

DANIELI ANNUAL REPORT AT JUNE 30, 2021



Annual report for the period July 01, 2020 to June 30, 2021

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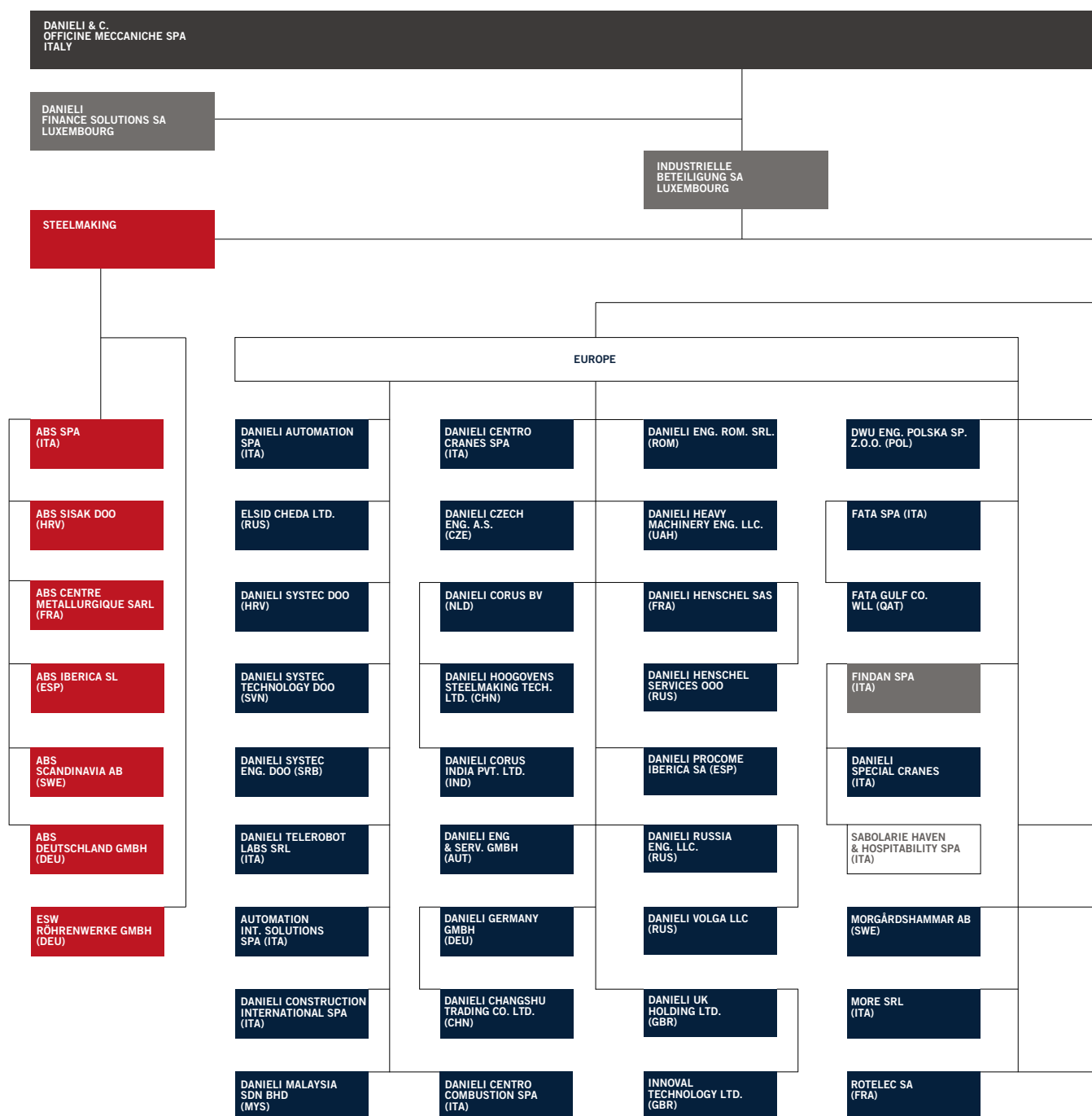
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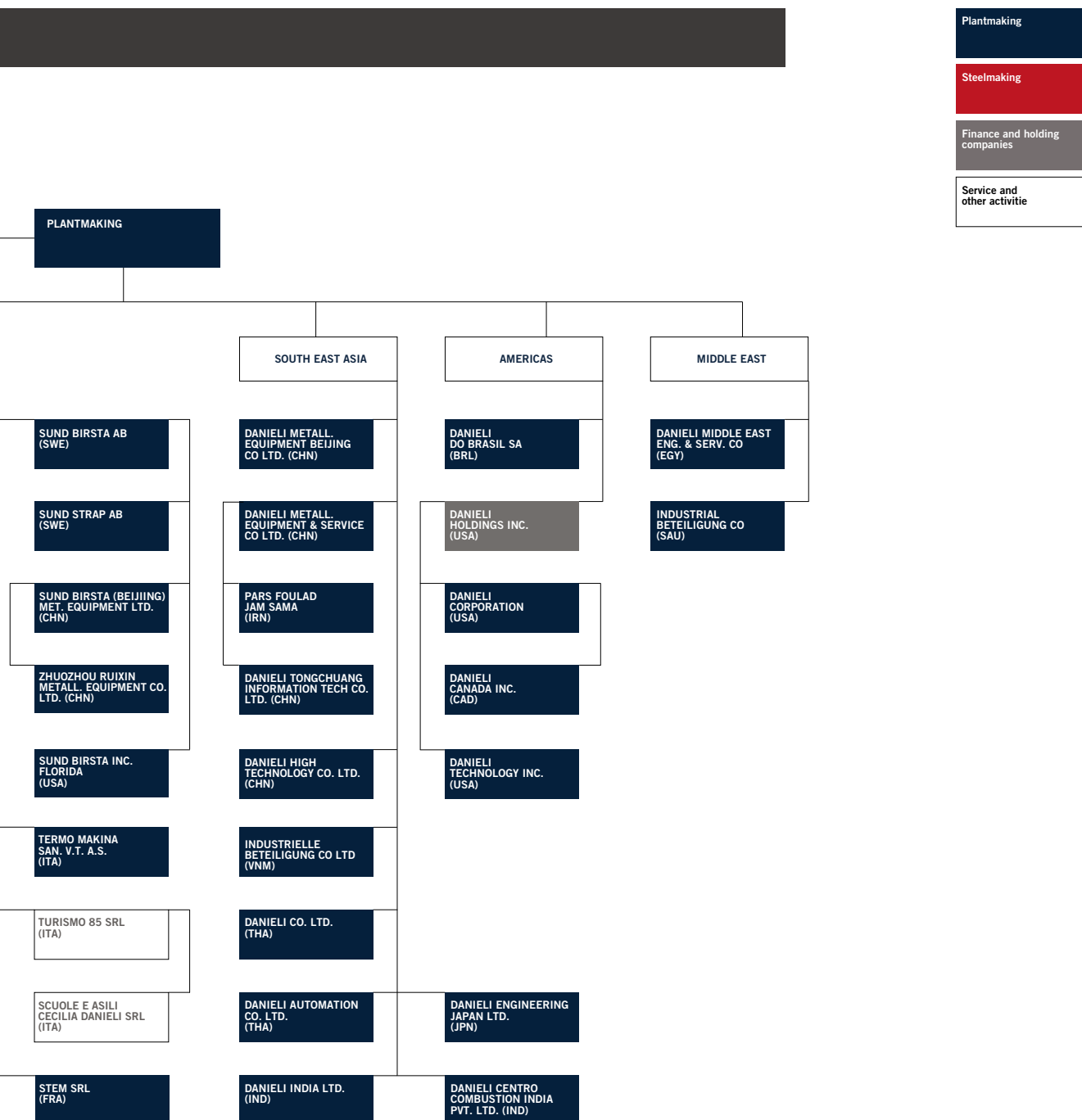
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Danieli Group structure (*)



(*) the diagram includes only line-by-line consolidated companies as at June 30, 2021



Boards and officers

Boards and officers as at September 27, 2021, 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
	Antonello Mordegia (8)	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
 (8) Appointed by the annual general meeting on October 28, 2020

Mission statement

The Danieli group produces special steel and builds and installs machines and plants worldwide for the iron and steel industry, the non-ferrous metals sector and the production of energy using innovative technological solutions with low environmental impact. 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.

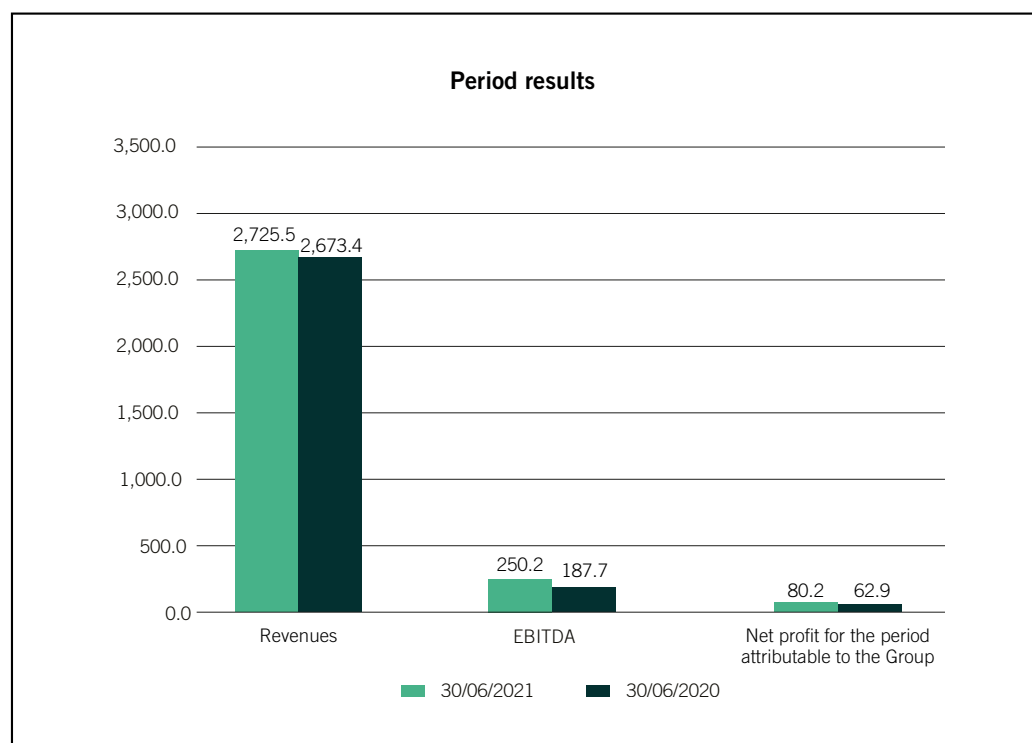
Financial highlights of the Danieli Group

(millions of euro)	30/06/2021	30/06/2020	Variation
Revenues (*)	2,725.5	2,673.4	2%
Gross operating margin (Ebitda) (**)	250.2	187.7	33%
Operating income	143.9	91.6	57%
Net profit from continued operations	98.0	78.8	24%
Net profit for the period attributable to the Group	80.2	62.9	28%

	30/06/2021	30/06/2020
Net invested capital	1,092.1	1,084.1
Investments in tangible and intangible assets	141.4	175.4
Total shareholders' equity	2,016.3	1,936.6
Positive net financial position	1,002.0	903.2
Ebitda/Revenues	9.2%	7.0%
Net profit for the period/Revenues	2.9%	2.4%
Number of employees at period end	8,668	9,060
Group order book	3,534	2,936
(of which Steel Making)	622	190

(*) Operating revenues would amount to 2,786.3 million euro considering the value of internal constructions developed during the year for 60.8 million euro related to the completion of 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).

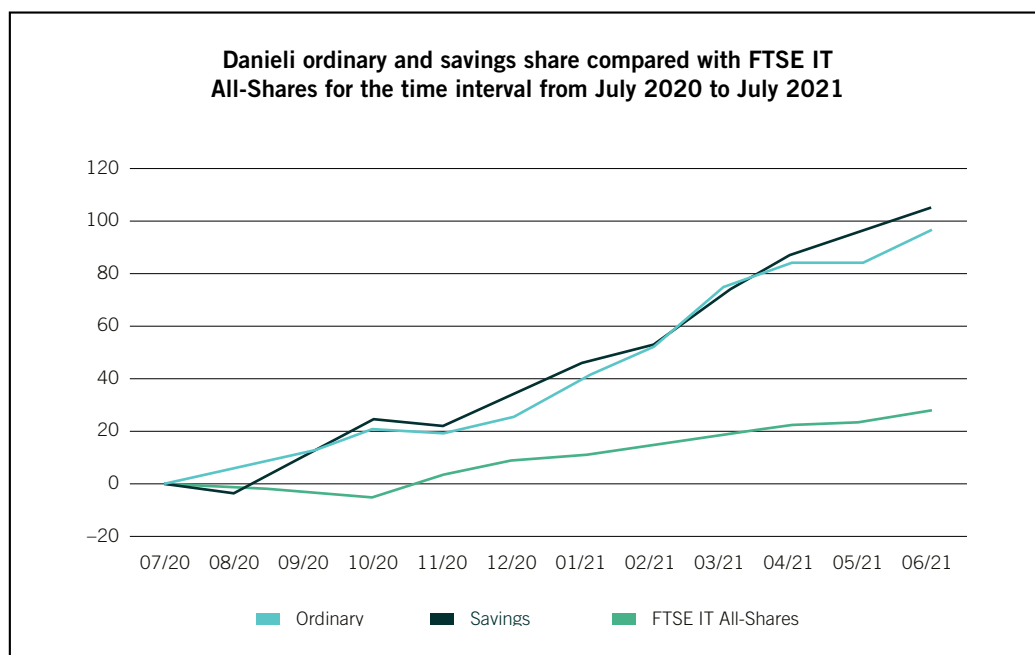
(**) The Gross Operating Margin (Ebitda) represents the operating profit as in the consolidated income statement, before depreciation, amortisation and write-downs of fixed asset and net write-downs of receivables.



Key share data

(millions of euro)	30/06/2021	30/06/2020
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	37,684,078	37,918,320
Average no. of saving shares outstanding	36,472,304	36,479,670
Basic earnings per share (euro): Ordinary shares	1.0712	0.8351
N.C. Saving shares	1.0919	0.8558
Shareholders' equity per share (euro)	27.1905	26.0307
Period-end price of ordinary shares (euro)	22.2500	11.3800
Period-end price of savings shares (euro)	14.5400	7.2600
Maximum trading price of ordinary shares in the period (euro)	22.9500	17.3600
Maximum trading price of savings shares in the period (euro)	15.2800	11.4000
Minimum trading price of ordinary shares in the period (euro)	10.9400	8.5400
Minimum trading price of savings shares in the period (euro)	6.6500	5.5500

	30/06/2021	30/06/2020
Total stock exchange capitalisation - ordinary shares (thousands of euro)	909,570	465,209
Total stock exchange capitalisation - savings shares (thousands of euro)	587,780	293,486
Total	1,497,350	758,695



Danieli ordinary and savings shares compared with FTSE IT All-Shares for the time interval from July 2020 to June 2021

Group personnel	30/06/2021		30/06/2020	
	Plant making	Steel making	Plant making	Steel making
in Danieli & C. Officine Meccaniche S.p.A.	2,247		2,428	
Italian affiliates	848	1,240	943	1,163
Foreign Affiliates	4,145	188	4,361	165
Total	7,240	1,428	7,732	1,328
Group total	8,668		9,060	

DIRECTORS' REPORT

The economic estimates of the International Monetary Fund show a clear improvement in 2021 compared to 2020, with the world economic growth expected to be around 6.0% compared to a negative 3.2% in 2020 (and a positive 2.8% in 2019). Growth forecasts for 2022 are projected at 4.9%, where the recovery is likely to consolidate in two blocks: the advanced economies, which will be able to normalise their activities by the end of the year thanks to the availability of vaccines, and the low-value-added economies, which will have to manage with greater difficulty the emergency created by the pandemic due to the lack of vaccinations. The global economy shows an upward rebound forecast in 2021 with the US at 7% and EU at 4.6% while emerging countries will rise by 6.3% with China alone still in positive terms by 8.1%. In 2022, the average growth rate forecast for advanced countries is 4.4% and 5.2% for emerging countries with China at 5.7%, all to be confirmed with the implementation of the vaccination plans envisaged to avoid further mutations to the virus and new pandemic waves in time. A significant pick-up in activity is expected from the second half of 2021, especially in countries with advanced economies, driven by government tax stimulus and accompanied by rising inflation related to strong global demand for commodities.

The experience in the medical management of the pandemic gained in 2020 will be of great help in the second half of 2021 to manage the possible recurrence of contagions more carefully, while the financial support launched by all countries will be activated efficiently and allow a relaunch of activities for a promising 2022.

The good growth in the US in 2021 with a recovery in consumption and employment supported by a protected and financially strong domestic market will hopefully be accompanied by a good recovery of the EU economy no longer conditioned by Brexit and supported by the expansive tax policies promoted by the European Central Bank with the promotion of the "green revolution" underway also in the industrial and utilities sectors.

Japan will also be on the upswing, together with India and China showing strong growth thanks to public investment and green transition programmes also developed by their governments in line with the international trend.

Maintaining a growing demand in 2022 will ensure that the prices of the main energy factors and of the main raw materials remain stable thereby boosting the economies of producer countries, while the expansion policies developed by the main central banks are expected to lead to the maintenance of an accommodating monetary management still at negative (or close to zero) rates with tax stimulus policies that favoured the consolidation of growth and employment by pushing for production using new technologies to reduce emissions and containing dumping in exports thanks to the protectionist measures adopted across the board by many countries.

The steel market

Worldwide steel production reached nearly 1,004 million tonnes in the first half of 2021, up by 14.4% compared to the same period of 2020, which reached approximately a total of 1,864 million tonnes in the 12 months of the calendar year.

Forecasts for the 2021 calendar year project an overall increase of 10% where China shows limited growth in production while the rest of the Asian countries will show strong growth along with advanced and emerging countries at around 15%.

The plant utilisation average coefficient compared to the maximum theoretical level was slightly below 80% at the end of 2020 with a forecast up by 85% in 2021.

The steel market will therefore be strong in the second half of 2021 and is expected to improve further in 2022 following the general post-COVID recovery of the world economy.

Steel producers are increasingly committed to operating their plants in a sustainable manner by reducing energy consumption per tonne and using the new technologies available (Green Steel) to decarbonise production and contain greenhouse gas (GHG) emissions, making production towards the community and the environment socially sustainable.

The challenge undertaken by steel producers is to reduce CO₂ emissions by 50% within the next 10 years with technological solutions to produce liquid steel through renewable energy and minimising the use of coal in the production process by replacing it with gas and using increasingly flexible, efficient and highly verticalized plants with continuous production solutions. The programme envisages progress towards zero emissions by 2050 through the use of hydrogen and other technologies under development.

Production quality with a high-quality finish together with an accurate customer service still 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.

Therefore, a positive market consolidation is expected in the second half of 2021 and a further improvement in 2022 and 2023, driven by strong private investment and public infrastructure under the post-pandemic recovery plans promoted by governments in emerging and 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 while reducing CO2 emissions and using available resources in a sustainable way.

Demand is maintaining appreciable growth in the BRIC and North African countries for new generation, low-emission, large-scale 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 decarbonisation of steel production has now become central to all investments in the sector, which will require ample availability of electricity from renewable sources and the use of first gas and then hydrogen (when available at competitive conditions) to allow a significant reduction in emissions in the industrial process.

The anti-dumping policies now activated by all major steel producing countries and the planned customs barriers (CBAM) against steels produced with high CO2 emissions have stimulated domestic demand for new plants, which must therefore also guarantee low emissions for sustainable production in line with the greenhouse gas reduction trend required today of every production chain. This will lead to many investments in innovative plants already during 2021 and in the following years, also supported by government support promoted across the board by the main governments to reduce the rise in the average global temperature.

In order to remain competitive in this market, Danieli invested heavily in innovative technologies that enable green steel production, reaffirming first and foremost the centrality of the customer:

- improving the productivity of the plants and with it the added value per capita;
- reducing GHG emissions per tonne produced by applying innovative and now established low environmental impact technological solutions;
- making the principles of the 4.0 revolution operational in the steel industry by developing the DIGIMET project to ensure total control of production variables at all stages from liquid steel to the final, finished and packaged product and;
- speeding up production processes with reduced times and costs and optimising production efficiency by integrating different thermomechanical processing phases with endless solutions for both long and flat products.

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 Metal 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 innovative plants for green steel production 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, in addition to the high quality products of the new wire rod mill and special steels successfully commissioned in record time during the year.

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 value of production developed during the financial year by the parent company amounted to 927.2 million euro (1,101.7 million euro in 2020) with EBITDA of 17.6 million euro (6.5 million euro in 2020) which grew considerably both in absolute terms and even more so in percentage terms. The value of production for the period includes 60.8 million euro (in 2020 it was 129.7 million euro) for the progress of work as at June 30, 2021 towards Acciaierie Bertoli Safau S.p.A. (hereinafter also ABS) for the final part of the QWR mill and for the new liquid steel treatment furnace scheduled for completion by the end of 2021: this plant is part of a series of investments initiated after completion of the wire rod mill to increase ABS group production volumes to around 2 million tonnes in a market that is finding renewed demand in Italy and Europe.

In this financial year, the company still achieved an important turnover volume, with a good operating margin in relation to the orders developed and better than last year, although not yet fully satisfactory due to some costs incurred for the start-up of innovative projects. The company has also maintained more or less unchanged the provisions made to the contingency reserve for outstanding disputes, maintaining a prudent approach in view of the complexity of the disputes, although it is confident that a favourable solution will ultimately be found 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. Moreover, the company continued to implement its investment plan to improve the productivity and efficiency of the Buttrio plants by replacing some operating machinery older than 15 years.

The financial management of the period shows an improvement in the net financial position of the company in line with expected forecasts with a positive ordinary management of the 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.

On the other hand, the accounting alignment of cash and items expressed in foreign currencies (mainly US dollars) generated a negative exchange rate effect during the year due to the devaluation of the US dollar rate, which as at June 30, 2021, exchanged at 1.1884 against 1.1198 as at June 30, 2020.

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 2021/2022 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 2020/2021, the ABS company had a value of production of 889.9 million euro (648.2 million euro in 2019/2020), with a net profit of 41.2 million euro (profit of 11.7 million euro in the previous year). The first quarter of the 2020/2021 financial year was heavily impacted by the effects of restrictions imposed by governments around the world to limit the spread of COVID-19.

The main supply chains we served were coming out of a period of forced closures and it was not clear at the time how long the effects of the lockdowns would last. China alone was already showing clear signs of recovery.

During September 2020, after a summer with a low rate of virus expansion throughout Europe, ABS - like the entire steel sector - began to record a marked increase in orders driven both by greater confidence in its ability to recover from the crisis and by the desire to recreate stock levels that could support growing demand. The production chains of cars and light commercial vehicles were the first

to restart, followed by heavy vehicles, mechanics and earth-moving equipment, etc. This trend continued throughout the autumn in which imports, especially from China, essentially fell to zero, leaving no further supply at a time of rising demand. In this context, prices rose as they had to keep up with the rapid rise in raw material and energy costs. All these factors led to an increase in orders at the end of 2020/beginning of 2021, greatly lengthening the portfolio and rapidly leading to the saturation of production capacities. These trends have been with us throughout the first half of 2021 and continue to this day. The strongly positive trend in demand has now reached all the sectors we are interested in, the last of these being oil & gas and energy, which, in the latter part of the 2020/2021 financial year but even more decisively in these early months of the new fiscal year, are further contributing to supporting an order book that has already reached good levels. This market situation allowed ABS to gain an increasingly important market share in the wire rod sector, where, thanks to the start of the new Quality Wire Rod (QWR) mill, the company will be able to play a leading role. For wire rod, ABS - as for its entire unique product range - focuses on the development of high quality solutions, harmoniously combining the technology of its plants with the high know-how of steel production and transformation processes. With regard to investments, the 2020/2021 financial year ended substantially in line with the previous year. In fact, the amount is about 78 million euro. The following investments stand out among them:

- completion of the QWR 4.0 (Quality Wire Rod Mill) plant: the plant started rolling in the last week of November and continued with its growth curve until it achieved the performance required to sign the final acceptance certificate (FAC) in the last week of December 2020;
- start of the construction site for the new steelworks secondary metallurgy plant (LF3/VD3): the new treatment station aims to eliminate bottlenecks downstream of the two electric furnaces, allowing for greater flexibility and increasing the steelworks capacity by about 80 kton/year of liquid steel; the plant will operate on the spot at the end of September 2021;
- completion of the underground 220 kV double cable power line serving the plant, which made it possible to eliminate the overhead line over the Luna rolling mill's semi-products and finished products park, which was a major constraint both for area activities and for any developments of the rolling mill; the line will also have the function of ensuring production continuity in case of emergency;
- start of the investment to increase the Luna rolling mill's productivity, which involves replacing the containers with the electrical panels and drives of the various parts of the rolling mill plant and will continue, over the next two financial years, with the remaking of the in-line non-destructive testing area and finished; this complex and highly articulated investment aims to increase the capacity of the Luna rolling mill to around 650 kton/year.

Regarding sustainability measures, the Udine plant achieved an important result in the area of safety. The 2020/2021 financial year closed with a frequency index (F.I. = ratio of number of accidents to hours worked) of 6.38 and a severity index (S.I. = ratio of days lost due to injury to hours worked) of 0.19. In terms of comparison with companies similar to ours, the F.I. and S.I. values for the financial year are approximately one third of those for companies with more than 250 people belonging to Federacciai. In addition to the above, ABS also completed the non-substantial amendment of the AIA required by the FVG Region for the use of an alternative product to furnace-injected coal to reduce the emission impact in terms of CO₂. The product called Blueair is made from recycled plastics and, in tests, has shown perfect environmental compatibility and has been given the green light to replace coal by up to 60%. Finally, note that, following an internal reorganisation, in May 2021 ABS became the sole shareholder of ABS Sisak d.o.o., further strengthening the relationship of interdependence between the two production sites following the start of the new Quality Wire Rod (QWR) mill in Udine, largely fed by production at the Croatian site in Sisak.

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 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 with the specific aim of reducing the CO2 footprint of the die and improving the behaviour of steels in contact with hydrogen.

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 and with the aim of reducing waste (like "doing the right job the very first time").

In addition to research activities, ACM confirms its accreditation according to the international standard ISO 17025 (General requirements for the competence of testing and calibration laboratories) for the tests accredited so far.

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 2020/2021 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 2020/2021 period was not a good year for the company initially due to variable steel market conditions that limited production to around 15,000 tonnes per month, and then due to problems arising from the big earthquake in December 2020 that caused a long production down-time.

The forecasts for 2021/2022 are much better both in terms of expected production volumes and in terms of a market with strong and stable demand again.

Due to reclamation following the earthquake and to ensure safe operation of the plants, production was only restarted at the end of February 2021. After which it stabilised at an average of 21,000 tonnes from March until June, which is the best performance result of the electric furnace in the last 10 years.

As a result of this, for the year ended June 30, 2021, the company incurred an after-tax loss of 41.1 million Croatian Kuna or the equivalent of 5.4 million euro.

The company suffered significant damage from the earthquake, which will be covered by the existing insurance policy. During August 2021, the company already received an advance from the insurance company to cover part of the costs of recovery.

The development strategy for the next financial year envisages greater integration of ABS Sisak's activities in the service of the parent company ABS SpA for the brand new QWR wire rod mill and from January 2022 the majority of sales should be to this customer. With this strategic choice, ABS Sisak becomes a significant part of the business of the entire ABS Group. The company's Board of Directors expects to increase production capacity to over 31,000 tonnes per month, exceeding 350,000 tonnes per annum with the employment of an additional thirty plant operators.

In addition to increasing production capacity, the main objective is to reduce production costs, which is to be achieved through significant investments in the production facilities that will be carried out during the August and December production shutdowns of the 2021/2022 financial year.

Production costs per tonne for the year ended June 30, 2021, were 42% lower than the previous period and 25% lower than the year ended June 30, 2020. However, progress is still expected with the forecast of a further 13% saving in the next financial year compared to the one under examination.

In May 2021, there was a change in the ownership structure of the company as ABS SpA took over 98.78% of the shares from the holding company Danieli Industrielle Beteiligung SA. With this change, ABS SpA became the sole owner of ABS Sisak doo.

ABS ESW Röhrenwerke (Germany)

In November 2019, after extensive reflection on the losses incurred so far and the negative outlook for the economic scenario at that date, the Group decided to get out of the special pipes business by discontinuing the company's activities in a gradual and structured manner.

Therefore, the company is no longer run as a manufacturing company and in the 2020/2021 financial year the main bank debts to associates were written off thanks to a payment made from capital reserves by the parent company. A formal liquidation of the company was neither decided nor initiated.

In particular, the 2020/2021 financial year was characterised by the development of a marketing strategy to maximise assets no longer used in the business. This includes, inter alia, the sale of inventories and approaching potential buyers for the company's large machinery and real estate.

Due to various factors, including the Covid-19 pandemic and related restrictions, the target of selling most of the company's assets in the 2020/2021 financial year was not fully met.

Based on the ongoing negotiations with potential buyers of the assets, the book values of the assets for sale have been aligned with what the company is likely to realise. The resulting write-down of 8.6 million euro had a significant impact on the 2020/2021 result, while financial charges and other operating costs of divestment amounted to 5.8 million euro and 3.3 million euro, respectively.

The net loss in the 2020/2021 financial year amounted to 17.6 million euro.

Significant parts of the company site were severely flooded during a flood in the Esweiler area in July 2021 and the damage is currently still being assessed. Moreover the company has an insurance coverage deemed sufficient to pay the expected economic damages.

In the next 2021/2022 financial year, management will continue to pursue the sale of the business in line with the decision to discontinue the business by the sole shareholder Industrielle Beteiligung SA.

Plant making

Group companies – Italy

Danieli Automation S.p.A.

In the 2020/2021 financial year, the company developed a value of production equal to 152.2 million euro (2020: 171.4 million euro) and a net profit of 10.1 million euro (8.1 million euro as at June 30, 2020).

The year ended June 30, 2021, was characterised by a strong recovery in the world steel market. The substantial sales margins that characterised the company's customers in this period in fact made it possible to boost investments, mainly in the USA, Europe and Russia and, thanks to the consequent generous cash flow on which world steel leaders were able to count, demand for Danieli Automation products was and is high, as was and is the relative sales margin.

On the other hand, in Asia, South America and the Middle East, the markets have been and are still very much affected by the COVID-19 pandemic, which has delayed and continues to delay investment compared to the other geographical areas listed above.

In this context, the global trend of building increasingly "green" plants rather than opting for "upgrades" of existing ones is strongly pushing the use of electricity to the detriment of fossil fuels, while at the same time directing needs towards optimising energy consumption, allowing Danieli Automation's 4.0 products, which are highly innovative but already industrially tested, to generate ample space for the company's sales opportunities.

In addition to consolidating the manufacture of these products, Danieli Automation is also strongly oriented towards the development of new systems. "Artificial Intelligence" and "Power Electronics" solutions are emerging with proprietary patents that no competitor has to date. This consolidates a high value for the company both now and in the medium and long term future.

In conclusion, since the global steelmaking trend is growing and Danieli Automation's offer is in line with market trends, satisfactory results are expected in the next two years with the consolidation of important references in the supply of automation and control systems.

The order book as at June 30, 2021, amounted to 165 million euro (159.6 million euro as at June 30, 2020), enabling to forecast a good level of production and a positive result for 2021/2022 as well.

Danieli Centro Combustion S.p.A.

The 2020/2021 financial year closed with a value of production of 44.2 million euro (66.6 million euro in 2020), and a negative net profit of 2.1 million euro (essentially breaking even as at June 30, 2020).

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

- Tube treatment interpipe line
- Tkse 2 slab reheating furnaces
- Arvedi Cremona galvanising revamping 2
- Arvedi Servola new galvanising line
- Atakas new galvanising line
- Atakas bell furnace for coil treatment
- Metinvest 2 galvanising lines

Whereas the final acceptances of the following plants were obtained:

- Yildizar galvanising line furnace
- Acciaierie Venete reheating furnace
- Diler bell furnace for wire rod mill treatment
- OEMK bar treatment line
- HOA SEN galvanising furnace
- Tashkent galvanising line furnace
- Abinsk billet reheating furnace
- NLMK bell furnace for wire rod mill treatment
- ABS billet reheating furnace
- ABS bell furnace for wire rod mill treatment
- JSW reheating furnace

Danieli Centro Combustion continued its research work at the University of Engineering in Savona.

In particular, experimentation has been completed with new Hydro series burners that operate at up

to 100% H₂ and reduce CO₂ to zero, a fundamental step in the decarbonisation of heating processes. The framework agreement with the University of Genoa was renewed and research into the digitalisation of burners was identified as the new first project. The order book as at June 30, 2021, of 90.5 million euro forms the basis for a potential development of profitability in the 2021/2022 tax year and beyond.

