting to 738,528 thousand euro as at June 30, 2020, and 656,249 thousand euro as at June 30, 2019, respectively, were instead included in working capital as they are used to finance job orders in progress, together with advances to suppliers.

Lastly, the calculation of the net financial position includes both the net fair value of derivative contracts and the present value of the remaining amount due for the purchase of equity investments. In particular, the fair value of derivative financial contracts as at June 30, 2020, amounted to a positive 3,278 thousand euro (a negative 1,119 thousand euro as at June 30, 2019) and there were no residual payables for the purchase of equity investments (6,580 thousand euro as at June 30, 2019). The residual payables for the purchase of equity investments decreased due to the cancellation of the contingent liability to the seller relating to the business combination of Corus: for further details, reference should be made to the note relating to the business combinations.

16) Post-employment benefits

The balance of 29,691 thousand euro decreased by 3,400 thousand euro compared to 33,091 thousand euro as at June 30, 2019.

Changes were as follows

(thousands of euro)	30/06/2020	30/06/2019
Opening balance	33,091	32,179
Cost relating to employee compensation with defined benefits	253	204
Benefits paid	(2,968)	(1,547)
Actuarial (gains)/losses recognized in the statement of comprehensive income	(239)	(258)
Other accruals for employee benefits	(446)	2,513
Closing balance	29,691	33,091

The cost relating to employee compensation with defined benefits was recognised in the income statement among financial expenses, whilst payments to complementary pension funds and other accruals to pension funds from the Group's foreign companies were recognised among personnel costs, as indicated in Note 26).

The main actuarial assumptions used were the following:

	30/06/2020	30/06/2019
Discount rate	0.35%	0.35%
Rate of increase in management salaries	1.0%	1.0%
Rate of increase in wages and salaries	1.0%	1.0%
Turnover rate	5.0%	5.0%

The sensitivity analysis of the main evaluation parameters is as follows:

Turnover rate +1%	Turnover rate -1%	Inflation rate +0.25%	Inflation rate -0.25%	Discount rate +0.25%	Discount rate -0.25%
38	182	41	3	0.2	36

17) Provisions for risks

Totalling 21,046 thousand euro as at June 30, 2020, this item increased by 4,013 thousand euro compared to the balance of 17,033 thousand euro as at June 30, 2019, as a result of the following changes:

(thousands of euro)	30/06/2020	30/06/2019
Opening balance	17,033	11,949
Provision	12,036	12,920
Release of unused provisions	(1,848)	(11,314)
Utilisations and other changes	(6,175)	3,478
Closing balance	21,046	17,033

Estimates for these accruals and of the provisions resulting at the end of the period are the result of a complex calculation process involving the subjective opinions of Company management, which may affect the subsequent economic results even to an appreciable extent.

The provision includes the sum of allocations made in all the main group companies (without significant concentrations in a single company) against potential risks of a technical, legal, financial or commercial nature.

There are no provisions for tax risks.

CURRENT LIABILITIES

18) Trade payables

Trade payables, totalling 1,091,860 thousand euro as at June 30, 2020, decreased by 21,321 thousand euro from 1,113,181 thousand euro as at June 30, 2019, and mainly comprise payables due to suppliers; the change in the item is related to the characteristics and financial conditions negotiated with suppliers in purchase orders.

Trade payables also include positions subject matter of Reverse Factoring with leading national operators for an amount of approximately 247,000 thousand euro as at June 30, 2020 with different maturities but less than 12 months (194,200 thousand euro as at 30 June 2019).

These liabilities maintain their original nature as trade payables in consideration of the fact that there are no financial charges borne by the Group, they do not fall within the financial credit lines used by the Group and the terms of payment follow the normal conditions of supply for the types of business in which the Group is active.

There are no significant concentrations of payables on one or a small number of suppliers.

19) Payables for construction contracts and customer advance payments

Payables for construction contracts and customer advance payments amounted to 1,196,923 thousand euro and 1,258,576 thousand euro as at June 30, 2020 and June 30, 2019, respectively, and are as follows:

(thousands of euro)	30/06/2020	30/06/2019
Current advances	738,528	656,249
Payables for construction contracts	306,142	346,405
Customer guarantee deposits	116,965	229,053
Write-down provision on job orders in progress for third parties	35,288	26,869
Total	1,196,923	1,258,576

“Payables for construction contracts” represent the higher amount invoiced to customers for construction contracts in progress with respect to the state of completion. The change in this item correlates with production carried out and with the invoicing terms of job orders in progress.

“Customer advance payments” represent amounts paid by customers prior to the start of work under job orders in progress. These will be reabsorbed in proportion to the invoices issued as work progresses.

“Customer guarantee deposits” of 116,965 thousand euro concerns advances received from customers on job orders not yet in production, included as current financial liabilities in the net financial position (229,053 thousand euro as at June 30, 2019).

The change in this item relates to the volume of orders acquired, their contractual terms of payment and actual operations of the contracts.

For more information on construction contracts write-down provision, see note no. 8.

The provision also includes charges related to a dispute with a Malaysian customer for which a prudent provision has been made in relation to an arbitration award against Danieli in the first instance; the decision envisages a payment for damages and the withdrawal of the machines supplied. The provision covers about 50% of the amount resulting from the award for the damages alone in view of the serious inaccuracies in the decision of the arbitration panel and the good chances for the company to assert its reasons during the appeal decision as well as being able to reuse the equipment in full in case of withdrawal.

20) Other current liabilities

Other current liabilities amounted to 154,667 thousand euro as at June 30, 2020 (165,304 thousand euro as at June 30, 2019) and they are mainly comprised of:

(thousands of euro)	30/06/2020	30/06/2019
Due to employees	59,348	67,093
Indirect tax payables	2,187	2,526
Withholding tax due	11,174	13,283
Other commercial accruals	22,633	20,691
Guarantee deposits	16,105	16,531
Due to social security institutions	17,699	18,581
Due to company boards and committees	405	479
Deferred income	10,491	12,445
Other ST liabilities	14,625	13,675
Total	154,667	165,304

Deferred income includes 9,383 thousand euro recognised by the subsidiary Acciaierie Bertoli Safau S.p.A. in relation to the tax credits for new investments in machinery, attributable pursuant to Italian Law Decree no. 91 of June 24, 2014, (10,791 thousand euro as at June 30, 2019). The recognition of the contribution to the income statement follows a systematic and rational criterion in view of the depreciation of the fixed assets to which it refers.

21) Current tax liabilities

These amount to 19,970 thousand euro and include accruals for current taxes on the estimated profits of Group companies. The decrease of 804 thousand euro, compared to the balance of 20,774 thousand euro as at June 30, 2019, was due to the lower taxable income for the 2020 financial year and the amount of advance payments of tax made during the financial year, based on the tax charge for the previous year.

22) Bank debts and other financial liabilities

These refer to the current portion of non-current borrowing and loans, to bank advances and overdrafts on bank current accounts, the short-term portion of financial payables recognised in accordance with IFRS 16, to derivative financial instruments and to payables for business combinations. As at June 30, 2020, they amounted to 355,687 thousand euro, compared to 234,729 thousand euro as at June 30, 2019.

(thousands of euro)	30/06/2020	30/06/2019
Bank advances and current account overdrafts	7,093	10,007
Other ST bank loans	28,783	86,935
Current portion of long-term loans	308,158	129,553
Accruals on financial payables	384	461
Lease liabilities current	11,153	0
ST Loans	355,571	226,956
Payables for business combinations	0	6,580
Fair value of forward sales and purchases	116	1,153
Fair value of IRS	0	40
Short term derivative financial instrument	116	1,193
Total	355,687	234,729

Concerning derivative financial instruments, see the comments in note 12) Current financial assets.

23) Guarantees and commitments

These show commitments and guarantees given by the Group to third parties and consist of the following:

(thousands of euro)	30/06/2020	30/06/2019
Bank guarantees and liens to third parties	1,261,289	1,448,467
Total	1,261,289	1,448,467

Guarantees given by some banks to third parties on behalf of Group companies mainly refer to guarantees related to the carrying-out of some job orders. Guarantees in foreign currencies are entered at the year-end spot exchange rates.

INFORMATION ON THE INCOME STATEMENT

24) Revenues

Revenues are broken down as follows:

	30/06/2020	30/06/2019 restated
(thousands of euro)		
Revenues from sales and services	2,308,942	2,576,939
Changes in finished products and construction contracts	289,803	353,808
Other operating income	74,700	92,742
Total revenues	2,673,445	3,023,489

The level of revenues of the Group decreased by 12% compared to the previous year with an increase in turnover in the Plant Making segment and a decrease in the Steel Making segment, which shows lower production volumes compared to 2018/2019, due to the periods of interruption at the Italian ABS plant, as a result of both the decreasing phase of the sector and the restrictions imposed by the COVID-19 pandemic, which also caused the ABS Sisak plant to stop. Also note that in the second half of the year the ESW pipeline plant closed its operations, the economic effects of which are shown separately in Note 34, both with reference to the year ended June 30, 2020, and the previous year for comparative purposes.

Please refer to note 36 Information by business segment and geographical area for more details on the breakdown of revenues by business.

Other operating income includes 1,848 thousand euro for the release of unused provisions (8,085 thousand euro as at June 30, 2019), and for the Steel Making sector, 5,391 thousand euro for the remuneration of the service of electric power interruptibility, which, starting from 2015/2016, is supplied by the consortium "Absolute" rather than directly by Terna (5,732 thousand euro as at June 30, 2019), revenues from Energy Efficiency Credits accrued on the basis of energy savings in the Steel Making production process and certified by the competent supervisory body, totalling 6,528 thousand euro, (the total balance amounted to 3,762 thousand euro as at June 30, 2019, referred both to the current financial year and to previous financial years). The other revenues, lastly, also include the portion accrued in the income statement (1,264 thousand euro) of the contribution related to assets with respect to investment bonus under Italian Law Decree no. 91/2014 (1,661 thousand euro as at June 30, 2019).

There are no significant concentrations of revenues from the same counterparties that exceed 10% of the Group's total revenues.

25) Purchase costs of raw materials and consumables

The purchase costs of raw materials and consumables net of changes in inventories amounted to 1,403,587 thousand euro as at June 30, 2020 (1,641,326 thousand euro as at June 30, 2019, with an decrease of 237,739 thousand euro in the year) and are directly related both to the composition and type of job orders and to product sales included under "Revenues".

26) Personnel costs

Personnel costs of 453.755 thousand euro for the year ended June 30, 2020, are broken down below:

	30/06/2020		30/06/2019 restated	
	Managers and staff	Blue collars	Managers and staff	Blue collars
(thousands of euro)				
Wages and salaries	262,511	68,147	263,177	72,815
Social security contributions	66,084	19,579	67,796	20,735
Employee Termination Indemnity	14,209	3,832	13,985	4,127
Other personnel costs	14,194	5,199	11,328	2,341
Total	453,755		456,304	

The average number of personnel in the Group during the last two financial years was as follows:

Group personnel	30/06/2020	30/06/2019
Executives	202	203
White collars / Managers	5,884	5,957
Blue collars	2,950	3,140
Apprentices	211	184
Total	9,246	9,485

Changes in “Personnel costs” relate to changes in remuneration and to the number of employees.

27) Other operating costs

	30/06/2020	30/06/2019 restated
(thousands of euro)		
Cost for services	579,741	622,407
Use of third parties assets	14,393	24,506
Provisions	7,162	3,581
Other costs	27,073	21,262
Total	628,369	671,756

These amounted to 628,369 thousand euro as at June 30, 2020 (671,756 thousand euro as at June 30, 2019) and consisted of:

27.1) Cost of services

Cost of services included in “Other operating costs”, amounting to 579.741 thousand euro as at June 30, 2020, (622.407 thousand as at June 30, 2019, with a decrease of 42.666 thousand euro), are made up as follows:

	30/06/2020	30/06/2019 restated
(thousands of euro)		
Outsourcing	211,973	205,560
Energy and motive power	46,918	70,986
Utilities	13,417	25,348
Plant management, repairs and maintenance	25,279	27,483
Travel and living expenses	40,372	48,587
Commissions and premiums	13,245	14,606
Despatch, transportations and portorage	131,135	128,760
Insurances	8,840	9,080
Legal and administrative consultancy	41,463	40,890
Cleaning and security expenses	6,399	6,699
Bank services	7,403	8,697
Postal and communication costs	4,778	4,866
Advertising and promotion expenses	1,490	2,800
Other services	27,029	28,045
Total	579,741	622,407

“Other services” includes emoluments to the Board of Statutory Auditors, amounting to 127 thousand euro (210 thousand euro as at June 30, 2019).

The fees due to the independent auditors and entities in its network for auditing and other services rendered in the financial year, included among other cost of services and totalling 731 thousand euro (845 thousand euro as at June 30, 2019, note that in the previous year a different auditing company was in office), are indicated in detail in Attachment VI-C.

27.2) Cost for use of third party assets

At 14,393 thousand euro as at June 30, 2020, this item decreased by 10,113 thousand euro compared to 24,506 thousand euro as at June 30, 2019, mainly due to the application of the new accounting standard IFRS 16 and refers mainly to the rental of property, electronic equipment and civil and industrial motor vehicles.

According to the new IFRS 16, depreciation charges on the Right to Use recorded under non-current assets are recognised in depreciations or in personnel costs in case of fringe benefit leases to employees and interest expense on lease liabilities in financial charges. In the previous financial year, rentals/lease payments were fully included in the Costs for the use of third-party assets.

As at June 30, 2020, the item includes lease payments not included in the scope of application of IFRS 16 and/or leases for which the Group has made use of exceptions allowed by the Standard.

27.3) Provisions

The balance of 7,162 thousand euro as at June 30, 2020, (3,581 euro as at June 30, 2019) reflects the adjustment of provisions for risks to bring them into line with reasonably expected liabilities, which mainly concern pending disputes.

27.4) Other operating costs

These amounted to 27,073 thousand euro as at June 30, 2020, compared to 21,262 thousand euro as at June 30, 2019, with an increase of 5,811 thousand euro. They were made up as follows:

	30/06/2020	30/06/2019 restated
(thousands of euro)		
Loss on disposal of tangible assets	2,273	977
Sundry taxes	5,340	5,673
Other charges	619	596
Contributions	1,418	1,612
Other operating costs	6,034	9,120
Extraordinary expense	11,389	3,284
Total	27,073	21,262

The amount of extraordinary expenses included penalties incurred for the late start of some job orders in progress, net of the use of provisions allocated in view of the probable risk.

28) Depreciation, amortisation and write-downs

Below the breakdown of the caption:

	30/06/2020	30/06/2019 restated
(thousands of euro)		
Depreciation of property, plant and equipment	72,824	87,266
Amortisation of intangible assets	12,416	13,133
Depreciation of right of use	10,740	0
Total depreciation and amortisation	95,980	100,399
Write-down/(Reversal) of impairment losses	(1,043)	14,474
Other write downs (Revaluations)	201	63
Write downs (reval.) of other intangible assets	601	16,049
Write downs (reval.) of other property, plant and equipment	382	4,150
Write-downs	141	34,736
Total	96,121	135,135

The depreciation/amortisation of property, plant and equipment and intangible assets are illustrated in notes 1 and 2 above, providing information on the balance sheet.

29) Financial income

This amounted to 22,390 thousand euro as at June 30, 2020 and consisted mainly of:

(thousands of euro)	30/06/2020	30/06/2019 restated
Income from securities	5,564	5,357
Options and similar income	255	433
Income from investments	1,370	1,114
Interest income on bank deposits	12,592	8,402
Interest from customers	825	576
Other financial income	1,784	(428)
Total	22,390	15,454

The total amount of financial income increased compared to June 30, 2019, thanks to the remuneration of USD deposits included in cash and cash equivalents.

30) Financial charges

These consisted of:

(thousands of euro)	30/06/2020	30/06/2019 restated
Interest on loans and debts with banks and lessors	5,214	6,066
Interest on discount operations	2,908	1,545
Charges for discounting of receivables	5,286	12,777
Other financial charges	10,282	3,716
Total	23,690	24,104

Interest on loans and bank debts and lessors decreased as a result of the reduction in average financial exposure. Starting from this year, interest expense for leases amounting to 934 thousand euro are also included in this item.

On the other hand, interest on discounting operations reflect financial charges related to the management of bills receivable incurred during the year; charges for discounting of receivables implement the updated discounting of expected cash flows, as already commented in note 6).

31) Gains (losses) on foreign exchange transactions

(thousands of euro)	30/06/2020	30/06/2019 restated
Exchange gains	60,278	43,616
Exchange losses	(49,674)	(31,609)
Total	10,604	12,007

The exchange gain is mostly related to the appreciation of the US Dollar against the Euro. The income statement item also includes the exchange gain deriving from the derivative contracts activated on rates (mainly outright forward (sales)) and extinguished during the period, as well as the effects of their measurement at fair value at the end of the period.

32) Income/(charges) arising from the valuation of equity investments in associates with the equity method

Net income from the measurement of companies not consolidated with the equity method amounted to 142 thousand euro as at June 30, 2020 (net income of 467 thousand euro as at June 30, 2019), as shown in Attachment II-C.

	30/06/2020	30/06/2019 restated
(thousands of euro)		
Financial income from associates	294	467
Financial costs to associates	(152)	0
Income/(charges) arising from the valuation of equity investments in assoc. with the equity method	142	467

In particular, the net total for the period reflects the positive result of the measurement of Inter-Rail S.p.A. (282 thousand euro) and some minor companies.

33) Income taxes

Income taxes amounted to 22,256 thousand euro and cover an estimate of current and deferred tax assets and liabilities commensurate with the results of Group companies for the period. They are broken down as follows:

	30/06/2020	30/06/2019 restated
(thousands of euro)		
Income taxes	25,698	44,942
Deferred tax assets	3,557	(3,310)
Deferred tax liabilities	(6,999)	(8,329)
Total	22,256	33,303

The Italian tax rates for IRES (corporate tax) and IRAP (regional tax) applied by the Parent Company and Italian Group companies on the estimated taxable income for the year were 24% and 3.9% for current and deferred tax assets and liabilities, respectively.

Taxes for other countries in which the Group operates were calculated according to the current rates in those countries.

The reconciliation between the theoretical tax charge and the amount actually shown in the income statement, without considering the positive effects of income taxes from previous years, is provided in attachment V-C.

The effective average income tax rate indicated in the aforesaid attachment essentially reflects the tax charge estimated on the basis of individual companies' results.

34) IFRS 5 ESW

On November 26, 2019, the Danieli Group, by decision of the Board of Directors of the sub-holding Industrielle Beteiligung S.A., resolved to close the production activities of the subsidiary ESW Röhrenwerke GmbH. The decision was taken following the serious losses suffered by the company and the difficulties encountered in acquiring new production orders, the delays accumulated following the restructuring of the production structure and the difficult macroeconomic context of the steel industry.

In view of the programme to discontinue the activities of the German subsidiary ESW completed during the 2019/2020 financial year, the result and cash flows of the company as at June 30, 2020 were reported separately as discontinued operations in accordance with IFRS 5 - Assets held for sale and discontinued operations. The loss for the year includes, in addition to the unfortunately negative results of the plant's operations, the charges that the company incurred and will incur for the termination of employment.

The net result from discontinued operations and the cash flows generated/absorbed by them are broken down in the tables below.

Net result from discontinued operations

(thousands of euro)	Financial year ended	
	30/06/2020	30/06/2019
Revenues	22,467	39,859
Goods and finished products	(17,428)	(14,464)
Personnel costs	(12,439)	(16,408)
Other operating costs	(9,604)	(23,891)
Depreciation, amortisation and write-downs	(3,666)	(2,553)
Operating income	(20,670)	(17,458)
Financial Income and charges	4,104	211
Gains/(losses) on foreign exchange transactions		0
Profit before taxes	(16,566)	(17,247)
Income taxes	188	(5,480)
Profit and loss deriving from discontinued operations	(16,378)	(22,727)

Cash flows generated/absorbed by discontinued operations

(thousands of euro)	Financial year ended	
	30/06/2020	30/06/2019
Cash flow generated /(absorbed) by operating activities	(5,004)	(29,814)
Cash flow generated/(absorbed) by investing activities	2,732	(2,438)
Cash flow generated/(absorbed) by financing activities	3,000	30,000
Total cash flow	728	(2,252)
Opening cash and bank position	468	2,720
Total cash flow	1,196	468

35) Earnings per share

Earnings per share as at June 30, 2020 and 2019, were calculated on the basis of profit attributable to the Group and are shown separately for savings shares and ordinary shares.

Basic and diluted earnings per share

Basic earnings per share is calculated by dividing net profit for the year, attributable to ordinary and savings shareholders, by the weighted average number of both ordinary and savings shares outstanding during the financial year, net of weighted treasury shares. Profit attributable to savings shares is increased, compared to that of ordinary shares, by 2.07% of the shares' par value.

The weighted average number of shares and attributable net profit by category of shares are indicated below::

(thousands of euro)	30/06/2020		30/06/2019	
	Ordinary shares	N.C. Saving shares	Ordinary shares	N.C. Saving shares
Issued shares at the start of the period	40,880	40,425	40,880	40,425
Shares outstanding at the start of the period	37,918	36,480	37,918	36,480
Treasury shares (purchased)/sold in the period	0	0	0	0
Total shares outstanding at the period end	37,918	36,480	37,918	36,480
Weighted average of shares outstanding	37,918	36,480	37,918	36,480
Net profit attributable to Parent company shareholders (in thousands of euro)	31,666	31,220	33,771	33,245

	30/06/2020		30/06/2019	
	Ordinary shares	N.C. Saving shares	Ordinary shares	N.C. Saving shares
(thousands of euro)				
Profit reserved for holders of saving shares (euro 0.0207 per share)	0	755	0	755
Residual profit divided among all shares	31,666	30,465	33,771	32,490
Total	31,666	31,220	33,771	33,245
Basic earnings per share (euro)	0.8351	0.8558	0.8906	0.9113

No account has been taken of diluted profit per share since, as at June 30, 2020 (and as at June 30, 2019), there were no financial instruments with a dilutive effect on the profit attributable to shares outstanding.

36) Information by business segment and geographical area

In accordance with IFRS 8, the segment reporting schedules are provided below.

The Steel Making segment comprises the production and sale of special steels.

The Plant Making segment concerns the production and sale of plant for the iron and steel industry and also includes the operations of the subsidiary Danieli Finance Solutions SA.

The effects related to the closure of ESW's operations, in accordance with IFRS 5, are shown separately as arising from discontinued operations.

Profit and loss and balance sheet data are shown below, subdivided by activity segment, aggregating the financial statements prepared by companies belonging to the two specific segments.

(thousands of euro)	Discontinued operations	Steel making	Plant making	Inter-segment derecognition	Consolidated
30/06/2020					
Revenues from the core business		660,904	2,014,617		2,675,521
less inter-segment revenues				(2,076)	(2,076)
Revenues from third parties	0	660,904	2,014,617	(2,076)	2,673,445
Gross operating margin (Ebitda)		63,395	124,338		187,733
Depreciation, amortisation and write-downs		(49,225)	(46,895)		(96,120)
Operating income		14,170	77,443		91,613
Financial Income and charges		(5,516)	14,962		9,446
Profit before taxes		8,654	92,405		101,059
Income taxes		(2,286)	(19,970)		(22,256)
Net profit from continued operations		6,368	72,435		78,803
Profit and loss deriving from discontinued operations	(16,378)	0	0		(16,378)
Net profit for the period	(16,378)	6,368	72,435		62,425
Segment assets		1,089,854	4,174,130	(188,754)	5,075,230
(of which increases in property, plant and equipment and intangibles)		158,136	17,256		175,392
Segment liabilities		430,842	2,896,513	(188,754)	3,138,601
Shareholders' equity					1,936,629
Total segment liabilities and net equity					5,075,230

(thousands of euro)	Discontinued operations	Steel making	Plant making	Inter-segment derecognition	Consolidated
30/06/2019 restated					
Revenues from the core business		1,004,309	2,026,723		3,031,032
less inter-segment revenues				(7,543)	(7,543)
Revenues from third parties	0	1,004,309	2,026,723	(7,543)	3,023,489
Gross operating margin (Ebitda)		132,582	121,519		254,101
Depreciation, amortisation and write-downs		(61,108)	(74,027)		(135,135)
Operating income		71,474	47,492		118,966
Financial Income and charges		5,228	(1,404)		3,824
Profit before taxes		76,702	46,088		121,921
Income taxes		(18,723)	(14,580)		(33,303)
Net profit from continued operations		57,979	31,508		89,487
Profit and loss deriving from discontinued operations	(22,727)		0		(22,727)
Net profit for the period	(22,727)	57,979	31,508		66,760
Segment assets		1,130,917	4,055,508	(115,491)	5,070,934
(of which increases in property, plant and equipment and intangibles)		62,797	20,724		83,521
Segment liabilities		436,404	2,850,832	(115,491)	3,171,745
Shareholders' equity					1,899,189
Total segment liabilities and net equity					5,070,934

The allocation of Group consolidated revenues by geographical area is as follows:

(thousands of euro)	30/06/2020	%	30/06/2019 restated	%	Variation
Europe and Russia	1,359,628	51%	1,636,676	54%	-17%
Middle East	334,824	13%	442,061	15%	-24%
Americas	518,206	19%	360,483	12%	44%
South East Asia	460,787	17%	584,270	19%	-21%
Total	2,673,445	100%	3,023,489	100%	-12%

In the Plant Making segment, the geographical distribution of revenues is based primarily on the volume of shipments made, as well as progress with equipment construction operations both at our factories and in terms of on-site installation and start-up throughout the world.

As for the Steel Making segment, 25% of revenues were concentrated in Europe and Russia as at June 30, 2020, (compared to 51% of total revenues), while as at June 30, 2019, that region accounted for 34% of Steel Making revenues and 54% of the total.

The breakdown of property, plant and equipment and intangible assets (without considering the right of use underlying the application of IFRS 16) by geographical area is as follows:

(millions of euro)	30/06/2020	%	30/06/2019	%	Variation
Europe and Russia	760,831	80%	674,276	77%	13%
Middle East	25,252	3%	25,833	3%	-2%
Americas	3,528	0%	2,410	0%	46%
South East Asia	158,227	17%	176,222	20%	-10%
Total	947,838	100%	878,741	100%	8%

Related party transactions

Transactions carried out by Danieli & C. Officine Meccaniche S.p.A. and other companies in the scope of consolidation with related parties essentially concerned the provision of services and the trading of goods. They form part of standard operations and are at arm's length, i.e. at the conditions that would apply between two independent parties.

Related party transactions can be summarised as follows:

(thousands of euro)	30/06/2020		30/06/2019	
Company	Receivables	Payables	Receivables	Payables
Danieli Taranis LLC (USA)	9,163	10,154	6,877	6,184
Inter-Rail S.p.A. - Udine	3,644	3,853	0	2,047
Absolute Scarl - Pozzuolo del Friuli (UD)	48	3,355	1,215	0
Automation Integrated Solutions S.p.A. – Pianezza (TO)	734	24	1,326	2,570
Total	13,589	17,386	9,418	10,801

(thousands of euro)	30/06/2020		30/06/2019	
Company	Receivables	Payables	Receivables	Payables
Danieli Taranis LLC (USA)	15,601	11,010	14,700	16,924
Inter-Rail S.p.A. - Udine	17,180	13,702	0	15,726
Absolute Scarl - Pozzuolo del Friuli (UD)	0	13,994	5,689	9
Automation Integrated Solutions S.p.A. – Pianezza (TO)	4,660	18	782	6,422
Total	37,441	38,724	21,171	39,081

The following is reported with regard to the fees of directors, statutory auditors and general managers of Danieli & C. Officine Meccaniche S.p.A., recorded by the Company and its subsidiaries:

(thousands of euro)	30/06/2020	30/06/2019
Fixed fees	1,999	2,188
Variable fees	305	196
Benefits in kind	12	17
Other fees	0	31
Total	2,316	2,432

Disclosures pursuant to art. 114 of Italian Legislative Decree 58/1998

Pursuant to Italian Legislative Decree and CONSOB letter 6064293 of July 28, 2006, the disclosures concerning related party transactions, significant events, non-recurring and/or atypical and unusual transactions and the net financial position are presented in the corresponding sections of these notes.

37) Disclosure of public funds pursuant to Italian Law 124/2017

Grants and contributions received in the period from July 1, 2019, to June 30, 2020, from public administrations, from companies controlled by them and from publicly-owned companies, as required by the annual law for the market and competition (Italian Law 124/2017, art. 1, paragraphs 125-129), are shown below:

Identification data of the disbursing subject	Amount of the economic benefit received (euro)	Description of the type of advantage
State – Concession decree	43,687	Contribution for the implementation of the project called “Innovative techniques for automatic process classification and optimisation in the steelworks” - POR FESR 2014-2020 - Dossier 38869 <u>CONTRIBUTION NOT YET DISBURSED</u>
FVG Region - Concession decree	18,724	Contribution for the implementation of the project called “Innovative techniques for automatic process classification and optimisation in the steelworks” - POR FESR 2014-2020 - Dossier 38869 <u>CONTRIBUTION NOT YET DISBURSED</u>
State	56,344	Contribution for the implementation of the project called “DIGIMET - Digitalisation for the Metals Industry” - POR FESR 2014-2020 - Dossier 23606
FVG Region	24,148	Contribution for the implementation of the project called “DIGIMET - Digitalisation for the Metals Industry” - POR FESR 2014-2020 - Dossier 23606
SMACT - Q3 Premium	160,000	Contribution for the implementation of “Q3-Premium” - IIoT platform for data-driven quality control and analysis in the metallurgical field <u>CONTRIBUTION NOT YET DISBURSED</u>
Joint Interprofessional Fund called “Formazienda”, set up pursuant to art. 118, Italian Law no. 388 of December 23, 2000	90,451	Contributions for employee training TRAINING PLAN ID 2018-R041 CALLED “SEPTEMBER 2018 PERSONNEL TRAINING”
Autonomous Region of Friuli Venezia Giulia	418,732	Contribution for the project “NEW SOLUTIONS FOR THE TREATMENT OF STEEL STRIP WITH HIGHER QUALITY AND LOWER ENVIRONMENTAL IMPACT”.
Joint Interprofessional Fund called “Formazienda”, set up pursuant to art. 118, Italian Law no. 388 of December 23, 2000	70,610	Contributions for employee training TRAINING PLAN ID 2018-R041 CALLED “JANUARY 2019 PERSONNEL TRAINING”
Tax authorities	40,000	Contribution for R&D
Status	10,331	Tremonti quarter contribution
Pordenone and Udine Chamber of Commerce	1,200	“Work-related learning” contribution
Gestore dei mercati energetici S.p.A.	1,505,073	Contributions to energy efficiency projects
Cassa per i Servizi Energetici ed Ambientali	2,934,585	Reduction of charges related to the support of renewable sources for 2017

Events occurring after the reporting period

In a world steel market that is still strong, company operations continued with no significant events occurring since June 30, 2020.