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 civil works, 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 also large construction sites in particular.

The value of production of 8.4 million euro is lower than in the previous period (2020: 18.5 million euro), although the operating result for the 2020/2021 financial year shows a slight loss (loss of 0.9 million euro last year) thanks to efficient management of the available machines.

During 2020/2021, the company carried out its service on important projects (including the new QWR mill in ABS S.p.A.) both abroad and in Italy, moving and positioning the mechanical equipment with movable machines at the customer sites of the Danieli Group with positive prospects also for 2021/2022.

Danieli Construction International is an important strategic asset of the Group, making it possible to offer customers in the metal 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 continuation of the health emergency resulting from the Covid-19 pandemic represented an important factor of uncertainty for the company, which delayed the investment decisions of the customers of reference who reserved the right to assess the development of the economic scenarios and market trends and extended the time required for the financial definition of the projects. This context affected the timing of the acquisition of new contracts and consequently the volume of revenues.

During the year, work was almost completed on the Partanna contract for the construction of a plant to generate electricity from solar concentrate, and in early July the plant was synchronised with the national electricity distribution line. This is the first industrial application in Italy of this technology, which enables the production of “green” electricity all day long.

Work was also completed on the Alba contract in Bahrain for the expansion of the port infrastructure required by the implementation of line 6 of the Alba aluminium smelter. The opening ceremony took place at the end of August with particular customer satisfaction, since during the construction of the new works the port activities were never interrupted.

Revenues for the 2020/2021 period amounted to 98.9 million euro (146.1 million euro as at June 30, 2020), with a net loss of 0.7 million euro.

In the first few months of the new financial year, two contracts already signed should be finalised, allowing for an adequate strengthening of the order book.

More S.r.l.

The company, which sells technological packages for electric furnaces used at steelworks, reported a value of production of 20.1 million euro (2020: 22.3 million euro), with net profit of 3.1 million euro (4.4 million euro in 2020) and an order book of approximately 10 million euro as at June 30, 2021.

During the year just ended, the company completed the establishment and organisation of the Chinese subsidiary Suzhou MORE Metallurgy Technology Co., Ltd. based in Changshu. The new subsidiary will improve the presence and competitiveness of More's products in China by providing technology packages and a more satisfying service for customers.

Despite the ongoing pandemic, the company was able to strengthen its market position and acquired several important orders to supply technology packages for Nucor Steel Auburn and Nucor Utah steelworks in the USA; further orders were acquired for major steel groups including JINDAL (Oman), Tenaris (Romania) and CELSA (Spain).

The activities of the production plant of Buja (UD) continued with the completion of work to expand the departments in order to improve workshop efficiency and optimise equipment construction processes.

Research and development continued with the aim of developing new innovative solutions to guarantee a reduction of environmental emissions in the production of liquid steel with the collaboration of various Italian universities.

More's 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 reported revenues of 19.3 million pounds for 2020/2021, or 21.8 million euro, a 15% decrease on the previous year mainly related to the effects of the global pandemic that negatively impacted investment decisions in the latter part of the previous year and the first part of 2020/2021. During the year, the company efficiently managed the BREXIT process and was able to achieve a geographically well-diversified sales order intake. Year after year, sales to EU27 countries have been able to grow, which, considering the external factors the company faced due to BREXIT, is quite an achievement. Australia has become an increasingly important market for Danieli UK with a sustained pipeline of new orders being taken in this area but sales in the UK domestic market have also more than doubled in the year, which has been welcomed considering the travel restrictions in place for much of the year.

The product development undertaken in previous years has led to secure sales of our products by providing greater depth to the portfolio and market presence. During the year, the company secured a good level of new orders in the metal recycling sector for steelworks and ended the year with a solid order book that positions the company very well for a year of growth in 2021/2022 by recovering sales lost during the pandemic.

The effects of the COVID-19 pandemic had a negative impact on revenues, and moreover operating income was negatively affected by continued low sales from the German operating unit. Despite this, the company shows a result with only a small loss for the year. A decision has been taken to substantially reduce the activities in the German unit and losses from previous years should be eliminated in the future.

Considering the strong growth in commodity prices together with a particularly good order book, a good result can be expected for 2021/2022.

Innoval Technology Ltd. (United Kingdom)

The COVID-19 pandemic continued to impact revenues in the year, leading the company to report a reduced turnover of 1.6 million pounds for 2020/2021, equivalent to 1.8 million pounds, down 11% year-on-year. However, the volume of activity during the year was variable and, during the last hundred days of the year, new order intake recovered well and stabilised at levels similar to pre-pandemic levels. Solid control of operating costs throughout the year enabled the company to achieve a break-even operating result for the year.

The company maintained a diversified range of customers throughout the year, both by sector and by geographical area. Sales to customers in the UK and the rest of the world remained at the previous year's level. However, EU customers reduced their spending during the year, which explains the year-on-year reduction in revenue.

The company continues to be at the forefront of new technology development through its participation in UK government-funded collaborative projects where the main theme is sustainability. The AL-ULEV (Aluminium for Ultra Low Emission Vehicles), LIBERATE (Lightweight Innovative Battery Enclosures using Recycled Aluminium Technologies) and ALIVE (Aluminium Intensive Vehicle Enclosures) projects focused on lightweight electric vehicles and we used these projects to develop our technical expertise in product design, component testing, cost modelling and life cycle analysis (LCA). Another key theme was the application of packaging, where we have TORCH2 projects supporting the development of a new process that promises significant improvements in the efficiency of beverage can production, and BACpack, where Innoval is playing a key role in feasibility studies examining the ability to recycle low-carbon scrap for the production of aluminium foil for packaging and other large-scale applications in the UK.

The financial year ended with a positive outlook and the order book remains strong.

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 steelworks and rolling mills and its volume of revenues for the period was 89.4 million euro (2019/2020: 89.1 million euro) and a net profit of 16.7 million euro mainly in line with the result of the previous year.

The company continues to consolidate its position in the service market and is one of the reference points within the group for the supply of spare parts, consumables and maintenance services to the group's customers, especially those located in Europe, South America and Africa.

The company is improving its "fast track" procedures, which began last year, 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 all over the world through:

- new commercial logics, which have the objective of making available to the customer the components he/she needs in the shortest possible time (e.g. dedicated warehouses, consignment stock, etc.);
- the expansion of the range of products built and/or assembled internally, also thanks to large investments in operating machinery made in the last financial year (one million euro);
- expansion of the procurement area, which is allowing for better delivery times than in the past.

Further investments are planned for 2021/2022 in both operating machinery and management software, all aimed at improving the efficiency of the entire organisation, which should result in: a lower impact of the structure on the income statement and a significant reduction in delivery times. The company's order book is such that sales volumes will remain virtually unchanged in the 2021/2022 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 59.1 million UAH, equal to 1.8 million euro (53.3 million UAH or 1.9 million euro as at June 30, 2020), with a profit for the period of 14.2 million UAH, equal to 0.4 million euro (profit of 9.2 million UAH or 0.3 million euro as at June 30, 2020).

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 with slider" to be installed at the customer Yehuda Steel to complete the supply of the MiDa rolling mill, successfully started in 2018. A new contract was then signed to support the MiDa plant for a Spooler worth 6.2 million euro.

During the year, a contract was also signed with CELSA Nordic (Norway) for a similar supply. The first phase of the project relating to engineering development was completed during the financial year, the customer then placed an order to upgrade the roller cage with a feeder, the value of the project is approximately 2 million euro and will be installed during the 2021/2022 financial year.

The company showed operating revenues of 17.1 million CZK, equal to 0.7 million euro (2019/2020: 22.9 million CZK, equal to 0.9 million euro) and a substantially breakeven result in line with 2019/2020.

Danieli Germany GmbH (Germany)

Danieli Germany GmbH operates in Germany with almost 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.

Following the restructuring and remodelling of the Danieli Fröhling product line, the synergies achieved led to improved relations with our customers while raising our quality standards.

Danieli Germany GmbH recorded revenues of 30.6 million euro with a loss of 3.4 million euro (57.5 million euro in revenues and 2.1 million euro in losses as at June 30, 2020).

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 roll bonding line at Mubea's facilities in Cerkezkoy, Turkey. The plant produces aluminium foil that will be used in electric batteries for zero-emission cars. Danieli Germany was also awarded the supply of two reheating furnaces for the hot rolling mill of customer Thyssenkrupp Steel Europe.

Moreover, Danieli Germany is developing an important project for a customer in Ukraine supported by the insurance cover of the German ECA Euler Hermes.

The collaboration with Euler Hermes in Germany is good and will allow the consolidation of financial packages to support further projects currently under discussion.

Danieli Germany's structure will remain flexible and will adapt to the necessary requirements in relation to the development of such projects, including the use of its own machine shop in Meinerzhagen.

The head office of Danieli Germany GmbH in Duisburg was also further expanded to closely monitor the upcoming decarbonisation projects of the German and European steel industry.

Considering the projects mentioned above, Danieli Germany's order book amounts to a total value of about 104 million euro as at June 30, 2021. The outlook for the coming year is positive as the world market is expected to recover.

Danieli Procome Iberica SA (Spain)

Based in Sondica, Spain, this company operates in the sector of machines for the management, handling and charging of additives for electric furnaces (EAF, LF, VD/VOD) and closed the year with a value of production of 3.3 million euro (2020: 15.1 million euro) and a net profit of 0.2 million euro (2020: 0.6 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 reduce maintenance times and improve productivity, while also facilitating the cleaning of equipment dedicated to 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 2021/2022 financial year.

Morgårdshammar AB (Sweden)

The company reported revenues of 113.2 million SEK, equivalent to 11.1 million euro (2020: 220.2 million SEK, or 20.7 million euro) and a net profit of 11.2 million SEK, the equivalent of 1.1 million euro (2020: a profit of 1.6 million SEK, or 0.2 million euro).

During the current financial year, a close operational synergy began with the subsidiary Danieli Engineering & Services GmbH (Austria).

Sund Birsta AB (Sweden)

The company's value of production amounted to 466.2 million SEK, equal to 45.6 million euro (2020: 436.4 million SEK, or 40.9 million euro) and a net profit of 47.6 million SEK, equal to 4.7 million euro (2020: 40.9 million SEK, or 3.8 million euro).

The company managed to mitigate the effects of the COVID-19 pandemic during the period by using smart working effectively. The increase in steel prices was a strong driver for after-sales, as this market segment covers 50% of the company's turnover, with good margins achieving a good result for the tax year.

The company was able to develop and test:

- an electric binding machine called KNZ,
- new tools and technologies for robot tag-marking,
- the new Internet of Things (IoT) project on the market. The project, at an early stage, is applicable to all Sund technology machines,
- a new power supply technology for binding machines,
- an innovative preliminary study for the laminated products division,
- a new concept in electrical technology for binding machines (i.e. KNCA / KNDelta type)

Sund Birsta AB reported an order book of 20.8 million euro as at June 30, 2021, for the 2020/2021 tax year.

The new orders acquired during the first few months of the new tax year and the demand from the market, in combination with the order book, indicate that the 2021/2022 tax year will also be positive for the company.

Rotelec SA (France)

The financial year reported revenues of 13.7 million euro as at June 30, 2021 (2020 13.5 million euro), a net profit of 2.1 million euro (2020: 1.7 million euro), thanks to the new products developed in recent years and the ongoing renewal process.

During the year, the two historical sites (Paris and Lyon) were merged into the production centre in St.Quentin Fallavier, which benefited technical product development and cost optimisation.

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.

The large mould for the RD1200 stillers was produced during the year and the coils for the heater induction system were successfully applied in the revamping works.

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.

Danieli Corus Group (Holland)

Danieli Corus, based in IJmuiden in the Netherlands, consists of Danieli Corus BV and its subsidiaries in China and India. Operating in the primary metallurgical industry, Danieli Corus offers the best available technology for blast furnaces and oxygen converters for steel. The financial year ended on June 30, 2021, with a consolidated turnover of 72.6 million euro and an operating profit of 15.0 million euro and an order intake in the year of approximately 155 million euro (after a turnover of 106.2 million euro and a profit of 6.6 million euro in the 2019/2020 financial year).

During the year, Danieli Corus completed five blast furnaces, three of which were refurbished and the other two were supplied on a greenfield basis. Moreover, two new BOF converters with a multiple oxygen lance system were successfully started. The company was able to start the new 2021/2022 financial year with a good order book, given the excellent order intake in key areas such as the Russian Federation and India. The first innovative contracts were signed for newly developed technologies for automatic steel extraction from BOF converters and hot-air combustion dome heaters. Given the investment-friendly attitude with the strong rebound in production for the global steel industry, the outlook for the current financial year remains positive worldwide, but especially in key markets such as the CIS countries and India/Asia in particular.

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

Danieli Finance Solutions SA regularly carried out its activity of managing and investing the Group's liquidity during the period without significant limitations related to the COVID pandemic. 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 recorded 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, mainly with investments in industrial, banking and insurance bonds 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 the dollar area, are in line with 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, 2021, was just over 2 years.

The average net profitability of the portfolio managed by Danieli Finance Solutions SA was in line with that of the previous year, despite the presence of negative or zero short-term interest rates on deposits in euro and returns that were still low 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, 2021, the positive performance related to liquidity management amounted to 10.6 million euro (6.8 million euro as at June 30, 2020) and the negative component related to exchange rate differences of approximately 5.7 million euro (positive for 5.1 million euro as at June 30, 2020).

Gruppo Danieli Henschel (France, Russia)

During 2020/2021, the company completed a further operational restructuring with the main objective of restoring its profitability. As a result, the company's turnover dropped from 6.0 million euro to 2.5 million euro. The effect on margins of this operation was positive, leading to a profit of 0.3 million compared to a loss of 0.3 million in the previous year.

As a result of the restructuring, a large part of the company's historical activity has been assigned to other subsidiaries of the Group in order to reduce the diversification of activities within the metal recycling business unit.

In the future, the company is expected to be able to sustain a similar level of profit as this year, while continuing to serve the metal recycling business unit with valuable technical and process know-how.

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 (whose factory is located in the Nizhny Novgorod region) 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 CIS.

Moreover, the company Danieli Volga 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, 2021, the company's turnover amounted to 2,235.9 million rouble, equal to 25.1 million euro (2020: 1,809.2 million rouble, equal to 24.5 million euro) and a profit of 71.4 million rouble, equal to 0.80 million euro (2020: a loss of 83.9 million rouble, i.e. 1.1 million euro, mainly related to negative exchange rate differences linked to the rouble's fluctuation).

Despite the difficult social, political and economic situation, the result achieved in the tax year is so far the best achieved since opening in 2013. Danieli Volga thus confirms its mission 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 2020/2021, 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, 2021, Termo Makina showed a negative operating margin and a loss at the end of the period, mainly due to financial expenses and exchange rate differences linked to the strong devaluation of the Turkish lira.

The company, now with new capital and a new operating structure, will be able to operate in the next financial year with positive results again.

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) and Danieli Taranis LLC 50% acquired since 2014/2015, shows a consolidated value of production of 542.0 million USD, equal to 454.2 million euro (2020: 389.7 million USD, equal to 352.6 million euro) and a profit of 3.0 million USD, equal to 2.6 million euro (2020: profit of 4.0 million USD, equal to 3.6 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 handling systems;
- DANIELI SERVICE – with the provision of equipment, services and spare parts for all product lines to the North American market;
- DANIELI FATA 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;
- DANIELI CENTRO RECYCLING – with the sale of scrap shredders, shears, packers and complete scrap processing lines as well as a complete line of consumable parts for scrap shredding equipment;
- DANIELI CENTRO COMBUSTION – with sales of reheating and process furnaces for both flat and long products;
- DANIELI SERVICE – with the provision of equipment, services and spare parts for all product lines to the North American market.

During the financial year, the company continued the consolidation of its two service centres in Coraopolis, Pennsylvania and Ashland, Kentucky, as part of its long-term strategy to increase the level of service provided to US customers.

In the 2020/2021 financial year, significant contracts were acquired with important US customers, both in terms of the size of the projects and their high technological and innovative content.

The US steel market remains strong following the anti-dumping measures activated by the Trump administration and confirmed by the new Biden administration. As a result, with the economy rebounding strongly after the negative impact of the COVID-19 pandemic, demand for steel has risen sharply to rebuild inventories, driving up steel prices, which have more than tripled from early 2020 levels.

North American steelworks have posted very positive results quarter after quarter and are expected to continue to post good profits in the coming year in anticipation of a still strong market supported by the infrastructure recovery promoted by the expansionary measures of the new US administration. Major investments in the steel plant sector are planned for next year where Danieli Corporation is well positioned technically to secure a significant share.

Taranis LLC

Danieli Taranis LLC is based near Birmingham in Alabama, USA. The company operates in coordination with Danieli Automation SpA and directly manages the supply of electrical and automation equipment to Danieli customers in the United States of America and Canada. Since the establishment of the joint venture in 2014, the company has increased its annual revenues from 14 million USD to over 42 million USD in the last tax year. In the 2020/2021 tax year, the company reported a profit of 2.3 million USD and ended the year with an order intake of 50 million USD and an order book of 30 million USD. These results, together with the robust regional metal market, will enable continued profitable growth in 2021/2022.

In addition to providing after-sales support to Danieli's customers, the company also provides a wide range of services to US metal producers, including electrical and automation system upgrades, high-performance gauges and specialist engineering services.

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 9.0 million US Dollars, equal to 7.5 million euro (8.7 million US Dollars in 2020, equal to 7.9 million euro) with a positive result in line with the previous year.

The company was able to maintain 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 by using in-house workshops to revamp customers' machines.

Group Companies – Southeast Asia

Danieli Co. Ltd. (Thailand)

At the end of June 2021, the company reported a net profit of 10.5 million euro (2020: 16.2 million euro) with a turnover of 195.7 million euro (2020: 247.9 million euro).

Despite the reduction in revenues due in large part to the restrictions imposed by the COVID-19 pandemic, the company was able to maintain its profitability throughout the financial year.

This result reflects the efforts made to find new business opportunities through proactive and collective initiatives, such as:

- pursuing production improvements with an investment plan aimed at enhancing operational infrastructures and increasing efficiency (implementation of automatic robots for carpentry welding, new CNC machines for hydraulic and casting rolls, re-layout of workshops to optimise work areas);
- strengthening the engineering design and procurement areas to increase the competitiveness of the company's core products such as hydraulic power packs and cranes;
- energy-saving measures through the use of renewable energy sources.

Together with these results, the good order intake of the period and the careful production management of the key projects acquired in the SEA area for long and flat products (Hoa Phat, Abul Khair, Korea Steel) and in the North American countries for crane equipment (Nucor Brandenburg, North Star Bluescope and Algoma), played a decisive role in obtaining the results achieved and in reaffirming the Company's leadership and strategic value in the Asian and world markets.

The financial forecasts for the next financial year 2021/2022 remain positive, mainly due to the continued investments in product competitiveness expected in the steel sector worldwide.

Macroeconomic terms also look favourable for Thailand, where a gradual economic recovery is underway, ensuring both political and financial stability for the year ahead.

The company continues to support the local community with various projects that have helped people especially during the Covid-19 pandemic and at the same time has maintained commitments to further develop relationships with local schools and universities.

As per the current order book, the next financial year should also bring positive results.

Danieli Automation Co. Ltd. (Thailand)

Danieli Automation Co., Ltd. (DACO), based in Rayong, has been operating completely independently for five years, offering the local market a superior service for the repair and maintenance of electric motors. Today, DACO is known for its excellent professionalism by all the major industries in Thailand: from steel manufacturers to the sector of rubber and plastic polymers.

In 2020, we gained the loyalty of important groups such as SUMITOMO, INDORAMA, YOKOHAMA and BASF, who appreciated the high quality of our "service" in motor maintenance but also for the on-site control activities that allow us to acquire package orders.

The partnership with the Asian AC motor manufacturer has been finalised and the first supply of motors and geared motors for the Guatemala order has been completed and successfully delivered on time. The synergy within the group continued, in particular with Danieli Rotelec, for which coils for the transverse flow reheating system for strips were manufactured, and with Danieli Automation for the production of reactors for the feeders for the Q-ONE furnace.

Local market trends, due to the intensification of COVID-19 cases, characterised and influenced the economic result. In particular, the local market experienced two separate phases. The first phase from June to January 2021 showed a positive trend, while the period from February to May 2021 was affected by the contraction of the local steel market, as a result of which companies such as Millcon, NTS, Zubb Steel and BSI (our customers) suffered a reduction in orders of more than 40% with a consequent cut in maintenance budgets.

The company's revenues for the period amounted to 51.0 million SEK, equal to 1.4 million euro and EBITDA was positive at 6.7 million THB (or 0.1 million euro), whereas the net loss was 2.4 million THB (or 0.1 million euro) as it failed to offset the decline in orders from the steel sector.

Negotiations currently being finalised with customers in Bangladesh and Vietnam and the confirmation of the construction of the special reactors for the Q-ONE furnace projects form the basis for expecting a positive result for the next 2021/2022 financial year.

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 underwent a restructuring during the year and will soon begin liquidation procedure by delisting. As a result of this process, the company recorded a profit of 111.8 million cny, or 14.2 million euro (2020: a loss of 16.1 million cny, or 2.1 million euro) by disposing of all its remaining assets and liquidating all remaining liabilities.

The general reconciliation process aimed at transferring all activities to the subsidiary DCS - Danieli Metallurgical Equipment & Service (China), has been completed and the integration process is now complete.

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

The company, with operating headquarters in Changshu – Jiangsu, has become the Danieli Group's foremost production centre in China with a surface area of over 90,000 sq.m for production and assembly activities using nearly 60 operating machines including boring machines, work centres and vertical lathes for high-precision machining.

Revenues amounted to 2,134.2 million CNY, equal to 270.3 million euro (2020: 2,242.8 million CNY, equal to 288.5 million euro) and a net profit of 82.3 million CNY, i.e. 10.4 million euro (2020: 92.0 million CNY, equal to 11.8 million euro).

Local production offers a wide range of products including EAFs, continuous castings, long and flat rolling mills, supply lines, extrusion presses, scrap recycling machines, where most of the high value components are manufactured in-house to ensure high quality standards.

This year the company made significant progress in sales and order intake in the Chinese market. In the field of steel production, two orders for EAFs were won with ECS, and another four EAFs were already put into production during the financial year. For long products, the company won an order from customer Yukun Steel for the technological supply of 28 high-speed continuous casting lines for billets and 7 lines of wire rod mills and quality bars. Moreover, two of the world's largest continuous castings with a maximum section diameter of 1200 mm were ordered by customers CDJL and Yonggang. In the non-ferrous metals sector, the company closed its first order in China for an aluminium shredding mill ordered by customer Weiqiao. At the same time, in the flat products sector, the company received the successful final acceptance of the first DUE plant installed at customer SGJT, having also exceeded its contractual productivity limits: this last success represents a major milestone that opens up more opportunities in the market for similar plants to be acquired in the new year. In the area of after-sales service, the level of orders taken was also good thanks to several major contracts for offline maintenance of casting rollers and increased market demand for stocks of spare parts.

The order book as at June 30, 2021, remains solid and is expected to generate a healthy volume of sales for 2021/2022 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 2020/2021, the company's revenues amounted to 85.9 million CNY, equal to 10.9 million euro (57.9 million CNY in 2019/2020, equal to 7.4 million euro) with a result of 10.2 million CNY, equal to 1.3 million euro, in line with the previous year.

During the tax year, the Chinese market reacted positively: sales and the final result exceeded expectations. The 51 %-owned subsidiary Zhouzhou Ruixin Metallurgical Equipment Co., Ltd. also reported positive results for the year.

Danieli India Ltd.(India)

Danieli India is headquartered in Chennai with production facilities located in Sricity, 100 km from Chennai in southern India.

Danieli India's automation division is located in Calcutta, in eastern India.

The sales team and the different project sites are spread over several locations.

The company actively serves the steel industry in India, with a significant presence in several Asian countries as well, offering a complete range of products from metal casting, casting machines to hot and cold finishing lines together with auxiliary plants as required by our customers.

In the 2020/2021 financial year, the company achieved total revenues of 4,679.2 million INR or 53.2 million euro compared to 5,181.9 million INR in the 2019/2020 financial year or 64.7 million euro.

There was a drop in turnover mainly due to the economic constraints and disruptions caused by the COVID-19 pandemic in the country, which persisted almost throughout the year.

Despite the decline in revenue levels, the company's EBITDA rose to 456.9 million INR, or 5.1 million euro, compared to EBITDA of 388.4 million INR, or 4.8 million euro, in the previous year. The almost 6% improvement in EBITDA is mainly due to a change in the sales mix with more turnover coming from the high-margin Spares & Services business and from export orders to foreign customers.

The Indian economy is gradually returning to pre-endemic levels with the steel industry improving both in terms of price resilience and growth in demand.

Almost all major steel producers in India have presented major production expansion plans with forecasts of new CAPEX. The trend suggests that the worst is over and we can expect an improvement in business performance in the coming year.

Danieli Centro Combustion India Pvt.Ltd. (India)

The company ended the year with revenues of 416.4 million INR, i.e. 4.7 million euro (2020: 529.8 million INR, i.e. 6.6 million euro) with a net profit of 28.0 million INR or 0.3 million euro (2020: a profit of 26.2 million INR, i.e. 0.3 million euro). Danieli Centro Combustion India operates regionally, 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, 2021, will generate a sufficient volume of sales for 2021/2022 and a positive result also for next year.

Danieli Engineering Japan Ltd. (Japan)

Based in Yokohama, Japan, the company reported revenues of 879.7 million JPY (equal to 6.9 million euro) (809.6 million JPY equal to 6.8 million euro as at June 30, 2020) and has been operating for 12 years in the Japanese market providing primary project management with local customers, sales support and engineering development for the Group's product lines. Japan produces 82 million tonnes/year of liquid steel (latest figure for 2020), of which 70% comes from the integrated cycle and the rest 30% from electric arc furnace.

Danieli Engineering Japan continues its activities at the Japanese plants together with the Group's other product lines, presenting new technological solutions to:

- improve environmental impacts,
- allow our customers further energy savings,
- develop new automation for savings/safety in the workplace and
- offer improvements in the digitalisation of processes to increase production efficiency.

For example, Danieli Engineering Japan signed a contract with Tokyo Steel Manufacturing in December 2019 to supply the Q-ONE system as a digital control for next-generation furnaces, with successful start in August 2021. This is the first application in Japan and the Asian region to open the door to new sales opportunities thanks to the good reference obtained with many discussions and negotiations already started with other potential minimills in the country.

Danieli Engineering Japan is also negotiating many other opportunities for both the liquid steel production area and the steel rolling area, many of which are geared towards digitalisation for Industry 4.0.

Industrielle Beteiligung Company Ltd. (Vietnam)

The company is headquartered in HoChiMin City, Vietnam and has a positive result at the end of June 2021 with revenues of 186,907.6 million VND, or 6.8 million euro (2020: 237,011.4 million VND, or 9.2 million euro), down from the previous year mainly due to a different business strategy for local service activities.

The year shows a net profit of 21,059.6 million VND, or 0.8 million euro (2020: 6,076.5 million VND, or 0.2 million euro) and this improvement is the result of the appreciation of the euro currency against the VND and better cost management.

Despite the difficulties of the Covid-19 outbreak that has affected the country since the second half of the 2020/2021 financial year, growing demand for steel has confirmed the high level of interest in investment and construction of new steel plants in the region. Following this positive trend, Danieli Vietnam continued its efforts to strengthen collaboration with local customers and consolidate its role as a technology partner through a large group of experienced engineers and senior project managers with a caring sales and service organisation focused on supporting customer needs.

The plant overhaul business became fully operational and confirmed its growth potential for the coming years, with the aim of supporting customers with maintenance activities and reducing the standard lead time for spare parts by closely monitoring demand and prioritising procurement and delivery time.

Consistent with the positive results of the 2020/2021 financial year, the company will continue to pursue its cost optimisation plan to ensure competitiveness and margins through careful control of direct costs and management of future investments focused on reducing indirect expenses.

In terms of business view, the outlook remains positive, considering the current order book and new opportunities under discussion in the first half of the new financial year on plants for both long and flat products at home and abroad.

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 underwent a major restructuring during the period, ending the year with a loss. A further reorganisation of activities is expected in the next financial year to improve its operational efficiency in serving the Egyptian market and neighbouring areas.

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

As at June 30, 2021, the main economic and financial data were as follows:

- revenues: 2,725.5 million euro, an increase of 2% compared to the value of 2,673.4 million euro as at June 30, 2020;
- Group's net profit: 80.2 million euro, an improvement of 28% compared to the value of 62.9 million euro as at June 30, 2020;
- consolidated shareholders' equity: 2,016.3 million euro, an increase of 79.7 million euro compared to 1,936.6 million euro as at June 30, 2020;
- positive net financial position: 1,002.0 million euro up by 98.8 million euro compared to 903.2 million euro as at June 30, 2020, including the recognition of financial lease liabilities of 41.7 million euro as at June 30, 2021, following the application of the international accounting standard IFRS 16.

The Group order book is well-diversified by geographical area and by product type and as at June 30, 2021, amounted to approximately 3,534 million euro (of which 622 million euro in the special steel making segment) with a substantial improvement compared to 2,936 million euro as at June 30, 2020 (of which 190 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 Plant Making segment, investments will be approximately 15/20 million euro per year for new operating machinery and updating of administrative and management software, 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.

In the Steel Making sector, the new Quality Wire Rod plant was successfully completed and started up, allowing ABS to expand its range of high quality products through the use of innovative thermomechanical processes.

This plant is the first one in ABS's "Vision 2.0" programme that includes a further 200 million euro of investment with the aim of increasing production volumes by 100%, with the distinction of being the only steelworks 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 increasing production quality and efficiency, reducing the cost of processing and improving the increasingly personalised customer service, rationalising and completing the product range to be able to directly export more than 50% of production.

The disposal of the German pipe manufacturer ESW Röhrenwerke GmbH continued during the period with the aim of completing its disposal by the end of 2021. The operational and environmental safety of the plants was also started during the period, complicated by the delays and damage caused by the flooding in July 2021 in the entire area of the town of Eschweiler.

It is significant to point out that without taking into account the losses of the German pipe manufacturer, the ABS Steel Making sector shows a clearly improved result compared to the previous year and this shows the competitiveness of the company. The ABS Sisak plant in Croatia resumed production, starting up the new Digital Melter during the year, which improved the operating performance of the plants, and further important investments are in progress to allow the company (after the 2021 summer shutdown) to considerably increase billet production in coordination and synergy with the activities of the new rolling plant for quality wire rod started up in Italy.

COVID-19 pandemic

As indicated in more detail in the Non-Financial Statement, the company continued to approach 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.

All Group plants remained open at all times and all subsidiaries in the EU, Asia and the USA continued their activities without any particular restrictions, while taking the utmost care to ensure the safety of their employees.

In all Group production sites, we continued to pursue a very prudent approach with turnstiles for systematically checking the temperature of the personnel before each entrance, equipping them with medical safety devices (including molecular swab checks) and re-launching the work stations in a distanced and protected manner, installing hand sanitisation stations in the offices, limiting physical meetings and closing the canteen and refreshment points.

Where possible or advisable, smart working was activated while in other cases, the available hours of leave have been used including the use of the ordinary redundancy fund if deemed necessary (used in some cases by the Italian companies until June 30, 2021, for 11% in the Steel Making sector and about 3% in the Plant Making sector).

Although there were no serious cases among the employees, some 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 always 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 very limited delays in the performance of job orders, especially when compared to the normal duration of projects, which never also stopped thanks to the on-site presence of technicians from our subsidiaries based in all the Group's main geographical markets.

The renewed economic boost related to the gradual overcoming of the pandemic led to a significant increase 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 segment, the strong recovery in demand and the significant increase in the cost of raw materials brought further impetus to a market that was already attractive, with high sales volumes and a good level of orders, which definitely extended the operating visibility of the companies ABS SpA and ABS Sisak doo.

Highlights of the consolidated income statement as at June 30, 2021

	30/06/2021	30/06/2020	Variation
(millions of euro)			
Revenues (*)	2,725.5	2,673.4	2%
Gross operating margin (Ebitda) (**)	250.2	187.7	33%
% of revenues	9.2%	7.0%	
Depreciation, amortization and net write-downs of fixed assets and receivables	(106.3)	(96.1)	
Operating income	143.9	91.6	57%
% of revenues	5.3%	3.4%	
Financial Income and charges	(11.0)	9.3	
Income/(charges) arising from the valuation of equity investments in assoc. with the equity method	0	0.1	
Profit before taxes	132.9	101.0	32%
Income taxes	(34.9)	(22.2)	
Net profit from continued operations	98.0	78.8	24%
Profit and loss deriving from discontinued operations	(17.6)	(16.4)	
Net profit for the period	80.4	62.4	29%
% of revenues	2.9%	2.3%	
(Profit)/loss attributable to non-controlling interests	(0.1)	0.5	
Net profit for the period attributable to the Group	80.2	62.9	28%
% of revenues	2.9%	2.4%	

(*) Including the amount reclassified in the consolidated financial statements of 60.8 million euro for QWR supplies to ABS, the value of revenues would be 2,786.3 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 remained stable compared to the previous year with lower turnover in the Plant Making segment and good growth in the Steel Making segment, which shows higher production volumes compared to 2019/2020 thanks in part to the restart in the ABS Sisak plants without any operational down-time in the Italian ABS plant.

At the end of 2020/2021, production of the new QWR wire rod mill at ABS SpA in Pozzuolo del Friuli began, increasing the company's rolling capacity towards a high-quality premium product, especially for the European market.

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 153.2 million euro, better than the result for the 2019/2020 period, as no further provisions were made in the period against ongoing disputes related to the start-up of some innovative plants.

On the other hand, revenues for the Steel Making segment are higher than the budget at the beginning of the year and show a good profitability (97.0 million euro), which may improve in the coming year thanks to the contribution of new rolling mills.

Therefore, the 2020/2021 financial year showed an increased operating profitability (EBIT) compared to the previous year without penalties for one-off negative factors and without the restrictions to production suffered last year due to the COVID-19 pandemic effect.

The production sold during the financial year by the Steel Making segment (ABS Group) reached approximately 1.15 million tonnes (up from last year), with the aim of further 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 mean positive results for next year and an improvement compared to 2020/2021.

In particular, in the Steel Making segment, 2021/2022 is expected to grow, 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, a better operating result is also expected in 2021/2022 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 losses and with a low return both on investments in euro and on those denominated in foreign currencies (essentially in USD), with a negative effect on the income statement related to the alignment of the exchange rates to the exchange rates in force on June 30, 2021.

Group EBITDA as at June 30, 2021, was 250.2 million euro, an increase by approximately 33% on the previous year, and margins were substantial 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 positive 19.8 million euro, (before 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 negative for 30.8 million euro due to the weakening of the euro against the US dollar as at June 30, 2021. 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 34.9 million euro (22.3 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 80.2 million euro, decreasing by 28% compared with 62.9 million euro as at June 30, 2020.

Summary of results by business segment

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

Revenues			
	30/06/2021	30/06/2020	Variation
(millions of euro)			
Plant making (*)	1,787.0	2,012.5	-11%
Steel making	938.5	660.9	42%
Total	2,725.5	2,673.4	2%
Margine operativo lordo (Ebitda)			
	30/06/2021	30/06/2020	Variation
(millions of euro)			
Plant making	153.2	124.3	23%
Steel making	97.0	63.4	53%
Total	250.2	187.7	33%
Risultato operativo			
	30/06/2021	30/06/2020	Variation
(millions of euro)			
Plant making	100.7	77.4	30%
Steel making	43.2	14.2	204%
Total	143.9	91.6	57%
Utile netto dell'esercizio attribuibile al Gruppo			
	30/06/2021	30/06/2020	Variation
(millions of euro)			
Plant making	62.6	72.9	-14%
Steel making	17.6	(10.0)	276%
Total	80.2	62.9	28%

(*) Operating revenues would amount to 2,786.3 million euro for the Group and 1,847.8 million euro for the Plant Making segment, considering the value of internal constructions developed of 60.8 million euro related to the supplies of the 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:

(millions of euro)	30/06/2021	%	30/06/2020	%	Variation
Europe and Russia	1,636.3	60%	1,359.6	51%	20.4%
Middle East	282.5	10%	334.8	13%	-15.6%
Americas	435.9	16%	518.2	19%	-15.9%
South East Asia	370.8	14%	460.8	17%	-19.5%
Total	2,725.5	100%	2,673.4	100%	1.9%

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 34% of the total value of this area as at June 30, 2021, and for 25% of the total value of this area as at June 30, 2020.

Highlights of the reclassified consolidated balance sheet as at June 30, 2021

(millions of euro)	30/06/2021	30/06/2020
Investments	24.6	15.8
Net tangible and intangible fixed assets	993.7	947.8
Right of use	40.6	45.0
Net fixed assets	1,058.9	1,008.6
Working capital	33.1	75.5
Net invested capital	1,092.0	1,084.1
Group shareholders' equity	2,014.0	1,936.7
Non controlling interest in shareholders' equity	2.3	(0.1)
Total shareholders' equity	2,016.3	1,936.6
Provisions for risks and employee benefits	77.7	50.7
Current financial assets	(1,761.8)	(1,609.2)
Non-current financial assets	(0.2)	(12.8)
Current financial liabilities	415.1	472.7
Non-current financial liabilities	344.9	246.1
Positive net financial position	(1,002.0)	(903.2)
Total sources of funds	1,092.0	1,084.1

Net Invested Capital increased compared to the previous year, allowing the coverage of the investments completed in both operating segments with a slightly decreasing Working Capital related to the advances received and their absorption in relation to the progress of the job orders. 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, 2021

(millions of euro)	30/06/2021	30/06/2020	Variation
Non-current financial assets			
Other financial receivables	0.2	12.8	(12.6)
Total	0.2	12.8	(12.6)
Current financial assets			
Securities and other financial assets	688.9	618.8	70.1
Cash and cash equivalents	1,072.9	990.4	82.5
Total	1,761.8	1,609.2	152.6
Non-current financial liabilities			
Non-current financial liabilities	313.1	211.6	101.5
Lease liabilities non-current	31.8	34.5	(2.7)
Total	344.9	246.1	98.8
Current financial liabilities			
Bank debts and other financial liabilities	405.2	461.5	(56.3)
Lease liabilities current	9.9	11.2	(1.3)
Total	415.1	472.7	(57.6)
Current net financial position	1,346.7	1,136.5	210.2
Non-current net financial position	(344.7)	(233.3)	(111.4)
Positive net financial position	1,002.0	903.2	98.8

The net financial position remained strong, increasing by 98.8 million euro compared to the value as at June 30, 2020.

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 174.8 million euro as at June 30, 2021 (117.0 million euro as at June 30, 2020). These amounts are still included as payables for construction contracts and customer advance payments in the consolidated balance sheet.

Customer advances on job orders in production, net of advances paid to suppliers, amounting to 886.6 million euro as at June 30, 2021, and 647.5 million euro as at June 30, 2020, are included in working capital as they are used to finance job orders in progress. The related amounts are always included as payables for construction contracts and customer advance payments in the consolidated balance sheet.

Note that the above diagram includes all the components envisaged for the calculation of the net financial position as indicated in CONSOB communication no. 5-21 of April 29, 2021, which refers to ESMA guideline 32-382-1138. Trade payables and other non-current payables required by the aforementioned guideline that have a significant implicit or explicit financing component are included in the line “Bank debts and other financial liabilities” as explained below.

Please refer to Note 18) of the Explanatory Notes to the Consolidated Financial Statements for comments on the reverse factor.

The net financial position remained positive as at June 30 reaching the amount of 1,002.0 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 completed and started up in the financial year in the Steel Making segment.

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	30/06/2021	30/06/2020
ROE	<u>Net profit for the period attributable to the Group</u> Group shareholders' equity	4.0%	3.2%
ROI	<u>Operating income</u> Net invested capital	13.2%	8.4%
	<u>Gross operating margin (Ebitda)</u> Total shareholders' equity	12.4%	9.7%
	<u>Gross operating margin (Ebitda)</u> Financial charges (*)	24.86	9.03
	<u>Gross operating margin (Ebitda)</u> Operating revenues	9.2%	7.0%
	<u>Gross financial indebtedness (**)</u> Gross operating margin (Ebitda)	2.17	2.96
ROS	<u>Operating income</u> Operating revenues	5.3%	3.4%
Financial charges over turnover	<u>Financial charges</u> Revenues	0.4%	0.8%
Capital ratios	Description	30/06/2021	30/06/2020
Debt to equity ratio	<u>Gross financial indebtedness</u> Total shareholders' equity	37.7%	37.1%
Financial independence	<u>Total shareholders' equity</u> Total Assets	37.0%	38.2%
Primary structural margin	<u>Total shareholders' equity</u> Non-current assets	160.0%	158.8%
Secondary structural margin	<u>Total shareholders' equity+Non Current Liabilities</u> Non-current assets	195.5%	185.0%
Current ratio	<u>Current assets</u> Current liabilities	140.3%	136.8%
Quick ratio	<u>Current assets -Inventories</u> Current liabilities	90.8%	94.8%
(*) net of interests on discounting operations			
(**) excluding advances on job orders not yet in production and indebtedness in accordance with IFRS 16			
Profit indicators		30/06/2021	30/06/2020
Revenues per employee	(thousands of euro)	314.4	295.1

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 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 18.7 million euro (an increase of 38.9 million euro compared to the previous year). The net cash flow from operations amounted to 279.9 million euro (194.2 million in the previous period) and allowed the financial coverage of net operating investments of 177.9 million euro (205.6 million euro as at June 30, 2020). Hence, a final cash increase, after financing operating investments, of 102.0 million euro (it was negative by 11.4 million euro also as at June 30, 2020).

The total positive change in the net financial position, up by 98.8 million euro, in any case includes the outlay for the payment of dividends in November 2020, amounting to 11.1 million euro.

(millions of euro)	30/06/2021	30/06/2020
Initial positive net financial position	903.2	928.3
Profit before taxes	115.2	84.7
Adjustment for the determination of cash flows from operations		
Depreciation, amortisation and other non-monetary components	134.9	98.8
Losses/(gains) on disposal of property plant and equipment	(1.3)	(4.7)
Net financial charges/(income) for the period	11.0	(9.3)
Gross cash flow from operations	259.8	169.5
Net change in working capital	18.7	38.9
Collected (paid) interest and income taxes	1.4	(14.2)
Cash flow generated /(absorbed) by operating activities	279.9	194.2
Investments in tangible and intangible assets	(141.3)	(175.3)
Application of IFRS 16 - Right of use	(10.8)	(57.2)
Equity investments	(8.9)	(2.6)
Realised foreign exchange losses/(gains)	(32.2)	18.8
Disposals of tangible and intangible fixed assets	7.5	17.9
Changes in fair value of financial instruments measured at equity	7.8	(7.2)
Cash flow generated/(absorbed) by investing activities	(177.9)	(205.6)
Free cash flow	102.0	(11.4)
Other changes in net financial position		
Dividends to parent company shareholders	(11.1)	(11.9)
Changes in balance sheet items due to exchange rate translation	7.9	(1.8)
Total	(3.2)	(13.7)
Total change in net financial position in the period	98.8	(25.1)
Final positive net financial position	1,002.0	903.2

Investments and research activities

The main investments in tangible and intangible fixed assets in the period, totalling 141.3 million euro, were as follows:

- 89.4 million euro in the Steel Making segment are mainly related to the completion of the new wire rod mill (QWR) that will provide greater flexibility, diversification 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;
- 51.8 million euro in the Plant Making segment for new automatic 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 30 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 200 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, 2021

(millions of euro)	30/06/2021	30/06/2020	Variation
Revenues	927.2	1,101.7	-16%
Gross operating margin (Ebitda) (*)	17.6	6.5	171%
% of revenues	1.9%	0.6%	
Depreciation, amortization and net write-downs of fixed assets and receivables	(20.9)	(13.9)	
Operating income	(3.3)	(7.4)	55%
% of revenues	-0.4%	-0.7%	
Financial Income and charges	3.5	4.4	
Profit before taxes	0.2	(2.9)	107%
Income taxes	2.7	0.1	
Net profit for the period	2.9	(2.8)	204%
% of revenues	0.3%	-0.3%	

(*) The Gross Operating Margin (Ebitda) represents the operating profit as in the 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 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 16% lower than in the previous year but the gross operating margin for the period was better than last year.

The financial year showed a negative net operating profit, although better than last year, with a regular development of the order book without any unforeseen charges. The net financial income was also positive and amounted to 21.3 million euro, thanks to the receipt of dividends from investee companies, although it suffered from negative exchange rate management in the period, essentially due to the alignment of receivables, payables and other financial assets expressed in US dollars to the year-end exchange rate.

Cash continued to be managed prudently to allow the financial coverage of investments while maintaining reasonable subcontractor payment times, without significant changes in 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, 2021.

The financial year closed with a profit of 2.9 million euro net of the tax burden related to the composition of the relative tax base (last year's loss of 2.8 million euro was negatively affected by heavy one-off non-recurring provisions).

Highlights of the reclassified balance sheet as at June 30, 2021

(millions of euro)	30/06/2021	30/06/2020
Investments	1,170.8	1,170.8
Net tangible and intangible fixed assets	71.2	65.4
Right of use	9.9	11.2
Net fixed assets	1,251.9	1,247.4
Working capital	(169.0)	(139.6)
Net invested capital	1,082.9	1,107.8
Total shareholders' equity	811.8	824.0
Provisions for risks and employee benefits	37.3	18.1
Current financial assets	(392.6)	(332.8)
Non-current financial liabilities	201.3	239.8
Bank debts and other financial liabilities	425.1	358.7
Net financial position	233.8	265.7
Total sources of funds	1,082.9	1,107.8

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, 2021, of 233.8 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, 2021

(millions of euro)	30/06/2021	30/06/2020	Variation
Current financial assets			
Securities and other financial assets	5.1	11.2	(6.1)
Cash and cash equivalents	387.5	321.6	65.9
Total	392.6	332.8	59.8
Non-current financial liabilities			
Non-current financial liabilities	192.6	230.0	(37.4)
Lease liabilities non-current	8.7	9.8	(1.1)
Total	201.3	239.8	(38.5)
Current financial liabilities			
Bank debts and other financial liabilities	423.5	356.9	66.6
Lease liabilities current	1.6	1.8	(0.2)
Total	425.1	358.7	66.4
Current net financial position	(32.5)	(25.9)	(6.6)
Non-current net financial position	(201.3)	(239.8)	38.5
Net financial position	(233.8)	(265.7)	31.9

The net financial position includes, as “Bank debts and other financial liabilities”, customer advance payments on job orders not yet in production amounting to 6.4 million euro, which amounted to zero as at June 30, 2020. These amounts are included in the balance sheet as other current liabilities in the item payables for construction contracts and customer advance payments.

Customer advances on job orders in production (including those from Group companies), amounting to 321.2 million euro as at June 30, 2021, and to 229.2 million euro as at June 30, 2020, respectively, are included in working capital as they are used to finance jobs 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, 2021, amounted to minus 233.8 million euro, with an increase of 31.9 million euro compared to the previous year; the position is expected further to improve next year, thanks to the flow of collections expected during the 2021/2022 financial year. 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	30/06/2021	30/06/2020
ROE	<u>Net profit for the period</u>	0.4%	-0.3%
	Total shareholders' equity		
ROI	<u>Operating income</u>	-0.3%	-0.7%
	Net invested capital		
	<u>Gross operating margin (Ebitda)</u>	2.2%	0.8%
	Total shareholders' equity		
	<u>Gross operating margin (Ebitda)</u>	15.66%	1.79%
	Financial charges (*)		
	<u>Gross operating margin (Ebitda)</u>	1.9%	0.6%
ROS	<u>Operating income</u>	-0.4%	-0.7%
	Operating revenues		
Financial charges over turnover	<u>Financial charges</u>	0.13%	0.59%
	Revenues		
Capital ratios	Description	30/06/2021	30/06/2020
Debt to equity ratio	<u>Gross financial indebtedness</u>	77.2%	72.6%
	Total shareholders' equity		
Financial independence	<u>Total shareholders' equity</u>	31.9%	31.8%
	Total Assets		
Primary structural margin	<u>Total shareholders' equity</u>	58.9%	59.3%
	Non-current assets		
Secondary structural margin	<u>Total shareholders' equity</u>	76.4%	78.0%
	Non-current assets		
Current ratio	<u>Current assets</u>	78.2%	79.7%
	Current liabilities		
Quick ratio	<u>Current assets-Inventories</u>	58.9%	59.6%
	Current liabilities		
(*) net of interests on discounting operations			
(**) excluding advances on job orders not yet in production and indebtedness in accordance with IFRS 16			
Profit indicators		30/06/2021	30/06/2020
Revenues per employee (thousands of euro)		412.6	453.7

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 related to the general state of the economy;
- risks related to COVID-19;
- risks related to market conditions;
- risks related to commodity prices (energy and raw materials), the cancellation of job orders and relations with suppliers;
- risks related to climate change and the environmental policy adopted;
- risks related to human resources, to Occupational Health and Safety;
- risks related to compliance, management and taxation.

For information on financial risks, see the section "Management of financial risks" in the "Explanatory notes" to the consolidated financial statements.

MAIN RISKS		MITIGATING ACTIONS
Risks related to the general state of the economy	In the financial year ended June 30, 2021, financial markets were characterised by low interest rates with the Euro USD exchange rate depreciating by approximately 6% compared to June 30, 2020, while real economic performance on a global basis began to be affected by the recovery generated by the successes towards the COVID-19 pandemic with 2021/2022 certainly having a better outlook than 2020/2021. The monetary policies implemented by the central banks of the main industrialised countries enables governments to provide support over the period to the industries most affected by the generalised fall in consumption, while penalising the trend of sovereign debt, which remains under control essentially due to the low cost of money. The bank credit market is restarting with possible positive developments during 2021 and 2022 especially in the industrialised areas of the world.	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. This solidity represents an element of mitigation of the risk related to the current macroeconomic context that allows the Group to face with reasonable serenity the challenges that this context entails. However, the expected favourable evolution of the current macroeconomic context in 2021/2022 could positively affect the strategies and outlook of the Danieli Group, in particular for the Steel Making segment, more sensitive to short term changes. The Plant Making segment, on the other hand, in which job orders extend over several years, is able to plan production over the long term and thereby reduce the short term impact of market volatility. The economic slowdown related to the pandemic effects of COVID-19 diminished during 2020, with growth resuming in 2021 thanks to the economic boost generated by the development plans envisaged in the EU, China and the US to support more sustainable production, generating positive effects for all economic sectors, including steel-related ones over a time horizon of at least two years.

MAIN RISKS		MITIGATING ACTIONS
Risks related to COVID-19	The spread of COVID-19 globally led to a deterioration in the macroeconomic environment, slowdowns in business operations with negative impacts on the Group's results during 2020 and a good recovery of business in the first half of 2021	The Group 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. Production sites have always remained open in the 2020-21 financial year but we continued to pursue a very prudent approach 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, limiting physical meetings and closing the canteen and refreshment points. Smart working was used where possible, and in other cases, the available hours of leave have been used up to the limited use of the ordinary redundancy fund if deemed necessary
Risks related to 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.	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 with a number of independent operating units throughout the world, which means that the risk of production blockages is limited both 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.

MAIN RISKS		MITIGATING ACTIONS
Risks associated with commodity prices, the cancellation of job orders and relations with suppliers	The Danieli Group results can be significantly affected by fluctuations in commodity prices, in particular in the steel making segment, but also in the plant making segment, 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 and, in any case, being able to count on a significant manufacturing capacity of its own located throughout the world, guaranteed by its factories in Italy, Thailand, India, Russia, Austria and China.
Risks related to climate change and the environmental policy adopted	Countries and companies around the world are being called upon to consciously assess and manage the risks related to climate change. The company's activities are also subject to many national and international environmental protection laws and regulations.	Climate change is a daily challenge that is raising awareness in public opinion, political debate and the financial community worldwide. In December 2015, 190 states signed the Paris COP21 treaty with the primary objective of containing the increase in global warming, keeping it below 2°C above pre-industrial levels as a long-term goal. Subsequently, governments agreed to limit the temperature increase to 1.5°C, with a shorter time limit, to curb irreversible consequences on ecosystems. Now the next joint commitment will be adjourned to COP 26 in Glasgow in October 2021. The risk arising from climate change is twofold: a physical risk, i.e. that company assets can be affected by natural events (floods, droughts, rising water levels, fires) generated by the side effects of rising temperatures, and a transaction risk, related to the evolution from the current situation to the prospective situation (with consequent impact on technology, market change, reputation).

¹ Il fatturato include l'importo di Euro 129,7 milioni (classificati in bilancio a rettifica dei costi) per costruzioni interne relative al nuovo laminatoio Quality Wire Rod Mill sviluppate dalla Capogruppo verso ABS.

MAIN RISKS	MITIGATING ACTIONS
	To mitigate this risk, the Group is working to reduce greenhouse gas (GHG) emissions by supporting the use of renewable energy and developing new technologies to reduce consumption in both the Steel Making and Plant Making segments, where research into new technological solutions is vital in order to be competitive in the market. But, at the same time, the aim is also to adapt to climate change in order to be able to anticipate its negative effects using appropriate measures and to prevent or minimise the damage that may result. Note that for the Steel Making segment, in particular, the adopted environmental policy complies with and often goes beyond the currently required standards. Steel Making produces steel in a sustainable way and works to maintain a constant improvement in the environmental performance of its processes and products while maintaining an important focus on the social aspects of management. The ABS steelworks has received a favourable opinion for the issue of the AIA integrated authorisation, and continues the production of Ecog gravel (the EC certified material that - in terms of circular economy - is an excellent substitute for quarry materials used for roadbeds and/or bituminous conglomerates), confirming the validity of this initiative. Also in the Plant Making segment, developments in environmental policy is seen as an opportunity rather than a risk: it is precisely with the development of more stringent regulations and requirements that concepts such as SustSteel and GreenSteel are being applied, with which the company is exploring new markets by promoting its internally developed technologies and innovative plants using direct reduction technology (DRI) and digital electric furnaces (Digital Melter). Danieli is a world leader in offering plants that produce steel without using coal and with very low CO₂ emissions. Danieli subscribes to the programme promoted by the Science Basis Target Initiative to identify emission reduction targets for the next few years and has been recognised as a Leader by the Carbon Disclosure Program for its commitment to emission reduction initiatives to mitigate climate change towards a decarbonised economy and sustainable steel production that ethically involves the entire related supply chain in the process. At the end of 2020, Danieli also joined the United Nations Global Compact project which promotes the guidelines of social responsibility by developing production activities in a more responsible and sustainable manner.

MAIN RISKS		MITIGATING ACTIONS
Risks related to human resources, to Occupational Health and Safety	The Group identified the risk of failing to make the most of human capital and poor management of processes aimed at protecting occupational health and safety.	As part of the human resource department, the Group 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. Work also continued on training and motivating executive managers to ensure efficiency and continuity of operations, in the context of a difficult market caused by general reduction in consumption. 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. Health and safety compliance 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.
Risks related to compliance, management and taxation	The Group is subject to the risk of fraud or illegal activities	As part of corporate governance, the Group 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 substantially closed with an integrated tax return in December 2020 some findings present in the report on findings on the 2013/14, 2014/15 and 2015/16 financial years delivered at the end of December 2018 to cover almost all the potential higher taxes of approximately 2 million euro (net of losses that can be carried forward) contested by the Trieste Revenue Agency. Some of the objections raised, which we do not consider to be supported and which 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, remain unresolved.

MAIN RISKS	MITIGATING ACTIONS
	The tax judgement relating to the appeal submitted by the Trieste Revenue Agency the against the judgement totally in favour of the Parent Company for the only dispute to date of a significant amount (with a dispute of around 4.5 million euro) between the Parent Company Danieli & C. Officine Meccaniche S.p.A. and the Trieste Revenue Agency relating to the (alleged) non-existence of some supply costs is still pending. The enacting clause of the judgement of the Tax Commission of first instance is very clear and points out the correct behaviour of the company in this regard. However, the company will consider whether to promote a conciliative solution in the course of the dispute at subsequent instances, given the complexity of the subject matter (purely circumstantial) and the conflicting interpretation of the applicable regulations. On 26 February 2021, the Court of Appeal of Trieste ruled that the Chairman and the Manager in charge of the Group had been acquitted “<i>because the fact does not exist</i>” in relation to the allegation of foreign ownership of the Group’s Luxembourg companies. The judgment reformed what had been previously decided in October 2018 by the Court of Udine, which had instead convicted the defendants with regard to the offence of “<i>esterovestizione</i>” (setting up foreign companies to evade taxes) of the Luxembourg subsidiaries, a case for which the competent tax commission had already ruled in favour of the company and then fully settled either in self-defence (without the payment of taxes) or settlement with the Revenue Agency The Court of Appeal also confirmed the acquittal of the Chairman, the Manager in Charge and former managers of the Group already obtained in the first instance regarding the allegation of fraud due to the “<i>non-existence</i>” of costs incurred in foreign sites (in line with the conclusions received in favour of the company also by the Provincial Tax Commission).

Atypical and unusual transactions

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

Treasury shares

As at June 30, 2021, the company held 3,255,603 ordinary shares and 3,953,863 savings shares with a par value of 1 euro each, for a total par value of 7,209 thousand euro (8.87% of the share capital). During the year, 294,390 ordinary shares and 8,500 savings shares were purchased.

Secondary headquarters

Pursuant to art. 2428 of the 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 27, 2021 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 "2021 Report on remuneration policy and fees paid", 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, 2021, the consolidated consideration accrued as a whole by Deloitte & Touche S.p.A. and by its network for the external auditing activity was 751 thousand euro. The same network was recognised in the financial year 56 thousand euro for other audit activities and 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 27, 2021).

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, 2021.

Alignment of currency items to the exchange rate prevailing on September 27, 2021, would have resulted in an increase of approximately 12.5 million euro in unrealised exchange differences for the year compared to the figure recorded considering the exchange rate as at June 30, 2021.

Except for what has already been discussed, no other events occurred after June 30, 2021, 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 2021, the world economy will show a positive level of growth as a result of the recovery generated by the gradual overcoming of the COVID-19 emergency with a significant improvement at the end of the year and especially in 2022 both in the US and Europe but also in Asia and the rest of the world.

It is believed that the definition of the BREXIT problem and the new approach of the American administration will lead to a normalisation of international trade with an acceleration in the process of economic growth, especially for the manufacturing sector and for the steel sector, which remains the basis for the development of infrastructures and the metalworking industry.

Forecasts for steel consumption in 2021 and 2022 remain strong in absolute terms, growing slightly in ASIA and a good recovery 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 2021/2022 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, the learning curve for the new wire rod mill (QWR) in Pozzuolo del Friuli will be completed by the end of 2021, 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, 2021, and June 30, 2020, as shown in the financial statements of the Parent Company and in the consolidated financial statements, can be summarised as follows:

	30/06/2021		30/06/2020	
(thousands of euro)	Total shareholders' equity	Net profit for the period	Total shareholders' equity	Net profit for the period
Balances in the financial statements of Danieli & C. S.p.A.	811,768	2,946	824,022	(2,841)
Elimination of the carrying value of equity investments and of the shareholders' equity of investees	1,209,172		1,122,068	
Share in subsidiaries result		126,898		120,778
Intercompany dividends		(53,881)		(58,331)
Impact of the valuation with the equity method of equity investments not consolidated line-by-line	1,085	161	791	152
Elimination of the effect of intercompany transactions	(8,005)	4,065	(10,176)	3,127
Group shareholders' equity	2,014,020	80,189	1,936,705	62,886
Non controlling interest in shareholders' equity	2,326	143	(76)	(461)
Total shareholders' equity	2,016,346	80,333	1,936,629	62,425

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, 2021, which we submit for your approval, show a profit of 2,946,275 euro.

Considering the net profit of the consolidated financial statements of the Danieli Group for the year ended June 30, 2021, which amounted to 80.2 million euro, we nevertheless propose the payment of a dividend of

– 0.1700 euro for the 37,623,930 ordinary shares;

– 0.1907 euro for the 36,471,170 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, 2021, 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)	37,623,930	0.1700	6,396,068
N.C. Saving shares(2)	36,471,170	0.1907	6,955,052
Total			13,351,120
Distribution of extraordinary reserve			10,404,845
Distribution of net profit of the financial year			2,946,275

(1) net of 3,195,455 ordinary treasury shares held on September 27, 2021

(2) net of 3,952,729 savings treasury shares held on September 27, 2021

Dividends to shareholders will be payable as from November 24, 2021 (distribution date November 22, 2021; record date November 23, 2021).

You are reminded that the ordinary Shareholders' Meeting has been convened for October 28, 2021, in single call.

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

In the 2020/2021 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 Shareholders, Customers and Colleagues,

Results for the 2020 / 2021 fiscal year, forecasts for 2021 / 2022

- Revenue 2,786.3 million euro¹
- EBITDA 250.2 million euro
- Net Income 80.2 million euro
- Net cash 1,002.0 million euro
- Order Book 3,534 million euro

Market Forecast

Last year we predicted strong growth in steel consumption for 2022 and that in 2020/21 it would return to the levels recorded at the end of 2019. As a matter of fact, we are seeing steel consumption in the second part of 2021 already rising to a more than excellent level.

Steel producers report good production volumes and margins despite a sharp rise in the cost of raw materials.

Most probably in the next two years steel consumption will be positively influenced by investments scheduled in numerous countries under their respective recovery plans, which also will require steelmakers to implement more sustainable production methods and lower emissions towards zero. This scenario will impact our two principal operating segments –Plantmaking and Steelmaking– at different times.

Over the next two years the Plantmaking sector will benefit from the large profits that our customers are accumulating now, and that they will be investing in order to become more competitive and to reduce CO2 emissions, in line with the principles of the European *Fit for 55* (Green Steel) program. On the other hand, the Steelmaking sector will immediately benefit from this positive trend.

Danieli Plantmaking

The effect of Covid-19 on our results was contained in spite of the problems related to fluctuations in the costs of transport and raw materials and to lead times, which will continue throughout the Danieli 2021/22 fiscal year.

Here is a summary of Plantmaking achievements registered during 2020/21:

– Leadership

Danieli continues to maintain world leadership in supplying *direct and non-direct rolling mills* for long products, and for 2021/22 has set a goal of definitively securing a leading position in the flat-product sector as well, thanks primarily to the innovative, patented technology of Danieli's continuous casters.

Octocaster technology allows operational casting speed of 8 m/min for long products, with the target of 10 m/min. This makes it possible to produce - as of now - more than one million tpy on a single continuous casting strand and in *endless direct rolling* mode.

Likewise in the case of flat products, a casting speed of 6 m/min and our *thin slab caster* enable us to produce up to 4/4.5 million tpy on just one strand thanks to Dysencaster technology.

Let us emphasize that because of the *direct rolling* process a reheating furnace is not required, so CO2 emissions are significantly decreased.

– DUE – Danieli Universal Endless for flat products

Thanks to the remarkable results by the DUE plant at SGJT, China, the first plant of this new generation to obtain a Final Acceptance Certificate, Danieli has an excellent chance to become a leader in direct rolling for flat products as well.

¹ Turnover includes the amount of 60.8 million euro (classified in the financial statements as an adjustment to costs) for internal construction relating to the new Quality Wire Rod Mill developed by the parent company for ABS.

– *Innovation*

The fully sealed Digimelter –with its innovative melting system and close-to-zero emissions– is stirring considerable interest worldwide, and with the start-up of a green Digimelter at CMC Steel in the USA and one in Europe, which also uses alternative energy generated by solar panels, it will become a benchmark for steelmakers, and gradually replace the traditional electric arc furnace.

– *QWRM - Quality WireRod Mill*

During the last fiscal year we started up our first QWRM plant equipped with world-class technology for the production of high-quality wirerod in small lots, at ABS. And this is also the first plant in operation with I-4.0 and artificial intelligence functions.

– *Front Running Projects*

The erection of the DUE thin-slab rolling mill and the plate mill at Nucor Steel, USA, is progressing. The DUE project is expected to go on stream at the beginning of 2022. The plate mill, which will produce material for demanding applications, including plates for energy-producing wind towers, will be the most modern in the USA, and not only there.

In addition, we are consolidating our leadership in the supply of PLTCM Pickling Line/Tandem Cold Mills, and after the successful start-ups at Yildiz and Tatmetal in Turkey, Metinvest also has confirmed its trust in Danieli by ordering a complete cold-mill complex in Ukraine, which will include a tandem mill and processing lines.

– *Green Steel*

We have developed in-house Green Steel technology that includes, in collaboration with Tenova, the Energiron direct-reduction plants. These can be powered by hydrogen also, with almost zero emissions, proceeding to a system that hot-charges DRI into the Digimelter, followed by direct rolling. Danieli MIDA plants produce Green Steel with a 90% decrease in CO₂ emissions compared to current integrated plants, and a 35% reduction over conventional minimills.

We also are studying how to recover the CO₂ that is still generated by steelmaking. At ABS, for example, we have the first prototype producing microalgae food by using, thus reducing, the CO₂ emissions generated by the gas-fired reheating furnace.

And finally, again at ABS, the slag recovery and processing system has been in operation for some time now and the concept will be extended to include other residues with the goal of creating a total circular-economy steelmaking plant.

More generally, the theme of the CO₂ tax will have an impact on the competition between integrated steel mills using coke and electric steel mills using recycled scrap steel.

Electric minimills produce 20-25 times lower CO₂ emissions than coke-based integrated steel mills, and with the new DigiMelter technologies their emissions are close to zero.