With regard to the COVID-19 pandemic, there are no events that have created an impact on the Group after June 30, 2020. Please refer to the paragraph “COVID-19 pandemic” in the Directors’ Report. Alignment of currency items to the exchange rate prevailing on September 24, 2020, would have resulted in a decrease of approximately 13.5 million euro in unrealised exchange differences for the year compared to the figure recorded considering the exchange rate as at June 30, 2020. Except for what has already been discussed, no other events occurred after June 30, 2020 which could have had an impact on the economic, equity and financial position as shown in the balance sheet, the income statement and statement of comprehensive income at said date, or required further adjustments or additional notes to the consolidated financial statements and to the separate financial statements. Note that the Board of Directors’ meeting of September 24, 2020, also proposed the mandatory conversion of savings shares into ordinary shares. This proposal will be submitted to the Ordinary and Extraordinary Shareholders’ Meeting in single call on October 28, 2020.

ATTACHMENT No. I-C**COMPANIES INCLUDED IN THE SCOPE OF CONSOLIDATION****Italian companies**

no.	investee company	% as at June 30, 2020	dir.	ind.	through	%	Share Capital (thousands) currency	Amount
1	Acciaierie Bertoli Safau S.p.A. Via Buttrio 28 - 33050 Pozzuolo (UD)	100.00		x	Industrielle Beteiligung SA Findan S.p.A.	99.918 0.081	euro	290,000
2	Danieli Automation S.p.A. Via B. Stringher 4, 33042 Buttrio (UD)	100.00		x	Industrielle Beteiligung SA Findan S.p.A.	99.95 0.05	euro	10,000
3	Danieli Centro Combustion S.p.A. Via G. Galilei 40 - 20092 Cinisello Balsamo (MI)	100.00		x	Industrielle Beteiligung SA Findan S.p.A.	99.8 0.2	euro	2,500
4	Danieli Centro Cranes S.p.A. in liquidazione Via Gardesana 22 - 25086 Rezzato (BS)	100.00		x	Industrielle Beteiligung SA Findan S.p.A.	75.00 25.00	euro	120
5	Danieli Construction International S.p.A. Via Nazionale 41 - 33042 Buttrio (UD)	100.00		x	Industrielle Beteiligung SA Findan S.p.A.	99.999 0.0001	euro	6,000
6	Danieli Special Cranes S.r.l. in liquidazione Via dell'Industria 6 - 34072 Gradisca d'Is. (GO)	100.00		x	Findan S.p.A.	100.00	euro	2,700
7	Danieli Telerobot Labs Srl a s.u. Via Buccari 9 - Stradario 08520, 16153 Genova	100.00		x	Danieli Automation S.p.A.	100.000	euro	595
8	Fata S.p.A. Strada Statale n. 24 Km 12 - 10044 Pianezza (TO)	100.00		x	Industrielle Beteiligung SA	100.00	euro	5,000
9	Findan S.p.A. - Via Dante 56 - 33040 Pradamano (UD)	100.00		x	Industrielle Beteiligung SA Danieli Constr. Intern. S.p.A.	99.96 0.04	euro	2,500
10	La Letizia S.p.A. - Via Nazionale 41 - 33042 Buttrio (UD)	100.00		x	Findan S.p.A.	100.00	euro	2,100
11	More S.r.l. Via Santa Lucia 7 - 33013 Gemona del Friuli (UD)	100.00		x	Industrielle Beteiligung SA Findan S.p.A.	79.167 20.84	euro	240
12	Qualisteel S.r.l. Via Buttrio 57 - 33050 Pozzuolo del Friuli (UD)	100.00		x	Acc. Bertoli Safau S.p.A.	100.00	euro	21,500
13	Scuole e Asili Cecilia Danieli S.r.l. Via Nazionale 41 - 33042 Buttrio (UD)	100.00		x	Turismo 85 Srl Findan S.p.A.	99 1	euro	500
14	Stem S.r.l. in liquidazione Via Manzoni 12 - 20020 Magnago (MI)	100.00		x	Industrielle Beteiligung SA Findan S.p.A.	99.00 1.00	euro	265
15	Turismo 85 S.r.l. - Via Nazionale 71 - 33042 Buttrio (UD)	100.00		x	Industrielle Beteiligung SA Findan S.p.A.	99.00 1.00	euro	10

Foreign companies

16	ABS Centre Métallurgique Sas- Metz (FRA)	100.00		x	Acc. Bertoli Safau S.p.A.	100.00	euro	5,000
17	ABS Deutschland GmbH - Ratinger (DEU)	100.00		x	Acc. Bertoli Safau S.p.A.	100.00	euro	25
18	Acciaierie Bertoli Safau Iberica SL - Bilbao (ESP)	100.00		x	Acc. Bertoli Safau S.p.A.	100.00	euro	3
19	Acciaierie Bertoli Safau Scandinavia AB - Örebro(SWE)	100.00		x	Acc. Bertoli Safau S.p.A.	100.00	sek	50
20	Acciaierie Bertoli Safau Sisak Doo - Sisak (HRV)	100.00		x	Industrielle Beteiligung SA Acc. Bertoli Safau S.p.A.	98.71 1.29	hrk	811,833
21	Danieli Automation Co. Ltd. - Rayong (THA)	100.00		x	Industrielle Beteiligung SA	100.00	thb	81,275
22	Danieli Finance Solutions SA - Luxembourg (LUX)	100.00		x	Danieli & C. Off. Mecc. S.p.A. Danieli Automation S.p.A.	83.83 16.17	euro	400,000
23	Danieli Canada Inc. - Toronto (CAD)	100.00		x	Danieli Corporation	100.00	cad	7,922
24	Danieli Centro Combustion India Pvt. Ltd. - Pune (IND)	100.00		x	Industrielle Beteiligung SA	100.00	inr	24,000
25	Danieli Changsu Trading Co. Ltd - Changshu (CHN)	100.00		x	Danieli Germany GmbH	100.00	cny	1,000

no.	investee company	% as at June 30, 2020	dir.	ind. through	%	Share Capital (thousands) currency	Amount
Foreign companies							
26	Danieli Co. Ltd. - Rayong (THA)	100.00	x	Industrielle Beteiligung SA	100.00	thb	1,445,000
27	Danieli Corporation - Wilmington, Delaware (USA)	100.00	x	Danieli Holdings Inc.	100.00	usd	1
28	Danieli Corus BV - Ijmuiden (NLD)	100.00	x	Danieli Corus Technical	100.00	euro	136
29	Danieli Corus India (Pvt) Ltd. - New Delhi (IND)	100.00	x	Danieli Corus BV	99.95	inr	875
			x	Industrielle Beteiligung SA	0.05		
30	Danieli Corus Technical Services BV - Ijmuiden (NLD)	100.00	x	Industrielle Beteiligung SA	100.00	euro	14,840
31	Danieli Czech Engineering AS - Praha (CZE)	100.00	x	Industrielle Beteiligung SA	100.00	czk	3,000
32	Danieli do Brasil LTDA - Diadema (BRA)	100.00	x	Industrielle Beteiligung SA	100.00	brl	3,373
33	Danieli Engineering & Services GmbH - Völkermarkt (AUT)	100.00	x	Industrielle Beteiligung SA	100.00	euro	4,000
34	Danieli Engineering Japan Co. Ltd. - Yokohama (JPN)	100.00	x	Industrielle Beteiligung SA	100.00	jpy	40,000
35	Danieli Engineering Rom Srl - Cluj Napoca (ROU)	100.00	x	Industrielle Beteiligung SA	100.00	ron	10
36	Danieli Germany GmbH - Duisburg (DEU)	100.00	x	Industrielle Beteiligung SA	100.00	euro	10,000
37	Danieli Heavy Machinery Engineering LLC Dnepropetrovsk (UKR)	100.00	x	Industrielle Beteiligung SA	100.00	uah	177,882
38	Danieli Henschel SAS - Méry (FRA)	100.00	x	Industrielle Beteiligung SA	100.00	euro	192
39	Danieli Henschel Service OOO Moscow in liquidazione (RUS)	100.00	x	Danieli Henschel SAS	100.00	rub	50
40	Danieli Holdings Inc. - Wilmington, Delaware (USA)	100.00	x	Industrielle Beteiligung SA	100.00	usd	8,825
41	Danieli Hoogovens Steel Making Technology Ltd. Shanghai (CHN)	100.00	x	Danieli Corus BV	100.00	usd	200
42	Danieli India Ltd. - Kolkata (IND)	100.00	x	Industrielle Beteiligung SA	100.00	inr	5,649,416
43	Danieli Malaysia Sdn. Bhd. - Kuala Lumpur (MYS)	100.00	x	Danieli Constr. International S.p.A.	100.00	myr	500
44	Danieli Metall. Equip. & Service (China) Co Ltd.Changshu (CHN)	100.00	x	Industrielle Beteiligung SA	100.00	cny	280,111
45	Danieli Metallurgical Equipm.(Beijing) Co Ltd. Beijing in liquidazione (CHN)	100.00	x	Industrielle Beteiligung SA	100.00	cny	41,297
46	Danieli Russia Engineering OOO Moscow in liquidazione (RUS)	100.00	x	Industrielle Beteiligung SA	100.00	rub	50,350
47	Danieli Systec doo - Labin (HRV)	100.00	x	Danieli Automation S.p.A.	100.00	hrk	750
48	Danieli Systec Engineering Doo - Smederevo (SRB)	100.00	x	Danieli Automation S.p.A.	100.00	rsd	51
49	Danieli Systec Technology Doo - Nova Gorica (SLV)	100.00	x	Danieli Automation S.p.A.	100.00	euro	38
50	Danieli Technology Inc. - Wilmington, Delaware (USA)	100.00	x	Danieli Holdings, Inc.	100.00	usd	1
51	Danieli UK Holding Ltd. - Rotherham (GBR)	100.00	x	Industrielle Beteiligung SA	100.00	gbp	12,489
52	Danieli Volga OOO - Dzerzhinsk (RUS)	100.00	x	Danieli Russia Eng. OOO	99.99	rub	255,033
			x	Industrielle Beteiligung SA	0.01		
53	DWU Engineering Polska SP.z.o.o.- Wroclaw (POL)	100.00	x	Industrielle Beteiligung SA	100.00	pln	900

no.	investee company	% as at June 30, 2020	dir.	ind.	through	%	Share Capital (thousands) currency	Amount
Foreign companies								
54	Elsid Cheda Ltd. - Moscow (RUS)	100.00		x	Danieli Automation S.p.A.	100.00	rub	10
55	ESW Röhrenwerke GmbH - Eschweiler (DEU)	100.00		x	Industrielle Beteiligung SA	100.00	euro	25
56	Industrial Beteiligung for Serv. & Contracting Co. LLC Al Khobar (SAU)	100.00		x	Industrielle Beteiligung SA Findan S.p.A.	99.00 1.00	sar	500
57	Industrielle Beteiligung Company Ltd. HoChiMinh City (VNM)	100.00		x	Industrielle Beteiligung SA	100.00	vnd	80,183,393
58	Industrielle Beteiligung S.A. - Luxembourg (LUX)	100.00	x		Danieli & C. Off. Mecc. S.p.A.	100.00	euro	328,700
59	Innoval Technology Ltd. - Rotherham (GBR)	100.00		x	Danieli UK Holding Ltd.	100.00	gbp	1
60	Morgårdshammar AB - Smedjebacken (SWE)	100.00		x	Industrielle Beteiligung SA	100.00	sek	25,000
61	Morgardshammar Inc. - Charlotte, North Carolina (USA)	100.00		x	Danieli Holdings, Inc.	100.00	usd	0.1
62	Pars Foulad Jam Sama Heavy Metallurgical Equipment Co. PJS - Eshtehard (IRN)	100.00		x	Dan. Met. Equip. & Serv.(China)	100.00	irr	521,344,600
63	Sund Birsta (Beijing) Metallurgical Equipment Co. Ltd. Beijing (CHN)	100.00		x	Sund Birsta AB	100.00	cny	5,000
64	Sund Birsta AB - Sundsvall (SWE)	100.00		x	Industrielle Beteiligung SA	100.00	sek	10,000
65	Sund Strap AB - Sundsvall (SWE)	100.00		x	Sund Birsta AB	100.00	sek	100
66	Sund Birsta Inc. - Plantation, Florida (USA)	100.00		x	Sund Birsta AB	100.00	usd	10
67	Danieli Procome Iberica SA - Sondica (ESP)	99.99		x	Industrielle Beteiligung SA	99.99	euro	108
68	Rotelec SA - Bagnolet (FRA)	99.99		x	Industrielle Beteiligung SA	99.99	euro	600
69	Danieli Middle East for Eng. Services LLC - Cairo (EGY)	99.80		x	Industrielle Beteiligung SA	99.80	egp	50
70	Termo Makina Sanayi Ve Tic. AS - Duzce (TUR)	90.00		x	Industrielle Beteiligung SA	90.00	try	29,597
71	Fata Gulf Co. WLL - Doha (QAT)	49.00		x	Fata S.p.A.	49.00	qar	200
72	Zhuozhou Ruixin Metallurgy Equipment Co., Ltd Zhuozhou (CHN)	51.00		x	Sund Birsta (Beijing) Metallurgical Equipment Co. Ltd.	51.00	cny	5,000

ATTACHMENT No. II-C
SUMMARY OF EQUITY INVESTMENTS

	Financial year-end date or date of interim report	Interest held %	Value as at June 30,2019
(thousands of euro)			
Associates			
Danieli Taranis LLC - Chelsea (USA)	30/06/2020	50.00	3,046
Inter-Rail S.p.A. - Udine	31/12/2019	50.00	2,942
Absolute Scarl - Pozzuolo del Friuli (UD)	31/12/2019	50.00	125
Automation Integrated Solutions S.p.A. - Pianezza (TO)	31/12/2019	50.00	243
Ghadir Energy Fata Company PJS - Tehran (Iran)	22/09/2019	40.00	(21)
Telefriuli S.p.A. - Udine	31/12/2019	31.51	241
Fata Hunter India PVT - Bangalore (IND)	31/12/2019	100.00	46
Total investments in associates			6,622
OTHER EQUITY INVESTMENTS			
Metal Interconnettor S.c.p.A. - Milano	31/12/2019	3.80	4,175
Other minor holdings			913
Total investments in other companies			5,088
Total equity investments			11,710

Increases from acquisitions	Revaluations	Write-downs	Changes to shareholders' equity	Other changes	Disposals	Value as at June 30, 2020
		(126)		120		3,040
	282					3,224
						125
	12					255
		(5)	(1)			(27)
		(17)		(135)		89
0		(4)	(3)			39
0	294	(152)	(4)	(15)	0	6,745
3,280						7,455
1,546				(872)		1,587
4,826	0	0	0	(872)	0	9,042
4,826	294	(152)	(4)	(887)	0	15,787

ATTACHMENT No. III-CSCHEDULE SUMMARISING THE KEY DATA FROM THE APPROVED
FINANCIAL STATEMENTS OF ASSOCIATES

(thousands of euro)	Original Currency
Danieli Taranis LLC - Chelsea (USA)	USD
Inter-Rail S.p.A. - Udine	EURO
Absolute Scarl - Pozzuolo del Friuli (UD)	EURO
Automation Integrated Solutions S.p.A. - Pianezza (TO)	EURO
Ghadir Energy Fata Company PJS - Tehran (Iran)	IRR
Telefriuli S.p.A. - Udine	EURO
Fata Hunter India PVT - Bangalore (IND)	INR

(thousands of euro)	Original Currency
Danieli Taranis LLC - Chelsea (USA)	USD
Inter-Rail S.p.A. - Udine	EURO
Absolute Scarl - Pozzuolo del Friuli (UD)	EURO
Automation Integrated Solutions S.p.A. - Pianezza (TO)	EURO
Ghadir Energy Fata Company PJS - Tehran (Iran)	IRR
Telefriuli S.p.A. - Udine	EURO
Fata Hunter India PVT - Bangalore (IND)	INR

Last approved Fin. Statements	Non current assets	Current assets	Shareholders' Equity	Non current liabilities	Current liabilities
30/06/2020	301	24,630	1,346	124	23,461
31/12/2019	2,986	10,741	6,433	464	6,828
31/12/2019	0	4,118	50	0	4,068
31/12/2019	233	21,853	501	531	21,054
22/09/2019	51,000	358,000	(3,031,000)	0	3,440,000
31/12/2019	981	838	279	445	1,095
31/03/2020	0	3,349	3,317	0	32

Value of production	Costs of Production	Fin. income and expenses	Taxes for the year	Net Profit	Number of Employees
34,575	(32,237)	(27)	0	2,312	77
38,997	(37,626)	41	(379)	1,033	8
8,024	(8,024)	0	0	0	0
5,275	(5,248)	(7)	(3)	17	21
0	(520,000)	21,000	0	(499,000)	0
2,015	(1,976)	(13)	(12)	14	15
217	(547)	0	0	(330)	0

ATTACHMENT NO. IV-C
LOANS

(thousands of euro)	Original amounts	Current portions due by June 30, 2021	Portions due after June 30, 2021	Total
Payables to banks for loans				
- Credit Agricole Friuladria loan (Annual floating rate of 0.069%, last instalment by January 2021, in euro)	16,000	1,000	0	1,000
- Unione di Banche Italiane Loan (Annual floating rate 0.177 % last instalment by November 2024, in euro)	20,000	0	20,000	20,000
- BPM loan (Annual floating rate 0.625% last instalment by June 2025, in euro)	50,000	10,000	40,000	50,000
- BNL loan (Annual floating rate of 0.669%, last instalment by November 2024, in euro)	50,000	5,000	45,000	50,000
- Commerzbank AG (Tasso annuo variabile 0,90% ultima rata entro dicembre 2020, in euro)	15,000	12,000		12,000
- Finanziamento ZAGREBACKA BANKA (Annual floating rate 0.90% last instalment by December 2020, in euro)	15,000	3,741	8,417	12,158
- Ebrd loan (Annual floating rate 1.70 % last instalment by December 2020, in euro) (Covenants: Ebitda/consolidated fin. Charges ≥ 5 ; Cons. fin. indebt./cons.shareholders' equity ≤ 3 ; Cons. fin. indebt./Ebitda ≤ 4 ; Curr.Activ./Curr.Liab. ≥ 1.2)	20,000	1,667	0	1,667
- Banca Popolare di Sondrio loan (Floating rate of 0.93%, last instalment by February 2024, in euro)	15,000	0	15,000	15,000
- Banco BPM loan (Annual floating rate of 0.1 % - last instalment by September 2020, in euro)	53,000	13,000	0	13,000
- Banca Intesa Brescia loan (Annual floating rate of 0.174% - last instalment by December 2020, in euro)	50,000	50,000	0	50,000
- Banca Intesa Brescia loan (Annual floating rate of 0.174% - last instalment by December 2020, in euro)	30,000	30,000	0	30,000
- Banca Intesa Brescia loan (Annual floating rate of 0.22% - last instalment by April 2023, in euro)	50,000	18,750	25,000	43,750
- Bank Austria loan (Annual floating rate 0.172% - last instalment by October 2020, in euro) (Covenants: ratio Ebitda/consolidated fin. Charges ("R")R $< 2,9x$ applied margin 35bps per year; $2,9 \leq R \leq 3x$ applied margin 60bps per year)	50,000	50,000	0	50,000

(thousands of euro)	Original amounts	Current portions due by June 30, 2021	Portions due after June 30, 2021	Total
Payables to banks for loans				
- BNL -BNP Paribas Loan (Annual floating rate of 0.181% - last instalment by May 2020, in euro) (Covenants: cons. NFP \geq 250 million euro and five times the residual payable, whichever lower; Ebitda/consolidated fin. charges >5 ; cons. shareholders' equity/Cons. fin. indebt. >1.75 ; Cons. fin. indebt./Ebitda <3) "	30,000	30,000	0	30,000
- Credem loan (Annual floating rate of 0.03%, last instalment by May 2021, in euro)	35,000	35,000	0	35,000
- Credit Agricole loan (Annual floating rate 0.15% - last instalment by September 2020, in euro)	18,000	18,000	0	18,000
- BPER loan (Annual floating rate of 0.17%, last instalment by October 2020)	20,000	20,000	0	20,000
- Ubi Banca loan (Annual floating rate 0.177% - last instalment by April 2023, in euro)	50,000	0	50,000	50,000
TOTAL	587,000	298,158	203,417	501,575
Payables to banks for research projects				
- European Investment Bank loan (Annual fixed rate of 1.7% - last instalment by October 2021, in euro) (Covenants: cons. NFP \geq 250 million euro and five times the residual payable, whichever lower; Ebitda/consolidated fin. charges >5 ; cons. shareholders' equity/Cons. fin. indebt. >1.75 ; Cons. fin. indebt./Ebitda <3)	70,000	10,000	5,000	15,000
TOTAL	70,000	10,000	5,000	15,000
Other loans			3,233	3,233
TOTAL LOANS	657,000	308,158	211,650	519,808
SHORT-TERM PAYABLES TO BANKS		36,376		36,376
IFRS 16 Financial loans		11,153	34,492	45,645
GRAND TOTAL	657,000	355,687	246,142	601,829

ATTACHMENT No. V-CRECONCILIATION BETWEEN THE TAX CHARGE (IRES) IN THE FINANCIAL STATEMENTS
AND THE THEORETICAL TAX CHARGE

(thousands of euro)	June 30, 2020			June 30, 2019		
	Taxable income	Rate	Tax	Taxable income	Rate	Tax
Profit before tax	101,059			105,541		
Theoretical income tax charge		24.0%	24,254		24.0%	25,330
Accrued but not allocated deferred tax assets			4,362			8,960
Use of past year tax losses not allocated in provisions			(1,042)			(2,371)
Different tax rates applied by group companies			(7,126)			(1,796)
Permanent changes and other effects			(1,814)			(1,963)
Total changes			(5,620)			2,830
Effective income taxes			18,634			28,160
Effective IRES rate			18.4%			26.7%
Effective IRAP			3,419			6,731
Higher/(lower) taxes allocated in previous years			203			3,892
Total taxes recognised in the financial statements			22,256			38,783

ATTACHMENT No. VI-CSCHEDULE SUMMARISING FEES DUE TO THE INDEPENDENT EXTERNAL AUDIT COMPANY
AND ITS ASSOCIATED ENTITIES FOR SERVICES PROVIDED IN THE FINANCIAL YEAR

Type of services	Entity providing the service	Receiver of service	Fees	
			At June 30, 2020	At June 30, 2019
Accounting audit	(i) Independent Auditor of the Parent Company	Parent Company	151	169
Other auditing services	(i) Independent Auditor of the Parent Company	Parent Company	32	-
Total services rendered to the Parent Company			183	169
Accounting audit	(i) Independent Auditor of the Parent Company	(i) Subsidiary companies	168	125
Other auditing services	(i) Independent Auditor of the Parent Company	(ii) Subsidiary companies	-	23
Accounting audit	(ii) Other member firms part of the same network of the Independent Auditor of the Parent Company	(ii) Subsidiary companies	380	516
Other tax consulting services	(ii) Other member firms part of the same network of the Independent Auditor of the Parent Company	(ii) Subsidiary companies		12
Other services	(ii) Other member firms part of the same network of the Independent Auditor of the Parent Company	(ii) Subsidiary companies	-	-
Total services rendered to Subsidiary Companies			548	676
Total euro			731	845

Services for external audit include the fees for the legal audit of the Group companies

DECLARATION IN ACCORDANCE WITH ART. 154-B PARA. 5 OF THE TAX CONSOLIDATION ACT RELATIVE TO CONSOLIDATED FINANCIAL STATEMENTS (PURSUANT TO ART. 81-C OF CONSOB REGULATION NO. 11971 OF MAY 14, 1999 AND SUBSEQUENT MODIFICATIONS AND ADDITIONS)

1. We, the undersigned Gianpietro Benedetti, Chairman of the Board of Directors, and Alessandro Brussi, Manager responsible for the preparation of company accounting documents, of Danieli & C. Officine Meccaniche S.p.A. certify, also taking account of the provisions of art. 154-*b*, paragraphs 3 and 4, of legislative decree no. 58 of February 24, 1998:

- the suitability in relation to the characteristics of the company and
- the effective application of administrative and accounting procedures for the preparation of the consolidated financial statements, during the period from July 1, 2019 to June 30, 2020.

Assessment of the suitability of the administrative and accounting procedures for the preparation of the consolidated financial statements for the year to June 30, 2020 was based on a model established by Danieli & C. Officine Meccaniche S.p.A. consistent with the CoSO framework and also takes account of the document “*internal control over financial reporting - Guidance for Smaller Public Companies*”, both developed by the Committee of Sponsoring Organizations of the Treadway Commission, which is an internationally generally accepted reference framework.

2. It is also certified that the financial statements for the year to June 30, 2020

- a) were prepared in compliance with the applicable international accounting standards recognised by the European Community pursuant to EC regulation no. 1606/2002 of the European Parliament and the Council, of July 19, 2002;
- b) correspond with the accounting records and the entries therein;
- c) provide, in an appropriate way, a true and fair view of the balance sheet, profit and loss and financial position of the issuing company and of the companies included in the consolidation as a whole.

3. The directors' report includes a reliable analysis of performance and profit, as well as of the situation of the issuing company and of the companies included in the consolidation as a whole, together with a description of the principal risks and uncertainties to which they are exposed.

September 24, 2020

*Chairman of the Board of Directors
Gianpietro Benedetti
Signed*

*Manager responsible for the preparation of
company accounting documents
Alessandro Brussi
Signed*

EXTERNAL AUDIT REPORT



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INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
Danieli & C. Officine Meccaniche S.p.A.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Danieli & C. Officine Meccaniche S.p.A. (the Company), which comprise balance sheet as at June 30, 2020, income statement, statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and explanatory notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at June 30, 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

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Evaluation of Construction Contracts

Description of the key audit matter	<p>The financial statements of Danieli & C. Officine Meccaniche S.p.A. include Construction contracts assets for Euro 120.9 million and Construction contracts liabilities for Euro 157.0 million. Construction contracts are evaluated based on the percentage of completion, estimating the progress of works with the input method.</p> <p>The evaluation of Construction contracts under this methodology requires the estimate of total revenues, total costs and costs to complete for every project. Those estimates are periodically updated and request significant and complex assumptions from Management, that could be influenced by various factors such as:</p> <ul style="list-style-type: none"> • management’s capability to develop reasonable estimates at the beginning of the projects and at subsequent updates, • multi-annual duration of the projects, • projects’ technological complexity and degree of innovation, • warranties provided by the Company on the plants performances, • possible critical geopolitical context in the countries in which the customers operate. <p>Taking into consideration the relevance of Construction contracts on total Company’s activities and the complexity of assumptions used in the estimates about costs to complete the projects, we deemed the evaluation of Construction contracts to be a key audit matter for the Company’s financial statements at June 30, 2020.</p> <p>Disclosures related to Construction contracts assets and Construction contracts liabilities are included in notes 7 and 18 of the Company’s financial statements as well as in the description of Accounting Standards used by the Company and more specifically in the paragraph “Accounting Estimates - Construction Contracts”.</p>
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Audit procedures performed	<p>The audit procedures addressing this key audit matter included, among others:</p> <ul style="list-style-type: none"> • understanding of criteria and procedures adopted by Management in determining the percentage of completion of the projects; • comprehension of relevant internal controls pertaining to both initial estimates and subsequent periodical updates on total revenues, total costs and costs to complete the projects; • analysis, on a sample base, of reasonableness of estimates of projects’ costs to complete through: <ul style="list-style-type: none"> ○ analysis of contracts signed with counterparties, ○ tests on projects costs incurred, ○ discussions with project managers, controllers and/or head of business lines; • retrospective analysis on results of previous estimates related to Construction contracts; • analysis on updates of Management’s estimates for total revenues and costs of projects;
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- critical discussion with head of legal department of the Company and, if relevant, obtaining information from external legal counsels on lawsuits related to projects;
- examination of appropriateness of disclosure included in the explanatory notes of the separate financial statements and its compliance with applicable accounting standards.

Other Matters

The financial statements of Danieli & C. Officine Meccaniche S.p.A. for the year ended June 30, 2019 were audited by other auditors that on October 7, 2019 expressed an unmodified opinion on such financial statements.

Responsibilities of the Directors and the Board of Statutory Auditors for the financial statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or for the termination of the operations or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.



Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Danieli & C. Officine Meccaniche S.p.A. appointed us on October 26, 2018 as auditors of the Company for the years from June 30, 2020 to June 30, 2028.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of the Company are responsible for the preparation of the report on operations and the report on corporate governance and ownership structure of Danieli & C. Officine Meccaniche S.p.A. as at June 30, 2020, including their consistency with the related financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98 with the financial statements of Danieli & C. Officine Meccaniche S.p.A. as at June 30, 2020 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and information contained in the report on corporate governance and ownership structure are consistent with the financial statements of Danieli & C. Officine Meccaniche S.p.A. as at June 30, 2020 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Barbara Moscardi
Partner

Udine, Italy
October 6, 2020

This report has been translated into the English language solely for the convenience of international readers.