For integrated steelmaking we will develop technologies aimed at reducing the CO₂ emissions of blast furnaces by 25 to 50%.

Some of the integrated steel mills may use up to 30% scrap charge, with a resulting proportional decrease in emissions, but this will depend on the cost incidence of the CO₂ taxation.

It should be noted that using scrap in the converters will drastically reduce the availability of scrap as raw material for electric steelmaking.

To control the price of scrap, which will tend to rise because of its limited availability, DRI will be used wherever possible. Therefore, an increase in the number of direct reduction plants is expected in those countries where gas is available at low cost, while waiting for green hydrogen - produced by using the wind and solar energies - to be available at competitive costs.

At the moment it is difficult to determine the trends according to which the steelmaking industry will reorganize itself, as this will depend significantly on local conditions and resources, as well as on the impact of the CO₂ taxation. However, in addition to a foreseeable competition between coke-based integrated steel plants, which are at a disadvantage due to high CO₂ emissions, and electric steelmaking, we can expect that a number of integrated steel mills will be practically converted to the use of electric arc furnaces.

The approach of Danieli to the issue of CO₂ emissions consists of innovating the technology of blast furnaces to reduce the use of coke, while the target for electric steelmaking is near-zero emissions. An additional alternative is the use of hot-charged DRI (600 °C) into the Danieli DigiMelter, or a mix of hot metal coming from blast furnace and electrical melting.

In the next 15 years we therefore expect a 20-30% decrease in the production of steel from coke, which will be replaced by the use of hydrogen-based DRI and scrap.

In conclusion, considering the innovations we are pursuing, we can affirm that also for 2020/21 we have again honoured our motto: *Danieli, the innovative and reliable partner to be front runners in CapEx, OpEx –adding now– in low carbon taxes.*

ABS Steelmaking

As already mentioned, the scenario for ABS at this moment is splendid, although the splendour is mitigated by the high cost of raw materials.

However, as we know, this optimal period will be temporary and it is difficult to say whether it will last for one or two years, or even a little more, after which it will return to normal.

It follows that today we have to prepare for tomorrow and make significant investments to continuously improve our competitiveness, quality and range of products, so that we can cover various sectors of consumer goods: automotive, mechanics, oil and gas, wind energy, drawn products, etc. This is an advantage that allows us to compensate for market highs and lows in the various areas of utilization where consumption cycles never coincide, and therefore, we have to optimize plant utilization.

And it is with and because of this concept that we have invested in ABS, allowing us to produce quality steel long products ranging from 5.5 to 500 mm dia, as well as forgings and continuously cast blooms up to 850 mm dia and ingots up to 1400 mm dia, in more than 600 steel grades. We believe that today this is the only quality steelmaking plant in Europe that covers such a vast range of products.

To realize this vision, in the last 15 years we have invested 980 M Euro and plan to invest some 200 M Euro more in the next two/three years.

In addition to the start-up of the Quality WireRod Mill producing steel in coils from 5.5 to 26 mm dia, in October 2021 we will begin to produce high-quality ore-grinding balls.

Finally, ABS has initiated Vision 2000, which also has been made possible by our latest investments, a vision that aims to produce 2 million tpy of quality liquid steel in a green way.

Group Vision

The excellent results achieved with the start-up of innovative plants open new prospects for growth in both Plantmaking and Steelmaking.

The service department will be expanded further, not only at Danieli but also at ABS which has set up ABS Service Systems.

We are committed to reduce the CO2 emissions costs in all steelmaking phases by proposing technological solutions that make it possible, both for integrated and electric steelmaking.

The Danieli Plantmaking target is to achieve a 15% increase in sales thanks to innovative products, and particularly with the MIDA and Digimelter plants, which are unique and perfect for producing green steel. In fact, we underline again that, going forward, competitiveness per ton will be calculated as CapEx + OpEx + CO2 tax/ton.

Based on these considerations, the targets for the Danieli fiscal year 2021/22 are:

- Revenue 3,200 – 3,300 million euro
- EBITDA 310 - 340 million euro
- Order Backlog 3,500 – 3,800 million euro

Social Aspects and Education / Employment

Socially, we continue to support the restoration of works of art in the Friuli Venezia Giulia region and to promote cultural events for the community.

In terms of schooling, based on the belief that *education and employment* are a single word, we have expanded the ZEROTREDICI school complex while maintaining a pronounced orientation towards technological culture combined with humanistic and international studies, and continuing to provide a useful service for families with both parents working. Currently, there are about 300 students enrolled in the school complex.

And, we are contributing to the expansion of MITS Academy (Higher Technological Institute), which aims to establish a diploma in mechatronics engineering, automation, Industry 4.0, and other specialties, by teaming up with the University of Udine and the manufacturing sector of Friuli Venezia Giulia.

Before concluding, we wish to thank our shareholders who have allowed us to invest 85-90% of our profits back into the company. This is perceived as an expression of the shareholders' trust and esteem for the Danieli team, which we intend to honour to the best of our abilities.

It is a trust which, in any case, has been repaid by the fact that the acquisition of Danieli shares has been confirmed to be a good, long-term investment.

On behalf of the Board of Directors and of the shareholders, special thanks go to the Danieli Group Team who, with passion and professionalism, are strongly committed to achieving the agreed objectives for our company's continuing improvement, and to honour the motto "Danieli, the reliable and innovative partner to be a step ahead in CapEx and OpEx", for the satisfaction of our business partners. And last, but not least, we express thanks for their efforts in bringing about the cultural change that today's technological and social trends call for, which is essential to maintaining market shares and competitiveness in a highly challenging global economy with constantly evolving quality requirements.

Gianpietro Benedetti
CHAIRMAN OF THE BOARD OF DIRECTORS

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 2020/2021 financial year, describing its initiatives and main results in terms of sustainability performance achieved during the period (reporting period: from July 1, 2020, to June 30, 2021).

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 2020/2021 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 specific GRI 403 standard (Occupational health and safety) and GRI 303 (Water and effluents) reference is made to the updates published in 2018. For the specific standard GRI 207 (Tax), the version published in 2019 was used.

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, which made it possible to identify and assess the material aspects for the Group and its stakeholders (described in the section “Stakeholder engagement and Materiality Analysis”). In this regard and in line with last year, note that the Directors did not deem it necessary to update the surveys previously carried out there with regard to the identification of material issues, having 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, 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 2020/2021 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, 2021, 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 **frequency** of the publication of the Non-Financial Statement is set on an annual basis.

The analysis updated with the results of the materiality and the identification of the material topics was confirmed by the Executive Committee of the Parent Company on September 15, 2021, and subsequently submitted to the attention of the Board of Directors of Danieli & C. Officine Meccaniche S.p.A. at the same time as approving this Non-Financial Statement on September 27, 2021.

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, 2021”, “Management of business risks” sections), and of the Report on Corporate Governance and Ownership Structure (“Information on ownership structures on June 30, 2021”, “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.

As a further guarantee of the commitments made by the Group, Danieli & C. Officine Meccaniche S.p.A. signed up to the United Nations Global Compact programme at the end of 2020, confirming its commitment and shared need to promote and achieve the sustainability goals (SDGs) promoted by the United Nations.

The increasingly challenging objectives in the metal industry to make conscious use of resources by reducing emissions of CO₂, 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 two 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 2020/2021 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.

The IA&C (Internal Audit & Compliance) function updated the mapping of business risks involving the persons in charge of the various product lines and prepared the Audit plan. It also collaborated

with operational functions in the analysis of Compliance risks in relation to commercial operations carrying out a detailed check of the identity of third parties in contact with the Danieli Group in line with the international compliance Regulatory framework). On 14 May 2021, the Board of Directors approved the new Internal Audit plan and a *Compliance* plan for diversified audit activities with specific levels of detail to be carried out in the three-year period from 2021 to 2024.

- The strengthening of the *Governance* of Sustainability within the Group.
With reference to the initiatives undertaken in this perspective by the Group in the 2020/2021 financial year, the Sustainability Committee (made up of the main operational function managers) was centralised in the figure of Sustainability Manager, who from September 1, 2021, has evolved into Sustainability & Innovation Manager. This responsibility was entrusted to this single person reporting directly to the Chief Executive Officer of the company. The Sustainability & Innovation Manager was appointed also to follow the new Non-Financial Statement of ABS S.p.A., which was drawn up on a voluntary basis for the 2020/2021 financial year. In the Plant Making segment, awareness of future sustainability and governance objectives has been spread across all the Group's product lines, also thanks to the new division of the Danieli Research Centre, Dan Green, made up of specialised engineers who became fully operational in the 2020/2021 financial year.
- 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. For further details, please refer to the paragraph "Commitment to the environment" below and to the Directors' Report (section "Management of business risks") for an in-depth analysis of the risks related to climate change as well as the adopted company policy. Moreover, the analysis of risks arising from climate change has led to the identification of a market opportunity for the Danieli Group, which has the possibility of exploiting the call to action on the subject of Climate Change to encourage the sale of technological solutions to reduce CO₂ emissions. In fact, the Group offers the possibility of producing green steel. Danieli is a leader in offering innovative solutions for reducing emissions, thanks to offers such as Q-ONE, Hybrid MI.DA., DRI (Direct Reduced Iron) and other patented technologies. The Danieli Group aims to reduce emissions globally through innovative green solutions with low CO₂ emissions per tonne of steel produced, and to take advantage of the new opportunities offered by a market in which the ecological transition is becoming increasingly important.

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 to management profits but should be understood also considering 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.

Note that during the year ABS S.p.A. updated its materiality analysis, reconfirming the material topics identified in the previous analysis in 2019. On the Plant Making side, it was not deemed necessary to update the materiality analysis prepared in previous years, 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 segment has also carried out an internal and external stakeholder engagement, involving the people who determine the organisation's strategy as well as customers, employees, shareholders, suppliers and business partners, environmental associations, the scientific community, trade associations and the local community.

The materiality analyses of each sector were weighted and integrated with each other, identifying a set of common material topics.

The analysis with the materiality results and the identification of the material topics of the Group was then confirmed by the Executive Committee of the Parent 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 aspects 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	<i>Company welfare</i>
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 management and hazardous materials		

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 materiality threshold established, 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 2020/2021 Report on Corporate Governance and Ownership Structure (approved by the Board of Directors on September 27, 2021) 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 and Compliance.

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, the 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 also included in the “welcome kit” the new employees are provided with. Therefore, 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 65% of the volumes produced. In addition to the Parent Company, the most significant production sites are also ISO 14001 certified: ABS S.p.A., Danieli Met. Equipment & Service (China) Co. Ltd., Danieli Co. Ltd and Danieli India Ltd.

Moreover, 80% of the companies' employees are located in subsidiaries with an occupational health and safety management system certified by international standards ISO 45001 and OHSAS 18001. The Parent Company and Danieli Germany GmbH achieved the transition from OHSAS 18001 certification to ISO 45001 certification in the 2019/2020 financial year, while the companies ABS S.p.A., Danieli Met. Equipment & Service Co. Ltd., Danieli Automation S.p.A., Danieli India Ltd., Danieli Co. Ltd, Danieli Corporation (a US company following the local market) obtained it in the 2020/2021 financial year. The company Danieli Centro Combustion S.p.A. is in the process of obtaining ISO 45001 to replace the OHSAS 18001 it already holds.

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 companies ABS S.p.A. and ABS Sisak d.o.o. are members 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 at 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.

In September 2019, it was decided to set up a single Compliance & Internal Audit function headed by a single manager. The Group Compliance Officer has the mandate to support the various business functions in adapting business processes to the main legislative changes. The Group Compliance Officer, in the performance of his functions continued to plan a series of courses for senior employees on Anti Bribery practices to mitigate the risk of corruption towards agents and suppliers, on antitrust matters and on international sanctions.

In March 2019, this function developed two policies approved by the Parent Company's Board of Directors and valid for the entire Group: the “Gift and Hospitality Policy” and the “Third Parties Compliance Management Policy”, to which a Group policy on “Conflict of Interest” and a guideline on “Controls, Records and Screening over intermediaries and agents” were added in the 2020/2021

financial year. 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 2020/2021 financial year, an activity was carried out to share the new policies that employees are asked to view and whose acceptance must be confirmed.

In each company of the Group, a whistleblowing 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 thing 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 & 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 2020/2021 Fiscal Year, the Group Compliance Officer did not receive reports.

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;
 - c) the Scope 1, Scope 2 and Scope 3 emission reduction achievement targets approved by the Science Based Target Initiative in 2019.

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 liquid steel with low environmental impact and lower CO₂ emissions, innovative products to produce Green Steel with less energy expenditure per tonne produced and rolled but also using new technologies that reduce the related CO₂ emissions in other phases of production. 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 (DRI) and the new hybrid fusion system developed (DIGIMELTER) 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, health and safety;
- 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 2020/2021 Fiscal Year, the Italian companies fully implemented what was envisaged by the renewal of the CCNL (National Collective Labour Agreement) signed on June 01, 2021, 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 with personal plans every three years (Management by Objectives of a financial nature but also sustainability with the development of plants for CO2-free steel production).

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.

In this context, Danieli joined the *UN Women's Empowerment Principles* initiative in 2021 to confirm its commitment to ensuring equal employment opportunities for all its employees.

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	30/06/2021			30/06/2020		
	Male	Female	Total	Male	Female	Total
Europe and Russia						
Fixed-Term contracts	189	35	224	124	36	160
Permanent contracts	4,844	661	5,505	5,120	707	5,827
Total	5,033	696	5,729	5,244	743	5,987
Middle East						
Fixed-Term contracts	31	4	35	44	7	51
Permanent contracts	11	1	12	11		11
Total	42	5	47	55	7	62
Americas						
Fixed-Term contracts			0	2	1	3
Permanent contracts	108	16	124	91	20	111
Total	108	16	124	93	21	114
South East Asia						
Fixed-Term contracts	248	73	321	446	97	543
Permanent contracts	2,180	267	2,447	2,092	262	2,354
Total	2,428	340	2,768	2,538	359	2,897
Total personnel	7,611	1,057	8,668	7,930	1,130	9,060

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	30/06/2021			30/06/2020		
	Male	Female	Total	Male	Female	Total
Full time	7,591	1,000	8,591	7,889	1,075	8,964
Part time	20	57	77	41	55	96
Total personnel	7,611	1,057	8,668	7,930	1,130	9,060

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

GRI 401-1	30/06/2021					30/06/2020				
	Male	%	Female	%	Total	Male	%	Female	%	Total
Europe and Russia										
Under 30 years	229	32%	21	19%	250	197	27%	53	41%	250
30 - 50 years	151	5%	40	9%	191	270	9%	48	10%	318
Over 50 years	49	3%	6	4%	55	77	5%	7	5%	84
Total	429	9%	67	10%	496	544	10%	108	15%	652
Middle East										
Under 30 years		0%		0%	-		0%		0%	-
30 - 50 years	2	5%	-	0%	2	-	0%	-	0%	-
Over 50 years		0%		0%	-		0%		0%	-
Total	2	5%	-	0%	2	-	0%	-	0%	-
Americas										
Under 30 years	11	52%		0%	11	7	47%	2	40%	9
30 - 50 years	16	36%	1	11%	17	18	45%	3	33%	21
Over 50 years	8	19%	1	25%	9	12	32%	2	25%	14
Total	35	32%	2	13%	37	37	40%	7	32%	44
South East Asia										
Under 30 years	85	35%	13	24%	98	89	27%	17	24%	106
30 - 50 years	173	9%	39	14%	212	142	7%	26	9%	168
Over 50 years	7	4%	1	10%	8	15	9%	3	25%	18
Total	265	11%	53	16%	318	246	10%	46	13%	292
Total	731	10%	122	12%	853	827	10%	161	14%	988

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

GRI 401-1	30/06/2021					30/06/2020				
	Male	%	Female	%	Total	Male	%	Female	%	Total
Europe and Russia										
Under 30 years	136	19%	23	21%	159	144	20%	31	24%	175
30 - 50 years	306	11%	68	16%	374	437	14%	65	14%	502
Over 50 years	196	13%	23	15%	219	319	22%	26	18%	345
Total	638	13%	114	16%	752	900	17%	122	16%	1,022
Middle East										
Under 30 years		0%		0%	-	7	233%		0%	7
30 - 50 years	14	38%	-	0%	14	14	34%	6	600%	20
Over 50 years	3	75%		0%	3	1	9%		0%	1
Total	17	40%	-	0%	17	22	40%	6	86%	28
Americas										
Under 30 years	5	24%	2	67%	7	1	7%	2	40%	3
30 - 50 years	8	18%	2	22%	10	11	28%	2	22%	13
Over 50 years	7	16%	4	100%	11	10	27%	4	50%	14
Total	20	19%	8	50%	28	22	24%	8	36%	30
South East Asia										
Under 30 years	94	39%	11	20%	105	86	26%	12	17%	98
30 - 50 years	243	12%	56	20%	299	216	11%	27	10%	243
Over 50 years	39	23%	5	50%	44	26	16%	2	17%	28
Total	376	15%	72	21%	448	328	13%	41	11%	369
Total	1,051	14%	194	18%	1,245	1,272	16%	177	16%	1,449

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

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

GRI 405-1	30/06/2021					30/06/2020				
	Male	%	Female	%	Total	Male	%	Female	%	Total
Board of Directors										
Under 30 years	0	0.00%	0	0.00%	0	0	0.00%	0	0.00%	0
30 - 50 years	1	20.00%	1	33.33%	2	1	25.00%	1	33.33%	2
Over 50 years	4	80.00%	2	66.67%	6	3	75.00%	2	66.67%	5
Total	5	62.50%	3	37.50%	8	4	57.14%	3	42.86%	7
Board of Statutory Auditors										
Under 30 years	0	0.00%	0	0.00%	0	0	0.00%	0	0.00%	0
30 - 50 years	1	50.00%	0	0.00%	1	1	50.00%	0	0.00%	1
Over 50 years	1	50.00%	1	100.00%	2	1	50.00%	1	100.00%	2
Total	2	66.67%	1	33.33%	3	2	66.67%	1	33.33%	3

Note: the figures shown take into account the chairman and the statutory auditors.

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

GRI 405-1	30/06/2021						30/06/2020					
	Male	%	Female	%	Total	%	Male	%	Female	%	Total	%
Apprentices	138	2%	23	2%	161	2%	161	2%	39	3%	200	2%
Blue collars	2,690	35%	55	5%	2,745	32%	2,780	35%	62	5%	2,842	32%
White collars/ Managers	4,599	60%	968	92%	5,567	64%	4,797	60%	1,018	89%	5,815	64%
Executives	184	2%	11	1%	195	2%	192	2%	11	1%	203	2%
Total personnel	7,611	88%	1,057	12%	8,668	100%	7,930	88%	1,130	12%	9,060	100%

GRI 405-1	30/06/2021						30/06/2020					
	Under 30 years	%	30 - 50 years	%	Over 50 years	%	Under 30 years	%	30 - 50 years	%	Over 50 years	%
Apprentices	158	14%	3	0%		0%	195	15%	5	0%		0%
Blue collars	375	33%	1,686	30%	678	36%	373	29%	1,852	31%	653	36%
White collars and middle managers	607	53%	3,903	69%	1,067	57%	710	55%	4,029	67%	1,030	57%
Executives	1	0%	69	1%	121	6%	1	0%	89	1%	123	7%
Total personnel	1,141	13%	5,661	65%	1,866	22%	1,279	14%	5,975	66%	1,806	20%

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 were carried out 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 each year to employees who request it, however due to Covid-19, it has been suspended in 2020/2021. However, in Friuli, the administration of the vaccine against Covid-19 was organised to a specific selection of employees, over 40 as per contingent governmental indications, chosen equally within the workforce. In Friuli and Piedmont, an occupational health specialist was assigned to administer free swabs. In Lombardy, due to a different regional regulation, swabs were reimbursed to employees.

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, although severely constrained by the limitations imposed by the Covid-19 pandemic, continued to offer attractive prices to employees, proposing monthly tourist destinations that can be reached at discounted prices and day trips, thus promoting, when possible, co-worker socialisation outside working hours.

Many initiatives have been developed in the past by Danieli for its employees and will be proposed again within the current limitations:

- 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 personnel at the time of recruitment and with subsequent periodic updates by making available to them (for easier consultation and use) on the company website all the safety and prevention documentation to avoid dangerous situations at work. Moreover, continuous awareness-raising is carried out with information campaigns and specific communications to alert and remind people of the need to comply with safety protocols.

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.

In ABS S.p.A., an important activity was completed already in December 2019 with the obtaining of the Fire Prevention Certificate of the Cagnacco Plant, 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 2020/2021, 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 only two weeks in March 2020, completing only urgent activities, while the Russian and Indian plants carried out limited closures in April and June of the same year; the Chinese plants (although far from the Wuhan area) were also closed for only two weeks in February 2020 to coincide with the New Year holidays.

The Italian companies remained in constant contact in the initial period of the pandemic 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 in 2020 and during 2021, 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 redundancy fund if deemed necessary.

Overall, in a population of almost 9,000 employees, the cases of Covid-19 infection were limited; in the 2020-21 financial year there were no serious Covid-19 cases in the company and in the case of hospitalisation they always ended in recovery.

By April 2020, Smart Working had been used for 50% of our employees' working hours. These then gradually returned in person until they reached a smart work rate of around 35% in June 2020. In the 2020/2021 financial year, from July 2020 to June 2021, work activities returned to full capacity with an attendance rate of 80% and during the year 8% of the employees' working hours were carried out in Smart Working. Work was therefore mainly in person and the Smart Working tool was essentially used to preserve the health of employees, especially in the case of fragile subjects, paternity or maternity, where this method of working was allowed in an extended form. The remaining 12% of the hours refers to other types of absence, mainly holidays, while only 1% refers to the CIG (income support fund), which was anyway closed in June 2021.

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 following companies have an occupational health and safety management system certified by international standards ISO 45001 and OHSAS 18001: the Parent Company and Danieli Germany GmbH achieved the transition from OHSAS 18001 certification to ISO 45001 certification in the 2019/2020 financial year, while the companies ABS S.p.A., Danieli Met. Equipment & Service Co. Ltd., Danieli Automation S.p.A., Danieli India Ltd., Danieli Co. Ltd, Danieli Corporation (a US company following the local market) obtained it in the 2020/2021 financial year. The company Danieli Centro Combustion S.p.A. is in the process of obtaining ISO 45001 to replace the OHSAS 18001 it already holds, which has been slightly delayed due to delays by the relevant public bodies. 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.

ABS S.p.A. maintained in 2021 the reduction obtained in 2020 of 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 was 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, which improved slightly, 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 2020/2021 Fiscal Year, training activities on safety were carried out totalling approximately 35,503 hours.

The company provides education, information and training courses with the aim of educating all employees on issues related to occupational health and safety, correct emergency management practices and the use of equipment in the company. In view of the situation related to the pandemic, SPP (Health Prevention and Protection) in collaboration with Danieli Academy used the e-learning/ webinar tool to provide important training/information on the Covid-19 issue, in order to disseminate the company directives and the correct behaviour required by the mandatory regulations. A special focus is also placed on regular training for workshop technicians on the procedures to be used in their daily work.

The company continuously ensures that personnel are trained in accordance with safety regulations by constantly surveying the training requirements of employees, e.g. when changing jobs. Therefore, during the year, the activity related to the five-year compulsory retraining of the basic training for all workers continued.

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

In 2020, employees were guaranteed insurance cover in the event of Covid-19 infection with hospitalisation. On December 31, 2020, it was decided not to renew the policy thanks to the success of the vaccination campaign against Covid-19 in Italy.

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, occupational diseases, fatalities and main injury indexes ²

Work-related injuries - Employees GRI 403-9	30/06/2021	30/06/2020
Number of recordable work-related injuries	98	97
of which:		
Total High consequence work related injuries (>180 dd recovery time)	-	2
Total Work-related fatalities	-	-
Total worked hours by employees (number)	15,842,147	15,255,642
Rate of recordable work-related injuries	6.19	6.36
Rate of high-consequence work-related injuries	0.00	0.13
Rate of fatalities as a result of work-related injuries	0.00	0.00
Main types of work-related injuries Employees GRI 403-9	30/06/2021	30/06/2020
Bruises and lacerations	42	63
Sprains and fractures	14	20
Muscle strains and joint pains	28	4
Others (loss of consciousness, burn, fume inhalation)	14	10
Total Main types of work-related injuries Employees	98	97
Work related injuries - External workers GRI 403-9	30/06/2021	30/06/2020
Number of recordable work-related injuries	9	10
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	30/06/2021	30/06/2020
Bruises and lacerations	6	9
Sprains and fractures	1	
Muscle strains and joint pains	2	1
Others (loss of consciousness, burn, fume inhalation)		
Total Main types of work-related injuries Externals	9	10

² The data include internal employees of the Danieli Group and external workers who are not employees but whose work and/or workplace is under the control of the Danieli organisation where it is possible to monitor at the main production sites.

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.

Also in 2020/2021, such initiatives have been carried out with schools, technical and industrial high schools.

In continuity with the past, the Danieli Academy continued the INDE18 programme for hired trainees, young newly-qualified students from technical and industrial high schools and post-secondary schools, and new graduates. This is a dedicated training course lasting 8 months, from September to April.

The Danieli Globe project was launched to allow talented young people to follow a project abroad, which was temporarily suspended due to the restrictions and constraints on international mobility linked to the pandemic situation.

The Talents area of 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 GRI 404-1	30/06/2021		30/06/2020	
	Male	Female	Male	Female
Average hours of apprentice training	80	50	82	65
Average hours of blue-collar training	12	23	9	15
Average hours of staff training	13	11	13	12
Average hours of manager training	11	12	11	20

The refresher and training courses for employees (2,302 courses equal to about 120,687 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.

In addition to the security measures put in place to counter Covid-19, a blended mode of training was adopted, reducing the physical load of attendance and providing remote activities.

In March 2021, a training project (MET3) was started, targeting managers and executives and aimed at fostering entrepreneurship, work culture, exploration of new areas related to digitalisation and organisational strategy. The initiative will be continued with a 2021/2022 horizon.

New resources are introduced through an onboarding process that includes in-person and online training on the specific role and company policies. In continuation of what has been done in the past, training was provided on travel security, cybersecurity, company policies, code of ethics, model 231, Gift and Hospitality policy, specific security measures related to Covid-19 prevention.

Collaboration with institutions for school and university education

The Parent company constantly collaborates with high schools, post-secondary schools 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, post-secondary schools 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 Masters 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:

- systematically mapping all procedures subject to IT risk and identifying those with more sensitive characteristics;
- 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 (Business Impact Analysis) revision, 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 research and development, Danieli Digi&Met Lab continued its activity (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 230 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.

A Research Centre with 81 employees operates in Italy, with a new facility opened in 2017 to serve the machinery and plant sector. In the same location, the new Dan Green division was also opened at the beginning of the 2020/2021 financial year, with four R&D resources dedicated specifically to green sustainability issues from the engineering, plant engineering and technological point of view. Moreover, there is a Research Centre in France with around 20 employees serving the steel sector to propose new alloys for industrial applications to customers. Overall, there are research activities carried out by an additional 68 employees, bringing the total to 169 resources dedicated to R&D, representing almost 2% of the total group employees, a sign of strong commitment in this area.

A concrete example is in the UK where Innoval Technology Ltd. operates with its own laboratories offering innovative solutions to customers in the aluminium industry.

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 in order 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 aspects:

- 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 for long and flat products (MI.DA and QSP-DUE) and the rolling of semi-finished products at lower temperatures with quick induction heating systems (QHEAT) already allow us to obtain quality products with a substantial increase in efficiency compared to the past.

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

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 at the head office and the headquarters of the Research Centre), ABS S.p.A., 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. For the 2020/2021 financial year, the plant, although operational and functioning, did not work due to production requirements. Also in ABS S.p.A., a district heating system was built to recover heat from hot fumes from the Rotoforgia’s Walking Beam oven 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 continued during the year with the development of the 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 2021 solar year.

The Group's energy consumption is presented below:

Energia	30/06/2021	30/06/2020
GRI 302-1		
Energy consumption by type of fuel and process		
LPG (GJ)		
By production process (GJ)	11,137	10,959
Methane Gas (GJ)		
By production process (GJ)	3,364,096	2,148,108
Industrial Carbon (GJ)		
By production process (GJ)	720,435	616,097
Diesel (GJ)		
By production process (GJ)	11,755	29,127
Petrol and other fuels (GJ)		
For company cars (owned and rented) (GJ)	16,075	18,509
Electricity consumed (GJ), of which	3,818,234	3,059,049
Electricity purchased from the grid (GJ)	3,806,573	3,053,670
Internally produced and self-consumed electricity (GJ), of which	11,661	5,378
produced by photovoltaic plant (GJ)	11,661	4,432
produced by an ORC (Organic Rankine Cycle) (GJ)	0	947
Total energy consumption (GJ)	7,941,731	5,881,849

The conversion factors used are taken from the document "UK Government – GHG Conversion Factors for Company Reporting 2021". 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. The figures of the previous fiscal year have been restated with a refinement of the information derived from electricity certified according to ISAE 3410 and with a refinement of the diesel figure. The consumption of industrial carbon, which is used as an additive in production processes and is therefore an energy carrier, has been included; these values were reported in line with the new format of the mandatory diagnostics required for steel mills by Italian Legislative Decree 102/2014, which was amended following a round table led by Federacciai. Moreover, at the end of 2020, ABS S.p.A. included it in the list of energy carriers that are monitored as part of the ISO 50001 Energy Management certification.

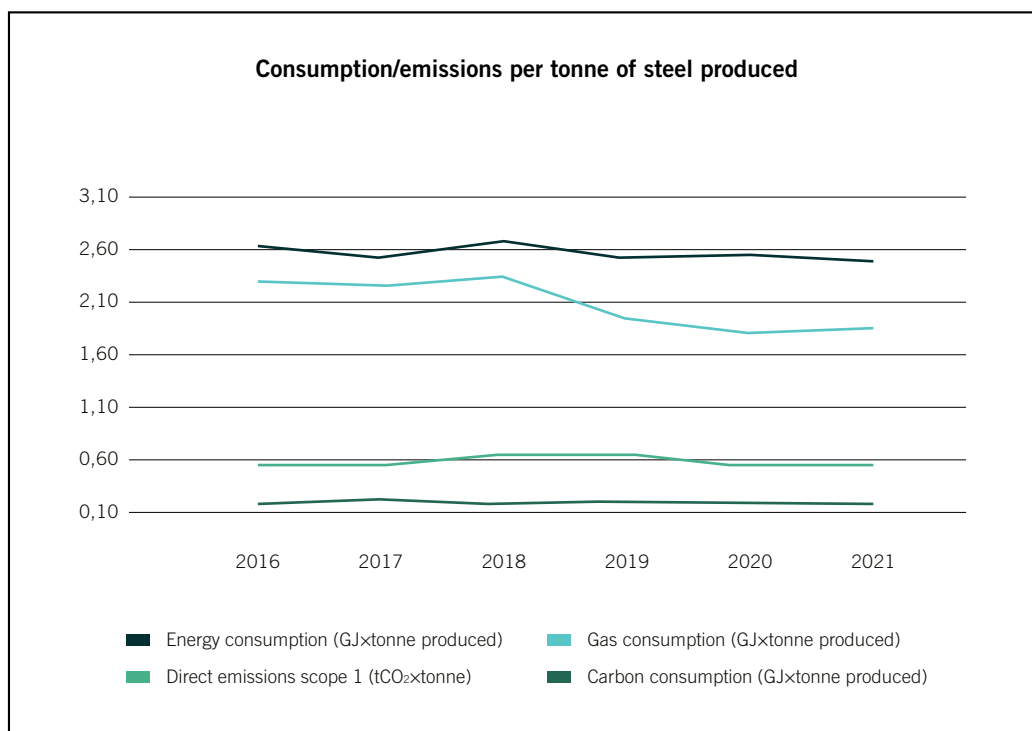
Note that with reference to electricity purchased from the network, 86% (90% in the previous year) of it comes from a supplier that declares that its energy mix used for the production of electricity sold is about 38% from renewable sources (data referring to 2019, latest available).

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

The group's energy consumption increased in absolute terms mainly due to higher production in the Steel Making segment, although thanks to the efficiencies achieved in reducing consumption, it decreased in relative terms per tonne of steel produced (as shown in the graph below).

The start-up of the new wire rod mill at ABS S.p.A. led to a slight increase in gas consumption in the 2020/2021 financial year due to the still inefficient use of the new reheating furnace and the still limited rolling due to the learning curve of the plants.

On the other hand, the specific electricity consumption significantly decreased thanks to the high load of the steel mill and to the actions taken to improve plant and management efficiency.



Note: Please note that the graph refers to the Steel Making sector and that the data source is an internal processing comparing energy consumption and emissions to tonnes produced. The historical series is compared with tonnes produced instead of tonnes shipped.

The Steel Making continues its course of improvement in the main consumption and emission indexes per tonne of steel produced thanks to the investments made to increase production efficiency, always applying the best available technology. In particular, the decrease in energy consumption per tonne is due to the improvement in efficiency in scrap casting and liquid steel treatment over the last three 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:

Water withdrawal by source (Megaliters ML)	30/06/2021	30/06/2020
GRI 303-3		
Water withdrawal surface water(ML)	283	149
Water withdrawal groundwater (ML)	1,389	1,192
Water withdrawal third-party water (ML)	332	399
Total water utilisation	2,003	1,740

Note: Data partly estimated, using criteria that can provide as accurate and exhaustive a representation as possible. Starting from this NFS, the reporting of water withdrawal data has been adopted using the new GRI Standard 303, published by the Global Reporting Initiative (GRI) in 2018 to replace the version used to date, published in 2016.

The water resources used are almost entirely freshwater. With reference to water withdrawals in areas subject to water stress, the Group uses the Aqueduct Tool developed by the World Resources Institute³ to identify areas potentially at risk. According to this analysis, no production plant is located in water-stressed areas. Water withdrawals mainly refer to the Steel Making segment, primarily ABS S.p.A. with freshwater withdrawals from groundwater. Water withdrawals from surface water sources mainly refer to the company ABS Sisak d.o.o.; the reduction found during 2019/2020 was attributable to the production down-time of this company, which affected almost the entire duration of the year. Therefore, the 2020/2021 fiscal year is characterised by an increase due to the resumption of production at ABS Sisak d.o.o. Moreover, albeit by a smaller order of magnitude, ABS S.p.A.'s groundwater withdrawals also showed an increase due to increased production post-Covid-19. At ABS S.p.A., the main water withdrawal is for making up the tanks of industrial cooling circuits. All withdrawal points are connected to the loop pipe. Water discharges are authorised in the AIA (Integrated Environmental Authorization, Italian Decree 4918/2020) and are subject to limits and requirements that ABS S.p.A. periodically monitors to ensure compliance. All discharges follow the discharge limits set out in Annexe B of Decree 4918 and controls follow the Monitoring and Control Plan contained in Annexe C of the same Decree. In ABS Sisak d.o.o., water withdrawals are carried out from the Sava River in full compliance with regulations and authorisations. After treating the water resource for use in the process, it is discharged back into the river after passing through a grease/oil cleaning station. ABS Sisak d.o.o. has the authorisations to work in this way, no complaints have ever been received, it is in compliance with the rules. Moreover, regular water quality tests are carried out by a certified external laboratory.

On the other hand, in the Plant Making segment, there was a saving of -25% in water withdrawal, of which -23% came from Danieli & C. Officine Meccaniche S.p.A. and Danieli Co. Ltd. In Asia, specifically in the main companies Danieli Co. Ltd. and Danieli Changsu Metallurgical Equipment & Service Co., there is homogeneous water management with full compliance with current local regulations in terms of use and discharge. Finally, in the Parent Company Danieli & C. Officine Meccaniche S.p.A., water resources (from third parties) are used exclusively for civil purposes (toilets, showers, company canteen) and consumption is recognised by meters for internal use dedicated to each building, while in production there are small closed-circuit company cooling plants (with evaporative towers for cooling heat treatments and chillers for air-conditioning offices). There is a treatment plant designed to treat water classified as urban; at the intervals indicated in the discharge authorisation by the FVG Region, analyses of the legal parameters of incoming and outgoing water are carried out.

The data on the Group's atmospheric emissions are presented below:

Greenhouse gas emissions into the atmosphere	30/06/2021	30/06/2020
GRI 305-1		
Scope 1 CO2 direct emissions tCO2e	294,061	211,231
GRI 305-2	30/06/2021	30/06/2020
Location-based Scope 2 CO2 indirect emissions tCO2	356,428	306,182
Market based Scope 2 CO2 indirect emissions tCO2	473,683	381,410

The emission factors used for calculating direct CO2 emissions - Scope 1 are taken from the document "UK Government - GHG Conversion Factors for Company Reporting 2021", with the exception of those relating to ABS S.p.A. and ABS Sisak d.o.o., 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 2018), and the residual mixes for Market-based Scope 2 indirect emissions (AIB, European Residual Mixes 2020, Vers. 1.0 of May 31, 2021).

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. The figures of the previous Fiscal Year have been restated with a refinement of Scope 2 information certified according to ISAE 3410.

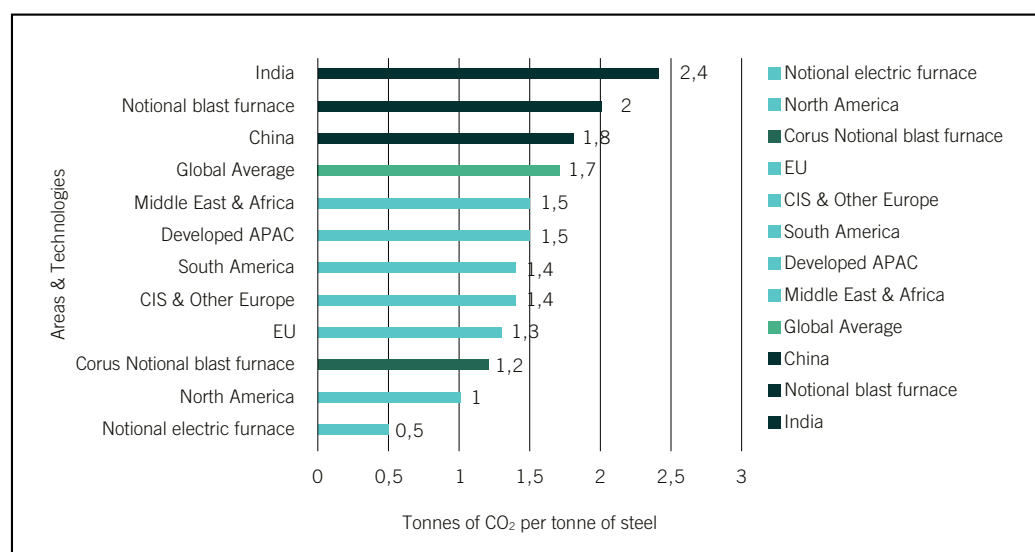
³ The WRI tool is available online at the webpage: <https://www.wri.org/our-work/project/aqueduct>. For the analyses, the results in the "baseline water stress" column and the "high stress" and "extremely high stress" levels were taken into account. Moreover, note that the main portion of withdrawal is freshwater, where ABS accounts for almost all water use.

Indirect Scope 3 emissions are counted using the Quantis method, except for CO₂ values related to steel production on an annual basis from plants commissioned in the year for use by our customers, specifically counted according to the technologies applied and the production factors used. Emissions relating to plants sold covered about 95% of the value indicated in Scope 3 and were directly affected by the type of plants sold by Danieli's various product lines and used in different phases of the steel industry (production of liquid steel from ore or scrap, direct reduction and/or rolling plants, etc.) and in the 2020/2021 financial year, plants were delivered with a theoretical annual production of about 32.5 million tonnes and an average CO₂ emission ratio of about 500 kg per tonne (in 2019/20, it was a theoretical annual production of about 26 million tonnes with an average CO₂ emission ratio of about 100 kg per tonne).

Greenhouse gas emissions into the atmosphere GRI 305-3	30/06/2021	30/06/2020
Purchased goods and services	1,455,493	1,394,659
Capital goods	157,838	38,999
Fuel and Energy-Related activities not included in Scope 1 or Scope 2	144,801	114,044
Upstream transport	213,633	189,618
Waste generated in operations	17,253	14,151
Business travel	17,343	35,901
Employee commuting	12,750	12,750
Upstream leased assets	45,398	43,698
Downstream transport	68,066	59,525
Use of sold products	304,001,423	38,259,987
EoL of sold products (intermediate product if relevant)	73,607	61,580
Scope 3 CO ₂ indirect emissions tCO ₂	306,867,211	40,225,552

The increase in Scope 3 values for 2020/2021 is affected by the deliveries started by the Danieli Corus product line for 6 new blast furnaces for customers in Asia used in the primary metallurgy sector (where steel production takes place with the use of coke) and thanks to Danieli technologies they can operate with emissions per tonne of liquid steel produced well below the world average of plants operating today. The commissioning of these plants resulted in an increase in the Group's Scope 3 in the 2020/2021 financial year compared to the previous year. However, the emissions per tonne of steel produced by these plants are significantly lower than the same type of blast furnace in India and China. As a result, Corus achieved average emissions of 1.2 tCO₂/tonne, providing a reduction in the range of 40-50% compared to similar plants in the geographical areas concerned.

The following graph shows the tCO₂e emissions per tonne of steel produced, by geographical area and by type of plant, in the form of blast furnace or electric arc furnace.



Source: internal processing by Danieli Corus from data published by BHP, J.P. Morgan Estimates, 2021, Asia Pacific Equity Research.

Other pollutant emissions into the atmosphere GRI 305-7	30/06/2021	30/06/2020
NOx Nitrogen oxide (t)	503	653
SOx Sulphur oxide (t)	7	1
Dust (t)	10	41
CO (t)	957	1,400
Dioxin and furans (PCDD/F) (g)	0	1

Note: The data for other pollutant emissions into the atmosphere was estimated based on the measurements and analyses carried out at the emission points. Data from the previous Fiscal Year have been restated with a refinement of the information.

It can be seen that 95% of energy consumption, 87% of water utilisation and 97% 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 trend of these indicators in the past years shows a progress related to constant commitment in the protection of the environment and in social responsibility with an improvement in economic sustainability thanks 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.

Also in the Steel Making sector of the group, the ABS S.p.A. subsidiary has built, as part of the protection of biodiversity and to mitigate the environmental impact of the steelworks, about 2 kilometres of mitigation hills over the last two years, natural noise barriers and visual filters 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 2020/2021 financial year, further 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 slag at Acciaieria has been rebuilt starting from 2020 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 2020



Danieli & C Officine Meccaniche S.p.A.

Region	Europe
Country	Italy
Questionnaire	Capital goods
Activity Group	Powered machinery

The CDP Score Report allows companies to understand their score and indicate which categories require attention to reach higher scoring 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 or your key CDP contact.

Your CDP score



Average performance



Powered
machinery

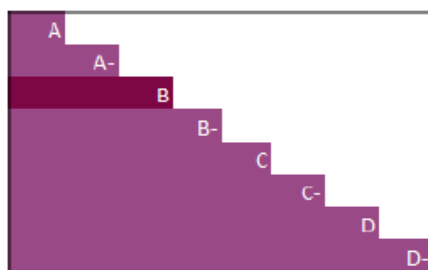


Europe



Global
Average

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 higher than the Powered machinery sector average of C.

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 2020, 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 2020, Danieli also obtained the A rating for "Supplier Engagement", resulting in a significantly better leadership position than the sector and geographical area average.

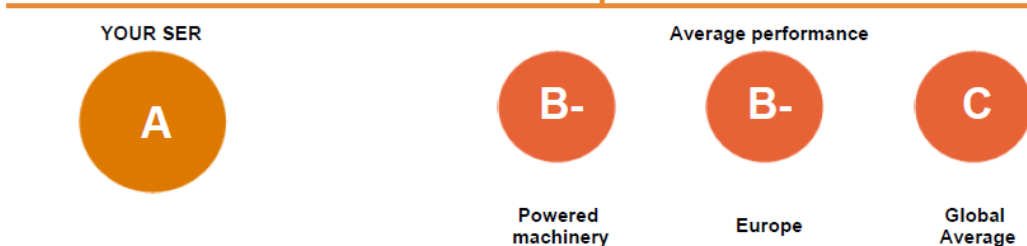
CDP SUPPLIER ENGAGEMENT RATING REPORT 2020



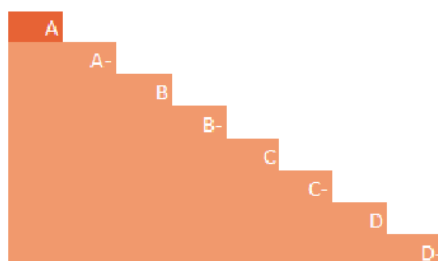
Danieli & C Officine Meccaniche S.p.A.

Region	Europe
Country	Italy
Questionnaire	Capital goods
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.



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 B-, and higher than the Powered machinery sector average of B-.

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 already obtained confirmation from SBTi (Science Based Targets Initiative) that its GHG emission reduction targets by 2030 fell 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. It is specified that while the *Scope 1+2* target refers to absolute targets as a whole, the *Scope 3* target is an intensity target, i.e. related to the dollar value added metric; the calculation method was based on the Quantis standard affiliated to the GHG Protocol.



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)	30/06/2021		30/06/2020	
GRI 306-2	Hazardous	Non-hazardous	Hazardous	Non-hazardous
Reuse	122	1,177	70	210
Recycling	22,176	58,085	18,136	96,883
Landfill	5,050	27,659	982	33,757
Incineration	148	58	692	5
Recovery	935	606	1,094	5,365
On-site storage	449	44	1	386
Other	9,737	7,250	8,171	4,825
Tons of waste production	38,617	94,879	29,145	141,431

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. Specifically, materials included in the production process include, under the first heading, gases such as oxygen and nitrogen, under the second heading, refractory materials, steel plant machinery and other consumables, while the last heading includes scrap metal and metal machine parts used in the production process.

Materials used in the Group production process	30/06/2021	30/06/2020
Gases used in the production process (m3/000)	86.241	52.432
Materials used in production process (t)	313.336	434.993
Scrap and ferrous materials used in the production process (t)	1.526.829	1.104.495

Note: Methane has not been taken into account for data related to the used Gases.

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 3,700 suppliers to service its activities and factories in the West and the East:

- in the steel sector, there are about 200 important strategic suppliers for about 1,000 customers;
- in the machinery sector, there are about 3,500 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.

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 invested significant resources to use only technically and ethically qualified operators in the supply chain to prevent procurement risks and to ensure their compliance with applicable environmental and social regulations.

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 stable, lasting relations with our suppliers and generate sustainable added value for the company in the long term, we have developed a process for the constant qualification, selection and monitoring of supplier performance.

The qualification process involves evaluating various parameters: economic and financial solidity (current and medium-long term), technical and quality management requirements, compliance with standards applicable to the sector in question and sustainability criteria such as protection of the environment and the health and safety of workers, energy impact and ethics. The initial assessment of the above-mentioned parameters is followed by the approval stage that includes determining the quality of trial supplies and company procedures, including by means of audits on the supplier's premises.

In addition, as of the last financial year, a Vendor Rating process was implemented for all suppliers, while a reassessment of all existing suppliers is currently under way, a process we expect to complete within the next two financial years.



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 role in the development of positive relations with local communities, defining and managing initiatives in their favour (including initiatives to restore the historical and architectural heritage on buildings of public interest in the city of Udine, participation in the Telethon marathon in Udine, several charitable initiatives to support local communities and medical research, contributions to local music events, support for schools through grants to expand classrooms/improve learning tools, etc.).

Also in support of Covid-19, Danieli donated a new ultrasound scanner to the Hospital of Udine. During the 2019/2020 financial year, Danieli signed several sponsorship contracts for cultural and sporting events that unfortunately had to be postponed or cancelled due to Covid-19. Some of these were recovered and took place in the 2020/2021 financial year. In particular, the events related to the Paralympic Swimming World Series held in Lignano Sabbiadoro before the Tokyo Olympics in the summer of 2021 were sponsored, while other sponsored events, including the production of the opera “Le Nozze di Figaro” at the Giovanni da Udine Theatre, are still suspended. Sponsorship of the Friuli-Venezia Giulia International Symposium of Stone Sculptures was recovered through the purchase of three sculptures from the Vergnacco Cultural Club. Danieli continued its support for the Illegio Exhibition, which has been attracting thousands of people to the small village of Carnia for many years.

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 was completed in 2021. Moreover, a donation of approximately 580,000 euro was made to contribute to the restoration of the Tricesimo Cathedral, which is one of the main assets of architectural interest in the FVG region and was built in 1771. A donation was also made to the Clarisse Monastery in Attimis (UD).

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 previous 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. In May 2021, Le Fucine Caffè & Bistrot was opened.

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 *maestro* 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 will come into operation with the 2021/2022 school year. Precisely on September 16, 2021, the Middle School welcomed its first students. Therefore, the Danieli Group completed the training offer identified in a process called “Educational Hub *ZERO TREDICI*”.

In addition to direct sponsorship of Group companies with a number of local sports teams, the Danieli Sports Group has also been operating in Italy for over 40 years. It is 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.

(milions of euro)

Directly generated and distributed economic value	30/06/2021	30/06/2020
A. Directly generated economic value	2,755.4	2,695.8
B. Distributed economic value	2,581.3	2,540.6
(A-B) Economic value retained	174.1	155.2

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

The 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); remuneration to lenders (interest on loans) and donations and sponsorships (sponsorships, donations and other forms of contribution), suppliers (operating costs).

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.

(milions of euro)

Analysis of the distributed economic value	30/06/2021		30/06/2020	
Operating costs	2,044.7	79.2%	2,041.7	80.4%
Personnel remuneration	441.4	17.1%	453.8	17.9%
Public Administration remuneration	40.4	1.6%	27.6	1.1%
Venture capital remuneration	11.1	0.4%	11.9	0.5%
Non controlling interest remuneration	0.1	0.0%	(0.5)	0.0%
Ancillary components	38.3	1.5%	(0.5)	0.0%
Lender remuneration	4.0	0.2%	5.2	0.2%
Donations and sponsorships	1.3	0.1%	1.4	0.1%
Total	2,581.3	100.0%	2,540.6	100.0%

Group taxation

Within the framework of corporate governance, the parent company Danieli and all subsidiaries adopted internal guidelines and protocols for making tax choices in compliance with applicable laws with the objective of:

- ensuring proper taxation for all companies included in the Danieli Group globally;
- ensuring timely discharge of tax obligations under the various applicable regulations;
- monitoring and mitigating tax risk.

Within the company's organisation, the audit supervisor ensures that all group companies have adequate processes and procedures in place to adopt an integrated group tax approach in line with the instructions of the parent company's board of directors within the scope of its coordination and control powers.

All strategic decisions are made always taking into account the related tax aspects, whether favourable or burdensome, always considering:

- transparency (towards the tax authorities of the countries involved);
- compliance with the law and tax regulations in all countries in which the Danieli Group operates, always operating in line with company values, in the interests of all stakeholders involved and considering taxes as a cost of doing business to be managed efficiently and in compliance with regulations.

All the companies in the group also operate in different and distant geographical areas:

- they independently follow the case studies for all categories of taxes (direct income tax, indirect taxes on the production of goods and services, property tax and labour tax where applicable);
- they are equipped with their own facilities to ensure timely compliance with the main local tax obligations;
- they use professional external support or support from the parent company in the case of significant or strategically important issues;
- they identify the tax risks present in the geographical and operational realities in which they operate;
- they report on a quarterly basis any unethical or illegal behaviour in tax matters to the parent company.

Taxes related to the economic value generated during the year are shown below, broken down by the main geographical areas covered by the group:

(millions of euro)

Income taxes by geographical areas	30/06/2021	30/06/2020
Italy	16.9	9.3
Europa and Russia	9.3	6.7
Middle East	0.0	0.1
Americas	1.0	0.7
South East Asia	7.6	5.5
Total	34.9	22.3

Tax reporting represents the portion of income taxes only, specifically direct IRES and IRAP taxes. These represent a portion of Public Administration Remuneration.

GRI content index

The following table shows the sustainability aspects considered material for the Danieli Group, related to the related “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 aspects, the column called “Boundary of material aspects” shows the subjects that can generate an impact with respect to each aspect, 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 aspect.

Material aspects of the Danieli Group	Correlation with GRI Standards	Correlation with Issues referred to by Italian Legislative Decree 254/2016	Boundary of material aspects	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 and directly related to its activities
Water resource management and quality of wastewater discharges	303 Water and effluents	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 management and hazardous materials	306 Scarichi e rifiuti	Environmental	Danieli Group	Caused by the Group and directly related to its activities
Environmental impact of products	307 Conformità ambientale	Environmental	Danieli Group	Caused by the Group
Creation of economic value	201 Economic performance; 207 Taxes	Social work	Danieli Group	Caused by the Group

Material aspects of the Danieli Group	Correlation with GRI Standards	Correlation with Issues referred to by Italian Legislative Decree 254/2016	Boundary of material aspects	Type of impact
Presence on the market and indirect economic impacts	201 Economic performance	Social work	Danieli Group, Local communities	Caused by the Group
Innovation e 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)			
Organisational profile			
102-1	Name of the organisation	2-3	
102-2	Activities, brands, products and services	11-12	
102-3	Location of headquarters	13, 236	
102-4	Location of operations	11, 27	
102-5	Ownership and legal form	2-3; Report on Corporate Governance and Ownership Structure, section "Information on ownership structures as at June 30, 2021"	
102-6	Markets served	13-27	
102-7	Scale of the organisation	7, 11-12, 28-29, 47-49	
102-8	Information on employees and other workers	58-59	
102-9	Catena di fornitura	77-78	
102-10	Significant changes to the organisation and its supply chain	13-28, 50-51	
102-11	Precautionary Principle or approach	38-43	
102-12	External initiatives	52, 75-76	
102-13	Membership of associations	78, 80	
Strategy			
102-14	Statement from senior decision-maker	47-49	
Ethics and integrity			
102-16	Values, principles, standards and norms of behaviour	54-56	
Governance			
102-18	Governance Structure	44-45, Report on Corporate Governance and Ownership Structure, sections "Board of Directors" and "Internal Board committees"	
Stakeholder engagement			
102-40	List of stakeholder groups	53	
102-41	Collective bargaining agreements		53% of the workforce covered by collective bargaining agreements
102-42	Identifying and selecting stakeholders	53	

GRI Standards	Disclosure	Page number	Notes/ Omissions
102-43	Approach to stakeholder engagement	53	
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	50-51	
102-46	Defining report content and topic boundaries	50-51, 82	
102-47	List of material topics	53	
102-48	Restatements of information	51	
102-49	Changes in reporting	50-51, 53-54	
102-50	Reporting period	50	
102-51	Date of most recent report	50	
102-52	Reporting cycle	51	
102-53	Contact point for questions regarding the report	51	
102-54	Claims of reporting in accordance with the GRI Standards	50	
102-55	GRI content index	82-87	
102-56	External assurance	88-90	This Non-Financial Statement was submitted to external assurance
TOPIC-SPECIFIC STANDARDS			
GRI 200: Economic series			
GRI 201: Economic Performance (2016)			
103-1	Explanation of the material topic and its Boundary	53, 80	
103-2	The management approach and its components	53, 80	
103-3	Evaluation of the management approach	80	
201-1	Direct economic value generated and distributed	80	
GRI 205 Anti-corruption (2016)			
103-1	Explanation of the material topic and its Boundary	54-56, 82	
103-2	The management approach and its components	54-56	
103-3	Evaluation of the management approach	54-56	
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	54-56, 82	
103-2	The management approach and its components	54-56	
103-3	Evaluation of the management approach	54-56	
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 207: Tax (2019)			
207-1	Approach to tax	81	

GRI Standards	Disclosure	Page number	Notes/ Omissions
207-2	Tax governance, control and risk management	81	
207-3	Stakeholder engagement and management of concerns related to tax	81	
GRI 300: Environmental series (2016)			
GRI 302: Energy (2016)			
103-1	Explanation of the material topic and its Boundary	53, 68-70, 82	
103-2	The management approach and its components	68-70, 74-77	
103-3	Evaluation of the management approach	68-70, 74-77	
302-1	Energy consumption within the organisation	70-71	
GRI 303: Water and effluents (2018)			
103-1	Explanation of the material topic and its Boundary	53, 68-70, 82	
103-2	The management approach and its components	68-70, 74-77	
103-3	Evaluation of the management approach	68-70, 74-77	
303-1	Interactions with water as a shared resource	71-72	
303-2	Management of water discharge-related impacts	71-72	
303-3	Water withdrawal	71-72	
GRI 305: Emissions (2016)			
103-1	Explanation of the material topic and its Boundary	53, 68-70, 82	
103-2	The management approach and its components	68-70, 74-77	
103-3	Evaluation of the management approach	68-70, 74-77	
305-1	Direct (Scope 1) GHG emissions	72	
305-2	Energy indirect (Scope 2) GHG emissions	72	
305-3	Other indirect (Scope 3) GHG emissions	73	
305-7	Nitrogen oxides (NOx), sulphur oxides (SOx), and other significant air emissions	74	
GRI 306: Effluents and waste (2016)			
103-1	Explanation of the material topic and its Boundary	53, 68-70, 82	
103-2	The management approach and its components	68-70, 74-77	
103-3	Evaluation of the management approach	68-70, 74-77	
306-2	Waste by type and disposal method	77	
GRI 307: Environmental Compliance (2016)			
103-1	Explanation of the material topic and its Boundary	54-56, 82	
103-2	The management approach and its components	54-56	
103-3	Evaluation of the management approach	54-56	
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 Standards	Disclosure	Page number	Notes/ Omissions
GRI 400: Social series			
GRI 401: Employment (2016)			
103-1	Explanation of the material topic and its Boundary	53, 56-57, 82	
103-2	The management approach and its components	56-57	
103-3	Evaluation of the management approach	56-57	
401-1	New employee hires and employee turnover	59-60	
GRI 402: Labour/Management Relations (2016)			
103-1	Explanation of the material topic and its Boundary	53, 56-57, 82	
103-2	The management approach and its components	56-57	
103-3	Evaluation of the management approach	56-57	
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	53, 62-64, 82	
103-2	The management approach and its components	62-64	
103-3	Evaluation of the management approach	62-64	
403-1	Occupational health and safety management system	62-64	
403-2	Hazard identification, risk assessment, and incident investigation	62-63	
403-3	Occupational health services	62-63	
403-4	Worker participation, consultation, and communication on occupational health and safety	62	
403-5	Worker training on occupational health and safety	62-63	
403-6	Promotion of worker health	62-63	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	62-63	
403-9	Work-related injuries	64	
GRI 404: Training and education (2016)			
103-1	Explanation of the material topic and its Boundary	53, 65-66, 82	
103-2	The management approach and its components	65-66	
103-3	Evaluation of the management approach	65-66	
404-1	Average hours of training per year per employee	65	
GRI 405: Diversity and equal opportunity (2016)			
103-1	Explanation of the material topic and its Boundary	53, 56-57, 82	

GRI Standards	Disclosure	Page number	Notes/ Omissions
103-2	The management approach and its components	56-57 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	56-57, 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	60-61, 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	53, 82	
103-2	The management approach and its components	54-56	
103-3	Evaluation of the management approach	54-56	
406-1	Incidents of discrimination and corrective actions taken	During the reporting period, the Group did not record any incidents of discrimination.	
Material aspects of Danieli not related to specific Disclosures of GRI Standards			
Innovation / R&D			
103-1	Explanation of the material topic and its Boundary	53, 67, 82	
103-2	The management approach and its components	67	
103-3	Evaluation of the management approach	67	
Product quality and safety			
103-1	Explanation of the material topic and its Boundary	53, 68, 82	
103-2	The management approach and its components	68	
103-3	Evaluation of the management approach	68	

INDEPENDENT AUDITORS' REPORT



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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, 2021 prepared on the basis of art. 4 of the Decree, presented in the specific section of the report on operations and approved by the Board of Directors on September 27, 2021 (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 by GRI – *Global Reporting Initiative* ("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. 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 provisions included in art.3 of the Decree and taking into account the reporting standard adopted;
2. Analysis and assessment of criteria for the identification 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, 2021;
4. Understanding of the following matters:
 - business management model of the Group's activities, with reference to the management of 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) of this report;

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 with the management of Danieli & C. Officine Meccaniche S.p.A. and with the employees of its subsidiaries Acciaierie Bertoli Safau S.p.A., Danieli Systec Doo., Danieli Met. Equipment & Service (China) Co. Ltd., Fata S.p.A. and 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 companies Danieli & C. Officine Meccaniche S.p.A. and Acciaierie Bertoli Safau S.p.A., which we selected based on their activities, their contribution to the performance indicators at consolidated level and their location, we carried out site visits, during which we have met management and 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, 2021 is not prepared, in all material aspects, in accordance with article 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, 2021

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, 2021

Consolidated Financial Statements

Consolidated Balance Sheet

(thousands of euro)			June 30, 2021	June 30, 2020
ASSETS	Notes			
Property plant and equipment	1		955,785	907,759
Right of use	2		40,637	45,024
Intangible Assets	3		37,960	40,079
Equity investment in associates measured at equity	4		9,131	6,745
Other equity investments	4		15,484	9,042
Deferred tax assets	5		76,067	76,078
Other financial receivables	6		166	12,842
Trade and other receivables	7		125,259	121,730
Total non-current assets			1,260,490	1,219,299
Current assets				
Inventories	8		1,479,230	1,182,464
Trade receivables	9		843,588	934,507
Other Receivables	10		59,708	74,855
Current tax assets	11		46,680	54,874
Current financial assets	12		688,908	618,789
Cash and cash equivalents	13		1,072,869	990,441
Total currents assets			4,190,983	3,855,931
Total Assets			5,451,472	5,075,230

(thousands of euro)			June 30, 2021	June 30, 2020
LIABILITIES AND SHAREHOLDERS' EQUITY	Notes			
Shareholders' equity				
Share capital			81,305	81,305
Treasury shares			(87,138)	(82,935)
Other reserves and profit carries forward, including profit for the year			2,019,853	1,938,335
Group shareholders' equity			2,014,020	1,936,705
Non controlling interest in shareholders' equity			2,326	(76)
Total shareholders' equity	14		2,016,346	1,936,629
Non-current liabilities				
Non-current financial liabilities	15		344,970	246,142
Deferred tax liabilities	5		17,469	20,889
Post employment benefits	16		27,349	29,691
Provisions for risks	17		50,394	21,046
Other non-current liabilities	18		8,349	1,726
Total non-current liabilities			448,531	319,494
Current liabilities				
Trade payables	18		1,075,953	1,091,860
Payables for construction contracts and customer advance payments	8/19		1,487,941	1,196,923
Other current liabilities	20		152,796	154,667
Current tax liabilities	21		29,609	19,970
Bank debts and other financial liabilities	22		240,295	355,687
Total current liabilities			2,986,596	2,819,107
Total liabilities and shareholders' equity			5,451,472	5,075,230

Consolidated Income Statement

(thousands of euro)	Notes	Financial year ended	
		June 30, 2021	June 30, 2020
Operating revenues		2,979,105	2,308,942
Other operating income		61,242	74,700
Changes in inventories of finished products and construction contracts	8	(314,797)	289,803
Total revenues	24	2,725,550	2,673,445
Purchase cost of of raw materials and consumables	25	(1,409,948)	(1,403,587)
Personnel costs	26	(441,411)	(453,755)
Other operating costs	27	(623,992)	(628,369)
Depreciation, amortisation and write-downs	28	(106,321)	(96,121)
Operating income		143,878	91,613
Financial income	29	29,940	22,390
Financial charges	30	(10,113)	(23,690)
Gains/(losses) on foreign exchange transactions	31	(30,841)	10,604
Income/(charges) arising from the valuation of equity investments in assoc. with the equity method	32	(28)	142
Profit before taxes		132,836	101,059
Income taxes	33	(34,866)	(22,256)
Net profit from continued operations		97,970	78,803
Profit and loss deriving from discontinued operations	34	(17,637)	(16,378)
Net profit for the period		80,333	62,425
(Profit)/loss attributable to non-controlling interests		(143)	461
Net profit for the period attributable to the Group		80,189	62,886
Basic earnings per share (euro):			
Ordinary shares	35	1.0703	0.8351
N.C. Saving shares	35	1.0885	0.8558

Consolidated statement of comprehensive income

(thousands of euro)	Notes	Financial year ended	
		June 30, 2021	June 30, 2020
Net profit for the period		80,333	62,425
<i>Components of comprehensive income subsequently reclassified in the result of the period</i>			
Foreign financial statements translation difference		(512)	(8,016)
Change in fair value reserves		10,771	(9,987)
Tax effect related to the other components of comprehensive income		(3,005)	2,785
	12	7,254	(15,218)
<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		239	1,019
Tax effect		(57)	(243)
	12	182	775
Consolidated comprehensive income		87,769	47,983
Attributable to:			
Danieli Group		87,434	48,346
Non-controlling interests		335	(363)
		87,769	47,983

Consolidated Statement of Changes in Shareholders' Equity

	Share capital	Treasury shares	Share Premium reserve
(thousands of euro)			
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
Operations with shareholders			
Allocation of profit per shareholders' meeting of 28/10/2020			
to reserves	0	0	0
Change in treasury shares	0	(4,203)	0
dividends to parent company shareholders	0	0	0
dividends to third parties			
Change in scope of consolidation	0	0	0
Acquisition of non-controlling interests	0	0	0
Total operations with shareholders	0	(4,203)	0
Profit as at 30/06/2021	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 30/06/2021	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
(9)	1,821,694	(482)	67,016	1,899,723	(535)	1,899,188
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
(7,201)	1,878,121	(8,596)	62,886	1,936,705	(75)	1,936,629
0	51,757	0	(51,757)	0	0	0
0	0	0	0	0	0	0
0	0	0	(11,128)	(11,128)	0	(11,128)
					(203)	(203)
0	1,683	0	0	1,683	1,596	3,279
0	(673)	0	0	(673)	673	0
0	52,767	0	(62,885)	(10,118)	2,066	(8,052)
0	0	0	80,189	80,189	143	80,332
7,766	0	0	0	7,766	0	7,766
0	182	0	0	182	0	182
0	0	(704)	0	(704)	192	(512)
7,766	182	(704)	80,189	87,433	335	87,768
556	1,931,070	(9,300)	80,190	2,014,020	2,326	2,016,345

Consolidated Statement of Cash Flows

(thousands of euro)	June 30, 2021	June 30, 2020
Reconciliation of profit before taxes with net cash flows from op.activities		
Profit before taxes	115,199	84,682
Net increase/(decrease) in prov.for risks&charges	29,348	4,013
Income/(charges) arising from the valuation of equity investments in assoc. with the equity method	28	(142)
Depreciation, amortisation and write-downs	97,801	97,164
Losses/(gains) on disposal of property plant and equipment	(1,334)	(4,650)
Write-down/(Reversal) of impairment losses	8,521	(1,043)
Business combinations of the period and the previous financial year	0	(3,071)
Other non-monetary changes	1,333	1,473
Net change in employee sev. indemnity prov.	(2,161)	(2,625)
Foreign exchange losses/(gains) for the period	30,841	(10,604)
Financial income for the period	(29,940)	(22,390)
Financial charges for the period	10,113	23,690
Total	259,749	166,497
Net change in working capital		
(Increase)/decrease in inventories	(296,766)	(55,436)
(Increase)/decrease in trade and other receivables	92,054	82,261
Increase/(decrease) in trade and other payables	222,032	20,135
Unrealised foreign exchange losses/(gains)	1,384	(8,193)
Total	18,704	38,767
(Interest paid)	(9,106)	(17,548)
Interest received	30,804	22,930
Taxes paid in the period	(20,442)	(18,851)
Cash flow generated /(absorbed) by operating activities	279,709	191,795
Investing activities		
Investments:		
Property plant and equipment	(132,042)	(167,458)
Intangible Assets	(9,249)	(7,934)
Business combinations of the period and the previous financial year	0	(3,509)
Equity investments	(8,856)	(2,563)
(Purchase)/sale of treasury shares	(4,203)	0
Available for sale financial assets	(52,541)	(46,911)
Realised foreign exchange losses/(gains)	(32,224)	18,797
Disposals:		
Property plant and equipment	7,465	17,786
Intangible Assets	38	101
Equity investments	0	0
Available for sale financial assets	0	0
Cash flow generated/(absorbed) by investing activities	(231,612)	(191,691)
Financing activities		
Application of IFRS 16 - Financial loans	(12,094)	(11,591)
New loans payable	177,186	492,125
Increase/(decrease) in advances on job orders not yet in production	57,833	(112,088)
Repayment of loans payable	(188,048)	(463,297)
Short term derivative financial instrument	2,754	(4,397)
Dividends to parent company shareholders	(11,128)	(11,915)
Cash flow generated/(absorbed) by financing activities	26,503	(111,163)
Changes in balance sheet items due to exchange rate translation	7,828	(1,383)
Total cash flow	82,428	(112,442)
Opening cash and bank position	990,441	1,102,883
Closing cash and bank position	1,072,869	990,441

Explanatory notes

Introduction

These Consolidated financial statements for the year ended June 30, 2021 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, 2021, 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.	67.712%
Treasury shares	7.96%
Santa Lucia Seguros S.A.	2.91%
Market	21.418%

The consolidated financial statements of the Danieli Group have been externally audited by Deloitte & Touche S.p.A.