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

SEPARATE FINANCIAL STATEMENTS

AS AT JUNE 30, 2020

Financial statements

Balance Sheet

(euro)					
ASSETS	Notes	30/06/2020	of which with related parties	30/06/2019	of which with related parties
Non-current assets					
Property plant and equipment	1	53,051,035		54,718,456	
Right of use	2	11,234,143		0	
Intangible Assets	3	12,377,522		11,234,213	
Investment in subsidiaries	4	1,170,834,348		1,170,799,348	
Deferred tax assets	5	20,893,723		24,728,133	
Trade and other receivables	6	121,445,409	4,643,482	72,457,170	1,350,000
Total non-current assets		1,389,836,180		1,333,937,320	
Current assets					
Inventories	7	301,629,651	54,470,389	319,861,234	74,243,860
Trade receivables	8	525,446,282	237,206,839	510,370,885	146,325,685
Other Receivables	9	20,024,768		20,560,253	
Current tax assets	10	18,894,843	0	20,035,290	3,734,328
Current financial assets	11	11,188,844	2,738,179	7,844,347	5,961,374
Cash and cash equivalents	12	321,569,000	0	217,458,663	0
Total currents assets		1,198,753,388		1,096,130,672	
Total Assets		2,588,589,568		2,430,067,992	

(euro)					
LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	30/06/2020	of which with related parties	30/06/2019	of which with related parties
Shareholders' equity					
Share capital		81,304,566		81,304,566	
Treasury shares		(82,934,969)		(82,934,969)	
Other reserves and profit carries forward, including profit for the year		825,652,546		841,181,272	
Total shareholders' equity	13	824,022,143		839,550,869	
Non-current liabilities					
Non-current financial liabilities	14	239,755,922	150,000,000	212,500,000	0
Deferred tax liabilities	5	2,249,797		2,361,931	
Post employment benefits	15	15,369,959		17,295,522	
Provisions for risks	16	2,761,255		2,761,255	
Non Current Liabilities		260,136,933		234,918,708	
Current liabilities					
Trade payables	17	670,580,327	286,288,795	535,457,373	200,449,457
Payables for construction contracts and customer advance payments	7/18	416,134,109	102,620,647	509,478,275	115,120,299
Other current liabilities	19	55,317,362		58,490,685	
Current tax liabilities	20	3,767,850	3,117,850	2,275,724	2,275,724
Bank debts and other financial liabilities	21	358,630,844	81,897,672	249,896,358	99,128,729
Total current liabilities		1,504,430,492		1,355,598,415	
Total liabilities and shareholders' equity		2,588,589,568		2,430,067,992	

Income Statement

(euro)	Notes	Financial year ended			
		30/06/2020	of which with related parties	30/06/2019	of which with related parties
Operating revenues		695,285,451	112,256,300	784,166,774	122,186,847
Other operating income		21,211,611	12,316,374	23,703,119	10,949,877
Changes in inventories of finished products and construction contracts	7	385,182,583	310,222,489	210,991,410	67,928,648
Total revenues	23	1,101,679,645	434,795,163	1,018,861,303	201,065,372
Purchase cost of of raw materials and consumables	24	(655,808,484)	(228,903,577)	(561,214,105)	(207,758,221)
Personnel costs	25	(160,643,565)		(158,084,910)	
Other operating costs	26	(278,732,932)	(64,471,390)	(267,872,846)	(61,517,818)
Depreciation, amortisation and write-downs	27	(13,880,886)		(25,191,638)	
Operating income		(7,386,222)		6,497,804	
Financial income	28	5,631,136	9,019	3,466,289	11,833
Financial charges	29	(6,491,751)	(88,043)	(15,713,073)	0
Gains/(losses) on foreign exchange transactions	30	5,308,306		4,496,174	
Profit before taxes		(2,938,531)		(1,252,806)	
Income taxes	31	97,643		1,446,820	
Net profit for the period		(2,840,888)		194,014	

Statement of comprehensive income

(euro)	Notes	Financial year ended 30/06/2020	Financial year ended 30/06/2019
Net profit for the period		(2,840,888)	194,014
<i>Components of comprehensive income not subsequently reclassified in the result of the period</i>			
Actuarial gains/(losses) recognised in the statement of comprehensive income		289,810	(751,756)
Tax effect		(69,554)	180,421
	13	220,255	(571,334)
Total comprehensive income		(2,620,633)	(377,320)

Statement of changes in shareholders' equity

	Share capital	Treasury shares	Share Premium reserve	Other reserves	Net profit (loss) of the period	Total shareholders' equity
(thousands of euro)						
Shareholders' equity as at 30/06/2018	81,305	(82,935)	22,523	625,267	206,367	852,527
Effect of adoption of IFRS9 at 01.07.2018	0	0	0	(2,009)	0	(2,009)
Shareholders' equity as at	81,305	(82,935)	22,523	623,258	206,367	850,518
Operations with shareholders						
Allocation of profit per shareholders' meeting of 26/10/18						
to reserves	0	0	0	198,172	(198,172)	0
dividends to parent company shareholders	0	0	0	0	(8,195)	(8,195)
Unclaimed dividends	0	0	0	2	0	2
Effect of the operation under common control	0	0	0	(2,397)	0	(2,397)
Total operations with shareholders	0	0	0	195,777	(206,367)	(10,590)
Profit as at 30/06/2019	0	0	0	0	194	194
Other comprehensive income						
Actuarial gains/(losses) from IAS 19	0	0	0	(571)	0	(571)
Comprehensive income (expenses) for the period	0	0	0	(571)	194	(377)
Shareholders' equity as at 30/06/2019	81,305	(82,935)	22,523	818,464	194	839,551
Operations with shareholders						
Allocation of profit per shareholders' meeting of 28/10/19						
to reserves	0	0	0	(11,721)	11,721	0
dividends to parent company shareholders	0	0	0	0	(11,915)	(11,915)
Unclaimed dividends	0	0	0	3	0	3
Effect of the operation under common control	0	0	0	(996)	0	(996)
Total operations with shareholders	0	0	0	(12,714)	(194)	(12,908)
Profit as at 30/06/2020	0	0	0	0	(2,841)	(2,841)
Other comprehensive income						
Actuarial gains/(losses) from IAS 19	0	0	0	220	0	220
Comprehensive income (expenses) for the period	0	0	0	220	(2,841)	(2,621)
Shareholders' equity as at 30/06/2020	81,305	(82,935)	22,523	805,970	(2,841)	824,022

Statement of Cash Flows

	30/06/2020	of which with related parties	30/06/2019	of which with related parties
(thousands of euro)				
Reconciliation of profit before taxes with net cash flows from op.activities				
Profit before taxes	(2,939)		(1,253)	
Net increase/(decrease) in prov.for risks&charges	0		(2,000)	
Depreciation, amortisation and write-downs	14,744		14,561	
Losses/(gains) on disposal of property plant and equipment	(208)		176	
Write-down/(Reversal) of impairment losses	(863)		10,630	
Other non-monetary changes	459		0	
Net change in employee sev. indemnity prov.	(1,706)		(47)	
Foreign exchange losses/(gains) for the period	(5,308)		(4,496)	
Financial income for the period	(5,631)	(9)	(3,466)	(12)
Financial charges for the period	6,492	88	15,713	0
Total	5,040		29,818	
Net change in working capital				
(Increase)/decrease in inventories	18,232	19,773	(41,980)	(8,477)
(Increase)/decrease in trade and other receivables	(64,743)	(87,147)	(125,616)	(58,184)
Increase/(decrease) in trade and other payables	86,123	74,182	142,118	268,209
Unrealised foreign exchange losses/(gains)	5,308		4,496	
Total	44,920		(20,982)	
(Interest paid)	(4,396)	(88)	(3,069)	0
Interest received	5,968	9	2,449	12
Taxes paid in the period	6,383		927	
Income taxes	57,915		9,143	
Investing activities				
Investments:				
Property plant and equipment	(6,433)		(6,831)	
Intangible Assets	(6,261)		(6,619)	
Equity investments	(35)		(1)	
Disposals:				
Property plant and equipment	325		344	
Cash flow generated/(absorbed) by investing activities	(12,404)		(13,107)	
Financing activities				
Financial assets	(1,320)	3,223	(786)	231
Application of IFRS 16 - Financial loans	(1,813)			
New loans payable	275,965	132,769	93,158	22,658
Increase/(decrease) in advances on job orders not yet in production	(47,518)		20,649	
Repayment of loans payable	(151,783)	0	(21,483)	0
Effect of the operation under common control	(996)		(2,397)	
Short term derivative financial instrument	(2,024)		0	
dividends to parent company shareholders	(11,912)		(8,193)	
Cash flow generated/(absorbed) by financing activities	58,599		80,948	
Total cash flow	104,110		76,984	
Opening cash and bank position	217,459		140,475	
Closing cash and bank position	321,569		217,459	

Explanatory notes

Introduction

The draft financial statements for the year ended June 30, 2020 comprise the balance sheet, income statement, statement of comprehensive income, statement of cash flows, statement of changes in shareholders' equity and explanatory notes.

Amounts included in the balance sheet, income statement and statement of comprehensive income are presented in euro, amounts included in the statement of cash flows, statement of changes in shareholders' equity and the explanatory notes, unless otherwise indicated, are rounded to the nearest thousand euro.

In addition, with reference to Consob Resolution no. 15519 of July 27, 2006 pertaining to the financial statements of companies issuing financial instruments listed on Italian regulated markets, significant transactions with related parties were included in dedicated columns of the balance sheet, of the income statement and of the statement of cash flows, without compromising the overall legibility of the statements.

Danieli & C. Officine Meccaniche S.p.A. is a joint stock company, listed on the *Borsa Italiana* (Italian stock exchange), operating in the design, construction and sale of plants for the iron and steel industry. Its registered office is at Via Nazionale 41, Buttrio (Udine – Italy).

As at June 30, 2020, the share capital consisted of 40,879,533 ordinary shares and 40,425,033 savings shares. The ordinary shares are held by:

	Shares representing the share capital
Sind International s.r.l. - Milan	67.175%
Treasury shares held as at June 30, 2020	7.24%
Santa Lucia Seguros S.A.	3.01%
Market	22,575%

The statutory financial statements of Danieli & C. Officine Meccaniche S.p.A. have been audited by independent auditor Deloitte & Touche S.p.A.

The draft financial statements were approved on September 24, 2020 by the Board of Directors, which authorised their publication in the September 24, 2020 press release containing the main elements of these financial statements.

Statement of compliance with IFRS

The financial statements for the year ended June 30, 2020 have been prepared in compliance with the IFRS issued by the International Accounting Standards Board and endorsed by the European Commission, in accordance with the procedure per Art. 6 of Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of July 19, 2002, in force at the date of the financial statements, together with recommendations set out in the Regulations for Issuing Companies as approved by CONSOB (the Italian stock market regulator). The term "IFRS" encompasses all of the International Accounting Standards (IAS) and all interpretations published by the International Financial Reporting Interpretations Committee (IFRIC), previously known as the Standing Interpretations Committee (SIC).

The financial statements have been prepared on the historical cost principle, except for derivative financial instruments (as at June 30, 2019) that have been recorded at fair value and construction contracts that are included on the basis of the percentage of completion method, as well as on a going concern basis.

From the various options permitted by IAS 1, the company has chosen, in the balance sheet, to show current and non-current assets and liabilities separately on the basis of whether they will be realised/settled as part of the company's normal operating cycle within twelve months after the end of the reporting period, and to provide an analysis of costs on the basis of their nature in the income statement.

The statement of cash flows has been drawn up using the indirect method.

SUMMARY OF ACCOUNTING STANDARDS

The accounting standards used to prepare the separate financial statements for the year ended June 30, 2020 are the same as those followed the previous year, with the exception of the following new or revised IFRS and IFRIC that have been applied by the Group for the first time as from July 1, 2019. The Company did not arrange for the early adoption of any other standard or amendment published but still not in force.

Accounting standards applied as from July 1, 2019

IFRS 16 Leases - IFRS 16 was published in January 2016 and replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating leases - Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease).

IFRS 16 specifies the principles for recognition, measurement, presentation and disclosure of leases. The new standard defines a lease as a contract or part of a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The lessee model in the new standard is similar to the model used by IAS 17 for accounting for finance leases; upon lease commencement, a lessee recognises a lease liability and a right-of-use asset. The lessees will have to recognise separately interest expenses on a lease liability and the amortisation of a right-of-use asset. The Company used the practical expedients provided for the transition to IFRS 16 in order not to recalculate when a contract is or contains a lease. Therefore, the definition of leases in accordance with IAS 17 and IFRIC 4 will continue to apply to leases entered into or amended prior to its first-time application. The change in the definition of lease mainly refers to the criterion based on control ("right of use"). According to IFRS 16, a contract contains a lease if the customer has the right to control the use of an identified asset for a period of time in exchange for a payment. The company applies the definition of leases and the related provisions of IFRS 16 for all lease contracts entered into or amended on or after 1 January 2019

The lessees will also have to re-measure the lease liability when certain events occur (e.g.: change in the lease term, change in future lease payments resulting from a change in an index or a rate used to determine those payments).

IFRS 16 requires lessees and lessors more extended financial disclosure compared to IAS 17.

The Company chose to apply the modified retrospective method by recognising the cumulative effect at the date of first-time adoption in accordance with paragraphs C7-C13. The standard allows lessees to apply the provisions of IFRS 16:C5(b), which does not require comparative balances to be restated, as an alternative to retrospective application of IFRS 16.

In particular, the company recorded, with regard to the lease previously classified as operating:

- a financial liability (lease liabilities), equal to the present value of the remaining future payments at the transition date, discounted using for each contract the incremental borrowing rate applicable at the transition date;
- a right of use equal to the value of the financial liability at the transition date, net of any accruals and deferrals relating to the lease and recognised in the balance sheet at the end of the reporting period of these financial statements.

The duration is contractually established and in the case of clauses allowing the early termination of the contract or its extension or renewal, an analysis is made for each contract on whether or not such clauses are expected to be exercised. The company relied on its own experience in determining the duration of leases containing extension or termination options.

The adoption of IFRS 16 at the transition date, July 1, 2019, led to the recognition of rights of use of e 13.1 million euro and a financial liability of the same amount.

The incremental borrowing rate was calculated for each contract starting from the spreads commonly applied to the company for its own loans with conditions and duration similar to those of leases with the addition of the normal variable rates based on duration, currency and geographical area (e.g. EURBOR, USD LIBOR, EURIRS).

In order to present in the financial statements the impacts deriving from the first adoption of IFRS 16, the company decided to make use of the exemptions granted by IFRS 16, paragraph C5 letters a) and b).

The company availed itself of these exemptions in two cases granted by the standard: leases where the underlying asset has a "low value" (IFRS 16:5(b) - such as personal computers, printers - and short-term leases (such as leases with a lease term of 12 months or less - IFRS 16:5(a)). The value of the costs for the use of third-party assets related to these exemptions is equal to approximately 1.2 million euro for the 2019/2020 financial year.

For these exemptions, neither the financial liability of the lease nor the related right of use was recognised, but the lease payments were recognised in the income statement, as previously done, under operating costs.

The Right of Use is depreciated on a systematic basis at the lower of the lease term and the residual useful life of the underlying asset. If the lease contract transfers ownership of the related asset or the cost of the right of use reflects the company's intention to exercise the purchase option, the related right of use is amortised over the useful life of the asset in question. Depreciation starts from the commencement of the lease term.

The Liability arising from the lease is not shown under a separate item but under Current and non-current Loans.

Subsequent to initial recognition using the amortised cost method for the measurement of the Liability arising from the lease, the carrying value of this liability is increased by the interest on it (using the effective interest method) and decreased to take account of payments made under the lease contract. The Company recalculates the balance of the Liabilities arising from the lease (and makes an adjustment to the corresponding value of the right of use) if:

- The duration of the lease changes or there is a change in the valuation of the exercise of the option right.
- The value of the lease payments changes as a result of changes in indices or rates or if the amount of the guarantees changes for the expected residual value;
- A lease contract has been amended and the amendment is not included in the cases for the recognition of a separate contract.

The company did not record any of the above amendments in the current period.

Uncertainty over Income Tax Treatments (IFRIC Interpretation 23) - On 7 June 2017, the IASB issued the interpretation “Uncertainty over Income Tax Treatments (IFRIC Interpretation 23)”. The interpretation deals with the issue of uncertainties on the tax treatment of income taxes. In particular, interpretation requires an entity to analyse uncertain tax treatments (individually or as a whole, depending on their characteristics) on the assumption that the tax authority will examine the tax position in question, with full knowledge of all relevant information. If the entity believes that it is not probable for the tax authority to accept the followed tax treatment, the entity will reflect the effect of the uncertainty in measuring its current and deferred income taxes.

Moreover, the document does not contain any new disclosure requirement but emphasises that an entity will have to determine whether it will be necessary to disclose information on management considerations and on the uncertainty relating to tax accounting in accordance with IAS 1. The adoption of this amendment did not have any significant effect on the company’s consolidated financial statements.

Amendments IFRS 9 “Prepayment Features with Negative Compensation” - This document specifies the instruments that envisage early repayment that could comply with the “SPPI” test even if the “reasonable additional compensation” to be paid in the event of early repayment is a “negative compensation” for the lender. The adoption of this amendment did not have any effect on the Company’s consolidated financial statements.

Annual Improvements to IFRSs 2015-2017 Cycle - On 12 December 2017, the IASB issued the document “Annual Improvements to IFRSs 2015-2017 Cycle”, which implements the amendments to the standards as part of their annual process of improvement.

The main amendments refer to:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements: the amendment clarifies that when an entity obtains control of a business that represents a joint operation, it must remeasure the previously held interest in that business. On the other hand, this process is not envisaged in the event of joint control being obtained.
- IAS 12 Income Taxes: the amendment clarifies that all tax effects related to dividends (including payments on financial instruments classified as equity) should be accounted for in a manner consistent with the transaction that generated those profits (income statement, OCI or equity).
- IAS 23 Borrowing costs: the amendment clarifies that in the case of loans that remain in place even after the qualifying asset in question is ready for use or sale, these become part of the set of loans used to calculate financing costs.

The adoption of this amendment did not have any effect on the Company’s consolidated financial statements.

Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement” - The document clarifies how an entity should recognise an amendment (i.e. a curtailment or settlement) in a defined benefit plan. The amendments require the entity to update its assumptions and remeasure the net liability or asset arising from the plan. The amendments clarify that after the occurrence of such an event, an entity uses updated assumptions to measure the current service cost and interest for the rest of the reporting period following the event. The adoption of this amendment did not have any effect on the Company’s consolidated financial statements.

Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures” - This document clarifies the need to apply IFRS 9, including the requirements of impairment, to other long-term interests in associate companies and joint ventures that are not accounted for under the equity method. The adoption of this amendment did not have any effect on the Company’s consolidated financial statements.

Standards in force but not yet applied

The standards and interpretations in force at January 1, 2020 and not applied by the company in the preparation of the financial disclosure in that not in force as at July 1, 2019, starting date of the reporting period, are shown below. The company intends to adopt these standards as from July 1, 2020 as permitted by these provisions.

On 29 March 2018, the IASB published an amendment to the “References to the Conceptual Framework in IFRS Standards”. The amendment is effective for periods beginning on or after 1 January 2020, but early application is permitted. The Conceptual Framework defines the fundamental concepts for financial reporting and guides the Board in the development of IFRS standards. The document helps to ensure that the Standards are conceptually consistent and that similar transactions are treated in the same way to provide useful information to investors, lenders and other creditors. The Conceptual Framework supports companies in developing accounting standards when no IFRS standard is applicable to a particular transaction and, more generally, helps stakeholders to understand and interpret the Standards.

Property, plant and equipment

Property, plant and equipment are recognised in the balance sheet at cost of purchase or internal production, including directly attributable ancillary expenses, net of accumulated depreciation. Where there is a present obligation and where significant, cost is increased by the present value of the estimated cost of dismantling and removing the asset.

Borrowing costs directly attributable to the purchase, construction or production of an asset that requires significant time before the asset is available for use (a qualifying asset pursuant to IAS 23 – Borrowing costs) are capitalised, as part of the cost of such asset, and amortised over the useful life of the class of asset to which they refer.

Plant and machinery may include parts with different useful lives. Depreciation is calculated over the useful life of each individual part; in the event of replacement, the new parts are capitalised to the extent that they meet the criteria for recognition as assets, and the carrying value of the parts replaced is derecognised. The residual value and useful lives of the assets are reviewed at least every year-end. Regardless of existing depreciation, whenever impairment is determined on the basis of IAS 36, the asset is written down accordingly; the write-down is reversed in subsequent years, net of depreciation, if the reasons cease to apply. Ordinary maintenance costs are expensed in full in the income statement, while maintenance costs that increase the value of assets are allocated to the relative assets and depreciated over their residual useful lives.

Depreciation charged to the income statement has been calculated on a systematic and straight-line basis, at rates considered to be representative of the estimated useful economic and technical life of the assets. The principal annual depreciation rates applied are the following:

Buildings and light constructions	3 - 10%
Plant and machinery	from 10 to 15%
Furnaces and large automated plants	from 5 to 15.5%
Equipment	25%
Motor vehicles, wheeled internal transport and cars	20 - 25%
Furniture and office machinery	12 - 20%

Land, free of construction or annexed to buildings, is not depreciated since it has an unlimited useful life.

Intangible assets

Intangible assets are recognised at purchase or production cost, including directly attributable ancillary expenses.

The cost of an internally generated intangible asset includes only those expenses that can be directly attributed to the asset as from the date on which the criteria for recognition of that asset are met. After initial recognition, intangible assets are recorded at cost, net of accumulated amortisation and any impairment losses calculated as set out in IAS 36.

Research costs relating to production activities are fully expensed the year they are incurred.

Intangible assets are subject to amortisation unless they have indefinite useful lives. Amortisation is charged systematically over the useful life of the asset in accordance with estimated future economic use. The residual value at the end of the useful life is assumed to be zero unless there is a commitment by third parties to buy the asset at the end of its useful life or if there is an active market for the asset. The Directors review the estimated useful lives of intangible assets every financial year-end.

The main annual amortisation rates applied are in the following ranges:

Intellectual property rights	from 6.67 to 20%
Licences and trademarks	10%
Other intangible assets	from 20 to 33%

Investments in subsidiaries

Subsidiaries are entities over which the company exercises control, as a result either of owning the majority of the shares with the right to vote or of exercising a dominant influence, demonstrated by the power to determine, even indirectly, the financial and operating policies of these entities and to obtain the relating benefits, irrespective of shareholding relationships. The existence of potential voting rights that can be exercised at the reporting date is considered for the purpose of determining control.

Investments in subsidiaries are recognised at the cost of purchase or subscription, including transaction costs, from which any reimbursements of capital are deducted. That amount is subsequently adjusted for impairment, calculated in the same way indicated for property, plant and equipment. In particular, if circumstances indicate that the carrying value of investments may not be recovered, it is written down to realisable value, represented by the higher of net sale price and value in use. In measuring value in use, future cash flows are discounted at a rate reflecting current market assessments of the time value of money and the risks specific to the subsidiary.

The risk of losses exceeding shareholders' equity is provided for to the extent that the company has undertaken to satisfy legal or constructive obligations vis-à-vis the subsidiary or in any case to cover its losses.

The original value of the investment is reinstated in future accounting periods should the reasons for such write-downs no longer apply. Both the write-down and any reversals thereof are taken to the income statement, in gains/(losses) on equity investments.

Other equity investments

Other equity investments in which the ownership percentage is less than 20%, or 10% if listed, or over which the company exercises no significant influence, are measured at cost. They continue to be carried at cost even when this exceeds the amount determined by the equity method, provided that earnings prospects or implicit capital gains make it likely that the higher value will be recovered.

Financial receivables and assets

Upon initial recognition, financial assets are classified, as the case may be, on the basis of subsequent measurement methods, i.e. at amortised cost, at fair value recognised in other comprehensive income (OCI) and at fair value recognised in the income statement.

The classification of financial assets at initial recognition depends on the characteristics of the contractual cash flows of the financial assets and on the business model that the Company uses to manage them. With the exception of trade receivables that do not contain a significant loan component or for which the company has applied a practical expedient, the company initially values a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant loan component or for which the company has applied a practical expedient are valued at the transaction price determined in accordance with IFRS 15.

For a financial asset to be classified and measured at amortised cost or at fair value recognised in OCI, it must generate cash flows that depend solely on the principal and interest on the amount of principal to be repaid (known as "Solely Payments of Principal and Interest (SPPI)"). This measurement is referred to as the SPPI test.

Treasury shares

Treasury shares that are purchased back are deducted from shareholders' equity on the basis of the purchase price. The purchase, sale, issue and cancellation of equity instruments in the company share capital do not have any impact on profit or loss in the income statement. Voting rights associated with treasury shares are cancelled, as is the right to receive dividends.

Inventories

Inventories of raw and ancillary materials and consumables are recognised at the lower of purchase cost (including ancillary expenses), determined using the weighted average cost method, and estimated realisable value as determined from market trends at the end of the period. Finished and semi-finished products are valued at the weighted average purchase or production cost; any negative difference between cost and the corresponding market value at the end of the period is accrued to a specific product write-down reserve, which directly reduces the closing value of inventories.

Work in progress is measured at the production cost relative to the year of manufacture, based on the stage of completion achieved.

Construction contracts with duration of more than one year are recorded according to progress (or percentage of completion) method, under which income (and consequently margins) are recognised on the basis of production progress, determined by the company on the basis of the costs already incurred for the completion of the job order in proportion to the total, including the costs to be updated. For all job orders in progress where the invoicing exceeds the costs incurred plus margins recognised for accrual, the net value is recognised under current liabilities – payables for construction contracts.

The value of the work in progress is measured on the basis of estimated revenues and costs over the full life of the contract, for which estimates necessarily have a significant subjective component. The assumptions on which the measurements are based are updated periodically. Any effects on profit and loss of the revision of estimates are recorded in the financial year in which the updates are made. The valuation of construction contracts includes additional fees, compared to those agreed contractually, if their receipt is considered more than probable and the amount can be reliably estimated.

If it is expected that completion of a job order will result in a loss at operating margin level, also deriving from the estimate of any future charges relating to the completion of the job order, this is recognised in full in the financial year in which it becomes reasonably predictable and recognised to a specific provision.

Construction contracts denominated in currencies other than the functional currency and exceeding the advances collected are influenced by the exchange rate at the end of the reporting period, which helps to determine the total job order contractual revenue, to which must be applied the percentage of the stage of completion achieved.

Cash and cash equivalents

Cash and cash equivalents are kept to meet short-term cash commitments; the latter are highly liquid and easily convertible to cash for a known amount. Their value is subject to an irrelevant risk of fluctuation, with the exception of those in foreign currencies, which are subject to exchange rate risk.

Post-employment benefits

Employee severance indemnity (*trattamento di fine rapporto*, or TFR) falls within the scope of IAS 19 (Employee benefits) since it is similar to defined benefit plans. The amount recorded in the financial statements is subject to actuarial valuation in the form of the projected unit credit method, which discounts the obligation at an interest rate reflecting the market yield on high quality corporate bonds of comparable maturity; the calculation concerns accrued TFR for service already rendered, and incorporates assumptions about future salary increases. Actuarial gains and losses are recognised in the statement of comprehensive income entirely in the period in which they occur. Actuarial gains and losses are classified among retained earnings and will not be reclassified in the income statement in subsequent periods.

Following the changes made to the TFR provision rules by Italian Law 296 of December 27, 2006, and subsequent decrees and regulations issued in the early months of 2007, TFR accrued from January 1, 2007 has assumed the nature of a defined contribution plan, whether the employee has opted for benefits to be held in a complementary pension fund or in the Treasury Fund managed by the Social Security agency INPS.

Provisions for risks and charges

The company accrues a provision only when a present obligation exists for a future outflow of economic resources as a result of past events, it is probable that this outflow will be required and the amount of which can be estimated with reasonable precision. The amount recognised is the best estimate of the expense required to completely extinguish the present obligation.

Restructuring costs are recognised if the company has a detailed restructuring plan that it has communicated to the interested parties.

For contracts whose execution involves inevitable costs that exceed the presumed economic benefits of the agreements, the present contractual obligation is recorded on the same basis as a standard provision.

Financial liabilities

Company financial liabilities include trade payables, other liabilities, bank debts and loans.

Trade payables, customer advance payments and other liabilities

Trade payables, advance payments received from customers and other current and non-current liabilities are entered initially at nominal value, which represents fair value at the reference date. After initial recognition, these financial liabilities are measured at amortised cost, using the original effective interest method.

Loans

Initially, all loans are entered at the fair value of the amount received, net of transaction costs incurred to obtain the loan. After initial recognition, loans are valued at amortised cost using the effective interest rate method.

Loans are classified within current liabilities unless the company has an unconditional right to defer their payment for at least 12 months after the date of the financial statements.

Financial liabilities are removed from the balance sheet when they are extinguished and the company has transferred all risks and charges related to the instrument.

Derivative financial instruments

The company uses derivative financial instruments such as: forward sales/purchases of foreign currency, including synthetic ones with accumulation clause of outright forward (sales), interest rate swaps.

Derivatives are classified as hedging instruments, in accordance with IFRS 9, when the relationship between the derivative and the hedged item is formally documented and the effectiveness of the hedge, verified initially and periodically, is high.

The transactions that meet all the criteria for hedge accounting are accounted for as follows:

Fair value hedge

The change in the fair value of hedging derivatives is recognised in profit or loss under other costs.

The change in the fair value of the hedged item attributable to the hedged risk is recognised as part of the carrying value of the hedged item and is also recognised in profit or loss under other costs.

With regard to fair value hedges relating to items recognised at amortised cost, any adjustment to the carrying value is amortised in profit or loss over the remaining life of the hedge using the effective interest rate (EIR) method. The amortisation so determined can commence as soon as there is an adjustment but cannot extend beyond the date on which the hedged item ceases to be adjusted due to changes in the fair value attributable to the hedged risk.

If the hedged item is derecognised, the fair value not amortised is immediately recognised in profit or loss.

When an unrecognised irrevocable commitment is designated as a hedged item, the subsequent accumulated changes in its fair value attributable to the hedged risk are entered in the accounts as assets and liabilities and the corresponding profits or losses are recognised in profit or loss.

Cash flow hedge

The portion of gain or loss on the hedged instrument related to the effective portion of the hedge is recognised in other comprehensive income under the "cash flow hedge" reserve, while the ineffective portion is recognised directly in the profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in the fair value of the hedged item.

Changes in the fair value of derivatives that do not meet the conditions to be classified as hedging instruments in accordance with IFRS 9 are recognised in the income statement.

Revenues, interest and dividends

Revenues from construction contracts are recognised on the basis of the agreed considerations in proportion to the stage of completion of the work, determined using the percentage of completion method (“Performance obligations satisfied over time”) measured on the basis of the costs already incurred for a specific project out of the total estimated costs for a specific project (input method). This method of recognition and the contracts with customer on which it is based comply with the requirements of IFRS 15.

This is illustrated in greater detail in the section on inventories.

Revenues from sales and services are recognised in accordance with the provisions of IFRS 15 and of the transfer of control over the goods sold or services rendered and the fulfilment of the “Performance obligation” envisaged by the contractual agreements with the counterparties (“Performance obligations satisfied at a point in time”).

Revenues for partially provided services are recognised for the amount of the consideration earned, provided it is possible to reliably determine the stage of completion and there is no significant uncertainty about the amount or existence of the income and relative costs; otherwise they are recognised up to the amount of the recoverable costs incurred;

Revenues are booked net of returns, discounts, allowances and rebates, as well as of directly associated taxes on sales (value added tax).

For all financial instruments valued at amortised cost and interest-bearing financial assets classified as available-for-sale, interest income is entered using the effective interest rate (EIR), which is the rate that discounts estimated future payments and receipts over the expected life of the financial instrument.

Dividends are recognised the year in which they are resolved and the right to their collection arises.

Costs

Costs are recognised when they relate to goods and services sold or consumed in the financial year or by systematic allocation or when a useful future life can no longer be determined.

Operating lease instalments are allocated to the income statement over the life of the contract.

Personnel costs include the amount of earnings paid, accruals for pension funds and holidays due but not taken and social security costs, in application of the labour contracts and current legislation.

Costs for the acquisition of new knowledge or discoveries; for research into alternative products or processes, new technologies or models; for design and construction of prototypes or, in any case, for other scientific research or technological development activities are normally treated as research costs and charged to the income statement the year they are incurred.

Development costs incurred in relation to a given project are recorded as intangible fixed assets when the company can demonstrate:

- i) the technical feasibility of completing the project to make it available for use or sale;
- ii) its intention to complete the asset;
- iii) its ability to use it or sell it;
- iv) the way in which the asset will generate future economic benefits;
- v) the existence of available resources to complete the asset; and
- vi) the ability to reliably evaluate the cost attributable to the asset during its development.

Borrowing costs directly attributable to the purchase, construction or production of an asset that requires significant time before the asset is available for use (a qualifying asset pursuant to IAS 23 – Borrowing costs) are capitalised as part of the cost of such asset. All other financial charges are recognised as costs the year they are incurred.

Income taxes

Current income tax payables are allocated at the expected amount payable to the tax authorities, in accordance with the laws and rates in force (24.0% for IRES – corporation tax and 3.9% for IRAP – regional tax) at the end of the reporting period.

Current taxes related to items not reported in the income statement are taken directly to equity or to the statement of comprehensive income, consistently with the recognition of the item to which they refer.