The draft consolidated financial statements were approved on September 27, 2021, by the Board of Directors, which authorised their publication in the September 27, 2021, 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, 2021, 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 2021), 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

Improvements and amendments to accounting standards applied as from July 1, 2020

The accounting standards used to prepare the consolidated financial statements for the year ended June 30, 2021, are the same as those followed the previous year. The Group has not opted for an early adoption of any standard, interpretation or amendment issued, but not yet in effect.

On May 28, 2020, the IASB published an amendment called “Covid-19 Related Rent Concessions (Amendment to IFRS 16)”. The document permits lessees to account for rent concessions occurring as a direct consequence of the COVID-19 pandemic without having to assess, through contract analysis, whether the definition of lease modification in IFRS 16 is met. Therefore, lessees applying this option will be able to recognise the effects of rent reductions directly in the income statement on the effective date of the reduction. This amendment applies to financial statements beginning on or after June 1, 2020. The adoption of this amendment had no impact on the consolidated financial statements of the Group.

On March 31, 2021, the IASB issued an amendment called “ Covid-19-Related Rent Concessions beyond June 30, 2021 (Amendments to IFRS 16)” by which it extends by one year the period of application of the amendment to IFRS 16, issued in 2020, relating to the accounting for concessions granted, due to Covid-19, to lessees. The adoption of this amendment had no impact on the consolidated financial statements of the Group.

On 29 March 2018, the IASB published an amendment to the “References to the Conceptual Framework in IFRS Standards”. 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. The adoption of this amendment did not have any effect on the Group's financial statements.

Accounting standards, amendments and IFRS and IFRIC interpretations endorsed by the European Union, not yet mandatorily applicable and not early adopted by the Group as at June 30, 2021

On August 27, 2020, the IASB published the “Interest Rate Benchmark Reform-Phase 2” in the light of the interbank interest rate reform such as IBOR. All amendments will enter into force on July 1, 2021. The directors do not expect a significant effect on the Group's financial statements through the adoption of this amendment.

On May 14, 2020, the IASB published the following amendments called:

- Amendments to IFRS 3 Business Combinations: the amendments are intended to update the reference in IFRS 3 to the revised Conceptual Framework, without resulting in any changes to the requirements of the standard.
- Amendments to IAS 16 Property, Plant and Equipment: the purpose of the amendments is not to allow the deduction from the cost of property, plant and equipment of the amount received from the sale of goods produced in the test phase of the asset. These sales revenues and related costs will therefore be recognised in the income statement.
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: the amendment clarifies that when assessing whether a contract is onerous, all costs directly attributable to the

contract must be considered. Accordingly, the assessment of whether a contract is onerous includes not only incremental costs (e.g. the cost of direct material used in the work), but also all costs that the enterprise cannot avoid in that it has entered into the contract (e.g. the depreciation charge of machinery used to perform the contract).

These amendments will enter into force on July 1, 2022. The directors do not expect a significant effect on the Group's consolidated financial statements through the adoption of these amendments.

Accounting standards and interpretations issued by the IASB, but not yet endorsed by the European Commission

At the end of the reporting period, the competent bodies of the European Union have not yet completed the endorsement process required for the adoption of the amendments and standards described below:

- On May 18, 2017, the IASB published IFRS 17 - Insurance Contracts which is intended to replace IFRS 4 - Insurance Contracts.
- On January 23, 2020, the IASB published an amendment called "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current".
- On May 14, 2020, the IASB published the following amendments called:
 - o Amendments to IFRS 3 Business Combinations;
 - o Amendments to IAS 16 Property, Plant and Equipment;
 - o Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets; or Annual Improvements 2018-2020.
- On February 12, 2021, the IASB published two amendments entitled "Disclosure of Accounting Policies—Amendments to IAS 1 and IFRS Practice Statement 2" and "Definition of Accounting Estimates—Amendments to IAS 8".
- On May 7, 2021, the IASB published an amendment called "Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction".

The directors do not expect a significant effect on the Group's consolidated financial statements through the adoption of these amendments.

Consolidation scope and method

The consolidated financial statements of the Danieli Group include the fully consolidated financial statements for the year ended June 30, 2021, 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 December 2020, the company Zeroredici Polo Formativo srl was set up to manage the school cycle: in fact, after the creation of the nursery and primary schools, the middle school was created. The company has not been included in the scope of consolidation as at June 30, 2021, because it is still inactive.

In February 2021, the company Corte delle Fucine srl was set up to manage the hotel structure under construction in Buttrio, opposite the Head Quarter. In May 2021, the renovation of the historic service station, designed in the sixties by architect Marcello d'Olivio, was completed and the "Locanda alle Fucine" bistro was opened to the public. The company will be included in the scope of consolidation as from July 1, 2021, in that it was substantially inactive during the year.

In December 2020, the company under Chinese law Suzhou MORE Metallurgy Technology Co., Ltd. was established in order to improve the presence and competitiveness of MORE's products in China. The company will be included in the scope of consolidation as from July 1, 2021, in that it is still substantially inactive in the year under review.

As at June 30, 2021, the companies Danieli High Technology (Changshu) Co., Ltd, Danieli Tongchuang Information Technology (Beijing) Co., Ltd. and Automation Integrated Solutions SpA entered the scope of consolidation. Until the previous year, the latter was measured using the equity method, as it was 50% owned. The purchase of the remaining 50% from third parties was completed during the year. The merger by incorporation of Automation Integrated Solutions SpA into Danieli Automation SpA was approved, with accounting and tax effects as from July 1, 2021.

Also note that during the financial year, 30% of the shares in the company DSR Sider SpA and 10% in the company Termo Makina Sanayi Ve Tic, AS were purchased, taking the Danieli Group's shareholding in this company to 100%.

Note that, at the end of November 2019, the closures of the plant began at ESW Röhrenwerke GmbH ("ESW") and, as from the interim financial statements for the year ended December 31, 2019, it was recognised as a discontinued operation with the consequence that, in accordance with IFRS 5, the results of operations of ESW are recognised in the income statement separately, under profit/(loss) from discontinued operations. 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. Please refer to Note 34.

There were no other significant changes in the scope of consolidation compared to the financial year ended June 30, 2020, 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 Qualisteel srl into ABS SpA;
- merger of Danieli Corus Technical Services BV into Danieli Corus BV;

– transfer of the equity investment in ABS Sisak d.o.o. from Industrielle Beteiligung S.A. to ABS 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 case of subsidiaries whose financial years do not coincide with that of Danieli & C. Officine Meccaniche S.p.A., financial statements specially prepared for this purpose by the respective Directors referring to the date of June 30, 2021. 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 "Net (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, 2021, and June 30, 2020, are shown below (foreign currency value of 1 euro):

	2020/2021		2019/2020	
	Average	30/06/2021	Average	30/06/2020
Thai Baht	36.8543	38.1180	34.3251	34.6240
Czech Koruna	26.2119	25.4880	25.9989	26.7400
Swedish Krona	10.2226	10.1110	10.6578	10.4948
Serbian Dinar	117.6066	117.4597	117.5742	117.2388
Canadian Dollar	1.5299	1.4722	1.4840	1.5324
US Dollar	1.1934	1.1884	1.1054	1.1198
Vietnamese Dong	27,575.40	27,358.00	25,703.33	25,983.00
Swiss Franc	1.0855	1.0980	1.0799	1.0651
Ukrainian Hryvnia	33.2416	32.3618	28.0319	29.8985
Croatian Kuna	7.5469	7.4913	7.4752	7.5708
Romanian Leu	4.8800	4.9280	4.7834	4.8397
Egyptian Lira	18.7867	18.6281	17.7839	18.1012
Turkish Lira	9.2239	10.3210	6.7563	7.6761
Brasilian Real	6.4274	5.9050	4.9517	6.1118
Chinese Renminbi (Yuan)	7.8958	7.6742	7.7744	7.9219
Malaysian Ringgit	4.9213	4.9336	4.6517	4.7989
Iranian Rial	50,122.30	49,913.00	46,428.33	47,032.00
Qatar Riyal	4.3439	4.3258	4.0238	4.0761
Saudi Riyal	4.4752	4.4565	4.1454	4.1993
Russian Rouble	89.1069	86.7725	73.9398	79.6300
Indian Rupee	87.9656	88.3240	80.1294	84.6235
Sterling (Great Britain)	0.8863	0.8581	0.8777	0.9124
Japanese Yen	127.0777	131.4300	119.5133	120.6600
Polish Zloty	4.5046	4.5201	4.3584	4.4560

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.

Right of use

Rights of use are recognised in accordance with IFRS 16.

IFRS 16 specifies the principles for recognition, measurement, presentation and disclosure of leases. The 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 model provided for lessees by the new standard is as follows: 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).

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 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).

For the purpose of presentation in the financial statements, 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 1.5 million euro.

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.

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 less than or 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 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 Employee severance indemnity 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 Employee severance indemnity provision rules by Italian Law 296 of December 27, 2006, and subsequent decrees and regulations issued in the early months of 2007, Employee severance indemnity 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 dividend

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).

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 79 million euro (62 million euro as at June 30, 2020) were determined for the Group's job orders in progress of the company as at June 30, 2021, 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 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 25.3 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 272.3 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 60.3 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 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 fluctuations in exchange rates 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, 2021, 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, thus allowing a natural hedging.

The foreign exchange loss reported in the income statement for the period is mostly related to the performance of the US Dollar against the Euro, which entailed a write-down 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, 2021, 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	89,266	42,284	(38,257)	(73,035)
Total	89,266	42,284	(38,257)	(73,035)

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	(2,620)	(1,747)	1,747	2,620
Lower/(Higher) financial charges	812	541	(541)	(812)
Total	(1,808)	(1,206)	1,206	1,808

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.

Note also that 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 with whom a payment deferral agreement was defined in January 2021, supported by adequate guarantees from the group to which it belongs. The customer has completed an important corporate restructuring and today has positively consolidated its activities and is currently using the plants with good financial and economic results, once again developing a positive cash flow generation that can be used for new investments and for a progressive albeit slow reduction in exposure to the Danieli Group.

Liquidity risk

The large amount of financial resources available to the Danieli Group makes this risk very limited.

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.

The special savings shareholders' meeting held on October 28, 2020, did not approve by majority vote the proposal to convert savings shares into ordinary shares as presented by the board of directors held on September 24, 2020, for the approval of the 2019/2020 financial statements and therefore no capital transactions took place during the period ending June 30, 2021, and there were no changes to the objectives, policies or processes during the financial years ending June 30, 2021, and June 30, 2020, with the exception of the distribution of dividends and the purchase of treasury shares that took place during the last financial year in the amount of 4,203 thousand euro.

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)	30/06/2021	30/06/2020
Gross financial indebtedness	760.0	718.8
Financial assets	(1,762.0)	(1,622.0)
Net financial position	(1,002.0)	(903.2)
Shareholders' equity	2,014.0	1,936.7
Capital and net indebtedness	1,012.0	1,033.5
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:

30/06/2021		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	166				166
Other non current receivables	7			125,259		125,259
Trade receivables	9/10			903,296		903,296
Current financial assets	12	688,908				688,908
Total Financial assets		689,074	0	1,028,555	0	1,717,629
30/06/2021		Financial assets at fair value recognised through profit or loss	Financial liabilities measured at amortised costs	Financial liabilities measured at amortised costs		Total
	Notes	Initial recognition	According to IFRS9			
(thousands of euro)						
Financial liabilities						
Bank debts and other financial liabilities	15/22	6		585,259		585,265
Trade payables	18/19			2,563,894		2,563,894
Other current liabilities	20			152,796		152,796
Total Financial liabilities		6	0	3,301,949	0	3,301,955
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 liabilities measured at amortised costs	Financial liabilities measured at amortised costs		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

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.

	30/06/2021			30/06/2020	
	Value of input	Nominal value	Fair value in euro	Nominal value	Fair value in euro
Forward sale with positive mark to market	USD	0	0	200,000	3,367
Forward sale with positive mark to market	JPY	0	0	423,150	7
Total forward sales			0		3,374
Forward purchase with positive mark to market	USD	15,296	258	3,793	20
Forward purchase with negative mark to market	USD	726	(6)	6,079	(116)
Total forward purchases			252		(96)
Interest rate swap positive fair value	EUR	10,000	271		
Total IRS		10,000	0	0	0
Total financial instruments recorded as assets			529		3,394
Total financial instruments recorded as liabilities			(6)		(116)

“Other financial receivables” and “Current financial assets” measured at fair value as at June 30, 2021, 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 2020/2021, there were no transfers from Level 1 to Level 2 and vice versa.

INFORMATION ON THE BALANCE SHEET

NON-CURRENT ASSETS

1) Property, plant and equipment

The net value of 955,785 thousand euro as at June 30, 2021, increased by 48,026 thousand euro compared to 907,759 thousand euro as at June 30, 2020, due to the investments in the financial year, as shown below.

Property and plant as at June 30, 2021, 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	78,094	563,586	1,269,458	95,831	126,951	85,509	2,219,429
Accumulated depreciation		(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
Changes during the period							
Increase	0	79,803	163,571	8,712	4,316	(124,393)	132,009
Exchange impact and other changes	(2,885)	1,235	(487)	143	0	98	(1,896)
Transfers and disposals	(197)	(214)	(5,385)	(86)	(249)	0	(6,131)
Write-down	0	(62)	(1,106)	(542)	36	(1)	(1,675)
Depreciation	0	(15,080)	(48,196)	(6,350)	(4,688)	0	(74,314)
Historical cost	72,171	635,400	1,434,008	107,641	115,571	87,287	2,452,078
Accumulated depreciation	0	(289,350)	(1,021,602)	(87,253)	(98,088)	0	(1,496,293)
Balance at June, 30 2021	72,171	346,050	412,406	20,388	17,483	87,287	955,785

The amount of the depreciations allocated to the income statement was 74,314 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 6,210 thousand euro for transport vehicles, 3,521 thousand euro for furniture and fittings, 5,023 thousand euro for electronic machines and 2,728 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 87,287 thousand euro (211,583 thousand euro as at June 30, 2020); the significant downsizing of current investments is linked to the start-up of the new QWR wire rod mill in the Steel Making segment.

2) Right of use

It amounts to 40,637 thousand euro as at June 30, 2021, (45,024 as at June 30, 2020) 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, 2021, 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
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
Changes during the period					
Increase	5,086	914	288	1,932	8,220
Exchange impact and other changes					0
Transfers and disposals	0	0	0	0	0
Write-down					0
Depreciation ROU benefit to employees	(1,041)			(822)	(1,863)
Depreciation	(6,326)	(1,765)	(335)	(2,251)	(10,677)
Historical cost	39,231	14,151	1,238	10,634	65,254
Accumulated depreciation	(14,738)	(3,612)	(610)	(5,657)	(24,617)
Balance at June, 30 2021	24,493	10,539	628	4,977	40,637

3) Intangible assets

The balance of 37,960 thousand euro as at June 30, 2021, is lower than the previous year's total of 40,079 thousand euro as at June 30, 2020, due mainly to the difference between investments in the financial year and amortisation 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	21,258	27,699	106,770	69,617	4,140	229,484
Write-downs	(13,491)			(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	0	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
Changes during the period						
Increase	74	1,375	8,828	1,674	(2,702)	9,249
Exchange impact and other changes	121	(22)	64	(42)		121
Transfers and disposals	0	0	0	(38)		(38)
Write-down	0	0	0	0	0	0
Amortisation	0	(1,232)	(6,448)	(3,795)	0	(11,475)
Historical cost	21,419	29,984	111,596	84,945	3,646	251,590
Write-downs	(13,491)	0	(12)	(20,438)		(33,941)
Accumulated amortisation		(28,523)	(96,763)	(54,403)		(179,689)
Balance at June, 30 2021	7,928	1,461	14,821	10,104	3,646	37,960

“Goodwill” in the financial statements as at June 30, 2021, 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, 2021. 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	1.09%	5.50%	0.96	0.00%	0.21	0.90%	6.37%
Innoval Technology Ltd.	1.09%	5.50%	0.96	0.00%	0.40	1.64%	6.37%
Fata S.p.A.	1.09%	5.50%	0.98	0.00%	0.21	0.90%	6.49%

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, 2021) 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, 2021, 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, 2021, 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)	30/06/2021	30/06/2020
Equity investment in associates measured at equity	9,131	6,745
Other equity investments	15,484	9,042
Total	24,615	15,787

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 subsidiaries, 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.

This item increased mainly due to the acquisition of non-controlling interests in a Chinese associate.

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)	30/06/2021	30/06/2020
Deferred tax assets		
- Recoverable within next fiscal year	38,775	37,725
- Recoverable beyond next fiscal year	37,292	38,353
Total	76,067	76,078
Deferred tax liabilities		
- Payable within the next financial year	16,665	18,501
- Payable beyond the next financial year	804	2,388
Total	17,469	20,889
Net position	58,598	55,189

Deferred tax assets

The composition of deferred tax assets and their changes in the years ended June 30, 2021, and June 30, 2020, were as follows:

(thousands of euro)	Changes with impact on				
	30/06/2020	Income Statement	Statement of comprehensive income (cash flow and fair value reserve)	Other changes	30/06/2021
Taxed provision	30,971	2,034	0	1,803	34,808
Recoveries of unrealised exchange differences	3	71	0	0	74
Tax losses	28,208	(315)	0	(2,577)	25,316
Other adjustments	14,157	(1,146)	0	(576)	13,358
Employee benefits	885	(57)	0	(25)	803
Measurement at fair value	1,854	1,709	(1,855)	0	1,708
Total	76,078	2,296	(1,855)	(1,375)	76,067

(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

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, 2020); 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, 2020) 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, 2021, and June 30, 2020, were as follows:

(thousands of euro)					
	Changes with impact on				
	30/06/2020	Income Statement	Statement of comprehensive income (cash flow and fair value reserve)	Other changes	30/06/2021
Net tangible and intangible fixed assets	324	0	380	(88)	616
Measurement at fair value	(2)	0	0	0	(2)
Change in scope of consolidation	2,482	11	0	7	2,500
Other deferred LT taxes	18,085	(4,048)	0	318	14,355
Total	20,889	(4,037)	380	237	17,469

(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
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

“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 166 thousand euro (12,842 thousand euro as at June 30, 2020). The reduction arises from the reclassification under current receivables of receivables from the Luxembourg tax authorities for tax advances paid in previous years but not due and certified by the tax authorities, pending reimbursement.

7) Trade and other receivables

(thousands of euro)	30/06/2021	30/06/2020
Trade receivables from customers	57,542	56,328
Non current receivables from Tax authorities	5,634	2,616
Other receivables	62,083	62,786
Total	125,259	121,730

Trade receivables mostly include non-current receivables based on the terms of sale negotiated for the supply of complex plants with long start-up times due to their technical characteristics.

In this regard, note that, in 2020/2021, the parent company entered into a financial rescheduling agreement with an important Egyptian customer, which envisages the priority repayment of some commercial items previously suspended, redefining also the repayment terms of credit items for USD 74,704 thousand claimed from the same customer (and present in the item "Other receivables"), which are related to the management of some important job orders developed with the same customer and that, for this reason, are considered as of a commercial nature.

Based on the information collected, in the first half of 2021 the Egyptian customer successfully completed an important corporate and production restructuring and, since it can now operate at full efficiency, it is expected to develop a significant positive cash flow generation to finance its new investments and such as to allow a gradual - albeit slow - reduction in its exposure to the parent company Danieli. Its activities will be further consolidated in the second half of 2021 and will continue positively in 2022 thanks to the restart of the Egyptian steel market now supported by strong customs barriers and with an adequate energy availability. As a result of these agreements, the calculation related to the discounting of the cash flows expected from existing receivables was updated, with a positive economic effect in the year of 2,629 thousand euro.

Receivables from tax authorities for VAT include VAT reimbursement requests on annual returns not expected to be paid before the end of the current financial year.

Receivables are broken down below by maturity at the end of this and the previous year:

(thousands of euro)	30/06/2021			
Deadlines	Trade receivables from customers	Non current receivables from Tax authorities	Other receivables	Total
2022/2023	46,580	4,134	4,158	54,872
2023/2024	5,896	500	56	6,452
2024/2025	114	500	4	618
2025/2026 and beyond	4,953	500	57,864	63,317
Total	57,543	5,634	62,082	125,259

(thousands of euro)	30/06/2020			
Deadlines	Trade receivables from customers	Non current receivables from Tax authorities	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

CURRENT ASSETS**8) Inventories**

The balance of 1,479,230 thousand euro as at June 30, 2021, increased by 296,766 thousand euro from its value of June 30, 2020, i.e. 1,182,464 thousand euro.

(thousands of euro)	30/06/2021	30/06/2020
Raw materials & supplies	191,778	176,891
Write downs	(18,239)	(9,954)
Raw materials, consumables and supplies	173,539	166,937
Work in progress and semi-finished products	197,578	145,820
Construction contracts with third parties valued using the cost to cost method	2,133,586	2,467,037
Turnover on job orders in progress with third parties	(1,191,367)	(1,745,679)
Write-down provision on job orders in progress for third parties	(58,447)	(26,168)
Construction contracts	883,772	695,190
Finished products	125,351	83,535
Advances	98,990	90,982
Total	1,479,230	1,182,464

The write-down provision on job orders in progress, which includes estimates for possible future charges related to their completion or for issues related to the recoverability of the costs of the job order, includes in the balance as at June 30, 2021, a portion previously classified in construction contracts with negative net amount recognised as a liability (see notes 17) and 19)).

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)	30/06/2021	30/06/2020
Construction contracts with third parties valued using the cost to cost method	3,778,869	3,965,981
Turnover on job orders in progress with third parties	(4,106,465)	(4,272,123)
Write-down provision on job orders in progress for third parties	0	(35,288)
Total Payables for construction contracts	(327,596)	(341,430)

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).

9) Trade receivables

The balance of 843,588 thousand euro as at June 30, 2021, was 90,919 thousand euro lower than the amount of 934,507 thousand euro as at June 30, 2020.

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 85,017 thousand euro.

(thousands of euro)	30/06/2021	30/06/2020
Customers	727,124	884,364
Collection order and bills	195,626	120,634
Provision for doubtful accounts	(85,017)	(77,520)
Total trade receivables from third parties	837,733	927,478
Trade receivables from Group companies	5,855	7,029
Total trade receivables	843,588	934,507

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)	30/06/2021	30/06/2020
Opening balance	77,520	82,523
Provision	10,160	3,131
Release of unused provisions	(736)	286
Utilisation and other changes for the period	(1,927)	(8,420)
Closing balance	85,017	77,520

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 8.

The Group determines the expected amount of credit risks by estimating losses based on historical experience related to past due customer 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 59,708 thousand euro as at June 30, 2021, showing a decrease of 15,147 thousand euro compared to the balance of 74,855 thousand euro as at June 30, 2020, and comprising:

(thousands of euro)	30/06/2021	30/06/2020
Insurance reimbursements	0	3,335
ST accrued income	2,491	1,270
ST Prepaid expense	14,312	11,427
Due from social security institutions	1,277	2,073
Foreign tax receivables	1,464	1,788
Travel expenses advances to employees, consultants and sites	3,287	1,774
Deposits to third parties	2,747	2,173
Indirect tax receivables	14,948	25,634
Other Receivables	19,182	25,381
Total	59,708	74,855

Other current receivables included 2,517 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 (5,148 thousand euro as at June 30, 2020). 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 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, 2020, reflects both the portion of receivables repaid during the financial year and an assignment of receivables without recourse of approximately 55,400 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)	30/06/2021	30/06/2020
Foreign tax receivables	17,902	17,936
Direct tax receivables	14,570	22,808
Other current tax receivables	14,208	14,130
Total	46,680	54,874

Direct tax receivables as at June 30, 2021, 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, 2021, they amounted to 688,908 thousand euro, up by 70,119 compared to the balance as at June 30, 2020 of 618,789 thousand euro. In addition to the portfolio of securities 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)	30/06/2021	30/06/2020
Bonds in euro nom.value 398,378 at variable rates from 0.00% to 3.25% maturing by 2031 (*)	401,951	416,727
Bonds in usd nom.value 109,801 at variable rates from 0.20% to 1.84% maturing by 2028 (*)	Usd 109,801	Usd 83,683
Other securities in other currencies	96,170	89,567
Accrued income on securities and other current financial assets	1,106	1,274
Financial Receivables ST	80,675	30,723
Accrued interest on bank deposits and other financial receivables	15,584	2,383
Derivative financial instruments	529	3,394
Total	688,908	618,789

(*) descriptions refer to the portfolio as at June 30, 2021

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, 2021, the change in the fair value reserve, net of the tax impact, was positive by 7,766 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, 2021 and 2020, 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 529 thousand euro.

As at June 30, 2021, 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.

The increase in “other current financial receivables” is partly due to the reclassification of receivables from the Luxembourg tax authorities for the payment of significant amounts not due as certified by the tax authorities pending reimbursement.

13) Cash and cash equivalents

(thousands of euro)	30/06/2021	30/06/2020
Cash and cash equivalents	1,072,869	990,441
Total	1,072,869	990,441

The balance of 1,072,869 thousand euro as at June 30, 2021, increased by 82,428 thousand euro compared to the amount of 990,441 thousand euro as at June 30, 2020, and included cash in hand of 948 thousand euro and short-term bank deposits of 1,071,921 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, 2021, amounted to 2,016,346 thousand euro, compared to 1,936,629 thousand euro as at June 30, 2020, with an increase of 79.717 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, 2021, (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 87,138 thousand euro as at June 30, 2021, up by 4,203 thousand euro compared to June 30, 2020. The portfolio was made up of 3,255,603 ordinary shares and 3,953,863 savings shares, with a unit par value of 1 euro each and a total par value of 7,209 thousand euro (8.87% of the share capital).

14.3) Other reserves

These totalled 1,944,760 thousand euro (1,884,045 thousand euro as at June 30, 2020) and consist of:

Share premium account

As at June 30, 2021, this amounts to 22,523 thousand euro (unchanged compared to June 30, 2020) 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, 2021, the fair value reserve had a negative balance of 556 thousand euro (7,210 thousand euro as at June 30, 2020) and it includes the changes arising from the fair value measurement of available-for-sale financial assets.

Other reserves

As follows:

(thousands of euro)	30/06/2021	30/06/2020
Revaluation reserve	7,634	7,634
Legal reserve	18,576	18,576
Other Parent company reserves	760,210	760,210
Undistributed profits and impact of consolidation adjustments	1,155,320	1,102,371
Total	1,931,070	1,878,121

The Legal Reserve amounts to 18,576 thousand euro as at June 30, 2021, unchanged since June 30, 2020: its amount exceeds the requirement stated in art. 2430 of the 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, 2021, this reserve had a negative balance of 9,300 thousand euro (a negative balance of 8,596 thousand euro as at June 30, 2020). The negative change was due to the positive 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 80,189 thousand euro as at June 30, 2021, (62,886 thousand euro as at June 30, 2020).

14.6) Dividends

Dividends paid in the last two financial years and relating to profits earned in the financial years ended June 30, 2020, and June 30, 2019, were as follows:

Dividends paid at				
	30/06/2021		30/06/2020	
(thousands of euro)	euro per share		euro per share	
Ordinary shares	0.1400	5,309	0.1500	5,688
N.C. Saving shares	0.1607	5,862	0.1707	6,227
Total dividends paid		11,171		11,915

14.7) Non-controlling interests in shareholders' equity

Non-controlling interests in shareholders' equity amounted to a negative 2,326 thousand euro (a negative 76 thousand euros as at June 30, 2020). The change of 2,402 thousand euro is the combined result of the positive effect of 192 thousand euro related to the translation difference, the negative effect of 143 thousand euro related to the loss for the year attributable to minority interests and the increase in minority interests of 1,527 thousand related to the entry into the scope of consolidation of Danieli Tongchuang Information Technology (Beijing) Co. Ltd., 51% owned by the Group.

NON-CURRENT LIABILITIES

15) Loans

Financial payables, which amounted to 344,970 thousand euro as at June 30, 2021, included financial payables recorded in accordance with IFRS 16 of 31,835 thousand euro and 313,135 thousand euro consisting of the medium/long-term portion of loans arranged with banks and other institutional lenders (246,142 thousand euro as at June 30, 2020, with a change of 98,828 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, 2021, 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)	30/06/2021	30/06/2020
2021/2022	-	56,779
2022/2023	154,277	116,430
2023/2024	111,389	29,691
2024/2025	56,013	43,242
2025/2026 and beyond	23,291	-
Total	344,970	246,142

The breakdown of the Group's net financial position as at June 30, 2021, compared to the previous financial year, was as follows:

(thousands of euro)	30/06/2021	30/06/2020	Variazione
Non-current financial assets			
Other financial receivables	166	12,842	(12,676)
Total	166	12,842	(12,676)
Current financial assets			
Securities and other financial assets	688,908	618,789	70,119
Cash and cash equivalents	1,072,869	990,441	82,428
Total	1,761,777	1,609,230	152,547
Non-current financial liabilities			
Non-current financial liabilities	313,135	211,649	101,486
Lease liabilities non-current	31,835	34,493	(2,657)
Total	344,970	246,142	98,828
Current financial liabilities			
Bank debts and other financial liabilities	405,223	461,499	(56,275)
Lease liabilities current	9,869	11,153	(1,284)
Total	415,092	472,652	(57,559)
Current net financial position	1,346,685	1,136,579	210,106
Non-current net financial position	(344,804)	(233,300)	(111,504)
Positive net financial position	1,001,881	903,279	98,602

"Bank debts and other financial liabilities" as at June 30, 2021, included 174,799 thousand euro (116,965 thousand euro as at June 30, 2020) 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 985,546 thousand euro as at June 30, 2021, and 738,528 thousand euro as at June 30, 2020, 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, 2021, amounted to a positive 523 thousand euro (a negative 3,278 thousand euro as at June 30, 2020) and there were no residual payables for the purchase of equity investments.