The company, as consolidating company, exercised the option for the National Tax Consolidation system that allows Ires (Corporate Income Tax) to be calculated on the taxable income derived from the algebraic sum of the positive and negative taxable amounts of the individual companies. In addition to the Parent Company, the following Italian companies opted for the consolidation procedure: Danieli Automation S.p.A., Danieli Special Cranes S.r.l., Turismo 85 S.r.l., Stem S.r.l. and Danieli Centro Cranes S.p.A. Economic relations, as well as responsibilities and reciprocal obligations between the parent company and the aforesaid subsidiaries are defined within the “Regulations for opting for the National Tax Consolidation system of the Danieli Group”. In particular, based on the above agreement, tax losses realised during the tax consolidation procedure are remunerated within the limits of the actual use by the Tax Consolidation.

Deferred tax assets are recorded for all temporary differences to the extent that it is probable that taxable income will be achieved against which the deductible temporary difference can be used. The same principle applies to the recording of deferred tax assets for any usable tax losses.

The carrying value of deferred tax assets is reviewed at the date of the financial statements and, if necessary, reduced to the extent that it is no longer probable that sufficient taxable income will be generated to permit recovery of all or part of the asset. Such reductions are reversed in the event that the conditions for which they were made no longer apply.

Deferred tax liabilities are calculated using the "liability method" on all temporary differences existing at the reporting date between the value of assets and liabilities for tax purposes and the value reported in the balance sheet, save for specific exceptions.

Deferred tax assets and liabilities are calculated on the basis of the amounts expected to be recovered from tax authorities at the tax rates expected to be applicable in the year the asset is realised or the liability settled, by using the tax rates (24% and 3.9%, for IRAP).

Use of estimates

Preparation of the financial statements involves making accounting estimates based on complex and/or subjective opinions, estimates based on past experience and assumptions considered to be reasonable and realistic on the basis of information known at the time of the estimate. The use of accounting estimates influences the carrying value of assets and liabilities, and information on potential assets and liabilities at the date of the financial statements, as well as the amount of income and costs for the period. Actual results may differ due to the uncertainty of the assumptions and the conditions on which the estimates are based.

The following accounting estimates used in preparing the separate financial statements are considered to be significant because they involve significant recourse to subjective judgements, assumptions and estimates regarding matters that are by nature uncertain. Changes in the conditions on which opinions and assumptions are based can have a significant effect on the subsequent results. In particular, the estimates made for measuring the construction contracts are more significant in the preparation of the separate financial statements due to their undoubted complexity and relevance.

Construction contracts

The job orders managed by the company mainly refer to plants for the iron and steel industry and for non-ferrous metals, they may be highly significant in size and concluded sometimes with counterparties in Countries subject to political instability. These projects with duration exceeding one year are always characterised by a highly technological and often highly innovative level, and include performance guarantees upon the final delivery of the plants, which contribute to making the estimates related to the measurement of the construction contracts particularly complex.

The estimate process used by the company envisages the preparation for each job order of a well-structured and rigorous identification and management process of all the cost items required for its completion, broken down in detail for the different types of activities and/or services (grouped by project affinity). This process is aimed at quantifying and monitoring throughout the life of the project all the activities to be carried out for the various stages of production with the relative costs and revenues and the overall margin, by also identifying the gradual stage of completion related to the timely development of each single order. These estimates take into account any additional fee if agreed contractually or if their receipt is considered probable and the amount can be reliably estimated, whereas any additional costs compared to those initially estimated and any penalties are measured in the estimate of construction contracts by using all the information available to the company's management at the time of preparation of the financial statements. Assumptions and estimates are reviewed periodically and their effects are reflected in the income statement. As part of these assumptions and estimates, the impact of the Covid pandemic, albeit limited, was also considered at the end of the reporting period.

If it is expected that completion of a job order will result in a loss at operating margin level, also deriving from the estimate of any future charges relating to the completion of the job order, this is recognised in full in the financial year in which it becomes reasonably predictable and recognised in a specific provision. In particular, funds totalling 30.0 million euro (15.5 million euro as at June 30, 2019) were determined for the Company's job orders in progress of the company as at June 30, 2020, which include the estimate of any other related charges that appear probable on the basis of a careful measurement of the overall stage of the construction contracts at the end of the reporting period.

The measurement of construction contracts denominated in currencies (mainly USD) other than the functional currency (euro for the company) envisages that the portion exceeding the advances invoiced at the end of the reporting period be translated at the exchange rate at the end of the reporting period, helping to determine the total job order contractual revenue.

Company policy relating to exchange risk requires contracts whose incoming and outgoing cash flows are significantly affected by exchange rate fluctuations to be monitored, to determine the best hedging policy, which may include both the management of foreign currency purchases in order to obtain a natural hedging effect and the use of derivative contracts. Due to the intrinsic difficulty in preparing a meticulous planning of incoming cash flows to order, derivative contracts on exchange rates used in the period (and in the previous one) do not have the characteristics to qualify for hedging from an accounting point of view (known as hedge accounting). Consequently, the measurement of construction contracts is also affected by the change in the Euro/USD exchange rate occurred in the period.

Provisions for risks

The company makes accruals mainly in connection with employee benefits, legal and tax disputes and measurement of the job orders. Estimates for these accruals are the result of a complex process involving the subjective opinions of Company management that vary over time in relation to the information available.

Write-downs

Property, plant and equipment and intangible assets are written down in value when events or changed circumstances indicate that the amount recognised in the financial statements is not recoverable. The write-down is calculated by comparing the carrying value with the related recoverable amount, represented by the greater of fair value net of disposal costs and value in use, which is calculated by discounting to present value the expected cash flows deriving from use of the asset, net of disposal costs. Expected cash flows are quantified in light of the information available when the estimate is made, on the basis of subjective opinions on the trend of future variables — such as prices, costs, growth in demand and production profiles — and discounted to present value using a rate that takes into account the risk inherent in the asset in question.

Deferred tax assets

Deferred tax assets are recognised on the basis of expected profit in future years. The estimation of future profits for the purpose of recognising deferred tax assets depends on factors that can change over time and significantly impact their measurement. The company did not recognise assets for tax losses in the financial year ended June 30, 2020.

Estimate of fair value

The fair value of financial instruments listed on public markets is determined with reference to bid prices at the end of the reporting period.

The fair value of financial instruments not listed on public markets is calculated using financial measurement techniques. Specifically:

- the fair value of Interest Rate Swaps (IRS) is calculated by discounting future cash flows based on interest rate curves;
- the fair value of currency purchase/sale contracts with optional content is calculated by discounting the differentials between contractual forward exchange rates and market forward exchange rates at the end of the reporting period on the basis of the expected forward rates, and taking account of the optional components if inherent in certain types of contract.

Management of business and financial risks

The company provides continuous management of business risks for all corporate functions by actively monitoring them, in accordance with risk management methodology and principles, in order to identify, reduce and eliminate risks and thereby safeguard shareholders' rights.

Risks associated with the general state of the economy

The earnings and finances of the company are solid, balanced and diversified by segments and product lines, albeit still affected by the various macro-economic situations of the markets it serves around the world. In the financial year ended June 30, 2020, financial markets were characterised by low interest rates and a still volatile exchange rate between the Euro and the USD: this allowed a good performance of the real economy on a global basis in 2019, which was stopped at the beginning of 2020 by the recessionary consequences of the COVID-19 pandemic, which also limited growth prospects for the second half of the year.

The monetary policies implemented by the central banks of the main industrialised countries made it possible to contain the recession by aiming for growth in 2021 both in countries with consolidated economies that are penalised by the trend of sovereign debt, which remains under control essentially due to the low cost of money. However, the bank credit market is still weak, and positive changes are possible in 2021 in some areas of the world: this could positively affect the strategies and outlook of the operating company in multi-year job orders but allowed instead long-term production planning thereby reducing negative short-term impacts deriving from market volatility caused by the economic lockdown.

Risk associated with market conditions

This risk consists of the possibility that the market may no longer demand Danieli products, either for technological reasons or because of financial problems: we believe that the company's constant focus on research and development, with a view to offering solutions to customers that will boost their production efficiency, is one of our major strengths. Group management continuously monitors these aspects so as to safeguard our leadership position.

The company operates in the engineering and plant making sectors and is certified under ISO 14001 international standards; it follows a continuous process of identifying, managing and mitigating the price risks that might affect its performance, issuing subcontracting orders that set the prices of components deemed to be strategic due to their nature or long delivery times.

Risks associated with commodity prices, the cancellation of job orders and relations with suppliers

Company results can be significantly influenced by fluctuations in commodity prices, insofar as they affect the cost of completing job orders. Management follows an ongoing process for the identification, management and mitigation of price risks.

The company is active in several markets around the world; operating mainly to order, for each individual contract it sets up a policy for the management of subcontract price volatility, negotiating orders with deliveries exceeding six to eight months as soon as job orders come into force.

The management of each individual project is always structured to align the "expenditure curve" with the "receipts curve", so as to limit financial imbalances in the event a job order is cancelled; in addition, for unusual projects in terms of type or geographical area, suitable insurance or financial coverage is obtained, to counteract the risk of customer insolvency.

Market risk associated with fluctuations in exchange rates and interest rates

Market risk concerns the possibility that changes in interest rates and exchange rates between the euro and other currencies in which the company operates could negatively affect the value of assets or liabilities or the amount of cash flows.

Exchange rate risk

Company policy relating to exchange risk requires contracts whose incoming and outgoing cash flows are significantly affected by exchange rate fluctuations to be monitored, to determine the best hedging policy, which may include use of derivative contracts or the management of foreign currency purchases in order to obtain a natural hedging effect.

Exposure to exchange rate risks can have the following impacts:

- income risk from the different valuation of costs and income expressed in foreign currencies at different periods of time;
- transaction risk from the conversion of trade and/or financial receivables and payables expressed in foreign currencies.

Exposure to exchange rate risk is closely correlated with future cash flows from the gradual completion of contracts, taking account of contractual advances received, and with the payment of purchases in currencies other than the euro. The effects of such transactions are reflected both in revenues and in the valuation of current inventory, as well as in purchase cost.

Planning, coordination and management of these activities and valuation of exchange rate derivative instruments at fair value are carried out by the company financial management that monitors the correct correlation between derivative instruments and underlying cash flows, methodically basing these on market prices and ensuring proper accounting in compliance with international accounting standards.

The foreign exchange gain reported in the income statement for the period is mostly related to the performance of the US Dollar against the Euro, which entailed a revaluation of foreign currency funds as at June 30, 2020, as well as to the impact of transactions on foreign currency derivative contracts entered into during the year (mainly forward sales). The value of existing contracts is shown in note 11).

Regarding all significant financial assets and liabilities in foreign currencies, a sensitivity analysis was carried out to determine the impact on the income statement and on shareholders' equity in the event of a hypothetical 5% or 10% increase or decrease in the Euro/USD exchange rate compared with exchange rates as at June 30, 2020. This analysis did not consider the impact of exchange rate fluctuations on the measurement of construction contracts (as these are not financial assets according to IAS 32).

The following table summarises the adverse effects on shareholders' equity and on the income statement, before the tax effect, deriving from a possible strengthening of the euro and the positive effects should the US currency strengthen:

(in thousands of euro)	-10%	-5%	5%	10%
Foreign exchange gain/(loss) deriving from a fluctuation in the Euro/USD exchange rate	26,862	12,698	(11,526)	(21,973)
Total	26,862	12,698	(11,526)	(21,973)

Interest rate risk

For the company, the risk associated with interest rate fluctuations essentially concerns floating-rate, long-term loans for which no interest rate swaps have been signed.

A sensitivity analysis has been conducted to measure the profit and loss impact that could arise from a hypothetical increase or decrease by 10 or 15 bp in interest rates. This increase or decrease in interest rates would entail higher or lower financial income and charges before the tax effect as reported below:

(in thousands of euro)	-15BP	-10BP	+10BP	+15BP
(Lower)/Higher financial income	(482)	(322)	322	482
Lower /(Higher) financial charges	879	586	(586)	(879)
Total	397	264	(264)	(397)

Credit and country risk

Credit risk is the company' exposure to potential losses arising from the failure of counterparties to meet their obligations; this activity is monitored continuously by the Group's financial and executive management teams as part of routine business operations starting from the contract negotiation stage for the construction of plants.

The company carries out most of its activities in foreign countries and continuously evaluates political, social and financial risks in the areas in which it does business.

Exposure to counterparty credit risk is minimised by using insurance coverage to protect against the insolvency of customers or the countries in which they operate.

In the current year, there have been no significant cases of counterparty default, and credit risk is not significantly concentrated by area and/or customer, except for receivables from an important Egyptian customer already present in the financial statements in the previous year.

The changes in this item are described in note 6).

Liquidity risk

The company enjoys financial equilibrium by funding its plant making activities essentially with advance payments from customers. Liquidity, bolstered by access to partially utilised credit lines, is managed prudently by investing most temporary cash surpluses in short-term instruments.

Management of capital

Capital includes ordinary shares, savings shares and equity attributable to the shareholders of the parent company.

The primary objective of capital management is to obtain a strong credit rating and healthy financial ratios in order to support operating activities and maximise shareholder value.

The company manages and makes adjustments to its capital structure based on changes in general economic conditions. To maintain or adapt the capital structure, the company can adjust dividend payments to shareholders, return capital to shareholders or issue new shares, convert preference shares and buy and sell treasury shares.

There were no changes to the objectives, policies or processes during the financial years ended June 30, 2020 and June 30, 2019, or capital transactions during the two periods, except for the distribution of dividends.

The company monitors capital by following the indebtedness ratio, which compares the amount of net indebtedness with total capital plus net indebtedness. The company includes interest on loans and borrowing and cash and cash equivalents, also with regard to companies of the Group, in net indebtedness.

(millions of euro)	30/06/2020	30/06/2019
Gross financial indebtedness	598.5	509.9
Financial assets	(332.8)	(225.3)
Net financial position	265.7	284.6
Shareholders' equity	824.0	839.6
Capital and net indebtedness	1,089.7	1,124.2
Indebtedness ratio with third parties	24.4%	25.3%

Risks associated with environmental policy

The company's activities are subject to many national and international environmental protection laws and regulations.

In the segment in which the company operates, developments in environmental policy should be seen as an opportunity rather than a risk: with the enactment of more stringent rules and regulations (in addition to energy restraints in steel production, applying concepts like SuSteel and GreenSteel), the company can explore new favourable markets for its internally developed technologies and for its innovative plants.

Risks associated with human resources, safety, management and taxation

As at June 30, 2020, the company had 2,428 employees (2,432 as at June 30, 2019).

The human resource department has worked to manage normal turnover (with an improvement in education level and a decrease in average employee age), but also to optimise personnel for the company's new international needs.

Measures have been taken to reduce accident risks by implementing plant management policies in line with the best industrial practices, and by turning to the insurance market to make sure our units are well protected against third-party liability even in the event construction is halted and/or as part of the responsibility of directors towards shareholders/creditors.

Action has also been taken to train and motivate executive managers to ensure efficiency and continuity of operations, in the context of a difficult market caused by general reduction in consumption.

In the area of tax risks, note that the company closed with a settlement agreement the notice of assessment served in relation to the 2013/14 tax year and arising from the report on findings issued at the end of December 2018, setting the basis with the Revenue Agency to settle also the following tax years (2014/15 and 2015/16), although not yet assessed. The higher related taxes were recognised in the financial statements taking into account the use of losses carried forward from previous years.

A residual part of the findings remains to be clarified: a prudent provision has been made in the financial statements for a part of these, while for those that derive from interpretations of tax regulations that cannot be shared or from subjective analyses of valuation-related items that have yet to be analysed in detail, it was not deemed necessary to make any provision at the moment.

As indicated above, in October 2018 the Udine Court ruled on the trial concerning criminal violations related to certain tax violations by the Chairman, the Chief Executive Officer and other managers and former managers of the Group: the judgement acquitted the defendants of the allegation of fraud due to the “non-existence” of the costs incurred in foreign sites and condemned the Chairman and the Group’s Manager in charge in relation to the offence of “esterovestizione” (setting up foreign companies to evade taxes) of the Luxembourg companies, a case for which the company had already obtained two tax judgements in its favour and then fully settled either in self-defence (without the payment of taxes) or settlement with the Revenue Agency.

The judgement is not enforceable and at the end of February 2019 an appeal was filed before the Court of Appeal of Trieste, which is currently scheduled for February 2021. The grounds for judgement do not consider several aspects in favour of the defendants and others require a different and more careful assessment by the Court of Appeal. The company acknowledged with great surprise the conviction in case of “esterovestizione” (setting up foreign companies to evade taxes) also in consideration of the positive conclusion of the same dispute in the tax area and confirms its complete trust in the work of its directors and specifies that this judgement will not have any effect on the Group’s Governance and its financial and industrial strategies.

Classes of financial instruments and hierarchical levels of measurement at fair value

The following table shows the classes of financial instrument held by the company.

30/06/2020	Notes	Financial assets at fair value recognised through profit or loss	Financial assets measured at amortised costs	Financial assets at fair value recognised through comprehensive income	Equity Instruments (Initial recognition)	Total
(thousands of euro)						
		Initial recognition	According to IFRS9			
Financial assets						
Other non current receivables	6		121,445			121,445
Trade receivables	8/9		545,471			545,471
Current financial assets	11	11,189				11,189
Total Financial assets		11,189	0	666,916	0	678,105
30/06/2020	Notes	Financial liabilities at fair value recognised through profit or loss		Financial liabilities at fair value recognised through profit or loss		Total
(thousands of euro)						
		Initial recognition	According to IFRS9			
Financial assets						
Bank debts and other financial liabilities	14/21	0		598,387		598,387
Trade payables	17/18			1,086,714		1,086,714
Other current liabilities	19			55,317		55,317
Total Financial liabilities		0	0	1,740,418	0	1,740,418

30/06/2019	Notes	Financial assets at fair value recognised through profit or loss		Financial assets measured at amortised costs	Financial assets at fair value recognised through comprehensive income	Equity Instruments (Initial recognition)	Total
(thousands of euro)		Initial recognition	According to IFRS9				
Financial assets							
Other non current receivables	6			72,457			72,457
Trade receivables	8/9			530,931			530,931
Current financial assets	11	7,844					7,844
Total Financial assets		7,844	0	603,388	0	0	611,232
Financial liabilities							
Bank debts and other financial liabilities	14/21	0			462,396		462,396
Trade payables	17/18				1,044,936		1,044,936
Other current liabilities	19				58,491		58,491
Total Financial liabilities		0	0		1,565,823	0	1,565,823

Among these financial instruments, the company measured at fair value through OCI current financial assets, as detailed in note 11) Current financial assets, and derivative contracts, whose essential aspects are summarised below: For the other financial instruments, the carrying value represents a reasonable approximation of fair value.

INFORMATION ON THE BALANCE SHEET

NON-CURRENT ASSETS

1) Property, plant and equipment

The net value of 53,051 thousand euro as at June 30, 2020 decreased by 1,667 thousand euro compared to 54,718 thousand euro as at June 30, 2019, due to the difference between investments in the financial year, net of depreciations charged for the year.

	Land	Industrial buildings Light constructions	Plant and machinery	Industrial and commercial equipment	Other tangible assets	Asset under construction	Total
(thousands of euro)							
Historical cost	2,704	79,070	154,418	26,391	36,571	70	299,224
Accumulated depreciation	0	(42,502)	(142,098)	(24,680)	(32,643)	0	(241,923)
Balance at June, 30 2018	2,704	36,568	12,320	1,711	3,928	70	57,301
Changes during the period							
Increase	99	798	2,349	823	887	1,875	6,831
Transfers and disposals	0	0	(520)	0	0	0	(520)
Depreciation	0	(2,148)	(4,323)	(840)	(1,583)	0	(8,894)
Historical cost	2,803	79,869	154,068	27,123	37,022	1,945	302,830
Accumulated depreciation	0	(44,651)	(144,242)	(25,429)	(33,790)	0	(248,112)
Balance at June, 30 2019	2,803	35,218	9,826	1,694	3,232	1,945	54,718
Changes during the period							
Increase	417	345	4,032	1,450	1,048	(859)	6,433
Transfers and disposals	0	0	(102)	(15)	0	0	(117)
Ammortamenti	0	(2,129)	(3,691)	(940)	(1,223)	0	(7,983)
Historical cost	3,220	80,214	157,126	28,543	37,591	1,086	307,780
Accumulated depreciation	0	(46,780)	(147,061)	(26,354)	(34,534)	0	(254,729)
Balance at June, 30 2020	3,220	33,434	10,065	2,189	3,057	1,086	53,051

Depreciations charged to the income statement amounted to 7,983 thousand euro, calculated at rates considered to be representative of the estimated useful life of the assets.

The main investments in the financial year concerned new plants, models and electronic machines included in the general company plan for the technological updating of plants.

No write-downs were charged to the value of property, plant and equipment in current and previous financial years.

2) Right of use

They amounted to 11,234 thousand euro as at June 30, 2020 (not present as at June 30, 2019) and referred to the right of use (ROU) underlying the application of IFRS 16 net of the depreciation charge calculated for the period. Changes as at June 30, 2020 are shown below:

	Industrial buildings in leasing	Plant and machinery in leasing	Industrial and commercial equipment in leasing	Other tangible assets in leasing	Total
(thousands of euro)					
Balance at June, 30 2019	0	0	0	0	0
Changes during the period					
Application of IFRS 16 - Right of use	12,028	0	115	998	13,141
Increase	107	0	14	74	196
Depreciation ROU benefit to employees	(238)			(221)	(459)
Depreciation	(1,411)	0	(70)	(163)	(1,644)
Historical cost	12,135	0	129	1,072	13,337
Accumulated depreciation	(1,649)	0	(70)	(384)	(2,103)
Balance at June, 30 2020	10,486	0	59	688	11,234

3) Intangible assets

The balance of 12,378 thousand euro as at June 30, 2020 is higher than the total of 11,234 thousand euro as at June 30, 2019 mainly due to the difference between investments in the period and amortisation charged as represented below:

	Intellectual property rights	Concessions, licences and trademarks	Other intangible assets	Asset under development and advances	Total
(thousands of euro)					
Historical cost	20,696	69,161	0	0	89,857
Accumulated amortisation	(19,537)	(60,037)	0	0	(79,574)
Balance at June, 30 2018	1,159	9,124	0	0	10,283
Changes during the period					
Increase	1,030	3,804	2	1,783	6,619
Transfers and disposals	0	0	0	0	0
Amortisation	(1,106)	(4,560)	(2)	0	(5,668)
Historical cost	21,509	72,965	2	1,783	96,259
Accumulated amortisation	(20,426)	(64,597)	(2)	0	(85,025)
Balance at June, 30 2019	1,083	8,368	0	1,783	11,234
Changes during the period					
Increase	1,313	2,683	0	2,265	6,261
Transfers and disposals	0	0	0	0	0
Amortisation	(1,135)	(3,982)	0	0	(5,117)
Historical cost	22,822	75,648	2	4,048	102,520
Accumulated amortisation	(21,561)	(68,579)	(2)	0	(90,142)
Balance at June, 30 2020	1,261	7,069	0	4,048	12,378

“Intellectual property rights” include the cost of purchasing and finalising new patents for process solutions, machinery and equipment.

“Concessions, licences and trademarks” consist mainly of the costs of acquiring licences and of developing management software and programs used in the company’s operations.

Assets under development refer to some investment projects for management software programmes not yet completed.

The balance sheet does not include any intangible assets with indefinite useful lives.

Impairment of property, plant and equipment and intangible assets

As at June 30, 2020, there were no indications that property, plant and equipment and intangible assets might be impaired. In accordance with IAS 36, no impairment test was carried out at said date.

4) Equity investments

(thousands of euro)	30/06/2020	30/06/2019
Investment in subsidiaries	1,170,798	1,170,798
Other equity investments	36	1
Total	1,170,834	1,170,799

The list of investments and changes in the various items are shown in attachment I. There were no significant changes with respect to the balance as at June 30, 2019. Considering the performance of Danieli & C. Officine Meccaniche S.p.A.'s indirect subsidiaries and the absence of specific indications that they may be impaired, given that as at June 30, 2020 the carrying values of the investments in Industrielle Beteiligung SA were lower than the corresponding shares of net equity, the company's directors have found it unnecessary to conduct any further analysis demonstrating the recoverability of the value of equity investments. Comparison between the value recognised in the financial statements of investments and the corresponding proportion of shareholders' equity showed a higher net value of directly held investments, as shown in detail in attachment III. It also shows the higher value of the shareholders' equity stake compared to the value recognised in the financial statements also of indirect investments, except for a few situations specifically mentioned in the note, for which the higher value of cost compared to the shareholders' equity is justified by the value attributable to specific assets and liabilities identified during the acquisition, or seems to refer to temporary situations. Key data from the financial statements of Group companies as at June 30, 2020 is provided in attachment II.

5) Deferred tax assets and liabilities

They are calculated on temporary differences between carrying values and values reported for tax purposes.

The amounts of deferred tax assets and deferred tax liabilities for which recovery is expected within or beyond the next financial year are as follows:

(thousands of euro)	30/06/2020	30/06/2019
Deferred tax assets		
- Recoverable within next fiscal year	10,639	9,679
- Recoverable beyond next fiscal year	10,255	15,049
Total	20,894	24,728
Deferred tax liabilities		
- Recoverable within next fiscal year	2,250	2,362
Total	2,250	2,362
Net position	18,644	22,366

The attachment to the explanatory notes no. IX shows the initial and final composition, the impact on income statement and shareholders' equity and the reclassifications of the asset and liability items related to deferred tax assets and liabilities, respectively.

6) Trade and other receivables

Trade and other receivables amounted to 121,445 thousand euro as at June 30, 2020 (72,457 thousand euro as at June 30, 2019) and are broken down as follows:

(thousands of euro)	30/06/2020	30/06/2019
Trade receivables from customers	55,973	18,786
Other receivables	65,472	53,671
Total	121,445	72,457

Non-current trade receivables from customers related to terms of sale negotiated for the supply of complex plants with long start-up times, the increase in the year is mainly due to the restructuring of some existing receivables. "Other receivables" mainly comprise the receivables amounting to 74,704 thousand USD claimed from an important Egyptian customer relating to the management of certain significant job orders currently being performed with it, which for this reason are deemed to be trade receivables. In consideration of the long extension of time envisaged for the repayment of these receivables, an adjustment component of 2,149 thousand euro was set aside during the year for the discounting of the expected cash flows.

In the first half of 2020, the customer completed an important corporate restructuring and even though it suffered some delays in production due to COVID-19, it is developing a positive cash flow generation to finance its new investments and a progressive, albeit slow, reduction in its exposure to Danieli.

Its activities will be positively consolidated in the second half of 2020 and will continue positively in 2021 thanks to the restart of the Egyptian steel market now supported by strong customs barriers and with an adequate energy availability.

We believe that in the course of 2020/21 the company will be able to conclude a financial agreement with the Egyptian customer that will allow a faster repayment of the receivable.

Receivables are broken down below by maturity at the end of this and the previous year:

(thousands of euro)			
30/06/2020			
Deadlines	Trade receivables from customers	Other receivables	Total
2021/2022	39,900	13,179	53,079
2022/2023	13,491	5,237	18,728
2023/2024	121	5,068	5,189
2024/2025 and beyond	2,461	41,988	44,449
Total	55,973	65,472	121,445

(thousands of euro)			
30/06/2019			
Deadlines	Trade receivables from customers	Other receivables	Total
2020/2021	9,478	10,347	19,825
2021/2022	4,450	0	4,450
2022/2023	4,446	5,268	9,714
2023/2024 and beyond	411	38,057	38,468
Total	18,785	53,672	72,457

CURRENT ASSETS**7) Inventories**

The balance of 301,630 thousand euro as at June 30, 2020 was 18,231 thousand euro lower than the amount of 319,861 thousand euro as at June 30, 2019.

This change, due mainly to the increase in construction contracts is directly related to the size and degree of progress on existing job orders.

(thousands of euro)	30/06/2020	30/06/2019
Raw materials, consumables and supplies	31,355	24,079
Work in progress and semi-finished products	51,089	60,644
Construction contracts	164,600	166,629
Advances to Group companies	10,735	25,961
Advances to suppliers	43,851	42,548
Total	301,630	319,861

The total includes 164,600 thousand euro for construction contracts, broken down as follows:

(thousands of euro)	30/06/2020	30/06/2019
Construction contracts with third parties valued using the cost to cost method	545,276	689,721
Turnover on job orders in progress with third parties	(424,412)	(571,375)
Construction contracts	120,864	118,346
Work in prog, group companies	123,577	160,812
Less invoicing on WIP group companies	(79,841)	(112,529)
Work in progress on contracts, Group companies	43,736	48,283
Total	164,600	166,629

Construction contracts with a negative net value, resulting, for each individual job order, from the sum between work progress and amounts invoiced, have been reclassified to "Payables for construction contracts and customer advance payments" in current liabilities (see also note 18)

They are broken down as follows:

(thousands of euro)	30/06/2020	30/06/2019
Construction contracts with third parties valued using the cost to cost method	3.695.906	3.452.396
Turnover on job orders in progress with third parties	(3.815.604)	(3.617.356)
Write-down provision on job orders in progress for third parties	(30.037)	(15.537)
Payables for construction contracts	(149.735)	(180.497)
Group companies WIP with negative balance	588.883	241.477
Less invoicing on WIP group companies	(626.113)	(321.483)
Payables to group companies for WIP, net	(37.230)	(80.006)
Total	(186.965)	(260.503)

Payables for construction contracts and customer advance payments refer to the amounts paid by third-party customers and Group companies prior to the start or at the beginning of works and related to job orders in progress. These advance payments, intended to be reabsorbed in proportion to the invoices issued as job order progresses, are broken down in note 18).

The write-down provision on job orders in progress includes the provision deriving from the estimate of any future charges related to its completion as well as to the recognition of contractual penalties where considered probable.

The reconciliation between the change in inventory in the balance sheet and the impact on the income statement is shown below:

	30/06/2020	30/06/2019	Income statement impact
(thousands of euro)			
Assets side			
Work in progress and semi-finished products	51,089	60,644	(9,555)
Construction contracts	668,853	850,533	(181,680)
Turnover on job orders in progress with third parties	(504,253)	(683,903)	
Liabilities side			
Write-down provision on job orders in progress for third parties	30,037	15,537	(14,500)
Construction contracts	(4,284,790)	(3,693,873)	590,917
Turnover on job orders in progress with third parties	4,441,717	3,938,840	
Total			385,182

8) Trade receivables

The balance of 525,446 thousand euro as at June 30, 2020 was 15,075 thousand euro higher than the amount of 510,371 thousand euro as at June 30, 2019.

There are no significant concentrations of counterparty credit risk.

Trade receivables are recognised net of the provision for doubtful accounts that came to 30,252 thousand euro as at June 30, 2020 (31,338 thousand euro as at June 30, 2019).

thousands of euro	30/06/2020	30/06/2019
Customers	317,933	395,214
Collection order and bills	558	169
Provision for doubtful accounts	(30,252)	(31,338)
Total trade receivables from third parties	288,239	364,045
Trade receivables from Group companies	237,207	146,326
Total trade receivables	525,446	510,371

Trade receivables from Group companies are detailed in attachment X.

The decrease in the trade receivables is related to the invoicing occurred during the financial year of progresses on job orders and is also affected by changes in payment terms agreed with customers.

In the financial year, trade receivables were factored without recourse for 5,100 thousand euro (3,991 thousand euro as at June 30, 2019).

Changes in the provisions for doubtful accounts were as follows:

(thousands of euro)	30/06/2020	30/06/2019
Opening balance	31,338	21,490
Provision	0	10,630
Release of unused provisions	(863)	0
Other movements	(223)	(782)
Closing balance	30,252	31,338

Regarding the provision for doubtful accounts, the risk of loss on receivables is often a combination of technical risk (arising from design changes and/or delays in execution), customer risk and country risk. Credit risk and the appropriateness of this provision should therefore be viewed together with the write-down provision for construction contracts described in note 7) and 18).

The company determines the amount of expected credit losses through the use of a matrix of provisions, estimated on the basis of the historical experience of losses on receivables based on the past due of creditors, adjusted to reflect current conditions and estimates of future economic conditions. As a result, the credit risk profile (including technical risk as explained above) is presented according to the past due brackets according to the provision matrix.

In the assessment of credit recovery risks, carried out on the basis of the provisions of IFRS 9, the possible, albeit limited, worsening of the solvency of counterparties arising from the Covid pandemic were considered.

9) Other receivables

These amounted to 20,025 thousand euro as at June 30, 2020, showing a decrease of 535 thousand euro compared to the balance of 20,560 thousand euro as at June 30, 2019, and comprising:

(thousands of euro)	30/06/2020	30/06/2019
Insurance reimbursements	3,335	3,335
Prepaid SACE fees	60	134
ST Prepaid expense	5,185	4,777
Due from social security institutions	677	538
Foreign tax receivables	1,217	1,475
Travel expenses advances to employees, consultants and sites	459	584
Indirect tax receivables	5,760	6,097
Other Receivables	3,332	3,620
Total	20,025	20,560

There were no particular changes in other receivables as at June 30, 2020 compared to the previous year.

10) Current tax assets

This item is made up as follows:

(thousands of euro)	30/06/2020	30/06/2019
Foreign tax receivables	9,179	8,770
Direct tax receivables	9,716	7,531
Other current tax receivables	0	3,734
Total	18,895	20,035

Direct tax receivables as at June 30, 2020 include the IRES advance payments related to the tax consolidation and the IRAP advance payments during the year, net of the provision for current taxes, and receivables for taxes paid abroad, recoverable in accordance with relevant Italian and/or foreign laws and regulations.

11) Other financial receivables

(thousands of euro)	30/06/2020	30/06/2019
Financial Receivables ST	7,618	5,961
Accrued interest	1,546	1,883
Derivative financial instruments	2,024	0
Total	11,188	7,844

These amount to 11,188 thousand euro as at June 30, 2020, an increase of 3,344 thousand euro compared with the balance of 7,844 thousand euro as at June 30, 2019; 2,738 thousand euro concerns intra-group financing operations regulated through an intercompany current account at market rates and conditions, 4,880 thousand euro relating to receivables from the tax authorities already approved and interest-bearing, 1,546 thousand euro to accruals and deferrals on financial transactions and 2,024 thousand euro to fair value of some derivative instruments hedging the US dollar exchange rate risk outstanding as at June 30, 2020. The sales contracts as at June 30, 2020 were signed by the company for a nominal value of 125 million US Dollars and expire by September 2020. Loans to Group companies are detailed in attachment X.

12) Cash and cash equivalents

The balance of 321,569 thousand euro as at June 30, 2020 increased by 104,110 thousand euro compared to the amount of 217,459 thousand euro as at June 30, 2019 and included cash in hand of 1,011 thousand euro and short-term bank deposits of 320,558 thousand euro.

The company's cash remained stable, allowing it to manage on its own a possible extraordinary expenditure connected with the start-up of innovative plants and with the financing of defined research programmes.

See the statement of cash flows for further details.

SHAREHOLDERS' EQUITY

13) Shareholders' equity

Shareholders' equity as at June 30, 2020 amounted to 824,022 thousand euro, a decrease of 15,529 thousand euro compared with 839,551 thousand euro as at June 30, 2019.

Dividends paid in the last two financial years related to profits earned in the financial years ended June 30, 2019 and June 30, 2018, in accordance with art. 7 of the Articles of Association, were as follows:

Dividends paid during the financial years ended				
	30/06/2020		30/06/2019	
(thousands of euro)	euro per share		euro per share	
Ordinary shares	0.1500	5,688	0.1000	3,792
N.C. Saving shares	0.1707	6,227	0.1207	4,403
Total dividends paid		11,915		8,195

Changes in shareholders' equity items are summarised in the "Statement of changes in shareholders' equity".

13.1) Share Capital

Share capital is fully paid in and amounted to 81,305 thousand euro as at June 30, 2020 (81,304,566 shares with a par value of 1 euro each, comprised of 40,879,533 ordinary shares and 40,425,033 savings shares).

13.2) Treasury shares

The value of treasury shares amounted to 82,935 thousand euro as at June 30, 2020, unchanged compared to June 30, 2019; the portfolio was made up of 2,961,213 ordinary shares and 3,945,363 savings shares, with a unit par value of 1 euro each and a total par value of 6,907 thousand euro (8.49% of the share capital). Treasury share acquisition costs and sale revenues are recognised as changes in shareholders' equity.

13.3) Share premium account

As at June 30, 2020, this amounted to 22,523 thousand euro (unchanged from June 30, 2019) and concerns the share premiums paid on the exercise of warrants associated with the conversion of the bonds that matured in November 1999 and on July 1, 2003 and the gains/losses realised from the sale of treasury shares.

13.4) Other reserves

These totalled 805,971 thousand euro as at June 30, 2020 and decreased by 12,494 thousand euro compared to 818,465 thousand euro as at June 30, 2019. They are comprised as follows:

(thousands of euro)	30/06/2020	30/06/2019
Legal reserve	18,576	18,576
Extraordinary reserve	774,423	787,137
IAS 19 actuarial gains/(losses) reserve	(3,689)	(3,909)
Revaluation reserve	7,634	7,634
Merger surplus	11,036	11,036
Effect of adoption of IFRS9 at 01.07.2018	(2,009)	(2,009)
Total	805,971	818,465

The table in attachment IV shows the situation of reserves and capital funds indicating their origin, availability and utilisation in previous years. In the attached table, the items of shareholders' equity are also broken down according to the tax system applicable in case of distribution.

Legal reserve

The Legal Reserve amounts to 18,576 thousand euro as at June 30, 2020, unchanged since June 30, 2019: its amount as at June 30, 2020 exceeds the requirement stated in art. 2430 of the Italian Civil Code, so a further allocation of the net profit for the year is no longer mandatory.

Other reserves

The remaining reserves consist of:

Extraordinary reserves

The extraordinary reserves amount to 774,423 thousand euro and they decreased by 12,714 thousand euro overall compared to 787,137 thousand euro as at June 30, 2019 as a result of the allocation of the result for 2018/2019 (after distribution of dividends) of 11,915 thousand euro as per the shareholders' resolution of October 28, 2019 and the recognition of unclaimed dividends of 3 thousand euro. The higher value of 996 thousand euro paid for the acquisition of the business unit from Fata S.p.A. on July 01, 2019 was also deducted from the extraordinary reserves as envisaged by "under common control" operations.

Gains (losses) from IAS 19

They comprise the recognition in the comprehensive income of the actuarial gains and losses deriving from application of IAS 19 (Employee benefits).

Revaluation reserves

Totalling 7,634 thousand euro (unchanged since June 30, 2019), these represent revaluations of assets carried out in accordance with the law.

Merger surplus

This amounted to 11,036 thousand euro as at June 30, 2020, unchanged since June 30, 2019.

13.5) Profit for the year

This amounted to a negative balance of 2,841 thousand euros as at June 30, 2020 (a positive balance of 194 thousand euros as at June 30, 2019).

NON-CURRENT LIABILITIES**14) Loans**

Non-current financial payables, which amounted to 239,756 thousand euro as at June 30, 2020 (212,500 thousand euro a year earlier, with an increase of 27,256 thousand euro), consist of the non-current portion of financial liabilities recognised in accordance with IFRS 16 of 9,756 thousand euro, 80,000 thousand euro consists of the medium and long term portions of loans arranged with banks and other institutional lenders and 150,000 thousand euro refer to loans granted by Danieli Finance Solutions SA at market rates.

A detailed list of debts and interest rates and their breakdown by current/non-current portion is provided in attachment V.

There continue to be contractual covenants on some loans. Based on the results of the financial statements for the year ended June 30, 2020, the economic and equity parameters set out in the loan agreements have been complied with.

The maturity dates of the non-current portions of loans were as follows:

(thousands of euro)	30/06/2020	30/06/2019
2020/2021	-	182,500
2021/2022	169,032	17,500
2022/2023	63,805	12,500
2023/2024	975	0
2024/2025 and beyond	5,944	-
Total	239,756	212,500

The breakdown of the company's net financial position as at June 30, 2020 is shown below, which includes financial payables and receivables with Group companies, compared to the previous financial year, is set below:

(thousands of euro)	30/06/2020	30/06/2019	Variation
Current financial assets			
Securities and other financial assets	11,189	7,844	3,345
Cash and cash equivalents	321,569	217,459	104,110
Total	332,758	225,303	107,455
Non-current financial liabilities			
Non-current financial liabilities	230,000	212,500	17,500
Lease liabilities non-current	9,756	0	9,756
Total	239,756	212,500	27,256
Current financial liabilities			
Bank debts and other financial liabilities	356,863	297,414	59,449
Lease liabilities current	1,768	0	1,768
Total	358,631	297,414	61,217
Current net financial position	(25,873)	(72,111)	46,238
Non-current net financial position	(239,756)	(212,500)	(27,256)
Net financial position	(265,629)	(284,611)	18,982

The net financial position no longer includes, as "Bank debts and other financial liabilities", any customer advance payments on job orders not yet in production that amounted to 47,518 thousand euro as at June 30, 2019. These amounts are included among payables for construction contracts and customer advance payments in the balance sheet.

The remaining advances from customers and from companies of the Group, still recognised under payables for construction contracts and customer advance payments and amounting to 229,170 thousand euro as at June 30, 2020 and 201,456 thousand euro as at June 30, 2019, respectively, were instead included in working capital as they are used to finance job orders in progress, together with advances to suppliers.

15) Post-employment benefits

The balance of 15,369 thousand euro decreased by 1,927 thousand euro compared to 17,296 thousand euro as at June 30, 2019.

Changes were as follows:

(thousands of euro)	30/06/2020	30/06/2019
Opening balance	17,296	16,772
Cost relating to employee compensation with defined benefits	58	162
Benefits paid	(1,695)	(929)
Actuarial (gains)/losses recognized in the statement of comprehensive income	(159)	752
Other accruals for employee benefits	(131)	539
Closing balance	15,369	17,296

The cost relating to employee compensation with defined benefits was recognised in the income statement among financial charges, whilst payments to complementary pension funds were recognised among personnel costs, as indicated in Note 25). As shown in the table, actuarial losses and gains are recorded in the statement of comprehensive income, among those items that will not be reclassified subsequently to the result for the year.

The main actuarial assumptions used were the following:

	30/06/2020	30/06/2019
Discount rate	0.30%	0.35%
Rate of increase in management salaries	1.0%	1.0%
Rate of increase in wages and salaries	1.0%	1.0%
Turnover rate	5.0%	5.0%

The sensitivity analysis of the main evaluation parameters is as follows:

(thousands of euro)					
Turnover rate +1%	Turnover rate -1%	Inflation rate +0,25%	Inflation rate -0,25%	Discount rate +0,25%	Discount rate -0,25%
24	128	32	2	0,1	35

16) Provisions for risks

Totalling 2,761 thousand euro as at June 30, 2020, this item was unchanged compared to the balance of 2,761 thousand euro as at June 30, 2019, as shown in the following changes:

(thousands of euro)	30/06/2020	30/06/2019
Opening balance	2,761	4,761
Provision	2,650	0
Release of unused provisions	(650)	(1,500)
Utilisations and other changes	(2,000)	(500)
Closing balance	2,761	2,761

Provisions for risks are set up to cover costs and expenses that may arise from situations that, as at June 30, 2020, were still of uncertain outcome. In particular, the removal of estimated risks at the end of the previous year led to the freeing of provisions amounting to 650 thousand euro.

The estimate for these allocations and of the provisions resulting at the end of the period is the result of a complex calculation process involving the subjective opinions of Company management, which may affect the subsequent economic results even to an appreciable extent.

As regards tax disputes, the company used what had been previously set aside since it closed with a settlement deed the notice of assessment served in relation to the 2013/14 tax year, setting the basis with the Revenue Agency to settle also the other tax years (2014/15 and 2015/16), although not yet assessed. It was not considered necessary to allocate any provision for tax risks, while provisions for risks on technical disputes were prudently made.

CURRENT LIABILITIES

17) Trade payables

Trade payables are broken down as follows:

(thousands of euro)	30/06/2020	30/06/2019
ST payables to suppliers	384,291	335,008
Payables to group companies	286,289	200,449
Total	670,580	535,457

Due to suppliers increased by 49,283 thousand euro compared to the balance as at June 30, 2019. The amount includes payables in foreign currencies totalling 24.8 million euro (of which 21.6 million USD, equivalent to 19.42 million euro and 395 million Algerian dinars equivalent to approximately 3.0 million euro) at the financial year-end exchange rate. At the end of the previous year, payables in foreign currencies totalled 28.6 million euro, of which 24.2 million USD equivalent to 21.2 million euro and 978 million Algerian dinars equivalent to approximately 7.3 million euro, at the exchange rate at the end of the previous financial year. There are no significant concentrations of payables on one or a small number of suppliers. Trade payables also include positions subject matter of Reverse Factoring with leading national operators for an amount of approximately 77.8 million euro as at June 30, 2020 with different maturities but less than 12 months (38.8 million euro as at 30 June 2019).

These liabilities maintain their original nature as trade payables in consideration of the fact that there are no financial charges borne by the Company, they do not fall within the financial credit lines used by the Company and the terms of payment follow the normal conditions of supply for the types of business in which the Company is active.

Payables to Group companies, which increased by 85,840 thousand euro compared to the value as at June 30, 2019, are broken down in attachment X.

18) Payables for construction contracts and customer advance payments

Payables for construction contracts and customer advance payments, totalling 416,134 thousand euro as at June 30, 2020, decreased by 93,344 thousand euro from 509,478 thousand euro as at June 30, 2019, comprise:

(thousands of euro)	30/06/2020	30/06/2019
ST Advances from customers	163,778	166,343
Advances from Group Companies	65,391	35,114
Payables for construction contracts	119,698	164,960
Payables to group companies for WIP, net	37,230	80,006
Other advances on job orders not yet in production	0	47,518
Write-down provision on job orders in progress for third parties	30,037	15,537
Total	416,134	509,478

“Advances from customers and Group companies” represent amounts paid by customers prior to the start or at the beginning of works and related job orders in progress. These are reabsorbed in proportion to the invoices issued as job order progresses. The change in this item relates to the volume of orders acquired and job orders in progress.

“Other advances on job orders not yet in production” (non-present as at June 30, 2020) include amounts paid by some customers as guarantee deposits relating to job orders, not yet in force, included in the net financial position (47,518 thousand euro as at June 30, 2019).

“Payables for construction contracts” and “Payables for construction contracts to Group companies” include the negative net value resulting, for each individual job order, from the sum between work progress and amounts invoiced in advance. The items are shown more in detail in note 7).

The write-down provision on job orders in progress includes the provision deriving from the estimate of any future charges related to its completion as well as to the recognition of contractual penalties where considered probable.

The provision also includes charges related to a dispute with a Malaysian customer for which a prudent provision has been made in relation to an arbitration award against Danieli in the first instance; the decision envisages a payment for damages and the withdrawal of the machines supplied. The provision covers about 50% of the amount resulting from the award for the damages alone in view of the serious inaccuracies in the decision of the arbitration panel and the good chances for the company to assert its reasons during the appeal as well as being able to reuse the equipment in full in case of withdrawal.

Advance payments received and trade payables to Group companies are detailed in attachment X.

19) Other current liabilities

Other current liabilities amounted to 55,317 thousand euro as at June 30, 2020 (58,491 thousand euro as at June 30, 2019) and they are mainly comprised of:

(thousands of euro)	30/06/2020	30/06/2019
Due to employees	26,514	29,170
Indirect tax payables	35	29
Withholding tax due	4,335	4,498
Guarantee deposits	16,105	16,531
Due to supplementary pension funds	687	647
Due to social security institutions	6,253	6,538
Due to company boards and committees	134	170
Other ST liabilities	1,254	908
Total	55,317	58,491

Amounts due to employees consist mainly of the payable for holidays earned but not taken at the end of the year.

“Payables for guarantee deposits” include amounts paid by some customers as guarantee deposits relating to job orders.

20) Current tax liabilities

As at June 30, 2020, the net balance of current tax liabilities, which includes accruals for taxes on estimated profits and advance payments made during the year, shows a net receivable and is therefore recognised under current assets. On the other hand, current liabilities include payables of 3,118 thousand euro (2,276 thousand euro as at June 30, 2019) to subsidiaries for the sale of negative taxable income (significant tax losses) or which have made advance payments in excess of the tax due.

21) Bank debts and other financial liabilities

These referred to the current portion of non-current borrowing and loans, bank current account overdrafts, the short-term portion of financial payables recognised in accordance with IFRS 16 and intra-group financing operations, at market rates and conditions, through an intercompany current account, and to existing derivative financial instruments. As at June 30, 2020, the liability item totalled 358,631 thousand euro, compared to 249,896 thousand euro as at June 30, 2019.

(thousands of euro)	30/06/2020	30/06/2019
Current portion of long-term loans	274,750	150,500
ST Loans from subsidiaries	81,898	99,129
Accruals on financial payables	215	267
Lease liabilities current	1,768	0
Total	358,631	249,896

Financial payables with Group companies are detailed in attachment X.

22) Guarantees and commitments

These show commitments and guarantees given by the company to third parties and were made up as follows:

(thousands of euro)	30/06/2020	30/06/2019
Bank guarantees and liens to third parties	992,224	1,101,910
Bank guarantees and liens to third parties on behalf of Group companies	88,531	66,268
Total	1,080,755	1,168,178

Guarantees given by banks to third parties on the company's behalf consist mainly of guarantees linked to the carrying-out of various job orders. Items in foreign currencies are entered at the year-end exchange rates.

As at June 30, 2020, guarantees from third parties in the company's favour amounted to 43,910 thousand euro.

INFORMATION ON THE INCOME STATEMENT**23) Revenues**

Revenues are broken down as follows:

(thousands of euro)	30/06/2020		30/06/2019	
		of which with related parties		of which with related parties
Revenues from sales and services	695,285	112,256	784,166	122,186
Changes in finished products and construction contracts	385,182	310,222	210,992	67,929
Other operating income	21,213	12,317	23,703	10,950
Total revenues	1,101,680	434,795	1,018,861	201,065

The different composition between revenues from sales and changes in construction contracts depends on how much progress has been made on job orders in progress and to what extent they have been completed.

Revenues from Group companies are detailed in attachment X.

Other operating income includes 650 thousand euro for the release of unused provisions for risks (1,500 thousand euro as at June 30, 2019).

There are no significant concentrations of revenues from the non-Group counterparties that exceed 10% of the company's total revenues.

24) Purchase costs of raw materials and consumables

(thousands of euro)	30/06/2020		30/06/2019	
		of which with related parties		of which with related parties
Purchase of raw materials	26,458	0	25,517	0
Purchase of finished products	629,187	228,904	535,439	207,758
Other purchases	164		258	
Purchase cost of of raw materials and consumables	655,809	228,904	561,214	207,758

Purchase costs of raw materials and consumables, of finished products and goods, net of the respective changes in inventories, are directly related to the composition and type of job orders included under "Revenues".

25) Personnel costs

Personnel costs are broken down as follows:

(thousands of euro)	30/06/2020		30/06/2019	
	Managers and staff	Blue collars	Managers and staff	Blue collars
Wages and salaries	98,904	18,395	96,244	19,285
Social security contributions	26,726	5,900	26,120	6,332
Employee Termination Indemnity	6,768	1,293	6,344	1,322
Other personnel costs	2,437	221	2,438	0
Personnel costs	160,644		158,085	

The average number of personnel during the last two financial years was as follows:

	30/06/2020	30/06/2019
Executives	85	85
White collars / Managers	1,674	1,579
Blue collars	544	539
Apprentices	158	133
Total	2,461	2,336

Changes in "Personnel costs" relate to the size of the organisation and the natural trend in earnings.

26) Other operating costs

These amounted to 278,733 thousand euro as at June 30, 2020 (267,873 thousand euro as at June 30, 2019) and consisted of:

(thousands of euro)	30/06/2020		30/06/2019	
		of which with related parties		of which with related parties
Cost for services	255,030	63,662	248,765	59,607
Use of third parties assets	8,286	371	8,668	539
Provisions	2,650		0	
Other costs	12,767	439	10,440	1,372
Total Other costs	278,733	64,472	267,873	61,518

26.1) Cost of services

Cost of services included in “Other operating costs” amounted to 255,030 thousand euro as at June 30, 2020 and 248,765 thousand as at June 30, 2019, thus increasing by 6,265 thousand euro; they are made up as follows:

(thousands of euro)	30/06/2020		30/06/2019	
		of which with related parties		of which with related parties
Outsourcing	88,019	63,662	96,249	59,607
Energy and motive power	2,536		2,924	
Utilities	709		1,030	
Plant management, repairs and maintenance	5,743		5,603	
Travel and living expenses	14,520		18,270	
Commissions and premiums	5,719		1,810	
Despatch, transportations and portorage	53,013		40,526	
Insurances	3,197		2,801	
Legal and administrative consultancy	4,328		4,921	
Cleaning and security expenses	1,005		1,016	
Bank services	4,917		5,714	
Postal and communication costs	3,028		3,268	
Advertising and promotion expenses	867		1,108	
Other services	67,428		63,523	
Total Other for services	255,030	63,662	248,765	59,607

Outsourcing to Group companies is detailed in attachment X, under operating costs.
“Other cost of services” includes emoluments to the Board of Statutory Auditors, amounting to 132 thousand euro (134 thousand euro as at June 30, 2019).

26.2) Cost for use of third party assets

At 8,286 thousand euro as at June 30, 2020, this item decreased by 382 thousand euro compared to 8,668 thousand euro as at June 30, 2019 and refer mainly to property rentals and the leasing of electronic equipment that do not fall within the application of IFRS 16 and software fees. According to the new IFRS 16, depreciation charges on the Right to Use recorded under non-current assets are recognised in depreciations or in personnel costs in case of fringe benefit leases to employees and interest expense on lease liabilities in financial charges. In the previous financial year, rentals/lease payments were fully included in the Costs for the use of third-party assets.

(thousands of euro)	30/06/2020		30/06/2019	
		of which with related parties		of which with related parties
Use of third parties assets	8,286	371	8,668	539

26.3) Other operating costs

These amounted to 12,767 thousand euro as at June 30, 2020, an increase of 2,327 thousand euro compared with 10,440 thousand euro as at June 30, 2019. They were made up as follows:

(thousands of euro)	30/06/2020		30/06/2019	
		of which with related parties		of which with related parties
Loss on disposal of tangible assets	3		320	
Sundry taxes	1,110		1,814	
Contributions	1,119		1,176	
Other operating costs	2,808	439	4,544	1,372
Extraordinary expense	7,727		2,586	
Other costs	12,767	439	10,440	1,372

Extraordinary expense increased as at June 30, 2020 due to the settlement of some disputes during the year.

27) Depreciation, amortisation and write-downs

Below the breakdown of the caption:

(thousands of euro)	30/06/2020		30/06/2019	
Depreciation of property, plant and equipment	7,983		8,894	
Depreciation of right of use	1,644		0	
Amortisation of intangible assets	5,117		5,668	
Total depreciation and amortisation	14,744		14,562	
Write-down/(Reversal) of impairment losses	(863)		10,630	
Write-downs	(863)		10,630	
Total write-downs, depreciation and amortisation	13,881		25,192	

28) Financial income

This amounted to 5,631 thousand euro as at June 30, 2020 and consisted mainly of:

(thousands of euro)	30/06/2020		30/06/2019	
		of which with related parties		of which with related parties
Interest income on bank deposits	4,339		3,175	
Interest from customers	623		119	
Other financial income	669	9	172	12
Total	5,631	9	3,466	12

29) Financial charges

These consisted of:

(thousands of euro)	30/06/2020		30/06/2019	
	of which with related parties		of which with related parties	
Interest on loans and debts with banks and lessors	748	88	939	0
Interest on discount operations	2,867		1,817	
Financial expenses for TFR	58		162	
Charges for discounting of receivables	2,149		12,777	
Other financial charges	670		18	
Total	6,492	88	15,713	0

Starting from this year, interest expense for leases amounting to 230 thousand euro are also included. Charges for discounting of receivables implement the discounting of expected cash flows, as already commented in note 6).

Financial charges on the employee severance indemnity relate to the recognition as a result of the application of the amendments to IAS 19 - Employee Benefits.

30) Gains (losses) on foreign exchange transactions

(thousands of euro)	30/06/2020	30/06/2019
Exchange gains	25,019	12,237
Exchange losses	(19,711)	(7,741)
Total	5,308	4,496

This item reflects both exchange differences realised in the period and the effects of translating items in foreign currencies at year-end spot exchange rates.

The overall positive result is mainly linked to the performance of the exchange rate of the US dollar against the euro, as well as the outcome of the forward sales of USD during the period.

31) Income taxes

These amounted to a negative balance of 98 thousand euro and were broken down as follows:

(thousands of euro)	30/06/2020	30/06/2019
Income taxes	231	0
(Income)/charges from tax consolidation	(2,278)	(3,335)
Prior year income taxes	(1,704)	(435)
Deferred tax assets	3,765	1,686
Deferred tax liabilities	(112)	637
Total	(98)	(1,447)

They include the estimate of current and deferred taxes commensurate with results for the year. "Income/charges from tax consolidation" includes the benefits deriving from the fact that the company opted for the national tax consolidation.

The Italian tax rates for IRES (corporate tax) and IRAP (regional tax) applied by the company on the estimated taxable income for the year and on deferred tax assets and liabilities were 24.0% and 3.9%, respectively.

There are no other deferred tax assets to be recognised in the financial statements relating to temporary differences between carrying values and values for tax purposes or related to previous years' losses.

The reconciliation between the theoretical tax charge and that actually shown in the income statement is provided in attachment VIII.

32) Related party transactions

Transactions carried out by Danieli & C. Officine Meccaniche S.p.A. with related parties basically concerned the supply of services, the trading of goods, and the contracting and use of financial resources with other companies in which shares are held directly or indirectly; they form part of standard operations and are governed by normal market conditions, equivalent to those that would apply between two independent parties.

The following is reported with regard to the fees of directors, statutory auditors and general managers of Danieli & C. Officine Meccaniche S.p.A.:

(thousands of euro)	30/06/2020	30/06/2019
Fixed fees	1,419	1,431
Variable fees	155	49
Benefits in kind	10	17
Total	1,584	1,497

33) Disclosure of public funds pursuant to Italian Law 124/2017

Grants and contributions received in the period from July 1, 2019 to June 30, 2020, from public administrations, from companies controlled by them and from publicly-owned companies, as required by the annual law for the market and competition (Italian Law 124/2017, art. 1, paragraphs 125 – 129), are shown below:

Identification data of the disbursing subject	Amount of the economic benefit received (euro)	Description of the type of advantage
Joint Interprofessional Fund called "Formazienda", set up pursuant to art. 118, Italian Law no. 388 of December 23, 2000	90,450	Contributions for employee training TRAINING PLAN ID 2016-R100 CALLED "PERSONNEL TRAINING" September 2018
Joint Interprofessional Fund called "Formazienda", set up pursuant to art. 118, Italian Law no. 388 of December 23, 2000	70,610	Contributions for employee training TRAINING PLAN ID 2018-R041 CALLED "January 2019 PERSONNEL TRAINING" - COLLECTED IN MAY 2020
Autonomous Region of Friuli Venezia Giulia	418,732	Decree no. 920/PROTUR of 02/04/2020, Pre-number 981 POR FESR 2014-2020. Assets 1.3.a. Approval of the reporting and liquidation on the POR FESR 2014-2020 fund in settlement of the contribution granted to DANIELI & C. OFFICINE MECCANICHE SPA for the implementation of the project "NEW SOLUTIONS FOR THE TREATMENT OF STEEL STRIP WITH HIGHER QUALITY AND LOWER ENVIRONMENTAL IMPACT" at the premises of BUTTRIO (UD)

Disclosures pursuant to art. 114 of Italian Legislative Decree 58/1998

Pursuant to Legislative Decree and Consob letter 6064293 of July 28, 2006, the disclosures concerning related party transactions, significant, non-recurring and/or atypical and unusual events and transactions, and the net financial position were presented in these Explanatory notes, in the corresponding sections of these notes and in some attachments to the financial statements.

Events occurring after the reporting period

Operations continued with no significant events occurring since June 30, 2020.

With regard to the COVID-19 pandemic, there are no events that have created an impact on the company after June 30, 2020. For further details, please refer to the specific information in the Directors' Report.

There are no other significant unknown factors for the year ahead, barring unforeseeable events beyond our control.

The conversion of currency items to the spot exchange rate prevailing on September 24, 2020 would result in a decrease of approximately 7 million euro in unrealised exchange differences for the year compared to the figure recorded considering the exchange rate as at June 30, 2020.

Except for what has already been discussed, no other events occurred after June 30, 2020 that could have had an impact on the economic, equity and financial position as shown in the balance sheet, the income statement, the statement of comprehensive income and the statement of cash flows at said date, or required further adjustments or additional notes to the separate financial statements.

The allocation of the result for the year proposed by the Board of Directors is indicated in the Directors' Report, which is part of this document.

Note that the Board of Directors' meeting of September 24, 2020, also proposed the mandatory conversion of savings shares into ordinary shares. This proposal will be submitted to the Ordinary and Extraordinary Shareholders' Meeting in single call on October 28, 2020.