Note that the above diagram includes all the components envisaged for the calculation of the net financial position as indicated in CONSOB communication no. 5-21 of 29 April 2021 which refers to ESMA guideline 32-382-1138. Trade payables and other non-current payables required by the aforementioned guideline that have a significant implicit or explicit financing component are included in the line "Bank debts and other financial liabilities" as explained above. See note 18) for commentary on the reverse factor.

16) Post-employment benefits

The balance of 27,349 thousand euro decreased by 2,342 thousand euro compared to 29,691 thousand euro as at June 30, 2020.

Changes were as follows:

(thousands of euro)	30/06/2021	30/06/2020
Opening balance	29,691	33,091
Cost relating to employee compensation with defined benefits	244	253
Benefits paid	(2,767)	(2,968)
Actuarial (gains)/losses recognized in the statement of comprehensive income	80	(239)
Other accruals for employee benefits	101	(446)
Closing balance	27,349	29,691

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:

	30/06/2021	30/06/2020
Discount rate	0.25%	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%
-154	170	271	-266	-419	433

17) Provisions for risks

Totalling 50,394 thousand euro as at June 30, 2021, this item increased by 29,348 thousand euro compared to the balance of 21,046 thousand euro as at June 30, 2020, as a result of the following changes:

(thousands of euro)	30/06/2021	30/06/2020
Opening balance	21,046	17,033
Provision	34,240	12,036
Release of unused provisions	(2,016)	(1,848)
Utilisations and other changes	(2,876)	(6,175)
Closing balance	50,394	21,046

The increase in the item Provisions for risks is mainly related to the reclassification of amounts that as at June 30, 2020, were classified in the item "Payables for construction contracts and customer advance payments" as explained in Note 8) and 19).

The provision for risks includes the provision for the entire expected loss at operating margin level of a job order including the estimate of any future charges related to its completion as well as to the possible recognition of contractual penalties.

The provision also includes extraordinary charges for closing the job order related to a dispute with a Malaysian customer for which a prudent provision was already made at June 30, 2020. It was included in the write-down provision on job orders in progress for third parties, 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 actually covers about 50% of the amount assessed for 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.

Estimates for these accruals and the amount of the provisions resulting at the end of the period are the result of a detailed assessment by the Company management which takes into account the information available on various elements, by their nature uncertain, that influence the estimate, historical experience and assumptions considered reasonable. Because of the uncertainty that characterises the assumptions and conditions on which the estimates are based, the outcomes of the situations for which these estimates and assumptions have been used may differ from those reported in the financial statements and may therefore give rise to impacts on the results of operations in subsequent periods.

CURRENT LIABILITIES

18) Trade payables

Trade payables, totalling 1,075,953 thousand euro as at June 30, 2021, decreased by 15,907 thousand euro from 1,091,860 thousand euro as at June 30, 2020, and mainly comprise 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 218,170 thousand euro as at June 30, 2021, with different maturities but less than 12 months (247,000 thousand euro as at 30 June 2020).

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 1,487,941 thousand euro and 1,196,923 thousand euro as at June 30, 2021, and June 30, 2020, respectively, and are as follows:

(thousands of euro)	30/06/2021	30/06/2020
Current advances	985,546	738,528
Payables for construction contracts	327,596	306,142
Customer guarantee deposits	174,799	116,965
Write-down provision on job orders in progress for third parties	0	35,288
Total	1,487,941	1,196,923

"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.

"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. 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), has been allocated partly to the provision for risks, as mentioned in note 17) and partly as

an adjustment to construction contracts with a positive net value (see note 8).

“Customer guarantee deposits” of 174,799 thousand euro concerns advances received from customers on job orders not yet in production, included as current financial liabilities in the net financial position (116,965 thousand euro as at June 30, 2020).

The change in this item relates to the volume of orders acquired, their contractual terms of payment and actual operations of the contracts.

20) Other current liabilities

Other current liabilities amounted to 152,796 thousand euro as at June 30, 2021 (154,667 thousand euro as at June 30, 2020) and they are mainly comprised of:

(thousands of euro)	30/06/2021	30/06/2020
Due to employees	63,247	59,348
Indirect tax payables	1,812	2,187
Withholding tax due	7,484	11,174
Other commercial accruals	23,592	22,633
Guarantee deposits	10,637	16,105
Due to social security institutions	17,221	17,699
Due to company boards and committees	427	405
Deferred income	11,147	10,491
Other ST liabilities	17,229	14,625
Total	152,796	154,667

Deferred income includes 8,041 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, (9,383 thousand euro as at June 30, 2020). 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. The item also includes 2,500 thousand euro as a tax credit accrued by ABS in the current year for investments in “Industry 4.0” tangible assets (new QWR 4.0 wire rod plant).

21) Current tax liabilities

These amount to 29,609 thousand euro and include accruals for current taxes on the estimated profits of Group companies. The increase of 9,639 thousand euro, compared to the balance of 19,970 thousand euro as at June 30, 2020, was due to the lower taxable income for the 2021 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, 2021, they amounted to 240,295 thousand euro, compared to 355,687 thousand euro as at June 30, 2020.

(thousands of euro)	30/06/2021	30/06/2020
Bank advances and current account overdrafts	10,584	7,093
Other ST bank loans	26,473	28,783
Current portion of long-term loans	191,384	308,158
Accruals on financial payables	293	384
Lease liabilities current	9,869	11,153
ST Loans	238,603	355,571
Payables for business combinations	0	0
Other LT accrued fin.expenses	1,686	0
Short term derivative financial instrument	6	116
Total	240,295	355,687

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)	30/06/2021	30/06/2020
Bank guarantees and liens to third parties	1,176,778	1,261,289
Total	1,176,778	1,261,289

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:

(thousands of euro)	30/06/2021	30/06/2020
Revenues from sales and services	2,979,105	2,308,942
Changes in finished products and construction contracts	(314,797)	289,803
Other operating income	61,242	74,700
Total revenues	2,725,550	2,673,445

The level of revenues of the Group increased by 2% compared to the previous year with a decrease in turnover in the Plant Making segment and an increase in Steel Making segment, which shows higher production volumes compared to 2019/2020 driven both by greater confidence in the ability to emerge from the crisis and thanks to the new QWR plant that has allowed us to expand production capacity, the range of offerings and gain new market shares.

Also note that ESW is no longer operated as a manufacturing company and the economic effects of which are shown separately in Note 34, both with reference to the year ended June 30, 2021, 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 2,017 thousand euro for the release of unused provisions (1,848 thousand euro as at June 30, 2020), and for the Steel Making sector, 8,998 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 (5,391 thousand euro as at June 30, 2020), 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 2,845 thousand euro (a total of 6,528 thousand euro as at June 30, 2020). The figure is lower than last year's because some investment projects were completed in 2020/2021.

The other revenues, lastly, also include the portion accrued in the income statement (1,535 thousand euro) of the contribution related to assets with respect to investment bonus under Italian Law Decree no. 91/2014 (1,264 thousand euro as at June 30, 2020).

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 1,409,948 thousand euro as at June 30, 2021 (1,403,587 thousand euro as at June 30, 2020, with an increase of 6.361 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 441,411 thousand euro for the year ended June 30, 2021, are broken down below:

	30/06/2021		30/06/2020	
(thousands of euro)	Managers and staff	Blue collars	Managers and staff	Blue collars
Wages and salaries	255,013	67,475	262,511	68,147
Social security contributions	64,659	20,789	66,084	19,579
Employee Termination Indemnity	13,851	3,715	14,209	3,832
Other personnel costs	12,828	3,081	14,194	5,199
Total	441,411		453,755	

The average number of personnel in the Group during the last two financial years was as follows:

Group personnel	30/06/2021	30/06/2020
Executives	198	202
White collars / Managers	5,642	5,884
Blue collars	2,735	2,950
Apprentices	177	211
Total	8,751	9,246

Changes in "Personnel costs" relate to changes in remuneration and to the number of employees.

27) Other operating costs

(thousands of euro)	30/06/2021	30/06/2020
Cost for services	571,025	579,741
Use of third parties assets	16,731	14,393
Provisions	12,285	7,162
Other costs	23,951	27,073
Total	623,992	628,369

These amounted to 623,992 thousand euro as at June 30, 2021 (628,369 thousand euro as at June 30, 2020) and consisted of:

27.1) Cost of services

Cost of services included in "Other operating costs", amounting to 571,025 thousand euro as at June 30, 2021, (579,741 thousand as at June 30, 2020, with a decrease of 8,716 thousand euro), are made up as follows:

(thousands of euro)	30/06/2021	30/06/2020
Outsourcing	178,319	211,973
Energy and motive power	75,677	46,918
Utilities	21,654	13,417
Plant management, repairs and maintenance	26,164	25,279
Travel and living expenses	23,682	40,372
Commissions and premiums	10,211	13,245
Despatch, transportations and portorage	141,694	131,135
Insurances	9,378	8,840
Legal and administrative consultancy	39,148	41,463
Cleaning and security expenses	6,766	6,399
Bank services	4,795	7,403
Postal and communication costs	3,642	4,778
Advertising and promotion expenses	354	1,490
Other services	29,541	27,029
Total	571,025	579,741

"Other services" include emoluments to the Board of Statutory Auditors, amounting to 127 thousand euro (127 thousand euro as at June 30, 2020).

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 1,033 thousand euro (731 thousand euro as at June 30, 2020), are indicated in detail in Attachment VI-C.

27.2) Cost for use of third party assets

At 16,731 thousand euro as at June 30, 2021, this item increased by 2,338 thousand euro compared to 14,393 thousand euro as at June 30, 2020, mainly due to the application of the IFRS 16 and refers mainly to the rental of property, electronic equipment and civil and industrial motor vehicles.

According to 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.

27.3) Accruals

The balance of 12,285 thousand euro as at June 30, 2021, (7,162 euro as at June 30, 2020) 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 23,951 thousand euro as at June 30, 2021, compared to 27,073 thousand euro as at June 30, 2020, with an increase of 3,122 thousand euro. They were made up as follows:

(thousands of euro)	30/06/2021	30/06/2020
Loss on disposal of tangible assets	188	2.273
Sundry taxes	5.512	5.340
Other charges	382	619
Contributions	1.368	1.418
Other operating costs	9.015	6.034
Extraordinary expense	7.486	11.389
Total	23.951	27.073

The amount of extraordinary expenses included penalties incurred for the late start of some job orders in progress, net of the use of provisions previously allocated in view of the related risk.

28) Depreciation, amortisation and write-downs

In detail:

(thousands of euro)	30/06/2021	30/06/2020
Depreciation of property, plant and equipment	74,313	72,824
Amortisation of intangible assets	11,477	12,416
Depreciation of right of use	10,677	10,740
Total depreciation and amortisation	96,467	95,980
Write-down/(Reversal) of impairment losses	8,522	(1,043)
Other write downs (Revaluations)	1,332	201
Write downs (reval.) of other intangible assets	0	601
Write downs (reval.) of other property, plant and equipment	0	382
Write-downs	9,854	141
Total	106,321	96,121

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 29,940 thousand euro as at June 30, 2021, and consisted mainly of:

(thousands of euro)	30/06/2021	30/06/2020
Income from securities	8,029	5,564
Options and similar income	422	255
Income from investments	1,156	1,370
Interest income on bank deposits	9,299	12,592
Interest from customers	1,802	825
Other financial income	9,232	1,784
Total	29,940	22,390

The total amount of financial income increased compared to June 30, 2020, thanks to the remuneration of USD deposits included in cash and cash equivalents and the release of the discounting of a receivable received.

30) Financial charges

These consisted of:

(thousands of euro)	30/06/2021	30/06/2020
Interest on loans and debts with banks and lessors	4,035	5,214
Interest on discount operations	50	2,908
Charges for discounting of receivables	1,098	5,286
Other financial charges	4,930	10,282
Total	10,113	23,690

Interest on loans and bank debts and lessors decreased as a result of the reduction in average financial exposure. Since last year, interest expense for leases amounting to 786 thousand euro are also included in this item following the application of IFRS 16.

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 7).

31) Gains (losses) on foreign exchange transactions

(thousands of euro)	30/06/2021	30/06/2020
Exchange gains	74,369	60,278
Exchange losses	(105,210)	(49,674)
Total	(30,841)	10,604

The exchange loss is mostly related to the devaluation 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 charges from the valuation of companies not consolidated with the equity method amounted to 28 thousand euro as at June 30, 2021 (net income of 142 thousand euro as at June 30, 2020), as shown in Attachment II-C.

(thousands of euro)	30/06/2021	30/06/2020
Financial income from associates	288	294
Financial costs to associates	(316)	(152)
Income/(charges) arising from the valuation of equity investments in assoc. with the equity method	(28)	142

33) Income taxes

Income taxes amounted to 34,866 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:

(thousands of euro)	30/06/2021	30/06/2020
Income taxes	41,199	25,698
Deferred tax assets	(2,296)	3,557
Deferred tax liabilities	(4,037)	(6,999)
Total	34,866	22,256

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. The programme to close and secure the activities of the German subsidiary ESW was completed and in accordance with IFRS 5 - Assets held for sale and discontinued operations, the result and cash flows of the company as at June 30, 2021, were reported separately as discontinued operations on a par with the 2019/2020 financial year. The loss for the year includes, in addition to the costs incurred for the activities necessary for the closure, the charges that the company incurred 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	
	30/06/2021	30/06/2020
Revenues	1,279	22,467
Goods and finished products	(1,955)	(17,428)
Personnel costs	(405)	(12,439)
Other operating costs	(5,329)	(9,604)
Depreciation, amortisation and write-downs	(5,265)	(3,666)
Operating income	(11,675)	(20,670)
Financial Income and charges	(5,933)	4,104
Gains/(losses) on foreign exchange transactions		
Profit before taxes	(17,608)	(16,566)
Income taxes	(29)	188
Profit and loss deriving from discontinued operations	(17,637)	(16,378)

Cash flows generated/absorbed by discontinued operations

(thousands of euro)	Financial year ended	
	30/06/2021	30/06/2020
Cash flow generated /(absorbed) by operating activities	(33,629)	(5,004)
Cash flow generated/(absorbed) by investing activities	5,804	2,732
Cash flow generated/(absorbed) by financing activities	27,000	3,000
Total cash flow	(825)	728
Opening cash and bank position	1,196	468
Closing cash and bank position	371	1,196

35) Earnings per share

Earnings per share as at June 30, 2021 and 2020, 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)	30/06/2021		30/06/2020	
	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	(294)	(8)	0	0
Total shares outstanding at the period end	37,624	36,471	37,918	36,480
Weighted average of shares outstanding	37,743	36,473	37,918	36,480
Net profit attributable to Parent company shareholders(in thousands of euro)	40,397	39,700	31,666	31,220

	30/06/2021		30/06/2020	
(thousands of euro)	Ordinary shares	N.C. Saving shares	Ordinary shares	N.C. Saving shares
Profit reserved for holders of saving shares (euro 0,0207 per share)	0	755	0	755
Residual profit divided among all shares	40,397	38,945	31,666	30,465
Total	40,397	39,700	31,666	31,220
Basic earnings per share (euro)	1.0703	1.0885	0.8351	0.8558

No account has been taken of diluted profit per share since, as at June 30, 2021 (and as at June 30, 2020) 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
30/06/2021					
Revenues from the core business		938,480	1,793,196		2,731,676
less inter-segment revenues				(6,126)	(6,126)
Revenues from third parties	0	938,480	1,793,196	(6,126)	2,725,550
Gross operating margin (Ebitda)		96,982	153,181		250,163
Depreciation, amortisation and write-downs		(53,807)	(52,478)		(106,285)
Operating income		43,175	100,703		143,878
Financial Income and charges		5,006	(16,048)		(11,042)
Profit before taxes		48,180	84,655		132,835
Income taxes		(12,910)	(21,956)		(34,866)
Net profit from continued operations		35,270	62,700		97,970
Profit and loss deriving from discontinued operations	(17,637)	0	0		(17,637)
Net profit for the period	(17,637)	35,270	62,700		80,333
Segment assets		1,263,208	4,203,476	(15,212)	5,451,472
(of which increases in property, plant and equipment and intangibles)		89,438	51,853		141,291
Segment liabilities		588,678	2,861,660	(15,212)	3,435,126
Shareholders' equity					2,016,346
Total segment liabilities and net equity					5,451,472
Net financial position		(134,643)	1,136,524		1,001,880

(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		(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
Net financial position		(101,838)	1,005,117		903,279

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

(thousands of euro)	30/06/2021	%	30/06/2020	%	Variation
Europe and Russia	1,636,347	60%	1,359,628	51%	20%
Middle East	282,507	10%	334,824	13%	-16%
Americas	435,922	16%	518,206	19%	-16%
South East Asia	370,773	14%	460,787	17%	-20%
Total	2,725,550	100%	2,673,445	100%	2%

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 Steel Making, 34% of revenues were concentrated in Europe and Russia as at June 30, 2021 (compared to 60% of total revenues), while as at June 30, 2020, that region accounted for 25% of Steel Making revenues and 51% 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)	30/06/2021	%	30/06/2020	%	Variation
Europe and Russia	816,773	82%	760,831	80%	7%
Middle East	22,555	2%	25,252	3%	-11%
Americas	6,167	1%	3,528	0%	75%
South East Asia	148,250	15%	158,227	17%	-6%
Total	993,744	0%	947,838	100%	5%

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)	30/06/2021		30/06/2020	
Company	Receivables	Payables	Receivables	Payables
Danieli Taranis LLC (USA)	13,135	10,026	15,265	10,431
Inter-Rail S.p.A - Udine	0	2,399	0	1,540
Absolute Scarl - Pozzuolo del Friuli (UD)	2,528	11	1,952	15
Total	15,663	12,436	17,217	11,986

(thousands of euro)	30/06/2021		30/06/2020	
Company	Revenues	Costs	Revenues	Costs
Danieli Taranis LLC (USA)	1,558	115	5,820	3,225
Inter-Rail S.p.A - Udine	7	17,301		8,445
Absolute Scarl - Pozzuolo del Friuli (UD)	8,892	27	1,937	
Total	10,457	17,443	7,757	11,670

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)	30/06/2021	30/06/2020
Fixed fees	1,991	1,999
Variable fees	127	305
Benefits in kind	43	12
Other fees		
Total	2,161	2,316

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 01, 2020, to June 30, 2021, 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 benefit
Autonomous Region of Friuli Venezia Giulia - Central management of production activities	150,000	Innovative project "BeSafe" - Advanced Protection of Intellectual Property and "business critical" ICT Assets/Services
Ministry of Economy and Finance	1,327,299	Italian Law no. 160 of December 27, 2019 Art. 1 paragraphs 184-194 (Off. Gaz. no. 304 of December 30, 2019)
Joint Interprofessional Fund called "Formazienda", set up pursuant to art. 118, Italian Law no. 388 of December 23, 2000	20,385	Contributions for employee training TRAINING PLAN ID 2019-R010 CALLED "MAY 2019 PERSONNEL TRAINING"
Joint Interprofessional Fund called "Formazienda", set up pursuant to art. 118, Italian Law no. 388 of December 23, 2000	53,087.50	Contributions for employee training TRAINING PLAN ID 2020-R080 CALLED "July 2020 PERSONNEL TRAINING"
Revenue Agency	28,297	Sanitisation and PPE credit - Italian Law Decree no. 34/2020 Art. 125
Autonomous Region of Friuli Venezia Giulia	49,594	Additional contribution for the implementation of the project called "DIGIMET - Digitalisation for the Metals Industry" CONTRIBUTION NOT YET DISBURSED
Autonomous Region of Friuli Venezia Giulia	1,421	Contribution for "Con le Tute Blu" training CONTRIBUTION NOT YET DISBURSED
Autonomous Region of Friuli Venezia Giulia	160,984	Contribution for the implementation of the project called "DIGIMET - Digitalisation for the Metals Industry" - POR FESR 2014-2020 - Dossier 23606
Regione Autonoma Friuli Venezia Giulia	88,625	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
SMACT Competence Center	160,000	Contribution for the implementation of the project "Q3-Premium - IIoT platform for data-driven quality control and analysis in the metallurgical field"
Autonomous Region of Friuli Venezia Giulia	594,993	POR-FESR BANDO 2017 - Incentive for industrial research and experimental development collaboration
Invitalia	144,000	Reimbursement of expenses for the purchase of personal protective equipment
Revenue Agency	28,297	Tax credit for sanitisation expenses
Technical Support Centre for Friuli Venezia Giulia Service Companies	4,000	Covid-19 emergency non-repayable subsidy for tourist accommodation businesses, travel agencies (Regional Law 3/2020)
Technical Support Centre for Friuli Venezia Giulia Service Companies	4,800	Further measures to support people affected by Covid-19 (Regional Law 3/2020)
Revenue Agency	2,000	Covid-19 emergency non-repayable subsidies (Italian Law Decree 41/2021)
Revenue Agency	23,421	Tax credit for investments in capital goods (Italian Law 178/2020)

Identification data of the disbursing subject	Amount of the economic benefit received (euro)	Description of the type of benefit
Revenue Agency	2,000	Covid-19 emergency non-repayable subsidies (Italian Law Decree 73/2020)
Ministry for Cultural Heritage and Tourism	202,977.12	Covid-19 emergency non-repayable subsidy (Italian Law Decree 34/2020)
Ministry for Cultural Heritage and Tourism	170,761.48	Covid-19 emergency non-repayable subsidy (Italian Law Decree 34/2020)
Ente Bilaterale Turismo FVG (Bilateral Tourism Board of FVG)	200	Tourism Business Covid-19 contribution
Revenue Agency	122,683	Covid-19 emergency non-repayable subsidy - "Sostegni" Decree (Italian Law Decree no. 41 22/03/2021)
Autonomous Region of Friuli Venezia Giulia	4,500	Further contributions for operators affected by Covid-19 (Regional Law 1/2021)
Revenue Agency	122,683	Covid-19 emergency non-repayable subsidy - "Sostegni BIS" Decree (Italian Law Decree no. 73 25/05/2021)
The Prime Minister's Office - Publishing Department	1,177	Advertising investment credit (Italian Law Decree No. 50 of 2017)
Revenue Agency	400	Tax credit, holiday bonus (Italian Law Decree 34/2020)
Revenue Agency	59,951.11	Property rental tax credit (Italian Law Decree No. 73 of 2021)
Gestore dei Servizi Energetici S.p.A.	9,638	Energy contribution feed-in tariff
Gestore dei Servizi Energetici S.p.A.	300	Energy contribution on-site exchange
Country	9,831	Tremonti quarter investment contribution
Fondimpresa	2,190	Training contribution
Revenue Agency	76,895	State contribution facility (pursuant to art. 24 Italian Law Decree 34/2020)
Revenue Agency	2,561	Tax credit for investments in capital goods (Italian Law 160/2019 and 178/2020)
Revenue Agency	13,354	Tax credit for sanitisation costs (art. 125 Italian Law Decree 34/2020)
Revenue Agency	2,577	Tax credit for investments in capital goods (Italian Law 160/2019)

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, 2021.

With regard to the COVID-19 pandemic, there are no events that have created an impact on the Group after June 30, 2021. Please refer to the paragraph "COVID-19 pandemic" in the Directors' Report. Alignment of currency items to the exchange rate prevailing on September 27, 2021, would have resulted in an increase of approximately 12.5 million euro in unrealised exchange differences for the year compared to the figure recorded considering the exchange rate as at June 30, 2021. Except for what has already been discussed, no other events occurred after June 30, 2021, 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.

ATTACHMENT No. I-C**COMPANIES INCLUDED IN THE SCOPE OF CONSOLIDATION****Italian companies**

no.	investee company	% as at June 30, 2021	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	Automation Integrated Solutions S.p.A. - SS 24 Km 12 10044 Pianezza (TO)	100.00		x	Danieli Automation S.p.A.	100.000	euro	100
3	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
4	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
5	Danieli Centro Cranes S.p.A. in liquidazione Via Trebocche 14 - 25081 Bedizzole (BS)	100.00		x	Industrielle Beteiligung SA Findan S.p.A.	75.00 25.00	euro	120
6	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
7	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
8	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
9	Fata S.p.A. - Strada Statale n. 24 Km 12 10044 Pianezza (TO)	100.00		x	Industrielle Beteiligung SA	100.00	euro	5,000
10	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
11	Sabolarie Haven & Hospitality SpA - Via Nazionale 41 33042 Buttrio (UD)	100.00		x	Findan S.p.A.	100.00	euro	2,100
12	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
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 8/C - 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	Acc. Bertoli Safau S.p.A.	100.00	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. - Sault Ste Marie (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, 2021	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 x	Danieli Corus BV Industrielle Beteiligung SA	99.95 0.05	inr	875
30	Danieli Czech Engineering AS - Praha (CZE)	100.00		x	Industrielle Beteiligung SA	100.00	czk	3,000
31	Danieli do Brasil LTDA - Diadema (BRA)	100.00		x	Industrielle Beteiligung SA	100.00	brl	10,558
32	Danieli Engineering & Services GmbH - Völkmarkt (AUT)	100.00		x	Industrielle Beteiligung SA	100.00	euro	4,000
33	Danieli Engineering Japan Co. Ltd. - Yokohama (JPN)	100.00		x	Industrielle Beteiligung SA	100.00	jpy	40,000
34	Danieli Engineering Rom Srl - Cluj Napoca (ROU)	100.00		x	Industrielle Beteiligung SA	100.00	ron	10
35	Danieli Germany GmbH - Duisburg (DEU)	100.00		x	Industrielle Beteiligung SA	100.00	euro	10,000
36	Danieli Heavy Machinery Engineering LLC Dnipro (UKR)	100.00		x	Industrielle Beteiligung SA	100.00	uah	177,882
37	Danieli Henschel SAS - Méry (FRA)	100.00		x	Industrielle Beteiligung SA	100.00	euro	192
38	Danieli Henschel Service OOO in liquidazione Moscow (RUS)	100.00		x	Danieli Henschel SAS	100.00	rub	50
39	Danieli High Technology (Changshu) Co., Ltd Changshu (CHN)	100.00		x	Industrielle Beteiligung SA	100.00	euro	1,500
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	cny	3,627
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. in liquidazione - Beijing (CHN)	100.00		x	Industrielle Beteiligung SA	100.00	cny	41,297
46	Danieli Russia Engineering OOO in liquidazione Moscow (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 LLC - Dzerzhinsk (RUS)	100.00		x x	Danieli Russia Eng. OOO Industrielle Beteiligung SA	99.99 0.01	rub	255,033
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, 2021	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 x 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	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
62	Sund Birsta (Beijing) Metallurgical Equipment Co. Ltd. Beijing (CHN)	100.00		x Sund Birsta AB	100.00	cny	5,000
63	Sund Birsta AB - Sundsvall (SWE)	100.00		x Industrielle Beteiligung SA	100.00	sek	10,000
64	Sund Strap AB - Sundsvall (SWE)	100.00		x Sund Birsta AB	100.00	sek	100
65	Sund Birsta Inc. - Jacksonville, Florida (USA)	100.00		x Sund Birsta AB	100.00	usd	10
66	Termo Makina Sanayi Ve Tic. AS - Duzce (TUR)	100.00		x Industrielle Beteiligung SA	100.00	try	134,037
67	Rotelec SA - St.Quentin (FRA)	99.99		x Industrielle Beteiligung SA	99.99	euro	600
68	Danieli Middle East for Eng. Services LLC - Cairo (EGY)	99.80		x Industrielle Beteiligung SA	99.80	egp	50
69	Danieli Procome Iberica SA - Dondika (ESP)	99.99		x Industrielle Beteiligung SA	99.99	euro	108
70	Danieli Tongchuang Information Technology (Beijing) Co., Ltd - Beijing (CHN)	51.00		x Danieli Metallurgical Equipment & Service (China) Co., Ltd. Danieli Telerobot Labs srl	49.00 2.00	cny	25,000
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, 2020
(thousands of euro)			
ASSOCIATES			
Danieli Taranis LLC - Chelsea (USA)	30/06/2021	50.00	3,040
Inter-Rail S.p.A. - Udine	31/12/2020	50.00	3,224
Absolute Scarl - Pozzuolo del Friuli (UD)	31/12/2020	50.00	125
Automation Integrated Solutions S.p.A. - Pianezza (TO)	31/12/2020	50.00	255
Ghadir Energy Fata Company PJS - Tehran (Iran)	22/09/2020	40.00	(27)
Telefriuli S.p.A. - Udine	31/12/2020	31.51	89
Fata Hunter India PVT - Bangalore (IND)	31/03/2020	100.00	39
Suzhou More Metallurgy Technology Co., Ltd. - Beijing (CHN)	31/12/2020	100.00	0
D.S.R. Sider Engineering Group S.p.A. - Pozzuolo del Friuli (UD)	31/12/2020	30.00	0
Total investments in associates			6,745
OTHER EQUITY INVESTMENTS			
Metal Interconnettor S.c.p.A. - Milano	31/12/2020	3.80	7,455
Other minor holdings			1,587
Total investments in other companies			9,042
Total equity investments			15,787

Increases from acquisitions	Revaluations	Write-downs	Changes to shareholders' equity	Other changes	Disposals	Value as at June 30, 2021
				(240)		2,800
	148					3,372
				(100)		25
				(255)		0
		0	2			(25)
						89
		(6)				33
607		(184)				423
2,400	15					2,415
3,007	162	(190)	2	(595)		9,131
233						7,688
7,447				(1,239)		7,795
7,680	0	0	0	(1,239)	0	15,484
10,687	162	(190)	2	(1,834)	0	24,615

ATTACHMENT No. III-C**SCHEDULE 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
Ghadir Energy Fata Company PJS - Tehran (Iran)	IRR
Telefriuli S.p.A. - Udine	EURO
Fata Hunter India PVT in liquidazione- Bangalore (IND)	INR
D.S.R. Sider Engineering Group S.p.A. - Pozzuolo del Friuli (UD)	EURO

(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
Ghadir Energy Fata Company PJS - Tehran (Iran)	IRR
Telefriuli S.p.A. - Udine	EURO
Fata Hunter India PVT - Bangalore (IND)	INR
D.S.R. Sider Engineering Group S.p.A. - Pozzuolo del Friuli (UD)	EURO

Last approved Fin. Statements	Non current assets	Current assets	Shareholders' Equity	Non current liabilities	Current liabilities
30/06/2021	325	16,225	3,071	103	13,376
31/12/2020	2,220	9,781	6,784	586	4,630
31/12/2020	0	5,009	50	0	5,009
22/09/2020	13,000	589,000	(3,167,000)	0	3,769,000
31/12/2020	824	1,330	302	489	1,363
31/03/2020	0	3,096	3,025	0	71
31/12/2020	994	100,529	1,172	1,747	98,604

Value of production	Costs of Production	Fin. income and expenses	Taxes for the year	Net Profit	Number of Employees
41,961	(39,419)	(24)	0	2,374	78
36,905	(35,923)	22	(253)	750	8
10,847	(10,848)	1,517	0	0	0
0	(237,000)	101,000	0	(136,000)	0
1,894	(1,779)	(6)	1	23	15
201	(492)	0	0	(291)	0
3,043	(3,065)	1	5	(27)	154

ATTACHMENT NO. IV-C

LOANS

	Original amounts	Current portions due by June 30, 2022	Portions due after June 30, 2022	Total
(thousands of euro)				
Payables to banks for loans				
- Banco BPM S.p.A. loan (Annual floating rate 0.425% - last instalment by June 2025, in euro) (Covenants : NFP/EBITDA ("R") $3 \leq R < 3.5x + 0.15\%$ on Euribor; $3.5 \leq R \leq 4x + 0.25\%$ on Euribor; $4 \leq R \leq 5x + 0.40\%$ on Euribor; $>5x$ right of rescission for the bank)	50,000	10,000	30,000	40,000
- BPER loan (Annual floating rate 0.06% - last instalment by April 2023, in euro)	20,000	0	20,000	20,000
- BNL loan (Annual floating rate 0.437% - last instalment by November 2024, in euro) (Covenants: NFP/EBITDA ratio not greater than 3.0)	50,000	10,000	35,000	45,000
- ZAGREBACKA BANKA D.D. loan (Annual fixed rate 1.00% - last instalment by August 2023, in euro)	15,000	3,773	6,565	10,338
- Banca Popolare di Sondrio loan (Annual floating rate 0.655% - last instalment by August 2025, in euro)	15,000	0	15,000	15,000
- Banco BPM loan (Annual floating rate 0.03% - last instalment by October 2021, in euro)	30,000	30,000	0	30,000
- BNL loan (Annual floating rate 0% - last instalment by June 2022, in euro)	40,000	40,000	0	40,000
- Friuladria loan (Annual floating rate 0.02% - last instalment by September 2021, in euro)	18,000	18,000	0	18,000
- Banca Intesa Brescia loan (Annual floating rate 0.013% - last instalment by October 2023, in euro)	50,000	12,500	18,750	31,250
- Bank Austria loan (Annual floating rate 0% until April 23rd, 2021 - last instalment by September 2022, in euro)	50,000	50,000	0	50,000
- Banca Intesa loan (Annual floating rate 0% - last instalment by December 2025, in euro) (Covenants: NFP/EBITDA ratio not greater than 2.0; NFP/shareholders' equity ratio not greater than 1.0)	95,000	21,111	73,889	95,000
- Credem loan (Annual floating rate 0.02% - last instalment by May 2022, in euro)	35,000	35,000	0	35,000
- BPER loan (Annual floating rate 0.05 - last instalment by July 2021, in euro)	20,000	6,000	0	6,000

	Original amounts	Current portions due by June 30, 2022	Portions due after June 30, 2022	Total
(thousands of euro)				
- UBI Banca loan (Annual fixed rate 0.06% - last instalment by April 2023, in euro)	50,000	0	50,000	50,000
TOTAL	538,000	186,384	299,204	485,588
<u>Payables to banks for research projects</u>				
- 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	5,000	0	5,000
TOTAL	70,000	5,000	0	5,000
Other loans			13,931	13,931
TOTAL LOANS	608,000	191,384	313,135	504,519
SHORT-TERM PAYABLES TO BANKS		37,351		37,351
IFRS 16 Financial loans		9,869	31,835	41,704
GRAND TOTAL	608,000	238,604	344,970	583,574

ATTACHMENT No. V-CRECONCILIATION BETWEEN THE TAX CHARGE (IRES) IN THE FINANCIAL STATEMENTS
AND THE THEORETICAL TAX CHARGE

	June 30, 2021			June 30, 2020		
	Taxable income	Rate	Tax	Taxable income	Rate	Tax
(thousands of euro)						
Profit before tax	132,836			101,059		
Theoretical income tax charge		24.0%	31,881		24.0%	24,254
Accrued but not allocated deferred tax assets			9,508			4,362
Use of past year tax losses not allocated in provisions			(711)			(1,042)
Different tax rates applied by group companies			(7,567)			(7,126)
Permanent changes and other effects			(7,649)			(1,814)
Total changes			(6,419)			(5,620)
Effective income taxes			25,462			18,634
Effective IRES rate			19.2%			18.4%
Effective IRAP			5,691			3,419
Higher/(lower) taxes allocated in previous years			3,713			203
Total taxes recognised in the financial statements			34,866			22,256

ATTACHMENT No. VI-CSCHEDULE SUMMARISING FEES DUE TO THE INDEPENDENT EXTERNAL AUDIT COMPANY AND
TO OTHER MEMBER FIRMS OF ITS NETWORK FOR SERVICES PROVIDED IN THE FINANCIAL YEAR

(thousands of euro)				
Type of services	Entity providing the service	Receiver of service	Fees	
			At June 30, 2021	At June 30, 2020
Accounting audit	(i) Independent Auditor of the Parent Company	Parent Company	187	151
Other auditing services	(i) Independent Auditor of the Parent Company	Parent Company	4	32
Total services rendered to the Parent Company			191	183
Accounting audit	(i) Independent Auditor of the Parent Company	(i) Subsidiary companies	182	168
Other auditing services	(i) Independent Auditor of the Parent Company	(ii) Subsidiary companies	27	-
Accounting audit	(ii) Other member firms part of the same network of the Independent Auditor of the Parent Company	(ii) Subsidiary companies	382	380
Other services	(ii) Other member firms part of the same network of the Independent Auditor of the Parent Company	(ii) Subsidiary companies	25	-
Total services rendered to Subsidiary Companies			616	548
Total euro			806	731

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, 2020 to June 30, 2021.