ATTACHMENT No. I
SCHEDULE OF EQUITY INVESTMENTS

(thousands of euro)	Balance as at 30/06/2018	Purchases and subscriptions	Sales or decreases	Write-downs
Direct subsidiaries and other equity investments				
Danieli Finance Solutions SA Luxembourg (LUX) (*)	667,705			
Industrielle Beteiligung SA Luxembourg (LUX)	502,945			
Dana Petro Foulad Pasargad Co. Esfahan (IRN)	148			
Other equity investments	0	1		
	1,170,798	1	0	0
Grand Total	1,170,798	1	0	0

(*) Ex Danieli International SA - Luxembourg (LUX)

Balance as at 30/06/2019	Purchases and subscriptions	Sales or decreases	Write-downs	Balance as at 30/06/2020	Number of shares held	%
667,705				667,705	10,080,173	83.83
502,945				502,945	13,148,000	100.00
148				148	5,100,000	51.00
1	35			36	43	1.75
1,170,799	35	0	0	1,170,834		
1,170,799	35	0	0	1,170,834		

ATTACHMENT No. II**SCHEDULE SUMMARISING THE KEY DATA FROM THE FINANCIAL STATEMENTS APPROVED BY THE ADMINISTRATIVE BODIES OF THE SUBSIDIARIES****BALANCE SHEET**

(in thousands)

CONSOLIDATED COMPANIES	*	Original Currency	Last approved Fin. Statements
ABS Centre Métallurgique SaS - Metz (FRA)		EURO	30/06/2020
ABS Deutschland GmbH - Ratinger (DEU)		EURO	30/06/2020
Acciaierie Bertoli Safau Iberica SL - Bilbao (ESP)		EURO	30/06/2020
Acciaierie Bertoli Safau S.p.A. - Pozzuolo (UD)		EURO	30/06/2020
Acciaierie Bertoli Safau Scandinavia AB - Örebro (SWE)		SEK	30/06/2020
Acciaierie Bertoli Safau Sisak Doo - Sisak (HRV)	*	HRK	30/06/2020
Danieli Automation S.p.A. - Buttrio (UD)		EURO	30/06/2020
Danieli Automation Co. Ltd. - Rayong (THA)		THB	30/06/2020
Danieli Finance Solutions S.A. - Luxembourg (LUX)		EURO	30/06/2020
Danieli Canada Inc. - Toronto (CAD)		CAN	30/06/2020
Danieli Centro Combustion India Pvt. Ltd. -Pune (IND)	*	INR	30/06/2020
Danieli Centro Combustion S.p.A. - Cinisello Balsamo (MI)		EURO	30/06/2020
Danieli Centro Cranes S.p.A. - Rezzato (BS)		EURO	30/06/2020
Danieli Changsu Trading Co. Ltd - Changshu (CHN)	*	CNY	30/06/2020
Danieli Co. Ltd. - Rayong (THA)	*	EURO	30/06/2020
Danieli Construction International S.p.A. - Buttrio (UD)		EURO	30/06/2020
Danieli Corporation - Wilmington, Delaware (USA)		USD	30/06/2020
Danieli Corus BV - Ijmuiden (NLD)		EURO	30/06/2020
Danieli Corus Technical Services BV - Ijmuiden (NLD)		EURO	30/06/2020
Danieli Corus India (Pvt) Ltd. - New Delhi (IND)		INR	30/06/2020
Danieli Hoogovens Steel Making Technology Ltd. Shanghai (CHN)		CNY	30/06/2020
Danieli Czech Engineering AS - Praha (CZE)		CZK	30/06/2020
Danieli Do Brasil SA - Diadema (BRA)	*	BRL	30/06/2020
Danieli Engineering & Services GmbH - Völkermarkt (AUT)		EURO	30/06/2020
Danieli Engineering Japan Co. Ltd. - Yokohama (JPN)		JPY	30/06/2020
Danieli Engineering Rom Srl - Cluj Napoca (ROU)	*	RON	30/06/2020
Danieli Germany GmbH - Duisburg (DEU)		EURO	30/06/2020
Danieli Heavy Machinery Eng. LLC - Dnepropetrovsk (UKR)	*	UAH	30/06/2020
Danieli Henschel SAS - Méry (FRA)		EURO	30/06/2020
Danieli Henschel Service OOO - Moscow (RUS)	*	RUB	30/06/2020
Danieli Holdings Inc. - Wilmington, Delaware (USA)		USD	30/06/2020
Danieli India Ltd. - Kolkata (IND)	*	INR	30/06/2020
Danieli Malaysia Sdn Bhd - Kuala Lumpur (MYS)	*	MYR	30/06/2020
Danieli Metall. Equip. & Service (China) Co Ltd.Changshu (CHN)	*	CNY	30/06/2020
Danieli Metallurgical Equipm.(Beijing) Co Ltd. - Beijing (CHN)	*	CNY	30/06/2020
Danieli Middle East for Eng. Services (LMTD) - Cairo (EGY)	*	EGP	30/06/2020
Danieli Procome Iberica SA - Sondica (ESP)		EURO	30/06/2020
Danieli Russia Engineering LLC - Moscow (RUS)	*	RUB	30/06/2020
Danieli Special Cranes S.r.l. - Gradisca d'Is. (GO)		EURO	30/06/2020
Danieli Systec Automatizacija Doo - Labin (HRV)		HRK	30/06/2020

Non-current assets	Current assets	Shareholders' equity	Non-current liabilities	Current liabilities
4,223	3,313	7,183	0	353
7	109	79	0	37
3	98	67	0	34
617,779	394,184	617,606	126,111	268,246
0	1,323	944	0	379
395,808	151,934	339,021	63,687	145,034
170,712	151,392	165,538	3,060	153,506
57,263	39,254	52,896	0	43,621
15,075	1,071,164	1,076,840	0	9,399
12	590	586	0	16
31,488	749,001	181,875	113,276	485,338
2,317	76,773	14,645	464	63,981
800	5,741	6,173	0	368
0	53,160	14,756	0	38,404
40,857	375,234	86,587	2,408	327,096
5,494	27,572	29,823	528	2,715
9,681	387,723	12,399	2,707	382,298
5,530	63,353	16,987	0	51,896
20,804	22,225	40,576	0	2,453
1,397	639,317	111,109	0	529,605
13	99,045	27,017	0	72,041
6,401	71,281	45,492	0	32,190
1,747	23,347	15,311	66	9,717
3,855	56,310	35,795	98	24,272
43,769	725,608	(77,889)	0	847,266
134	7,119	6,329	270	654
15,742	42,199	6,318	7,252	44,371
15,856	104,137	98,052	17,454	4,487
420	3,729	86	276	3,787
689	8,596	(16,013)	0	25,298
66,829	3,708	57,462	0	13,075
3,717,533	10,703,102	4,715,521	21,863	9,683,251
0	2,488	1,950	0	538
706,344	5,360,798	1,384,548	111,813	4,570,781
16,850	61,071	(111,584)	0	189,505
386	110,369	(45,933)	0	156,688
1,291	14,016	10,341	150	4,816
1,381,236	63,339	1,416,777	0	27,798
672	2,133	2,674	0	131
30,221	68,340	59,747	0	38,814

ATTACHMENT No. II**SCHEDULE SUMMARISING THE KEY DATA FROM THE FINANCIAL STATEMENTS APPROVED BY THE ADMINISTRATIVE BODIES OF THE SUBSIDIARIES****BALANCE SHEET**

(in thousands)

CONSOLIDATED COMPANIES	*	Valuta Originaria	Ultimo Bil. Approvato
Danieli Systec Doo - Nova Gorica (SLV)		EURO	30/06/2020
Danieli Systec Eng. Doo - Smederevo (SRB)	*	RSD	30/06/2020
Danieli Technology Inc. - Wilmington, Delaware (USA)		USD	30/06/2020
Danieli UK Holding Ltd. - Rotherham (GBR)		GBP	30/06/2020
Danieli Volga LLC - Dzerdzhinsk (RUS)	*	RUB	30/06/2020
DWU Engineering Polska - Wroclaw (POL)		PLZ	30/06/2020
Elsid Cheda Ltd. - Moscow (RUS)	*	RUB	30/06/2020
ESW Röhrenwerke GmbH - Eschweiler (DEU)		EURO	30/06/2020
Fata Gulf Co. WLL - Doha (QAT)	*	QAR	30/06/2020
Fata S.p.A. - Pianezza (TO)	*	EURO	30/06/2020
Findan S.p.A. - Pradamano (UD)		EURO	30/06/2020
Industrial Beteiligung Serv. & Contracting Co. LLC Al Khobar (SAU)		SAR	30/06/2020
Industrielle Beteiligung Company Ltd. - HoChiMinh City (VNM)		VND	30/06/2020
Industrielle Beteiligung SA - Luxembourg (LUX)		EURO	30/06/2020
Innoval Technology Ltd.- Rotherham (GBR)		GBP	30/06/2020
La Letizia S.p.A. Buttrio (UD)		EURO	30/06/2020
More S.r.l. - Gemona del Friuli (UD)		EURO	30/06/2020
Morgårdshammar AB - Smedjebacken (SWE)		SEK	30/06/2020
Morgardshammar Inc. - Charlotte, North Carolina (USA)		USD	30/06/2020
Pars Foulad Jam Sama Heavy Metallurgical Equipment Co. PJS Eshtehard (IRN)	*	IRR	30/06/2020
Qualisteel S.r.l. - Pozzuolo del Friuli (UD)		EURO	30/06/2020
Rotelec SA - Bagnolet (FRA)		EURO	30/06/2020
Zhuozhou Ruixin Metallurgy Equipment Co., Ltd - (CHN)		CNY	30/06/2020
Scuole e Asili Cecilia Danieli S.r.l. - Buttrio (UD)		EURO	30/06/2020
Stem S.r.l. - Magnago (MI)		EURO	30/06/2020
Sund Birsta AB - Sundsvall (SWE)		SEK	30/06/2020
Sund Birsta Beijing Metallurgical Equipment Co. Ltd. Beijing (CHN)		CNY	30/06/2020
Sund Birsta Inc. - Plantation, Florida (USA)	*	USD	30/06/2020
Sund Strap AB - Sundsvall (SWE)		SEK	30/06/2020
Danieli Telerobot Labs Srl - Genova	*	EURO	30/06/2020
Termo Makina Sanayi Ve Tic. AS - Duzce (TUR)	*	TRY	30/06/2020
Turismo 85 S.r.l. - Buttrio (UD)		EURO	30/06/2020

* numbers in the accounts prepared for the consolidated financial statements

Attività non correnti	Attività correnti	Patrimonio Netto	Passività non correnti	Passività correnti
372	929	1,245	0	56
3,755	286,822	255,928	0	34,649
0	2,621	2,621	0	0
7,092	16,203	11,087	1,000	11,208
1,067,639	1,873,716	1,501,940	10,093	1,429,322
516	4,313	2,435	394	2,000
441	97,914	88,392	0	9,963
17,962	6,269	(8,245)	19,815	12,661
15	3,477	866	0	2,626
11,692	171,152	6,316	2,048	174,480
9,473	768	8,879	0	1,362
98	3,295	(453)	634	3,212
123,553,774	107,045,873	125,147,911	0	105,451,736
722,120	12,183	667,298	0	67,005
242	1,159	1,148	0	253
2,223	290	2,053	0	460
5,438	26,893	25,998	734	5,599
16,287	425,722	75,072	0	366,937
0	3,709	3,709	0	0
1,311,049,709	643,856,252	349,675,803	915,959,077	689,271,081
20,416	5,327	22,953	1,188	1,602
609	16,135	10,468	135	6,141
5,095	13,211	13,557	3,500	1,249
3,599	518	1,374	1,715	1,028
167	1,301	1,368	0	100
7,865	501,817	340,743	27,466	141,473
2,926	59,028	33,370	0	28,584
525	4,403	3,637	0	1,291
0	116	116	0	0
221	5,938	1,109	1,067	3,983
13,953	17,211	(50,970)	15,345	66,789
682	1,500	166	776	1,240

ATTACHMENT No. II**SCHEDULE SUMMARISING THE KEY DATA FROM THE FINANCIAL STATEMENTS APPROVED BY THE ADMINISTRATIVE BODIES OF THE SUBSIDIARIES****INCOME STATEMENT**

(in thousands)

CONSOLIDATED COMPANIES	*	Value of Production
ABS Centre Métallurgique SaS - Metz (FRA)	EURO	3,116
ABS Deutschland GmbH - Ratinger (DEU)	EURO	852
Acciaierie Bertoli Safau Iberica SL - Bilbao (ESP)	EURO	345
Acciaierie Bertoli Safau S.p.A. - Pozzuolo (UD)	EURO	648,176
Acciaierie Bertoli Safau Scandinavia AB - Örebro (SWE)	SEK	2,280
Acciaierie Bertoli Safau Sisak Doo - Sisak (HRV)	* HRK	99,178
Danieli Automation S.p.A. - Buttrio (UD)	EURO	171,411
Danieli Automation Co. Ltd. - Rayong (THA)	THB	34,793
Danieli Finance Solutions S.A. - Luxembourg (LUX)	EURO	7
Danieli Canada Inc. - Toronto (CAD)	CAN	0
Danieli Centro Combustion India Pvt. Ltd. -Pune (IND)	* INR	529,813
Danieli Centro Combustion S.p.A. - Cinisello Balsamo (MI)	EURO	66,622
Danieli Centro Cranes S.p.A. - Rezzato (BS)	EURO	1,842
Danieli Changsu Trading Co. Ltd - Changshu (CHN)	* CNY	32,711
Danieli Co. Ltd. - Rayong (THA)	* EURO	247,918
Danieli Construction International S.p.A. - Buttrio (UD)	EURO	18,506
Danieli Corporation - Wilmington, Delaware (USA)	USD	389,741
Danieli Corus BV - IJmuiden (NLD)	EURO	84,214
Danieli Corus Technical Services BV - IJmuiden (NLD)	EURO	0
Danieli Corus India (Pvt) Ltd. - New Delhi (IND)	INR	560,990
Danieli Hoogovens Steel Making Technology Ltd. Shanghai (CHN)	CNY	116,351
Danieli Czech Engineering AS - Praha (CZE)	CZK	22,857
Danieli Do Brasil SA - Diadema (BRA)	* BRL	54,035
Danieli Engineering & Services GmbH - Völkermarkt (AUT)	EURO	89,116
Danieli Engineering Japan Co. Ltd. - Yokohama (JPN)	JPY	809,593
Danieli Engineering Rom Srl - Cluj Napoca (ROU)	* RON	4,663
Danieli Germany GmbH - Duisburg (DEU)	EURO	57,462
Danieli Heavy Machinery Engineering LLC - Dnepropetrovsk (UKR)	* UAH	53,310
Danieli Henschel SAS - Méry (FRA)	EURO	5,959
Danieli Henschel Service OOO - Moscow (RUS)	* RUB	0
Danieli Holdings Inc. - Wilmington, Delaware (USA)	USD	0
Danieli India Ltd. - Kolkata (IND)	* INR	5,181,889
Danieli Malaysia Sdn Bhd - Kuala Lumpur (MYS)	* MYR	0
Danieli Metall. Equip. & Service (China) Co Ltd.Changshu (CHN)	* CNY	2,242,799
Danieli Metallurgical Equipm.(Beijing) Co Ltd. - Beijing (CHN)	* CNY	(11,625)
Danieli Middle East for Eng. Services (LMTD) - Cairo (EGY)	* EGP	638
Danieli Procome Iberica SA - Sondica (ESP)	EURO	15,118
Danieli Russia Engineering LLC - Moscow (RUS)	* RUB	13,486
Danieli Special Cranes S.r.l. - Gradisca d'Is. (GO)	EURO	28

Costs of Production	Fin. income and expenses	Taxes for the year	Net profit	Number of employees
(2,536)	(2)	(63)	515	23
(813)	(1)	(10)	28	4
(329)	0	(6)	10	3
(630,886)	(3,330)	(2,263)	11,697	1,089
(1,967)	0	(68)	245	1
(125,625)	(10,100)	0	(36,547)	116
(160,605)	118	(2,819)	8,105	438
(50,736)	(1,542)	0	(17,485)	24
(1,605)	11,980	(2,612)	7,770	5
(42)	25	0	(17)	0
(504,430)	8,578	(7,809)	26,152	73
(66,223)	(22)	(323)	54	127
(2,922)	(1)	(459)	(1,540)	0
(29,452)	587	(641)	3,205	0
(231,874)	2,027	(1,876)	16,195	949
(19,651)	0	239	(906)	116
(387,571)	279	(180)	2,269	91
(80,820)	0	64	3,458	141
3,262	62	0	3,324	0
(663,361)	(25,144)	0	(127,515)	30
(102,729)	467	(3,522)	10,567	8
(26,449)	3,628	0	36	6
(51,047)	1,110	(420)	3,678	15
(67,071)	196	(5,532)	16,709	54
(811,520)	8,714	(2,564)	4,223	13
(4,762)	85	0	(14)	26
(62,499)	(28)	2,920	(2,145)	138
(49,313)	7,709	(2,531)	9,175	63
(6,244)	11	0	(274)	20
(179)	(2,501)	148	(2,532)	0
(68)	1,807	0	1,739	0
(5,092,848)	(385,512)	0	(296,471)	490
(145)	0	0	(145)	0
(2,132,836)	1,097	(19,034)	92,026	1,059
(3,818)	(620)	0	(16,063)	0
(14,023)	2,547	0	(10,838)	7
(14,370)	(50)	(143)	555	23
(16,757)	(163)	275	(3,159)	1
(106)	20	32	(26)	0

ATTACHMENT No. II**SCHEDULE SUMMARISING THE KEY DATA FROM THE FINANCIAL STATEMENTS APPROVED BY THE ADMINISTRATIVE BODIES OF THE SUBSIDIARIES****INCOME STATEMENT**

(in thousands)

CONSOLIDATED COMPANIES	*		Value of Production
Danieli Systec Automatizacija Doo - Labin (HRV)		HRK	170,273
Danieli Systec Doo - Nova Gorica (SLV)		EURO	859
Danieli Systec Eng. Doo - Smederevo (SRB)	*	RSD	387,227
Danieli Technology Inc. - Wilmington, Delaware (USA)		USD	0
Danieli UK Holding Ltd. - Rotherham (GBR)		GBP	22,507
Danieli Volga LLC - Dzerdzhinsk (RUS)	*	RUB	1,809,198
DWU Engineering Polska - Wroclaw (POL)		PLZ	11,319
Elsid Cheda Ltd. - Moscow (RUS)	*	RUB	86,068
ESW Röhrenwerke GmbH - Eschweiler (DEU)		EURO	0
Fata Gulf Co. WLL - Doha (QAT)	*	QAR	2,689
Fata S.p.A. - Pianezza (TO)	*	EURO	145,462
Findan S.p.A. - Pradamano (UD)		EURO	462
Industrial Beteiligung Serv. & Contr. Co. LLC - Al Khobar (SAU)		SAR	1,988
Industrielle Beteiligung Company Ltd. - HoChiMinh City (VNM)		VND	237,011,444
Industrielle Beteiligung SA - Luxembourg (LUX)		EURO	3,191
Innoval Technology Ltd.- Rotherham (GBR)		GBP	2,191
La Letizia S.p.A. - Buttrio (UD)		EURO	0
More S.r.l. - Gemona del Friuli (UD)		EURO	22,252
Morgårdshammar AB - Smedjebacken (SWE)		SEK	220,223
Morgardshammar Inc. - Charlotte, North Carolina (USA)		USD	0
Pars Foulad Jam Sama Heavy Metallurgical Equipment Co. PJS Eshtehard (IRN)	*	IRR	503,678,028
Qualisteel S.r.l. - Pozzuolo del Friuli (UD)		EURO	5,315
Rotelec SA - Bagnolet (FRA)		EURO	13,493
Zhuozhou Ruixin Metallurgy Equipment Co., Ltd - (CHN)		CNY	15,891
Scuole e Asili Cecilia Danieli S.r.l. - Buttrio (UD)		EURO	354
Stem S.r.l. - Magnago (MI)		EURO	17
Sund Birsta AB - Sundsvall (SWE)		SEK	436,422
Sund Birsta Beijing Metallurgical Equipment Co. Ltd. Beijing (CHN)		CNY	57,898
Sund Birsta Inc. - Plantation, Florida (USA)	*	USD	8,682
Sund Strap AB - Sundsvall (SWE)		SEK	0
Danieli Telerobot Labs Srl - Genova	*	EURO	6,169
Termo Makina Sanayi Ve Tic. AS - Duzce (TUR)	*	TRY	841
Turismo 85 S.r.l. - Buttrio (UD)		EURO	6,047

*numbers in the accounts prepared for the consolidated financial statements

Costs of Production	Fin. income and expenses	Taxes for the year	Net profit	Number of employees
(166,052)	146	(263)	4,104	274
(809)	(1)	(6)	43	16
(369,414)	(746)	(2,495)	14,572	61
0	0	0	0	0
(22,562)	17	37	(1)	50
(1,685,636)	(194,615)	(12,870)	(83,923)	136
(11,239)	40	(39)	81	71
(73,648)	4,399	(3,907)	12,912	30
0	(16,378)	0	(16,378)	18
(2,515)	(2)	(228)	(56)	1
(144,919)	1,016	(562)	997	114
(920)	658	(88)	112	0
(1,918)	(83)	(24)	(37)	11
(232,756,015)	4,308,101	(2,487,037)	6,076,493	188
(29,766)	56,400	(173)	29,652	2
(2,031)	18	14	192	25
(45)	(2)	0	(47)	0
(16,319)	95	(1,615)	4,413	86
(218,914)	323	0	1,632	35
0	0	0	0	0
(515,350,329)	134,759,843	0	123,087,542	43
(5,529)	(7)	65	(156)	74
(11,070)	(29)	(723)	1,671	36
(15,692)	89	0	288	30
(260)	(22)	(23)	49	0
(34)	0	(240)	(257)	0
(381,579)	288	(14,249)	40,882	71
(45,628)	(76)	(3,371)	8,823	33
(6,658)	(1)	(472)	1,551	8
0	0	0	0	0
(6,052)	(15)	(14)	88	20
(25,267)	(7,915)	0	(32,341)	4
(6,200)	(5)	14	(144)	42

ATTACHMENT No. III**SCHEDULE SUMMARISING INVESTMENTS IN SUBSIDIARY AND ASSOCIATED COMPANIES**

	Financial year-end date	% Interest held	(A) Shareholders' equity (1)	(B) Cost value as at June 30, 2020	(C)=(A-B) Difference	Notes
(thousands of euro)						
SUBSIDIARIES						
Direct						
Danieli Finance Solutions S.A. - Luxembourg (LUX)	30.06	100.00	1,076,840	824,303	252,537	
Industrielle Beteiligung SA - Luxembourg (LUX)	30.06	100.00	667,298	502,945	164,353	
Indirect						
ABS Centre Métallurgique SaS - Metz (FRA)	30.06	100.00	7,183	5,000	2,183	
ABS Deutschland GmbH - Ratinger (DEU)	30.06	100.00	79	225	(146)	(2)
Acciaierie Bertoli Safau Iberica SL - Bilbao (ESP)	30.06	100.00	67	42	26	
Acciaierie Bertoli Safau S.p.A. - Pozzuolo (UD)	30.06	100.00	617,607	348,989	268,618	
Acciaierie Bertoli Safau Scandinavia AB - Örebro (SWE)	30.06	100.00	90	6	84	
Acciaierie Bertoli Safau Sisak Doo - Sisak (HRV)	30.06	100.00	44,780	44,604	176	
Danieli Automation S.p.A. - Buttrio (UD)	30.06	100.00	165,538	12,664	152,874	
Danieli Automation Co. Ltd. - Rayong (THA)	30.06	100.00	1,528	1,528	(0)	
Danieli Canada Inc. - Toronto (CAD)	30.06	100.00	383	383	(0)	
Danieli Centro Combustion India Pvt. Ltd. -Pune (IND)	31.03	100.00	2,149	366	1,783	
Danieli Centro Combustion S.p.A. - Cinisello Balsamo (MI)	30.06	100.00	14,645	3,292	11,354	
Danieli Centro Cranes S.p.A. - Rezzato (BS)	30.06	100.00	6,173	6,173	(0)	
Danieli Changsu Trading Co. Ltd - Changshu (CHN)	31.12	100.00	1,863	128	1,735	
Danieli Co. Ltd. - Rayong (THA)	30.06	100.00	86,587	29,918	56,670	
Danieli Construction International S.p.A. - Buttrio (UD)	30.06	100.00	29,823	24,769	5,054	
Danieli Corporation - Wilmington, Delaware (USA)	30.06	100.00	11,073	11,073	0	
Danieli Corus BV - IJmuiden (NLD)	30.06	100.00	16,987	16,986	1	
Danieli Corus Technical Services BV - IJmuiden (NLD)	30.06	100.00	40,576	32,600	7,976	
Danieli Corus India (Pvt) Ltd. - New Delhi (IND)	30.06	100.00	1,313	1,313	(0)	
Danieli Hoogovens Steel Making Technology Ltd. - Shanghai (CHN)	30.06	100.00	3,411	3,411	(0)	
Danieli Czech Engineering AS - Praha (CZE)	31.12	100.00	1,701	116	1,585	
Danieli Do Brasil SA - Diadema (BRA)	31.12	100.00	2,505	1,386	1,119	
Danieli Engineering & Services GmbH - Völkmarkt (AUT)	30.06	100.00	35,795	4,000	31,795	
Danieli Engineering Japan Co. Ltd. - Yokohama (JPN)	30.06	100.00	(646)	(646)	0	
Danieli Engineering Rom Srl - Cluj Napoca (ROU)	31.12	100.00	1,308	5	1,303	
Danieli Germany GmbH - Duisburg (DEU)	30.06	100.00	6,318	6,318	(0)	
Danieli Heavy Machinery Engineering LLC - Dnepropetrovsk (UKR)	31.12	100.00	3,280	3,280	(0)	
Danieli Henschel SAS - Méry (FRA)	31.12	100.00	86	19,282	(19,196)	(3)
Danieli Henschel Service OOO - Moscow (RUS)	31.12	100.00	(201)	4	(205)	(2)
Danieli Holdings Inc. - Wilmington, Delaware (USA)	30.06	100.00	51,315	51,315	0	
Danieli India Ltd. - Kolkata (IND)	31.03	100.00	55,724	55,724	0	
Danieli Malaysia Sdn Bhd - Kuala Lumpur (MYS)	31.12	100.00	406	111	295	
Danieli Metall. Equip. & Service (China) Co Ltd.Changshu (CHN)	31.12	100.00	174,775	30,000	144,775	
Danieli Metallurgical Equipm. (Beijing) Co Ltd. - Beijing (CHN)	31.12	100.00	(14,085)	(14,085)	0	
Danieli Russia Engineering LLC - Moscow (RUS)	31.12	100.00	17,792	17,792	0	
Danieli Special Cranes S.r.l. - Gradisca d'Is. (GO)	30.06	100.00	2,675	2,675	(0)	
Danieli Systec Automatizacija Doo - Labin (HRV)	30.06	100.00	7,892	12	7,880	
Danieli Systec Doo - Nova Gorica (SLV)	30.06	100.00	1,245	13	1,232	
Danieli Systec Eng. Doo - Smederevo (SRB)	31.12	100.00	2,183	0	2,183	

Danieli Technology Inc. - Wilmington, Delaware (USA)	30.06	100.00	2,341	2,341	0	
Danieli UK Holding Ltd. - Rotherham (GBR)	30.06	100.00	12,151	11,635	516	
Danieli Volga LLC - Dzerzhinsk (RUS)	31.12	100.00	18,861	18,861	0	
DWU Engineering Polska - Wroclaw (POL)	30.06	100.00	546	182	364	
Elsid Cheda Ltd. - Moscow (RUS)	31.12	100.00	1,110	79	1,031	
ESW Röhrenwerke GmbH - Eschweiler (DEU)	30.06	100.00	(8,245)	8,133	(16,378)	(3)
Fata S.p.A. - Pianezza (TO)	31.12	100.00	6,316	44,597	(38,281)	(3)
Findan S.p.A. - Pradamano (UD)	30.06	100.00	8,879	8,769	110	
"Industrial Beteiligung Serv. & Contracting Co. LLC Al Khobar (SAU)"	30.06	100.00	(108)	(89)	(18)	(2)
Industrielle Beteiligung Company Ltd. - HoChiMinh City (VNM)	30.06	100.00	4,817	2,514	2,303	
Innoval Technology Ltd. - Rotherham (GBR)	30.06	100.00	1,258	3,682	(2,424)	(3)
La Letizia S.p.A. Buttrio (UD)	30.06	100.00	2,053	2,100	(47)	(2)
More S.r.l. - Gemona del Friuli (UD)	30.06	100.00	25,998	3,346	22,651	
Morgårdshammar AB - Smedjebacken (SWE)	30.06	100.00	7,153	6,953	201	
Morgardshammar Inc. - Charlotte, North Carolina (USA)	30.06	100.00	3,312	3,311	0	
Pars Foulad Jam Sama Heavy Metallurgical Equipment Co. PJS Eshtehard (IRN)	30.06	100.00	7,435	13,010	(5,575)	(2)
Qualisteel S.r.l. - Pozzuolo del Friuli (UD)	30.06	100.00	22,953	23,000	(47)	(2)
Scuole e asili Cecilia Danieli S.r.l. - Buttrio (UD)	30.06	100.00	1,374	500	874	
Stem S.r.l. - Magnago (MI)	30.06	100.00	1,368	1,413	(45)	(2)
Sund Birsta AB - Sundsvall (SWE)	30.06	100.00	32,468	3,217	29,251	
Sund Birsta Beijing Metallurgical Equipment Co. Ltd. Beijing (CHN)	30.06	100.00	4,212	493	3,719	
Sund Birsta Inc. - Plantation, Florida (USA)	30.06	100.00	3,249	8	3,241	
Sund Strap AB - Sundsvall (SWE)	30.06	100.00	11	5	6	
Danieli Telerobot Labs Srl - Genova	31.12	100.00	1,109	965	144	
Turismo 85 S.r.l. - Buttrio (UD)	30.06	100.00	166	76	90	
Danieli Procome Iberica SA - Sondica (ESP)	30.06	99.99	10,341	218	10,123	
Rotelec SA - Bagnolet (FRA)	30.06	99.99	10,467	341	10,126	
Danieli Middle East for Eng. Services (LMTD) - Cairo (EGY)	31.12	99.80	(2,533)	(2,533)	(0)	
Termo Makina Sanayi Ve Tic. AS - Duzce (TUR)	31.12	90.00	(6,640)	(6,640)	0	
Zhuozhou Ruixin Metallurgy Equipment Co., Ltd - (CHN)	30.06	51.00	1,711	322	1,389	
Fata Gulf Co. WLL - Doha (QAT)	31.12	49.00	183	20	163	
ASSOCIATES						
Indirect						
Danieli Taranis LLC - Chelsea (USA)	30.06	50.00	601	3,040	(2,439)	(3)
Inter-Rail S.p.A. - Udine	31.12	50.00	3,224	3,224	0	
Telefriuli S.p.A. - Udine	31.12	31.51	89	89	0	
Automation Integrated Solutions S.p.A. - Pianezza (TO)	31.12	50.00	255	255	0	
Fata Hunter India PVT - Bangalore (IND)	31.03	100.00	41	41	0	
OTHERS						
Indirect						
Metal Interconnettor S.c.p.a. - Milano	31.12	3.80	7,455	7,455	0	
Total higher value					1,119,091	

- Key to letters: 1) Proportion attributable at the date of the last approved financial statements or interim position prepared for the purposes of the consolidated financial statements, converted at the financial year-end exchange rate.
- 2) Non-permanent losses because they relate to temporary situations; there are well-founded reasons to believe that these situations will not continue, as shown in company budgets.
- 3) Differences on companies acquired in previous years recognised, at the consolidated level, in goodwill when not specifically attributed to specific assets and liabilities.

ATTACHMENT No. IV**TAX REGIME OF CAPITAL AND RESERVES (ITALIAN PRESIDENTIAL DECREE NO. 917 OF DECEMBER 22, 1986)**

	Total	Reserves or other funds which, in the event of distribution, form part of the the taxable income of the company.
(thousands of euro)		
Share capital	22,492	
Legal reserve (1)	58,813	750
Total share capital	81,305	750
Legal reserve	18,576	
Share premium account	22,398	0
Treasury shares at cost	(82,935)	
Extraordinary reserve	756,254	
Merger difference	11,036	
Revaluation reserve per law no. 72/1983	2,825	2,825
Revaluation reserve per law no. 413/1991	4,809	4,809
VAT allowances on investments Laws no. 526/82 and no. 130/83	125	125
Research grant law no. 46/1982	4,639	4,264
Non-opted Rights reserve	125	
IAS transition impact	13,404	
Actuarial reserves from IAS 19	(3,689)	
Reserve for acquisition of Danieli Centro Cranes S.p.A. business unit	0	
Reserve of first time adoption of IFRS 9	(2,009)	
Total reserves	745,558	12,023
Profit for the year	(2,841)	
Grand total	824,022	12,773

Key: A: for capital increase; B: to cover losses; C: for distribution to shareholders

(1)- Scrip issues in previous financial years made by use of the Legal Reserve

Reserves or other funds which, in the event of distribution, do not form part of taxable income of the shareholders.	Profit reserves or other funds	Allowed uses	Available portion
	22,492		
15,122	42,941		
15,122	65,433		
	18,576	B	
22,398		A B	22,398
	(82,935)	-	
	756,254	A B C	756,254
	11,036	A B C	11,036
		A B C	2,825
		A B C	4,809
		A B C	125
	375	A B C	4,639
125		A B C	125
	13,404	-	
	(3,689)	-	
	0	-	
	(2,009)	-	
22,523	711,012		802,211
	(2,841)		
37,645	773,604		802,211

ATTACHMENT No. V
BANK DEBTS

	Original amounts	Current portions due by June 30, 2021	Portions due after June 30, 2021	Total
(thousands of euro)				
Payables to banks for loans				
- BPER loan (Annual floating rate of 0.17% - last instalment by October 2020)	20,000	20,000	0	20,000
- Credit Agricole loan (Annual floating rate 0.15% - last instalment by September 2020, in euro)	18,000	18,000	0	18,000
- Banco BPM loan (Annual floating rate of 0.1 % last instalment by September 2020, in euro)	53,000	13,000	0	13,000
- Danieli Finance Solutions loan (Annual floating rate of 0.455% last instalment by November 2021, in euro)	50,000	0	50,000	50,000
- Danieli Finance Solutions loan (Annual floating rate of 0.405% last instalment by November 2021, in euro)	100,000	0	100,000	100,000
- Bank Austria loan (Annual floating rate 0.172% - last instalment by October 2020, in euro) (Covenants: ratio Ebitda/consolidated fin. Charges ("R")R <2,9x applied margin 35bps per year; 2,9<=R<=3x applied margin 60bps per year)	50,000	50,000	0	50,000
- BNL -BNP Paribas Loan (Annual floating rate of 0.181% - last instalment by May 2020, in euro) (Covenants: cons. NFP >= 250 million euro and five times the residual payable, whichever lower; Ebitda/consolidated fin. charges >5; cons. shareholders' equity/Cons. fin. indebt.>1.75; Cons. fin. indebt./Ebitda <3)	30,000	30,000	0	30,000
- Credem loan (Annual floating rate of 0.03% last instalment by May 2021, in euro)	35,000	35,000	0	35,000
- Banca Intesa Brescia loan (Annual floating rate of 0.174% last instalment by December 2020, in euro)	50,000	50,000	0	50,000
- Banca Intesa Brescia loan (Annual floating rate of 0.174% last instalment by December 2020, in euro)	30,000	30,000	0	30,000
- Banca Intesa Brescia loan (Annual floating rate of 0.22% last instalment by April 2023, in euro)	50,000	18,750	25,000	43,750
- Ubi Banca loan (Annual floating rate 0.177% last instalment by April 2023, in euro)	50,000	0	50,000	50,000
Payables to banks for research projects				
- European Investment Bank loan (Annual Fixed rate of 1.7% - last instalment by October 2021, in euro) (Covenants: cons. NFP >= 250 million euro and five times the residual payable, whichever lower; Ebitda/consolidated fin. charges >5; cons. shareholders' equity/Cons. fin. indebt.>1.75; Cons. fin. indebt./Ebitda <3)	70,000	10,000	5,000	15,000
TOTAL	606,000	274,750	230,000	504,750
IFRS 16 Financial loans		1,768	9,756	11,524
GRAND TOTAL	606,000	276,518	239,756	516,274

ATTACHMENT No. VI**EQUITY INVESTMENTS HIGHER THAN 10% IN UNLISTED COMPANIES AS AT JUNE 30, 2020****Italian subsidiaries**

no.	investee company	% as at June 30, 2020	dir.	ind.	through	Share Capital (thousands)		
						%	Amount	
						currency		
1	Acciaierie Bertoli Safau S.p.A. Via Buttrio 28 - 33050 Pozzuolo (UD)	100.00		x	Industrielle Beteiligung SA Findan S.p.A.	99.918 0.081	euro	290,000
2	Danieli Automation S.p.A. Via B. Stringher 4 - 33042 Buttrio (UD)	100.00		x	Industrielle Beteiligung SA Findan S.p.A.	99.95 0.05	euro	10,000
3	Danieli Centro Combustion S.p.A. Via G. Galilei 40 - 20092 Cinisello Balsamo (MI)	100.00		x	Industrielle Beteiligung SA Findan S.p.A.	99.8 0.2	euro	2,500
4	Danieli Centro Cranes S.p.A. Via Gardesana 22 - 25086 Rezzato (BS)	100.00		x	Industrielle Beteiligung SA Findan S.p.A.	75.00 25.00	euro	120
5	Danieli Construction International S.p.A. Via Nazionale 41 - 33042 Buttrio (UD)	100.00		x	Industrielle Beteiligung SA Findan S.p.A.	99.999 0.0001	euro	6,000
6	Danieli Special Cranes S.r.l. Via dell'Industria 6 - 34072 Gradisca d'Is. (GO)	100.00		x	Findan S.p.A.	100.00	euro	2,700
7	Danieli Telerobot Labs Srl a s.u. Via Buccari 9 - Stradario 08520, 16153 Genova	100.00		x	Danieli Automation S.p.A.	100.000	euro	595
8	Fata S.p.A. - Strada Statale n. 24 Km 12 - 10044 Pianezza (TO)	100.00		x	Industrielle Beteiligung SA	100.00	euro	5,000
9	Findan S.p.A. - Via Dante 56 - 33040 Pradamano (UD)	100.00		x	Industrielle Beteiligung SA Danieli Constr. Intern. S.p.A.	99.96 0.04	euro	2,500
10	La Letizia S.p.A. - Via Nazionale n. 41 - 33042 Buttrio (UD)	100.00		x	Findan S.p.A.	100.00	euro	2,100
11	More S.r.l. - Via Santa Lucia 7 - 33013 Gemona del Friuli (UD)	100.00		x	Industrielle Beteiligung SA Findan S.p.A.	79.167 20.84	euro	240
12	Qualisteel S.r.l. - Via Buttrio 57 - 33050 Pozzuolo del Friuli (UD)	100.00		x	Acc. Bertoli Safau S.p.A.	100.00	euro	21,500
13	Scuole e Asili Cecilia Danieli S.r.l. Via Nazionale 41 - 33042 Buttrio (UD)	100.00		x	Turismo 85 Srl Findan S.p.A.	99 1	euro	500
14	Stem S.r.l. - Via Manzoni 12 - 20020 Magnago (MI)	100.00		x	Industrielle Beteiligung SA Findan S.p.A.	99.00 1.00	euro	265
15	Turismo 85 S.r.l. - Via Nazionale 71 - 33042 Buttrio (UD)	100.00		x	Industrielle Beteiligung SA Findan S.p.A.	99.00 1.00	euro	10
16	Absolute Scarl - via Buttrio 28 - 33050 Pozzuolo del Friuli (UD)	50.00		x	Acc. Bertoli Safau S.p.A.	50.00	euro	50
17	Editoriale il Friuli S.r.l. - via Nazionale 120 33010 Tavagnacco (UD)	31.51		x	Telefriuli S.p.A.	100.00	euro	100
18	Euronews S.r.l. - via Nazionale 120 - 33010 Tavagnacco (UD)	31.51		x	Editoriale il Friuli	100.00	euro	15
19	Telefriuli S.p.A. - via Nazionale 120 - 33010 Tavagnacco (UD)	31.51		x	Findan S.p.A.	31.51	euro	156
20	Inter-Rail S.p.A. - Via Carducci 44 - 33100 Udine	50.00		x	Acc. Bertoli Safau S.p.A.	50.00	euro	120
21	Automation Integrated Solutions S.p.A. SS 24 Km 12 - 10044 Pianezza (TO)	50.00		x	Fata S.p.A.	50.00	euro	100
22	In-Rail S.p.A. - Via M. Boccanegra 15 - 16126 Genova	18.47		x	Inter-Rail S.p.A.	36.93	euro	1,850
23	Primus Capital S.p.A. in liquidazione Via A. Cechov 502 - 20151 Milano	9.00		x	Industrielle Beteiligung SA	9.00	euro	8,000

Foreign subsidiaries

no.	investee company	% as at June 30, 2020	dir.	ind.	through	Share Capital (thousands)		
						%	Amount	
						currency		
24	ABS Centre Métallurgique Sas- Metz (FRA)	100.00		x	Acc. Bertoli Safau S.p.A.	100.00	euro	5,000
25	ABS Deutschland GmbH - Ratinger (DEU)	100.00		x	Acc. Bertoli Safau S.p.A.	100.00	euro	25
26	Acciaierie Bertoli Safau Iberica SL - Bilbao (ESP)	100.00		x	Acc. Bertoli Safau S.p.A.	100.00	euro	3
27	Acciaierie Bertoli Safau Scandinavia AB - Örebro (SWE)	100.00		x	Acc. Bertoli Safau S.p.A.	100.00	sek	50

Foreign subsidiaries

no.	investee company	% as at June 30, 2020	dir.	ind.	through	Share Capital (thousands)		
						%	Amount	
						currency		
28	Acciaierie Bertoli Safau Sisak Doo - Sisak (HRV)	100.00		x x	Industrielle Beteiligung SA Acc. Bertoli Safau S.p.A.	98.74 1.26	hrk	811,833
29	Danieli Automation Co. Ltd. - Rayong (THA)	100.00		x	Industrielle Beteiligung SA	100.00	thb	81,275
30	Danieli Finance Solutions S.A. - Luxembourg (LUX)	100.00	x	x	Danieli & C. Off. Mecc. S.p.A. Danieli Automation S.p.A.	83.83 16.17	euro	400,000
31	Danieli Canada Inc. - Toronto (CAD)	100.00		x	Danieli Corporation	100.00	cad	7,922
32	Danieli Centro Combustion India Pvt. Ltd. -Pune (IND)	100.00		x	Industrielle Beteiligung SA	100.00	inr	24,000
33	Danieli Changsu Trading Co. Ltd - Changshu (CHN)	100.00		x	Danieli Germany GmbH	100.00	cny	1,000
34	Danieli Co. Ltd. - Rayong (THA)	100.00		x	Industrielle Beteiligung SA	100.00	thb	1,445,000
35	Danieli Corporation - Wilmington, Delaware (USA)	100.00		x	Danieli Holdings Inc.	100.00	usd	1
36	Danieli Corus BV - Ijmuiden (NLD)	100.00		x	Danieli Corus Technical	100.00	euro	136
37	Danieli Corus India (Pvt) Ltd. - New Delhi (IND)	100.00		x x	Danieli Corus BV Industrielle Beteiligung SA	99.95 0.05	inr	875
38	Danieli Corus Technical Services BV - Ijmuiden (NLD)	100.00		x	Industrielle Beteiligung SA	100.00	euro	14,840
39	Danieli Czech Engineering AS - Praha (CZE)	100.00		x	Industrielle Beteiligung SA	100.00	czk	3,000
40	Danieli do Brasil LTDA - Diadema (BRA)	100.00		x	Industrielle Beteiligung SA	100.00	brl	3,373
41	Danieli Engineering & Services GmbH - Völkermarkt (AUT)	100.00		x	Industrielle Beteiligung SA	100.00	euro	4,000
42	Danieli Engineering Japan Co. Ltd. - Yokohama (JPN)	100.00		x	Industrielle Beteiligung SA	100.00	jpy	40,000
43	Danieli Engineering Rom Srl - Cluj Napoca (ROU)	100.00		x	Industrielle Beteiligung SA	100.00	ron	10
44	Danieli Germany GmbH - Duisburg (DEU)	100.00		x	Industrielle Beteiligung SA	100.00	euro	10,000
45	Danieli Heavy Machinery Engineering LLC- Dnepropetrovsk (UKR)	100.00		x	Industrielle Beteiligung SA	100.00	uah	177,882
46	Danieli Henschel SAS - Chambery (FRA)	100.00		x	Industrielle Beteiligung SA	100.00	euro	192
47	Danieli Henschel Service OOO - Moscow in liquidazione (RUS)	100.00		x	Danieli Henschel SAS	100.00	rub	50
48	Danieli High Technology (Changshu) Co., Ltd	100.00		x	Industrielle Beteiligung SA	100.00	euro	1,500
49	Danieli Holdings Inc. - Wilmington, Delaware (USA)	100.00		x	Industrielle Beteiligung SA	100.00	usd	8,825
50	Danieli Hoogovens Steel Making Technology Ltd. Shanghai (CHN)	100.00		x	Danieli Corus BV	100.00	usd	200
51	Danieli India Ltd. - Kolkata (IND)	100.00		x	Industrielle Beteiligung SA	100.00	inr	5,649,416
52	Danieli Malaysia Sdn. Bhd. - Kuala Lumpur (MYS)	100.00		x	Danieli Constr. International S.p.A.	100.00	myr	500
53	Danieli Metall. Equip. & Service (China) Co Ltd.Changshu (CHN)	100.00		x	Industrielle Beteiligung SA	100.00	cny	280,111
54	Danieli Metallurgical Equipm.(Beijing) Co Ltd. Beijing in liquidazione (CHN)	100.00		x	Industrielle Beteiligung SA	100.00	cny	41,297
55	Danieli Russia Engineering OOO - Moscow (RUS)	100.00		x	Industrielle Beteiligung SA	100.00	rub	50,350
56	Danieli Systec doo - Labin (HRV)	100.00		x	Danieli Automation S.p.A.	100.00	hrk	750
57	Danieli Systec Engineering Doo - Smederevo (SRB)	100.00		x	Danieli Automation S.p.A.	100.00	rsd	51
58	Danieli Systec Technology Doo - Nova Gorica (SLV)	100.00		x	Danieli Automation S.p.A.	100.00	euro	38
59	Danieli Technology Inc. - Wilmington, Delaware (USA)	100.00		x	Danieli Holdings, Inc.	100.00	usd	1
60	Danieli UK Holding Ltd. - Rotherham (GBR)	100.00		x	Industrielle Beteiligung SA	100.00	gbp	12,489

Foreign subsidiaries

no.	investee company	% as at June 30, 2020	dir.	ind.	through	Share Capital (thousands)		
						%	currency	Amount
61	Danieli Volga OOO - Dzerzhinsk (RUS)	100.00		x x	Danieli Russia Eng. OOO Industrielle Beteiligung SA	99.99 0.01	rub	255,033
62	DWU Engineering Polska SP.z.o.o.- Wroclaw (POL)	100.00		x	Industrielle Beteiligung SA	100.00	pln	900
63	Elsid Cheda Ltd. - Moscow (RUS)	100.00		x	Danieli Automation S.p.A.	100.00	rub	10
64	ESW Röhrenwerke GmbH - Eschweiler (DEU)	100.00		x	Industrielle Beteiligung SA	100.00	euro	25
65	Industrial Beteiligung for Serv. & Contracting Co. LLC Al Khobar (SAU)	100.00		x x	Industrielle Beteiligung SA Findan S.p.A.	99.00 1.00	sar	500
66	Industrielle Beteiligung Company Ltd. - HoChiMinh City (VNM)	100.00		x	Industrielle Beteiligung SA	100.00	vnd	80,183,393
67	Industrielle Beteiligung S.A. - Luxembourg (LUX)	100.00	x		Danieli & C. Off. Mecc. S.p.A.	100.00	euro	328,700
68	Innoval Technology Ltd.- Rotherham (GBR)	100.00		x	Danieli UK Holding Ltd.	100.00	gbp	1
69	Morgårdshammar AB - Smedjebacken (SWE)	100.00		x	Industrielle Beteiligung SA	100.00	sek	25,000
70	Morgardshammar Inc. - Charlotte, North Carolina (USA)	100.00		x	Danieli Holdings, Inc.	100.00	usd	0
71	Pars Foulad Jam Sama Heavy Metallurgical Equipment Co. PJS Eshtehard (IRN)	100.00		x	Dan. Met. Equip. & Serv.(China)	100.00	irr	521,344,600
72	Sund Birsta (Beijing) Metallurgical Equipment Co. Ltd Beijing (CHN)	100.00		x	Sund Birsta AB	100.00	cny	5,000
73	Sund Birsta AB - Sundsvall (SWE)	100.00		x	Industrielle Beteiligung SA	100.00	sek	10,000
74	Sund Birsta Inc. - Plantation, Florida (USA)	100.00		x	Sund Birsta AB	100.00	usd	10
75	Sund Strap AB - Sundsvall (SWE)	100.00		x	Sund Birsta AB	100.00	sek	100
76	Danieli Procome Iberica SA - Sondica (ESP)	99.99		x	Industrielle Beteiligung SA	99.99	euro	108
77	Rotelec SA - Bagnolet (FRA)	99.99		x	Industrielle Beteiligung SA	99.99	euro	600
78	Danieli Middle East for Eng. Services LLC - Cairo (EGY)	99.80		x	Industrielle Beteiligung SA	99.80	egp	50
79	Termo Makina Sanayi Ve Tic. AS - Duzce (TUR)	90.00		x	Industrielle Beteiligung SA	90.00	try	29,597
80	Danieli Taranis LLC - Chelsea, Alabama (USA)	50.00		x	Danieli Automation USA, Inc.	50.00	usd	1
81	Danieli Tongchuang Information Technology (Beijing) Co., Ltd	51.00		x x	Industrielle Beteiligung SA Danieli Telerobot Labs srl	49.00 2.00	cny	25,000
82	International Engineering Dana Petro Foulad Passargad (PJSCO) Esfahan (IRAN)	51.00	x		Danieli & C. Off. Mecc. SpA	51.00	rials	3,500,000
83	Zhuozhou Ruixin Metallurgy Equipment Co., Ltd - (CHN)	51.00		x	Sund Birsta (Beijing) Metallurgical Equipment Co. Ltd.	51.00	cny	5,000
84	Fata Gulf Co. WLL - Doha (QAT)	49.00		x	Fata S.p.A.	49.00	qar	200
85	Ghadir Energy Fata Company (IRAN)	40.00		x	Fata S.p.A.	40.00	irr	7,000,000

ATTACHMENT NO. VII**SCHEDULE OF RESEARCH AND DEVELOPMENT ACTIVITIES RELATING TO PROJECTS FOR PRODUCT AND PROCESS INNOVATION (ART. 2428 ITALIAN CIVIL CODE)**

The costs quantified for performing research and development activities during the 2019/2020 financial year, taken from the management accounting records and the relevant sections of a detailed report are summarised below:

(thousands of euro)

A) NAME AND NATURE OF	B) COSTS INCURRED FROM JULY 01, 2019 TO JUNE 30, 2020				
PROJECT	Personnel and similar costs for R&D	Materials and services used for R&D projects	Total	C) BASIC RESULTS ACHIEVED	C) POTENTIAL MANUFACTURING SPIN-OFFS
1 Research and development work on innovative solutions in the sector for rolling, casting and continuous casting for long and flat products, and on new solutions in the direct reduction sector. Specific research and development on process lines for production of thick rolled sections, welded and seamless tubes.	12,452	19,039	31,491	Improved specific process control	Reduction in production costs and improved finished product quality
Total R&D for the 2019/2020 financial year	12,452	19,039	31,491		
Total R&D			31,491		

D) The company, aware of the importance of research and development for the future of its business, invested large amounts during the 2019/2020 financial year. The mentioned projects, innovative worldwide, deal with activities nearing completion that are expected to bring significant future benefits to the company.

ATTACHMENT No. VIII**RECONCILIATION BETWEEN THE TAX CHARGE (IRES) IN THE FINANCIAL STATEMENTS AND THE THEORETICAL TAX CHARGE**

(thousands of euro)	June 30, 2020			June 30, 2019		
	Taxable income	Rate	Tax	Taxable income	Rate	Tax
Profit before tax (A)	(2,938)			(1,252)		
Theoretical income tax charge/(benefit) of (A)		24.0%	(706)		24.0%	(301)
Taxable income (B)	17,000			(6,741)		
Effective tax rate of (B)		24.0%	4,080		24.0%	(1,618)
Effective tax rate % on (A)			-138.9%			129.2%
Use of past year tax losses (80%)	(5,576)		(1,338)	0		0
Use of past years ACE	(11,424)		(2,742)			0
CURRENT IRES (Italian income tax)	0		0	(6,741)		(1,618)
(Deductable) and taxable in next fiscal years temporary changes and tax rate change effect	17,575	24.0%	4,218	9,683	24.0%	2,324
Entry of tax benefit on past year losses due to the participation to the National Tax Consolidation (*)	(9,492)	24.0%	(2,278)	(7,154)	24.0%	(1,717)
Entry of deferred tax assets on past year tax losses	N.A.		0	N.A.		0
Other changes on past years	N.A.		2,043	N.A.		(436)
Total taxes recognised in the financial statements			(98)			(1,446)

(*) the company joined the National Tax Consolidation with some Group companies.

ATTACHMENT No. IX
INFORMATION ON DEFERRED TAX ASSETS AND LIABILITIES
AND CONSEQUENT EFFECTS

(thousands of euro)

DEFERRED TAX ASSETS	June 30, 2019			
	IRES	IRAP	Taxable income	Deferred tax assets
Taxed provisions	24.00%	3.90%	9,800	2,735
Taxed provisions	24.00%		25,112	6,027
Tax losses that may be carried fwd	24.00%		4,407	3,944
Provision for doubtful accounts	24.00%		26,200	6,289
ACE Benefit	24.00%		23,898	5,076
Other tax changes	24.00%		596	143
Discounting of employee sev. indemnity	24.00%		1,904	514
TOTAL DEFERRED TAX ASSETS			91,917	24,728

DEFERRED TAX LIABILITIES	June 30, 2019			
	IRES	IRAP	Taxable income	Deferred tax assets
Change in construction contracts	24.00%	3.90%	487	136
Discounting of employee sev. indemnity	24.00%		0	0
Recovery of unrealised exchange gains	24.00%		6,620	2,226
TOTAL DEFERRED TAX LIABILITIES			7,107	2,362

June 30, 2020						
IRES	IRAP	Taxable income	Deferred tax assets	Reclassifications	Through profit or loss	To shareholders' equity
24.00%	3.90%	27,881	7,779		5,044	
24.00%		25,112	6,027			
24.00%		0	0		(3,944)	
24.00%		25,646	6,155		(134)	
24.00%		2,096	503		(4,573)	
24.00%		0	0		(143)	
24.00%		1,792	430		(15)	(69)
		82,527	20,894	0	(3,765)	(69)

June 30, 2020						
IRES	IRAP	Taxable income	Deferred tax assets	Reclassifications	Through profit or loss	To shareholders' equity
24.00%	3.90%	530	148		12	
24.00%		0	0			
24.00%		8,758	2,102		(124)	
		9,288	2,250	0	(112)	0

ATTACHMENT No. X**SUMMARY OF BALANCE SHEET AND INCOME STATEMENT RELATIONS
WITH SUBSIDIARY AND ASSOCIATED COMPANIES**

(thousands of euro)	Inventories and advances (*)	Trade and other Receivables	Financial Receivables	Advances received	Trade and other Payables	Financial Payables
SUBSIDIARIES						
Indirect, residing in Italy						
Acciaierie Bertoli Safau S.p.A. - Pozzuolo (UD)	(1,145)	4,731	0	1,722	2,666	0
Danieli Automation S.p.A. - Buttrio (UD)	8,250	7,180	0	0	30,961	3,553
Danieli Centro Combustion S.p.A. - Cinisello Balsamo (MI)	6,956	1,225	0	0	25,354	18,286
Danieli Centro Cranes S.p.A. - Rezzato (BS)	0	7	9	0	238	0
Danieli Construction International S.p.A. - Buttrio (UD)	(0)	123	0	0	7,648	7,884
Danieli Special Cranes S.r.l. - Gradisca d'Is. (GO)	0	6	0	0	23	1,788
Fata S.p.A. - Pianezza (TO)	83	1,137	0	0	758	6,637
Findan S.p.A. - Pradamano (UD)	0	14	1,209	0	349	0
La Letizia S.p.A.	0	1	447	0	0	0
More S.r.l. - Gemona del Friuli (UD)	108	25	0	0	2,058	5,000
Qualisteel S.r.l. - Pozzuolo del Friuli (UD)	0	258	0	0	0	0
Scuole e Asili Cecilia Danieli S.r.l. - Buttrio (UD)	0	3	670	0	198	0
Stem S.r.l. - Magnago (MI)	0	7	0	0	11	918
Danieli Telerobot Labs. Srl a s.u. -Genova	(105)	8	0	0	561	0
Turismo 85 S.r.l. - Buttrio (UD)	0	63	34	0	164	0
Automation Integrated Solutions S.p.A. - Pianezza (TO)	(262)	6	0	0	219	0
Total companies residing in Italy	13,885	14,795	2,369	1,722	71,208	44,066
Direct, not residing in Italy						
Danieli Finance Solutions S.A. - Luxembourg (LUX)	0	0	1	0	0	150,049
Industrielle Beteiligung SA - Luxembourg (LUX)	0	0	0	0	0	0
Indirect, not residing in Italy						
ABS Centre Métallurgique SaS - Metz (FRA)	0	0	0	0	49	0
Acciaierie Bertoli Safau Sisak Doo - Sisak (HRV)	(104)	36	0	0	0	0
Danieli Canada Inc. - Toronto (CAD)	0	2	0	0	0	0
Danieli Automation Co. Ltd. - Rayong (THA)	0	17	0	0	7	0
Danieli Centro Combustion India Pvt. Ltd. -Pune (IND)	0	1,430	0	0	0	0
Danieli Changsu Trading Co. Ltd - Changshu (CHN)	0	0	0	0	1,873	0
Danieli Co. Ltd. - Rayong (THA)	(5,519)	6,457	0	4,307	111,354	0
Danieli Corporation - Wilmington, Delaware (USA)	2,354	139,909	0	58,791	1,775	0
Danieli Corus BV - Ijmuiden (NLD)	(13)	1,402	0	0	10	0
Danieli Corus Technical Services BV - Ijmuiden (NLD)	0	0	0	0	55	0
Danieli Czech Engineering AS - Praha (CZE)	0	920	0	0	53	434
Danieli Do Brasil SA - Diadema (BRA)	0	158	0	12	460	0
Danieli Engineering & Services GmbH - Völkermarkt (AUT)	0	3,193	0	0	1,363	10,351
Danieli Engineering Japan Co. Ltd. - Yokohama (JPN)	0	10	0	0	321	0

(thousands of euro)	Inventories and advances (*)	Trade and other Receivables	Financial Receivables	Advances received	Trade and other Payables	Financial Payables
Indirect, not residing in Italy						
Danieli Engineering Rom Srl - Cluj Napoca (ROU)	0	26	0	0	285	0
Danieli Germany Gmbh - Duisburg (DEU)	(3,826)	753	0	0	2,110	1,522
Danieli Heavy Machinery Engineering LLC Dnepropetrovsk (UKR)	0	62	0	0	824	0
Danieli Henschel SAS - Méry (FRA)	0	27	0	0	292	0
Danieli India Ltd. - Kolkata (IND)	4,860	21,574	0	0	7,865	0
Danieli Malaysia Sdn Bhd - Kuala Lumpur (MYS)	0	110	0	0	0	0
Danieli Metall. Equip. & Service (China) Co Ltd Changshu (CHN)	3,009	34,030	0	0	62,574	0
Danieli Metallurgical Equipm.(Beijing) Co Ltd. Beijing (CHN)	0	0	0	0	5	0
Danieli Middle East for Eng. Services (LMTD) Cairo (EGY)	0	383	0	0	5,554	0
Danieli Procome Iberica SA - Sondica (ESP)	77	25	0	0	4,021	4,106
Danieli Russia Engineering LLC - Moscow (RUS)	0	241	0	0	319	0
Danieli Systec Automatizacija Doo - Labin (HRV)	0	61	0	0	1,337	0
Danieli Systec Doo - Nova Gorica (SLV)	0	2	0	0	248	0
Danieli Systec Eng. Doo - Smederevo (SRB)	0	61	0	0	931	0
Danieli Taranis LLC. - Chelsea (USA)	0	36	0	0	0	0
Danieli UK Holding Ltd. - Rotherham (GBR)	143	3,275	0	0	983	1,226
Danieli Volga LLC - Dzerzhinsk (RUS)	1,237	4,836	0	559	1,198	0
DWU Engineering Polska - Wroclaw (POL)	0	69	273	0	243	0
Fata Gulf Co. WLL - Doha (QAT)	0	1	0	0	0	0
Industrial Beteiligung Serv. & Contr. Co. LLC Al Khobar (SAU)	0	1	0	0	204	0
Industrielle Beteiligung Company Ltd. HoChiMinh City (VNM)	0	133	0	0	1,332	0
Innoval Technology Ltd.- Rotherham (GBR)	0	5	0	0	284	0
Morgårdshammar AB - Smedjebacken (SWE)	1	138	97	0	49	399
Pars Foulad Jam Sama Heavy Metallurgical Equipment Co. PJS - Eshtehard (IRN)	999	4,111	0	0	336	0
Rotelec SA - Bagnolet (FRA)	128	17	0	0	1,483	3,720
Sund Birsta AB - Sundsvall (SWE)	(13)	28	(1)	0	8,565	16,026
Sund Birsta Inc. - Plantation, Florida (USA)	0	2	(1)	0	0	0
Termo Makina Sanayi Ve Tic. AS - Duzce (TUR)	21	4,713	0	0	72	0
Exchange gains/losses	(1)	(1,197)	1		(234)	
Total companies not residing in Italy	3,355	227,055	370	63,669	218,199	187,832
TOTAL	17,240	241,850	2,738	65,391	289,407	231,898

(*) including 80,007 thousand euro accounted for in current liabilities

ATTACHMENT No. X continuedSUMMARY OF BALANCE SHEET AND INCOME STATEMENT RELATIONS
WITH SUBSIDIARY AND ASSOCIATED COMPANIES

(thousands of euro)	Operating revenues	Operating costs	Financial income	Financial charges
SUBSIDIARIES				
Indirect, residing in Italy				
Acciaierie Bertoli Safau S.p.A. - Pozzuolo (UD)	129,735	200	0	0
Danieli Automation S.p.A. - Buttrio (UD)	11,132	67,833	1	0
Danieli Centro Combustion S.p.A. - Cinisello Balsamo (MI)	631	34,009	0	0
Danieli Centro Cranes S.p.A. - Rezzato (BS)	254	121	0	0
Danieli Construction International S.p.A. - Buttrio (UD)	371	14,630	0	0
Danieli Special Cranes S.r.l. - Gradisca d'Is. (GO)	14	0	2	0
Fata S.p.A. - Pianezza (TO)	607	1,126	0	0
Findan S.p.A. - Pradamano (UD)	13	462	1	0
La Letizia S.p.A.	0	0	3	0
More S.r.l. - Gemona del Friuli (UD)	26	4,210	0	0
Qualisteel S.r.l. - Pozzuolo del Friuli (UD)	426	6	0	0
Scuole e Asili Cecilia Danieli S.r.l. - Buttrio (UD)	3	325	1	0
Stem S.r.l. - Magnago (MI)	0	0	0	0
Danieli Telerobot Labs. Srl a s.u. -Genova	2	630	0	0
Turismo 85 S.r.l. - Buttrio (UD)	78	1,075	0	0
Automation Integrated Solutions S.p.A. - Pianezza (TO)	6	1,097	0	0
Total companies residing in Italy	143,299	125,725	7	0
Direct, not residing in Italy				
Danieli Finance Solutions S.A. - Luxembourg (LUX)	15	0	0	(73)
Industrielle Beteiligung SA - Luxembourg (LUX)	0	0	0	0
Indirect, not residing in Italy				
ABS Centre Métallurgique SaS - Metz (FRA)	0	30	0	0
Acciaierie Bertoli Safau Sisak Doo - Sisak (HRV)	374	0	0	0
Danieli Automation Co. Ltd. - Rayong (THA)	8	7	0	0
Danieli Canada Inc. - Toronto (CAD)	2	0	0	0
Danieli Centro Combustion India Pvt. Ltd. -Pune (IND)	85	0	0	0
Danieli Changsu Trading Co. Ltd - Changshu (CHN)	0	753	0	0
Danieli Co. Ltd. - Rayong (THA)	16,817	66,585	0	0
Danieli Corporation - Wilmington, Delaware (USA)	217,612	2,236	0	0
Danieli Corus Technical Services BV - Ijmuiden (NLD)	0	55	0	0
Danieli Corus BV - Ijmuiden (NLD)	1,416	510	0	0
Danieli Czech Engineering AS - Praha (CZE)	242	149	0	0

(thousands of euro)	Operating revenues	Operating costs	Financial income	Financial charges
Indirect, not residing in Italy				
Danieli Do Brasil SA - Diadema (BRA)	655	1,847	0	0
Danieli Engineering & Services GmbH - Völkermarkt (AUT)	13,857	2,283	0	0
Danieli Engineering Japan Co. Ltd. - Yokohama (JPN)	220	597	0	0
Danieli Engineering Rom Srl - Cluj Napoca (ROU)	37	677	0	0
Danieli Germany GmbH - Duisburg (DEU)	7,280	3,853	1	0
Danieli Heavy Machinery Engineering LLC - Dnepropetrovsk (UKR)	123	1,486	0	0
Danieli Henschel SAS - Méry (FRA)	170	797	0	0
Danieli India Ltd. - Kolkata (IND)	4,975	5,144	0	0
Danieli Metall. Equip. & Service (China) Co Ltd.Changshu (CHN)	20,606	36,459	0	0
Danieli Middle East for Eng. Services (LMTD) - Cairo (EGY)	1	36	0	0
Danieli Procome Iberica SA - Sondica (ESP)	116	8,962	0	0
Danieli Russia Engineering LLC - Moscow (RUS)	0	72	0	0
Danieli Systec Automatizacija Doo - Labin (HRV)	77	5,734	0	0
Danieli Systec Doo - Nova Gorica (SLV)	1	408	0	0
Danieli Systec Eng. Doo - Smederevo (SRB)	32	1,635	0	0
Danieli Taranis LLC. - Chelsea (USA)	32	0	0	0
Danieli UK Holding Ltd. - Rotherham (GBR)	2,936	2,924	0	0
Danieli Volga LLC - Dzerzhinsk (RUS)	3,364	3,185	0	0
DWU Engineering Polska - Wroclaw (POL)	93	1,485	0	0
Fata Gulf Co. WLL - Doha (QAT)	1	0	0	0
Industrial Beteiligung Serv. & Contr. Co. LLC - Al Khobar (SAU)	1	347	0	0
Industrielle Beteiligung Company Ltd. - HoChiMinh City (VNM)	232	3,576	0	0
Innoval Technology Ltd.- Rotherham (GBR)	11	307	0	0
Morgårdshammar AB - Smedjebacken (SWE)	49	112	1	0
Pars Foulad Jam Sama Heavy Metallurgical Equipment Co. PJS Eshtehard (IRN)	0	1,929	0	0
Rotelec SA - Bagnolet (FRA)	27	3,346	0	0
Sund Birsta Inc. - Plantation, Florida (USA)	2	0	0	0
Sund Birsta AB - Sundsvall (SWE)	28	10,052	0	(15)
Termo Makina Sanayi Ve Tic. AS - Duzce (TUR)	1	72	0	0
Total companies not residing in Italy	291,495	167,650	2	(88)
TOTAL	434,795	293,375	9	(88)

DECLARATION IN ACCORDANCE WITH ART. 154-B PARA. 5 OF THE TAX CONSOLIDATION ACT RELATIVE TO THE ANNUAL FINANCIAL STATEMENTS (PURSUANT TO ART. 81-C OF CONSOB REGULATION NO. 11971 OF MAY 14, 1999 AND SUBSEQUENT MODIFICATIONS AND ADDITIONS)

1. We, the undersigned Gianpietro Benedetti, Chairman of the Board of Directors, and Alessandro Brussi, Manager responsible for the preparation of company accounting documents, of Danieli & C. Officine Meccaniche S.p.A. certify, also taking account of the provisions of art. 154-b, paragraphs 3 and 4, of legislative decree no. 58 of February 24, 1998:

- the suitability in relation to the characteristics of the company and
- the effective application of administrative and accounting procedures for the preparation of the annual financial statements, during the period from July 1, 2019 to June 30, 2020

Assessment of the suitability of the administrative and accounting procedures for the preparation of the financial statements for the year to June 30, 2020 was based on a model established by Danieli & C. Officine Meccaniche S.p.A. consistent with the CoSO framework and also takes account of the document “*internal control over financial reporting - Guidance for Smaller Public Companies*”, both developed by the Committee of Sponsoring Organizations of the Treadway Commission, which is an internationally generally accepted reference framework.

2. It is also certified that the financial statements for the year to June 30, 2020
- a) were prepared in compliance with the applicable international accounting standards recognised by the European Community pursuant to EC regulation no. 1606/2002 of the European Parliament and the Council, of July 19, 2002;
 - b) correspond with the accounting records and the entries therein;
 - c) provide, in an appropriate way, a true and fair view of the balance sheet, profit and loss and financial position of the issuing company.
3. The directors' report contains a reliable analysis of performance and profit, together with a description of the principal risks and uncertainties to which they are exposed.

September 24, 2020

*Chairman of the Board of Directors
Gianpietro Benedetti
Signed*

*Manager responsible for the preparation
of company accounting documents
Alessandro Brussi
Signed*

RELAZIONE DEL COLLEGIO SINDACALE ALL'ASSEMBLEA DEI SOCI AI SENSI DELL'ART. 153, D. LGS. N. 58/98 E DELL'ART. 2429, C. 2, DEL CODICE CIVILE

To the Meeting of the Shareholders of
DANIELI & C. OFFICINE MECCANICHE S.P.A.

Dear Shareholders,
by this report, drafted in accordance with Art. 153, [Italian] Legislative Decree 58/98 and Art. 2429 of the [Italian] Civil Code, the Board of Auditors of Danieli & C. Officine Meccaniche S.p.A. intends to inform you about the supervision and control activities carried out, in compliance with the Board's duties, during the financial year ended 30 June 2020.

LAWS, REGULATIONS AND ETHICAL SOURCES

During the financial year ended 30 June 2020, the Board of Auditors performed the supervisory duties for which it is responsible under Art. 149 Legislative Decree 58/98 in accordance with the Rules of Conduct of the Boards of Auditors of listed companies, issued by the [Italian] National Council of Chartered Accountants and Accounting Experts in April 2015 and updated to April 2018, and with the Consob [Italian national commission for listed companies and the stock exchange] recommendations on corporate controls and the activity of Boards of Auditors.
The Board of Auditors is also vested with the role of Internal Control and Audit Committee under Art. 19, Legislative Decree 39/2010, as amended by Legislative Decree no. 35 of 17 July 2016, implementing Directive 2014/56/EU.

THE BOARD OF AUDITORS' ACTIVITY

The Board of Auditors planned its activities based on the reference legislative framework, and carried out the inspections deemed most appropriate in relation to the Company's business and size.

The Board performed the following activities:

- regular meetings with the Managers of the various departments of the Company;
- participation in the meetings of the corporate bodies, particularly of the Board of Directors, the Executive Committee and the Shareholder Meeting;
- regular exchange of information with the audit company, in accordance with the applicable legislation;
- exchange of information with the Board of Auditors of the main subsidiaries;
- acquisition of relevant information and assessment of the findings resulting from the Supervisory Body's review under Legislative Decree 231/2001.

We attended all five meetings of the Board of Directors and the meeting of the Executive Committee held during the financial year 2019/2020, and we obtained timely and adequate information, in accordance with the provisions under Art. 2381, comma 5, of the Italian Civil Code and under the Articles of Association, with regard to the management performance in general and to its outlook, as well as to the transactions of the Company regarded as most significant in terms of their size or characteristics. In particular, the decision-making process of the Board of Directors seemed to us properly founded on compliance with the fundamental informed action principle.

In the relevant financial year, the Board of Auditors performed its duties by attending 15 full board meetings, all duly recorded, and met with the subsidiaries' boards of auditors on a regular basis. The meetings were held both at the offices of the company Danieli & C. Officine Meccaniche S.p.A., and via conference call and/or online.

The Board of Auditors met with the representatives from the company in charge of the statutory audit at least every six months.

The Board of Auditors asked for and obtained comparisons and reports on a regular basis from the Board of Directors, the Audit Company, the Staff involved in the Internal Control and Risk Management System, the Internal Audit and Compliance Manager, the Supervisory Body.

In addition, the Board of Auditors examined the Company's accounting records and other documents provided by the Managers in charge of the relevant departments.

Based on the information acquired during its supervision, the Board of Auditors has not detected any omissions and/or improper behaviour and/or any irregularities or, however, significant actions that would require to be reported to the Supervisory bodies or mentioned in this report; the Board of Auditors notes, moreover, that no notices under Art. 2408 of the Italian Civil Code or any other complaints have been received.

ADEQUATE MEASURES TAKEN TO MITIGATE THE CORONAVIRUS PANDEMICS

The first months of 2020 were characterised by the events related to the outbreak of the Coronavirus epidemic, which began in Wuhan, China. On 11 March 2020, further to the increasing spread of the virus in Europe, the rapid acceleration of cases in the United States and the diffusion of the first outbreaks in Latin America and Africa, the WHO declared the global health emergency caused by the spread of Covid-19 to be a pandemic. To mitigate the effects of contagion, the Italian authorities have taken increasingly strict measures. Accordingly, starting from early March 2020, the Company has implemented all suitable measures to protect the health and safety of all employees.

Moreover, the Company has taken steps to mitigate the actual and potential consequences of Covid-19 on its financial situation and economic performance.

Despite the current context of uncertainty, the Company has found no issue with regard to the going concern assumption.

SUPERVISORY ACTIVITIES

Supervision of compliance with the laws and the Articles of Association

The Board points out that the Company handled internal and external information flows through the co-ordination of the staff involved in compliance with the laws and the Articles of Association, as identified in the Report on corporate governance and on the ownership structure issued by the Board of Directors in accordance with Art. 123-bis T.U.F. [Italian Consolidation Act on Finance].

Moreover, the Board notes that:

- the Group's Register of persons having access to privileged Information is managed according to a proper procedure;
- the information requirements under the Internal Dealing regulations are managed according to a proper Internal Dealing Procedure;
- the information and privacy protection systems under the provisions of EU Regulation 2016/679 (GDPR) and of Italian Legislative Decree 101/2018 are managed through an organisational model adopted by a resolution of the Board of Directors of 10 May 2018.

The Board of Auditors confirms that based on the information gathered in performance of its supervisory duties, all bodies and departments of the Company have duly fulfilled their respective information requirements under law.

Based on the information acquired, the Board of Auditors confirms that no breach of law or of the Articles of Association has been committed by the Company or its bodies and no complaints have been lodged by the shareholders.

Supervision of compliance with the principles of good administration

Based on the information acquired during its supervision, particularly the information received from the Board of Directors, on a quarterly basis, with regard to the activity performed and the main economic, financial and investment transactions entered into by the Company and its subsidiaries, as well as the information gathered from the corporate documents examined, the Board of Auditors confirms that it had no reports:

- of any transactions in contrast with the principles of good administration;
- of any transactions resolved and implemented in contrast with the law and/or the Articles of Association;
- of any transactions in contrast with the interests of the Company;
- of any transactions in contrast with resolutions taken by the Meeting, or likely to damage the integrity of the share capital;
- of any transactions that may cause conflicts of interest.

The Board of Auditors confirms, moreover, that it has been informed by the directors about the development of pending cases and litigation resulting from tax notices, and on the consequences that might still derive to the subsidiaries; this is further discussed in the explanatory notes.

Within the scope of our responsibility, we have acquired information on and supervised the compliance with the principle of sound and prudent management of the Company, and the duty of care in general, all on the basis of our participation in the meetings of the Board of Directors and of the Executive Committee, as well as of the documents and information timely received from the

various managing bodies with regard to the transactions entered into by the Group. The information we have acquired has enabled us to verify that all actions decided and implemented complied with the laws and the Articles of Association and were not clearly imprudent or reckless.

The Managing Directors acted within the limits of the powers conferred on them. The Board of Auditors received accurate reports from the Managing Directors as to the performance of the Company and its subsidiaries.

The Board of Directors acted in compliance with the fundamental informed action principle.

Supervision of the adequacy of the organisational structure

The Board of Auditors supervised the adequacy of the organisational structure through information gathered from the managers in charge of organisational duties, and regular discussions with the Audit Company.

The Board of Auditors has no specific comments to make with regard to the organisational structure of the Company: at present, in fact, its structure, as well as the procedures, duties and responsibilities appear to be suited to the Company's size as well as to the nature of the corporate purpose and the methods followed to pursue such purpose.

The Board of Directors currently in office was appointed by the Meeting on 26 October 2018, and integrated by Mr. Antonello Mordegia, who was co-opted by the same Board of Directors on 24 September 2020, and it is comprised of eight members.

The Board of Directors includes two independent Directors, whose independence requirements under Art. 147-ter, par. 4, Legislative Decree 58/98 were verified by the Company. In this regard, the Board of Auditors confirms that the Company has fully complied with all applicable laws and regulations.

The Board of Auditors has granted specific powers to individual members.

In addition, for operational reasons, the Board of Directors has appointed an Executive Committee, comprised of three members, responsible for deciding on all business matters and affairs, particularly those that need urgent action. A resolution of the Board of Directors dated 26 October 2018 vested the Executive Committee with all powers of the Board of Directors, except for those that cannot be delegated according to law and to the Articles of Association.

The Board of Auditors currently in office was appointed by the Meeting of the Shareholders on 26 October 2018 and is comprised of three statutory auditors and two alternate auditors. The Board verified that the requirements under Art. 2397 Italian Civil Code were met throughout the term of the assignment (the findings of the verification were transmitted on 31 July 2020), and that there were no causes for disqualification, ineligibility, and incompatibility under Arts. 2382 and 2399 Italian Civil Code and Art. 148, par. 3, Legislative Decree 58/98. The members of the Board of Auditors complied with the limit on the number of offices that can be held simultaneously under Art. 148-bis, Legislative Decree 58/98 and Arts. 144-duodecies and ff. of the Issuer Regulation.

The remuneration of the Board was decided by the Meeting of the Shareholders upon the appointment and is considered adequate by the same Board, based on the commitment required to carry out the relevant duties.

Pursuant to Art. 2364 Italian Civil Code, the statutory audit of the accounts relevant to the financial statements for the year, the consolidated financial statements, and the limited audit of the half-yearly report is the responsibility of the audit company Deloitte & Touche S.p.A., which will be in charge thereof until the approval of the financial statements as at 30 June 2028.

The company was appointed by the Meeting of the Shareholders on 26 October 2018.

Supervision of the adequacy of the internal control and risk management system

The Board of Auditors confirms that the Company has determined the nature and level of risk in line with the strategic objectives of the Company; the above was illustrated in the Financial Report as at 30 June 2020, with respect to which, the Board of Auditors has no comments or objections to make.

The staff and the departments involved in the internal control and risk management system are:

- the Board of Directors;
- the Board of Auditors;
- the Supervisory Body;
- the Internal Audit and Compliance department;
- the Manager in charge of preparing the Company's accounting records.

The Board of Auditors points out that during the relevant year, we:

- supervised the Staff in charge of Internal Control;
- held regular meetings with the staff involved in the internal control and risk management system;
- examined the corporate documents;
- analysed the results of the work performed by the audit company;
- reviewed the results of the work performed by the Supervisory Body.

During the year, the Board of Auditors obtained from the Supervisory Body all useful information to verify the aspects relating to the autonomy, independence and professional expertise required to perform the duties entrusted to them.

In addition, the Board of Auditors obtained from the Supervisory Body information regarding the Organisation and Management Model adopted by the Company in accordance with Legislative Decree 231/2001, and its operation and implementation.

Further to the verifications carried out, the Board of Auditors confirms that the internal control system has been constantly and continuously strengthened and updated to all changes and amendments brought to the applicable legislation.

Based on the information obtained in the performance of our supervisory duties, we confirm that the mechanism of coordination of the staff involved in the internal control and risk management system enables an appropriate exchange of information between the bodies vested with such duties, and the internal control system shows no apparent weaknesses.

SUPERVISION OF THE ACCOUNTING - ADMINISTRATION SYSTEM AND THE AUDIT

Supervision of the accounting – administration system

The Board of Auditors supervised the proper conduction of the accounting - administration system to ensure proper representation of the management events, through direct observation, information obtained from the managers of the respective departments, the examination of corporate documents and the review of the work performed by the Audit Company.

We inform you that Danieli & C. Officine Meccaniche S.p.A. has adopted an integrated system for the management of the accounting-administration risk, as a valid support to financial reporting and to the evaluation of the compliance with the processes and procedures adopted (thus also verifying the adequacy of these latter); all in compliance with Law 252/2005 and according to the provision of Art. 19, par. 1, letter C) of Legislative Decree 39/2010.

Supervision of the audit

The Board of Auditors supervised the operations of the Audit Company which, as mentioned above, is Deloitte & Touche S.p.A.

The Board of Auditors held meetings with the Audit Company several times over the financial year, in order to exchange data and information regarding the activity carried out in performance of their respective duties. The Board of Auditors confirms that Deloitte & Touche S.p.A. carried out the audit of the financial statements in compliance with the International Standards on Auditing (ISA Italy) issued pursuant to Art. 11, Legislative Decree 39/2010. Accordingly, no improper behaviour and/or any irregularities were indicated in the Board of Auditors' report issued on 6 October 2020, which would require to be reported under Art. 155 TUF.

During the financial year, the Audit Company appointed for the time being performed the agreed audit services.

The Board received no requests for opinions, either from the Audit Company or from entities of this latter's network, with regard to other services, not included among those "not permitted" under the provisions referred to in Art. 19, par. 1, letter e), Legislative Decree 39/2010.

Comments on the financial statements and the consolidated financial statements

The Board of Auditors examined the draft separate financial statements and the draft consolidated financial statements as at 30 June 2020, which were made available within the required time limits. While this Board of Auditors is not responsible for conducting a detailed review of the merits regarding the contents of the financial statements, we supervised the compliance with the procedural rules for the planning and preparation of the separate and the consolidated financial statements as at 30 June

2020, and we have no particular comments to make.

More specifically, as regards the separate financial statements as at 30 June 2020, the Board of Directors verified their compliance with the laws regulating planning and preparation, through the checks performed and taking into account the information provided by the Audit Company, within the scope of the Board's duties under Art. 149, Legislative Decree 58/98.

Moreover, the Board of Auditors verified the compliance of the financial statements with the events and information learnt by the Board in the performance of its duties, and we have no comments to make in this regard.

The Board of Auditors has no specific comments to make on the Directors' report, which appears to have been prepared in accordance with the applicable laws.

The Board of Auditors confirms that in the Directors' report, the directors have indicated their assessment of the "business risks", in accordance with the provisions contained in Legislative Decree 32/2007 implementing Directive 2003/51/EC.

The Board of Auditors confirms that the Directors' report contains (in accordance with procedures that have been reviewed) a specific paragraph on the "consolidated non-financial statement of the company", under Legislative decree 254/2016, accompanied by the certificate of compliance issued by the Audit Company Deloitte & Touche S.p.A..

Methods of implementation of the corporate governance rules

The Board of Auditors confirms that (since 2010) Danieli & C. Officine Meccaniche S.p.A. has not adhered to the Self-Regulation Code issued by the Committee for Corporate Governance of Listed Companies; the Company has provided valid reasons in that respect.

Moreover, the Board of Auditors notes that the Annual Report on Corporate Governance was issued in compliance with Art. 123-bis, Legislative Decree 58/98, according to the instructions contained in the Rules of the Markets Organised and Managed by Borsa Italiana S.p.a.

Supervision of the relationships with subsidiaries and of related-party transactions

The Board of Auditors confirms that the regular checks carried out and the controls conducted on the Company have not revealed any atypical and/or unusual transactions with third parties, or related-party or intercompany transactions.

The Board has no comments to make with regard to the adequacy of the instructions given to subsidiaries under Art. 114, par. 2, Legislative Decree 58/98;

Lastly, the Board of Directors points out that on 12 November 2010, the Company adopted the Procedure for Related-Party transactions, later amended by the Board of Directors on 14 November 2012, under Consob Regulation No 17221 of 12 March 2010 and subsequent amendments and additions.

Indication of opinions given, proposals and comments made during the year in accordance with the law.

During the Financial Year 2019/2020, the Board gave the following opinion:

- favourable opinion regarding the fees assigned to the members of the Board of Directors.

Role of Internal Control and Audit Committee

Pursuant to Art. 19, Legislative Decree 39/2010, the Board of Directors holds the role of Internal Control and Audit Committee (CCIRC) and in the said role, we have performed the duties under law. In the same role, the Board of Directors confirms compliance with all applicable laws, with specific reference to Legislative Decree 39/2010 as amended by Legislative Decree 135/2016 implementing Directive 2014/56/EU and Regulation (EU) No 537/2014.

COMMENTS ON THE CONSOLIDATED FINANCIAL STATEMENTS

We received the Consolidated financial statements as at 30 June 2020 on time, jointly with all schemes and attachments and with the Directors' report.

The Audit Company Deloitte & Touche S.p.A. is in charge of checking the correspondence of the consolidated financial statements with the accounting records and their compliance with the applicable laws; in the relevant Report, it is indicated that the consolidated financial statements of the Danieli Group as at 30 June 2020 conform to the International Financial Reporting Standards issued by the European Union and that the Consolidated Balance Sheet and Income Statement entries are consistent with the information transmitted by the companies included in the Consolidated Statements.

Within the duties that the law reserves for the Board of Auditors, and taking into account the rules of conduct recommended by the National Board of Chartered Accountants and Accounting Experts, we analysed the form and contents of the financial statements in question, which appear to have been prepared in application of the criteria illustrated in the Explanatory Notes; we paid particular attention to the most significant issues and the economic performance of the main subsidiaries.

Moreover, the information and data contained in the Directors' Report on Consolidated Management seem consistent with the data resulting from the consolidated financial statements; the report properly illustrates the Group's performance during the financial year and represents the economic, share capital and financial situation of the companies included in the consolidation area; the consolidation criteria and the accounting standards applied, as well as the size of the consolidation area are separately indicated in the Explanatory Notes.

Accordingly, it can be reasonably concluded that the consolidated financial statements were prepared in a proper manner and in compliance – as a whole – with all applicable laws.

CONCLUSIONS

The Board of Auditors has no comments to make under Art. 153, Legislative Decree 58/98, also considering the outcome of the activity performed by the company in charge of the statutory audit of the accounts contained in the report on the audit of the separate and the consolidated financial statement, with regard to the matters for which we are responsible regarding the separate and consolidated financial statements and the relevant Explanatory notes and Directors' report.

The Board of Auditors has found no reasons preventing your approval of the financial statements as at 30 June 2020 as presented, and the acceptance of the resolution proposals.

Udine, 7 October 2020

The Board of Auditors

<i>Chairman of the Board of Auditors</i>	Davide Barbieri	(signed)
<i>Statutory Auditor</i>	Gaetano Terrin	(signed)
<i>Statutory Auditor</i>	Vincenza Bellettini	(signed)



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INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
Danieli & C. Officine Meccaniche S.p.A.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Danieli & C. Officine Meccaniche S.p.A. (the Company), which comprise balance sheet as at June 30, 2020, income statement, statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and explanatory notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at June 30, 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

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Evaluation of Construction Contracts

Description of the key audit matter	<p>The financial statements of Danieli & C. Officine Meccaniche S.p.A. include Construction contracts assets for Euro 120.9 million and Construction contracts liabilities for Euro 157.0 million. Construction contracts are evaluated based on the percentage of completion, estimating the progress of works with the input method.</p> <p>The evaluation of Construction contracts under this methodology requires the estimate of total revenues, total costs and costs to complete for every project. Those estimates are periodically updated and request significant and complex assumptions from Management, that could be influenced by various factors such as:</p> <ul style="list-style-type: none"> • management’s capability to develop reasonable estimates at the beginning of the projects and at subsequent updates, • multi-annual duration of the projects, • projects’ technological complexity and degree of innovation, • warranties provided by the Company on the plants performances, • possible critical geopolitical context in the countries in which the customers operate. <p>Taking into consideration the relevance of Construction contracts on total Company’s activities and the complexity of assumptions used in the estimates about costs to complete the projects, we deemed the evaluation of Construction contracts to be a key audit matter for the Company’s financial statements at June 30, 2020.</p> <p>Disclosures related to Construction contracts assets and Construction contracts liabilities are included in notes 7 and 18 of the Company’s financial statements as well as in the description of Accounting Standards used by the Company and more specifically in the paragraph “Accounting Estimates - Construction Contracts”.</p>
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Audit procedures performed	<p>The audit procedures addressing this key audit matter included, among others:</p> <ul style="list-style-type: none"> • understanding of criteria and procedures adopted by Management in determining the percentage of completion of the projects; • comprehension of relevant internal controls pertaining to both initial estimates and subsequent periodical updates on total revenues, total costs and costs to complete the projects; • analysis, on a sample base, of reasonableness of estimates of projects’ costs to complete through: <ul style="list-style-type: none"> ○ analysis of contracts signed with counterparties, ○ tests on projects costs incurred, ○ discussions with project managers, controllers and/or head of business lines; • retrospective analysis on results of previous estimates related to Construction contracts; • analysis on updates of Management’s estimates for total revenues and costs of projects;
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- critical discussion with head of legal department of the Company and, if relevant, obtaining information from external legal counsels on lawsuits related to projects;
- examination of appropriateness of disclosure included in the explanatory notes of the separate financial statements and its compliance with applicable accounting standards.

Other Matters

The financial statements of Danieli & C. Officine Meccaniche S.p.A. for the year ended June 30, 2019 were audited by other auditors that on October 7, 2019 expressed an unmodified opinion on such financial statements.

Responsibilities of the Directors and the Board of Statutory Auditors for the financial statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or for the termination of the operations or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.



Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Danieli & C. Officine Meccaniche S.p.A. appointed us on October 26, 2018 as auditors of the Company for the years from June 30, 2020 to June 30, 2028.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of the Company are responsible for the preparation of the report on operations and the report on corporate governance and ownership structure of Danieli & C. Officine Meccaniche S.p.A. as at June 30, 2020, including their consistency with the related financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98 with the financial statements of Danieli & C. Officine Meccaniche S.p.A. as at June 30, 2020 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and information contained in the report on corporate governance and ownership structure are consistent with the financial statements of Danieli & C. Officine Meccaniche S.p.A. as at June 30, 2020 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Barbara Moscardi
Partner

Udine, Italy
October 6, 2020

This report has been translated into the English language solely for the convenience of international readers.

RESOLUTIONS OF THE SHAREHOLDERS' MEETING

The shareholders of Danieli & C. Officine Meccaniche S.p.A. met on October 28, 2020, following a single convocation date, to approve the financial statements for the year ended June 30, 2020, and to examine the consolidated financial statements for the same period.

The shareholders also resolved:

1. to distribute a gross unit dividend of euro 0,1400 for ordinary shares and euro 0,1607 for non-convertible savings shares, with both types of shares payable as of Nov. 25, 2020 (detachment date of coupon n.42: Nov. 23, 2020 - *record date* Nov.24, 2020);
2. to appoint the director already co-opted ing. Antonello Mordeglia and to confirm the number of members of the board of directors at 8 (eight);
3. to approve the first section and to express a favorable opinion on the second section of the Report on the remuneration policy and remuneration paid (Financial year 2019/2020);
4. to authorize the purchase and sale of own ordinary and savings shares to the maximum extent allowed by current regulations; the minimum and maximum purchase and sale price will be a unit price between +20% and -20% of the official stock exchange price on the day preceding the one on which the transaction is to take place;
5. to approve the mandatory conversion of savings shares into ordinary shares, the consequent amendment of articles 6, 7 and 24 of the Articles of Association and the distribution of an extraordinary dividend of Euro 1.20 for each ordinary and savings share, provided that the conversion of the savings shares was also approved by the savings shareholders' meeting and that, pursuant to art. 2437, paragraph 1) lett. g) of the Italian Civil Code, the overall liquidation value of the savings shares for which the withdrawal value will be exercised by savings shareholders who did not participate in the approval of the mandatory conversion at the relevant special meeting, does not exceed the amount of Euro 20,000,000 (twenty million); (the Savings Shareholders' Meeting which met subsequently did not approve the conversion of the savings shares into savings shares);
6. to amend the article 6 of the Articles of Association ("Share capital" and renewal of the authorizations to the board of directors to increase the share capital and to issue bonds, expired for completed five years) and the article 28 of the Articles of Association (transitional clause) due to regulatory changes;
7. to delete the nominal value of the ordinary and savings shares and to approve the consequent amendments of the Article of Association;
8. to introduce the increase in the voting right assigned to ordinary shares as provided and allowed by article 127-quinquies of Legislative decree n. 58 dated 24 February 1998.



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DANIELI

DANIELI TEAM
A CENTURY OF PARTNERSHIP
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