Assessment of the suitability of the administrative and accounting procedures for the preparation of the consolidated financial statements for the year to June 30, 2021 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, 2021
 - 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 27, 2021

Chairman of the Board of Directors
Gianpietro Benedetti
Signed

Manager responsible for the preparation
of company accounting documents
Alessandro Brussi
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 CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Danieli & C. Officine Meccaniche S.p.A. and its subsidiaries (together the "Group" or "Danieli Group"), which comprise consolidated balance sheet as at June 30, 2021, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and explanatory notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Danieli Group as at June 30, 2021, and of its consolidated financial performance and its consolidated 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 Consolidated Financial Statements* section of our report. We are independent of the parent company Danieli & C. Officine Meccaniche S.p.A. (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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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

Sede Legale: Via Tortona, 25 - 20144 Milano | Capitale Sociale: Euro 10.328.220,00 i.v.

Codice Fiscale/Registro delle Imprese di Milano Monza Brianza Lodi n. 03049560166 - R.E.A. n. MI-1720239 | Partita IVA: IT 03049560166

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Evaluation of Construction Contracts

Description of the key audit matter

The consolidated financial statements of Danieli Group include Construction contracts assets for Euro 883.8 million and Construction contracts liabilities for Euro 327.6 million. Construction contracts are evaluated based on the percentage of completion, estimating the progress of works with the input method.

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:

- 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 Group on the plants performances,
- possible critical geopolitical context in the countries in which the customers operate.

Taking into consideration the relevance of Construction contracts on total Group'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 Group's financial statements at June 30, 2021.

Disclosures related to Construction contracts assets and Construction contracts liabilities are included in notes 8 and 19 of the Group's consolidated financial statements as well as in the description of Accounting Standards used by the Group and more specifically in the paragraph "Accounting Estimates - Construction Contracts".

Audit procedures performed

The audit procedures addressing this key audit matter included, among others:

- 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:
 - 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 related to total revenues and costs of projects;
- critical discussion with head of legal department of the Group 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.

Responsibilities of the Directors and the Board of Statutory Auditors for the consolidated financial statements

The Directors are responsible for the preparation of consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group'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 the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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;



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- 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 consolidated 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 Danieli & C. Officine Meccaniche S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of Danieli Group as at June 30, 2021, including their consistency with the related consolidated 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 the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98, with the consolidated financial statements of Danieli Group as at June 30, 2021 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 some specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of Danieli Group as at June 30, 2021 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.

Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, no. 254

The Directors of Danieli & C. Officine Meccaniche S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 30 December 2016, no. 254.

We verified the approval by the Directors of the non-financial statement.

Pursuant to art. 3, paragraph 10 of Legislative Decree 30 December 2016, no. 254, this statement is subject of a separate attestation issued by us.

DELOITTE & TOUCHE S.p.A.

Signed by
Barbara Moscardi
Partner

Udine, Italy
October 6, 2021

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

DANIELI & C. Officine Meccaniche S.p.A.

STATUTORY FINANCIAL STATEMENTS

AS AT JUNE 30, 2021

ACCOUNTING SCHEDULES

Balance Sheet

(euro)		June 30, 2021		June 30, 2020	
ASSETS	Notes		of which with related parties		of which with related parties
Non-current assets					
Property plant and equipment	1	59,428,172		53,051,035	
Right of use	2	9,945,918		11,234,143	
Intangible Assets	3	11,810,665		12,377,522	
Investment in subsidiaries	4	1,170,834,348		1,170,834,348	
Deferred tax assets	5	22,771,259		20,893,723	
Trade and other receivables	6	102,469,420	0	121,445,409	4,643,482
Total non-current assets		1,377,259,782		1,389,836,180	
Current assets					
Inventories	7	288,300,456	75,621,168	301,629,651	54,470,389
Trade receivables	8	458,069,415	263,699,377	525,446,282	237,206,839
Other Receivables	9	12,009,701		20,024,768	
Current tax assets	10	18,217,542	748,183	18,894,843	0
Current financial assets	11	5,116,005	3,941,827	11,188,844	2,738,179
Cash and cash equivalents	12	387,460,307	0	321,569,000	0
Total currents assets		1,169,173,426		1,198,753,388	
Total Assets		2,546,433,208		2,588,589,568	

(euro)		June 30, 2021		June 30, 2020	
LIABILITIES AND SHAREHOLDERS' EQUITY	Notes		of which with related parties		of which with related parties
Shareholders' equity					
Share capital		81,304,566		81,304,566	
Treasury shares		(87,138,099)		(82,934,969)	
Other reserves and profit carries forward, including profit for the year		817,601,441		825,652,546	
Total shareholders' equity	13	811,767,908		824,022,143	
Non-current liabilities					
Non-current financial liabilities	14	201,328,976	0	239,755,922	150,000,000
Deferred tax liabilities	5	1,677,378		2,249,797	
Post employment benefits	15	13,570,336		15,369,959	
Provisions for risks	16	23,717,409		2,761,255	
Non Current Liabilities		240,294,099		260,136,933	
Current liabilities					
Trade payables	17	544,874,976	252,143,169	670,580,327	286,288,795
Payables for construction contracts and customer advance payments	7/18	476,359,020	99,979,207	416,134,109	102,620,647
Other current liabilities	19	53,690,296		55,317,362	
Current tax liabilities	20	729,676	255,156	3,767,850	3,117,850
Bank debts and other financial liabilities	21	418,717,233	249,269,812	358,630,844	81,897,672
Total current liabilities		1,494,371,201		1,504,430,492	
Total liabilities and shareholders' equity		2,546,433,208		2,588,589,568	

Income Statement

		Financial year ended June 30, 2021		Financial year ended June 30, 2020	
(euro)					
	Notes		of which with related parties		of which with related parties
Operating revenues		1,567,983,093	328,996,025	695,285,451	112,256,300
Other operating income		20,853,879	14,088,572	21,211,611	12,316,374
Changes in inventories of finished products and construction contracts	7	(661,619,340)	82,622,884	385,182,583	310,222,489
Total revenues	23	927,217,632	425,707,481	1,101,679,645	434,795,163
Purchase cost of of raw materials and consumables	24	(519,637,602)	(157,171,388)	(655,808,484)	(228,903,577)
Personnel costs	25	(154,679,838)		(160,643,565)	
Other operating costs	26	(235,348,633)	(54,604,452)	(278,732,932)	(64,471,390)
Depreciation, amortisation and write-downs	27	(20,857,839)		(13,880,886)	
Operating income		(3,306,280)		(7,386,222)	
Financial income	28	22,506,051	17,501,393	5,631,136	9,019
Financial charges	29	(1,174,110)	(376,462)	(6,491,751)	(88,043)
Gains/(losses) on foreign exchange transactions	30	(17,784,617)		5,308,306	
Profit before taxes		241,044		(2,938,531)	
Income taxes	31	2,705,231		97,643	
Net profit for the period		2,946,275		(2,840,888)	

Statement of comprehensive income

		Financial year ended June 30, 2021	Financial year ended June 30, 2021
(euro)			
Net profit for the period	Notes	2,946,275	(2,840,888)
<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		171,146	289,810
Tax effect		(41,075)	(69,554)
	13	130,071	220,256
Total comprehensive income		3,076,346	(2,620,632)

Statement of changes in shareholders' equity

	Share capital	Treasury shares	Share Premium reserve	Reserve of first time adoption of IFRS 9	IAS 19 actuarial gains/(losses) reserve	Other reserves	Translation difference	Net profit (loss) of the period	Total shareholders' equity
(thousands of euro)									
Shareholders' equity as at 30/06/2019	81,305	(82,935)	22,523	0	0	818,464		194	839,551
Operations with shareholders									
Allocation of profit per shareholders' meeting of 28/10/19									
to reserves	0	0	0	0	0	(11,721)		11,721	0
dividends to parent company shareholders	0	0	0	0	0	0		(11,915)	(11,915)
Unclaimed dividends	0	0	0	0	0	3		0	3
Effect of the operation under common control	0	0	0	0	0	(996)		0	(996)
Total operations with shareholders	0	0	0	0	0	(12,714)		(194)	(12,908)
Profit as at 30/06/2020	0	0	0	0	0	0		(2,841)	(2,841)
Other comprehensive income									
Actuarial gains/(losses) from IAS 19	0	0	0	0	0	220		0	220
Comprehensive income (expenses) for the period	0	0	0	0	0	220		(2,841)	(2,621)
Shareholders' equity as at 30/06/2020	81,305	(82,935)	22,523	0	0	805,970	0	(2,841)	824,022
Operations with shareholders									
Allocation of profit per shareholders' meeting of 28/10/20									
to reserves	0	0	0	0	0	(13,969)		13,969	0
dividends to parent company shareholders	0	0	0	0	0	0		(11,128)	(11,128)
Unclaimed dividends	0	0	0	0	0	0		0	0
Change in treasury shares	0	(4,203)	0	0	0	0		0	(4,203)
Total operations with shareholders	0	(4,203)	0	0	0	(13,969)		2,841	(15,331)
Profit as at 30/06/2021	0	0	0	0	0	0		2,946	2,946
Other comprehensive income									
Actuarial gains/(losses) from IAS 19	0	0	0	0	0	130		0	130
Comprehensive income (expenses) for the period	0	0	0	0	0	130		2,946	3,076
Shareholders' equity as at 30/06/2021	81,305	(87,138)	22,523	0	0	792,131		2,946	811,767

Statement of Cash Flows

	June 30, 2021	of which with related parties	June 30, 2020	of which with related parties
(thousands of euro)				
Reconciliation of profit before taxes with net cash flows from op.activities				
Profit before taxes	241		(2,939)	
Net increase/(decrease) in prov.for risks&charges	20,956		0	
Depreciation, amortisation and write-downs	14,394		14,744	
Losses/(gains) on disposal of property plant and equipment	(175)		(208)	
Write-down/(Reversal) of impairment losses	6,464		(863)	
Other non-monetary changes	0		459	
Net change in employee sev. indemnity prov.	(1,670)		(1,706)	
Foreign exchange losses/(gains) for the period	17,785		(5,308)	
Financial income for the period	(22,506)	(17,501)	(5,631)	(9)
Financial charges for the period	1,174	376	6,492	88
Total	36,663		5,040	
Net change in working capital				
(Increase)/decrease in inventories	13,329	(21,151)	18,232	19,773
(Increase)/decrease in trade and other receivables	87,904	(27,241)	(64,743)	(87,147)
Increase/(decrease) in trade and other payables	(73,728)	(39,650)	86,123	74,182
Unrealised foreign exchange losses/(gains)	(17,785)		5,308	
Total	9,720		44,920	
(Interest paid)	(1,200)	(376)	(4,396)	(88)
Interest received	5,649	1	5,968	9
Taxes paid in the period	(2,106)		6,383	
Income taxes	48,726		57,915	
Investing activities				
Investments:				
Property plant and equipment	(13,515)		(6,433)	
Intangible Assets	(5,198)		(6,261)	
Dividends collected	17,500	17,500		
Equity investments	0		(35)	
(Purchase)/sale of treasury shares	(4,203)		0	
Disposals:				
Property plant and equipment	223		325	
Cash flow generated/(absorbed) by investing activities	(5,193)		(12,404)	
Financing activities				
Financial assets	4,320	(1,204)	(1,320)	3,223
Application of IFRS 16 - Financial loans	(1,840)		(1,813)	
New loans payable	151,122	17,372	408,734	132,769
Increase/(decrease) in advances on job orders not yet in production	6,381		(47,518)	
Repayment of loans payable	(128,250)	0	(284,552)	0
Effect of the operation under common control	0		(996)	
Short term derivative financial instrument	1,753		(2,024)	
dividends to parent company shareholders	(11,128)		(11,912)	
Cash flow generated/(absorbed) by financing activities	22,358		58,599	
Total cash flow	65,891		104,110	
Opening cash and bank position	321,569		217,459	
Closing cash and bank position	387,460		321,569	

Explanatory notes

Introduction

The draft financial statements for the year ended June 30, 2021, 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, 2021, 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.p.A. - Milan	67.712%
Treasury shares held as at June 30, 2021	7.96%
Santa Lucia Seguros S.A.	2.91%
Market	21.418%

The separate financial statements of Danieli & C. Officine Meccaniche S.p.A. have been externally audited by Deloitte & Touche S.p.A.

The draft financial statements were approved on September 27, 2021, by the Board of Directors, which authorised their publication in the September 27, 2021, press release containing the main elements of these financial statements.

Statement of compliance with IFRS

The financial statements for the year ended June 30, 2021 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, 2020) 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, 2021, are the same as those followed the previous year. The Company did not arrange for the early adoption of any other standard or amendment published but still not in force.

Improvements and amendments to accounting standards applied as from July 1, 2020

The accounting standards used to prepare the consolidated financial statements for the year ended June 30, 2021, are the same as those followed the previous year. The Company did not arrange for the early adoption of any other standard or amendment published but still not in force.

On May 28, 2020, the IASB published an amendment called “Covid-19 Related Rent Concessions (Amendment to IFRS 16)”. The document permits lessees to account for rent concessions occurring as a direct consequence of the COVID-19 pandemic without having to assess, through contract analysis, whether the definition of lease modification in IFRS 16 is met. Therefore, lessees applying this option may account for the effects of rent concessions directly in profit or loss at the effective date of the concession. This amendment applies to financial statements beginning on or after June 1, 2020. The adoption of this amendment did not have any effect on the Company’s consolidated financial statements.

On March 31, 2021, the IASB issued an amendment called “Covid-19-Related Rent Concessions beyond June 30, 2021 (Amendments to IFRS 16)” by which it extends by one year the period of application of the amendment to IFRS 16, issued in 2020, relating to the accounting for concessions granted, due to Covid-19, to lessees. The adoption of this amendment did not have any effect on the Company’s consolidated financial statements.

On 29 March 2018, the IASB published an amendment to the “References to the Conceptual Framework in IFRS Standards”. 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. The adoption of this amendment did not have any effect on the Company’s consolidated financial statements.

Accounting standards, amendments and IFRS and IRIC interpretations endorsed by the European Union, not yet mandatorily applicable and not early adopted by the Group as at June 30, 2021

On August 27, 2020, the IASB published the “Interest Rate Benchmark Reform-Phase 2” in the light of the interbank interest rate reform such as IBOR. All amendments will enter into force on July 1, 2021. The Directors do not expect the adoption of this amendment to have a material effect on the Company’s financial statements.

On May 14, 2020, the IASB published the following amendments called:

- Amendments to IFRS 3 Business Combinations: the amendments are intended to update the reference in IFRS 3 to the revised Conceptual Framework, without resulting in any changes to the requirements of the standard.
- Amendments to IAS 16 Property, Plant and Equipment: the purpose of the amendments is not to allow the deduction from the cost of property, plant and equipment of the amount received from the sale of goods produced in the test phase of the asset. These sales revenues and related costs will therefore be recognised in the income statement.
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: the amendment clarifies that when assessing whether a contract is onerous, all costs directly attributable to the contract must be considered. Accordingly, the assessment of whether a contract is onerous includes not only incremental costs (e.g. the cost of direct material used in the work), but also all costs that the enterprise cannot avoid in that it has entered into the contract (e.g. the depreciation charge of machinery used to perform the contract).

These amendments will enter into force on July 1, 2022. The directors do not expect a material effect on the company’s financial statements from the adoption of these amendments.

Accounting standards and interpretations issued by the IASB, but not yet endorsed by the European Commission

At the end of the reporting period, the competent bodies of the European Union have not yet completed the endorsement process required for the adoption of the amendments and standards described below:

On May 18, 2017, the IASB published IFRS 17 - Insurance Contracts which is intended to replace IFRS 4 - Insurance Contracts.

- On January 23, 2020, the IASB published an amendment called “Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current”.

- On May 14, 2020, the IASB published the following amendments called:
 - Amendments to IFRS 3 Business Combinations;
 - Amendments to IAS 16 Property, Plant and Equipment;
 - Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets; or Annual Improvements 2018-2020.
- On February 12, 2021, the IASB published two amendments entitled “Disclosure of Accounting Policies—Amendments to IAS 1 and IFRS Practice Statement 2” and “Definition of Accounting Estimates—Amendments to IAS 8”.
- On May 7, 2021, the IASB published an amendment called “Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction”.

The directors do not expect a material effect on the company’s financial statements from the adoption of these amendments.

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 15 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%

Right of use

Rights of use are recognised in accordance with IFRS 16.

IFRS 16 specifies the principles for recognition, measurement, presentation and disclosure of leases. The 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 model provided for lessees by the new standard is as follows: 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).

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 company relied on its own experience in determining the duration of leases containing extension or termination options.

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).

For the purpose of presentation in the financial statements, 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 700 thousand euro.

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.

La società ridetermina il saldo delle passività derivante dal lease (ed attua un adeguamento del 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.

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 less than or 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 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 Employee severance indemnity 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 Employee severance indemnity provision rules by Law 296 of December 27, 2006, and subsequent decrees and regulations issued in the early months of 2007, Employee severance indemnity 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., Stern S.r.l. and Danieli Centro Cranes S.p.A. and Danieli Construction International 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 31.0 million euro (30.0 million euro as at June 30, 2020) were determined for the Company's job orders in progress of the company as at June 30, 2021, 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, 2021.

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 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, 2021, 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 and 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 is 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, 2021, 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, 2021. 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	57,088	27,042	(24,466)	(46,709)
Total	57,088	27,042	(24,466)	(46,709)

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	(582)	(388)	388	582
Lower/(Higher) financial charges	914	609	(609)	(914)
Total	332	221	(221)	(332)

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, 2021, and June 30, 2020, 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)	30/06/2021	30/06/2020
Gross financial indebtedness	626.4	598.5
Financial assets	(392.6)	(332.8)
Net financial position	233.8	265.7
Shareholders' equity	811.8	824.0
Capital and net indebtedness	1,045.6	1,089.7
Indebtedness ratio with third parties	22.4%	24.4%

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, 2021, the company had 2.247 employees (2.428 as at June 30, 2020).

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 substantially closed with an integrated tax return in December 2020 some findings present in the report on findings on the 2013/14, 2014/15 and 2015/16 financial years delivered at the end of December 2018 to cover almost all the potential higher taxes of approximately 2 million euro (net of losses that can be carried forward) contested by the Trieste Revenue Agency. Some of the objections raised, which we do not consider to be supported and which 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, remain unresolved.

The tax judgement relating to the appeal submitted by the Trieste Revenue Agency the against the judgement totally in favour of the company for the only dispute to date of a significant amount (with a dispute of around 4.5 million euro) between the company Danieli & C. Officine Meccaniche S.p.A. and the Trieste Revenue Agency relating to the (alleged) non-existence of some supply costs is still pending. The enacting clause of the judgement of the Tax Commission of first instance is very clear and shows that the company has acted correctly in this regard. However, in the course of the dispute and at subsequent instances, it will be considered whether to promote a conciliative solution given the complexity of the subject matter (of a purely circumstantial evidence) and the conflicting interpretation of the applicable rules.

On 26 February 2021, the Court of Appeal of Trieste ruled that the Chairman and the Manager in charge of the Group had been acquitted “because the fact does not exist” in relation to the allegation of foreign ownership of the Group’s Luxembourg companies.

The judgment reformed what had been previously decided in October 2018 by the Court of Udine, which had instead convicted the defendants with regard to the offence of “*esterovestizione*” (setting up foreign companies to evade taxes) of the Luxembourg subsidiaries, a case for which the competent tax commission had already ruled in favour of the company and then fully settled either in self-defence (without the payment of taxes) or settlement with the Revenue Agency

The Court of Appeal also confirmed the acquittal of the Chairman, the Manager in Charge and former managers of the Group already obtained in the first instance regarding the allegation of fraud due to the “non-existence” of costs incurred in foreign sites (in line with the conclusions received in favour of the company also by the Provincial Tax Commission).

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.

30/06/2021	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		102.469			102.469
Trade receivables	8/9		470.079			470.079
Current financial assets	11	5.116				5.116
Total Financial assets		5.116	0 572.548	0	0	577.664
Financial liabilities						
Bank debts and other financial liabilities	14/21	0		620.046		620.046
Trade payables	17/18			1.021.234		1.021.234
Other current liabilities	19			53.690		53.690
Total Financial liabilities		0	0	1.694.970	0	1.694.970

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
Financial liabilities						
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

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 59,428 thousand euro as at June 30, 2021, increased by 6,377 thousand euro compared to 53,051 thousand euro as at June 30, 2020, 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	2,803	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)
Depreciation	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
Changes during the period							
Increase	0	664	7,624	1,161	1,500	2,566	13,515
Transfers and disposals	0	0	(3)	0	(45)	0	(48)
Ammortamenti	0	(2,121)	(2,899)	(1,037)	(1,034)	0	(7,091)
Historical cost	3,220	80,866	163,209	29,701	38,706	3,652	319,354
Accumulated depreciation	0	(48,889)	(148,421)	(27,388)	(35,228)	0	(259,926)
Balance at June, 30 2021	3,220	31,977	14,788	2,313	3,478	3,652	59,428

Depreciations charged to the income statement amounted to 7,091 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 9,946 thousand euro as at June 30, 2021 (11,234 as at June 30, 2020) 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, 2021, 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)					
Historical cost	12,135	0	130	1,072	13,337
Accumulated depreciation	(1,649)	0	(70)	(384)	(2,103)
Balance at June, 30 2020	10,486	0	60	688	11,234
Changes during the period					
Increase	575	0	0	68	643
Other movements	11				
Depreciation ROU benefit to employees	(179)		0	(226)	(405)
Depreciation	(1,382)	0	(45)	(110)	(1,537)
Historical cost	12,710	0	130	1,140	13,980
Accumulated depreciation	(3,199)	0	(115)	(720)	(4,034)
Balance at June, 30 2021	9,511	0	15	420	9,946

3) Intangible assets

The balance of 11,811 thousand euro as at June 30, 2021, is lower than the total of 12,378 thousand euro as at June 30, 2020, 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	21,509	72,965	2	1,783	96,259
Accumulated amortisation	(20,426)	(64,597)	(2)		(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
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
Changes during the period					
Increase	1,368	7,669	0	(3,839)	5,198
Transfers and disposals	0	0	0		0
Amortisation	(1,231)	(4,534)	0	0	(5,765)
Historical cost	24,190	83,317	2	209	107,718
Accumulated amortisation	(22,792)	(73,113)	(2)		(95,907)
Balance at June, 30 2021	1,398	10,204	0	209	11,811

“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, 2021, 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)	30/06/2021	30/06/2020
Investment in subsidiaries	1,170,798	1,170,798
Other equity investments	36	36
Total	1,170,834	1,170,834

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, 2020. 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, 2021, 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, 2021, 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)	30/06/2021	30/06/2020
Deferred tax assets		
- Recoverable within next fiscal year	1,508	10,639
- Recoverable beyond next fiscal year	21,264	10,255
Total	22,772	20,894
Deferred tax liabilities		
- Recoverable within next fiscal year	1,677	2,250
Total	1,677	2,250
Net position	21,095	18,644

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 102,469 thousand euro as at June 30, 2021 (121,445 thousand euro as at June 30, 2020) and are broken down as follows:

(thousands of euro)	30/06/2021	30/06/2020
Trade receivables from customers	44,609	55,973
Other receivables	57,860	65,472
Total	102,469	121,445

Non-current trade receivables from customers related to terms of sale negotiated for the supply of complex plants with long start-up times, the decrease in the year is mainly due to the restructuring of some existing receivables.

In this regard, note that, in 2020/2021, a financial rescheduling agreement was entered into with an important Egyptian customer, which envisages the priority repayment of some commercial items previously suspended, redefining also the repayment terms of credit items for USD 74,704 thousand claimed from the same customer (and present in the item "Other receivables"), which are related to the management of some important job orders developed with the same customer and that, for this reason, are considered as of a commercial nature.

Based on the information collected, in the first half of 2021 the Egyptian customer successfully completed an important corporate and production restructuring and, since it can now operate at full efficiency, it is expected to develop a significant positive cash flow generation to finance its new investments and such as to allow a gradual - albeit slow - reduction in its exposure to the parent company Danieli. Its activities will be further consolidated in the second half of 2021 and will continue positively in 2022 thanks to the restart of the Egyptian steel market now supported by strong customs barriers and with an adequate energy availability. As a result of these agreements, the calculation related to the discounting of the cash flows expected from existing receivables was updated, with a positive economic effect in the year of 2,629 thousand euro.

Receivables are broken down below by maturity at the end of this and the previous year:

(thousands of euro)	30/06/2021		
Deadlines	Trade receivables from customers	Other receivables	Total
2022/2023	33,647	1,703	35,350
2023/2024	5,896	0	5,896
2024/2025	114	0	114
2025/2026 and beyond	4,953	56,156	61,109
Total	44,610	57,859	102,469

(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

CURRENT ASSETS**7) Inventories**

The balance of 288,300 thousand euro as at June 30, 2021, was 13,330 thousand euro lower than the amount of 301,630 thousand euro as at June 30, 2020.

(thousands of euro)	30/06/2021	30/06/2020
Raw materials, consumables and supplies	25,943	31,355
Work in progress and semi-finished products	47,860	51,089
Construction contracts	165,870	164,600
Advances to Group companies	20,086	10,735
Advances to suppliers	28,541	43,851
Total	288,300	301,630

The balance of 165,870 thousand euro for construction contracts can be broken down as follows:

(thousands of euro)	30/06/2021	30/06/2020
Construction contracts with third parties valued using the cost to cost method	501,518	545,276
Turnover on job orders in progress with third parties	(381,147)	(424,412)
Write-down provision on job orders in progress for third parties	(10,036)	0
Construction contracts	110,335	120,864
Work in prog. group companies	306,332	123,577
Less invoicing on WIP group companies	(250,797)	(79,841)
Work in progress on contracts, Group companies	55,535	43,736
Total	165,870	164,600

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)	30/06/2021	30/06/2020
Construction contracts with third parties valued using the cost to cost method	2,999,651	3,695,906
Turnover on job orders in progress with third parties	(3,117,751)	(3,815,604)
Write-down provision on job orders in progress for third parties	0	(30,037)
Payables for construction contracts	(118,100)	(149,735)
Group companies WIP with negative balance	488,750	588,883
Less invoicing on WIP group companies	(519,394)	(626,113)
Payables to group companies for WIP, net	(30,644)	(37,230)
Total	(148,744)	(186,965)

The write-down provision on job orders in progress, which includes estimates for possible future charges related to their completion, includes a portion reclassified from construction contracts with a negative net value as a liability (see notes 16) and 18)).

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).

Note that the write-down provision on job orders in progress has been reclassified from construction contracts with a negative net value as a liability (see notes 16) and 18)).

8) Trade receivables

The balance of 458,070 thousand euro as at June 30, 2021, was 67,376 thousand euro lower than the amount of 525,446 thousand euro as at June 30, 2020.

There are no significant concentrations of counterparty credit risk.

Trade receivables are recognised net of the provision for doubtful accounts that came to 35,550 thousand euro as at June 30, 2021 (30,252 thousand euro as at June 30, 2020).

migliaia di euro	30/06/2021	30/06/2020
Customers	228,893	317,933
Collection order and bills	1,028	558
Provision for doubtful accounts	(35,550)	(30,252)
Total trade receivables from third parties	194,371	288,239
Trade receivables from Group companies	263,699	237,207
Total trade receivables	458,070	525,446

Trade receivables from Group companies are detailed in attachment X.

In the financial year, trade receivables were factored without recourse for 4,145 thousand euro (5,100 thousand euro as at June 30, 2020).

Changes in the provisions for doubtful accounts were as follows:

(thousands of euro)	30/06/2021	30/06/2020
Opening balance	30,252	31,338
Provision	7,500	0
Release of unused provisions	0	(863)
Other movements	(2,202)	(223)
Closing balance	35,550	30,252

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 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 12,010 thousand euro as at June 30, 2021, showing a decrease of 8,015 thousand euro compared to the balance of 20,025 thousand euro as at June 30, 2020, and comprising:

(thousands of euro)	30/06/2021	30/06/2020
Insurance reimbursements	0	3,335
Prepaid SACE fees	70	60
ST Prepaid expense	4,216	5,185
Due from social security institutions	647	677
Foreign tax receivables	843	1,217
Travel expenses advances to employees, consultants and sites	492	459
Indirect tax receivables	0	5,760
Other Receivables	5,742	3,332
Total	12,010	20,025

There were no particular changes in other receivables as at June 30, 2021 compared to the previous year.

10) Current tax assets

This item is made up as follows:

(thousands of euro)	30/06/2021	30/06/2020
Foreign tax receivables	7,754	9,179
Direct tax receivables	9,715	9,716
Other current tax receivables	748	0
Total	18,217	18,895

Direct tax receivables as at June 30, 2021, 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)	30/06/2021	30/06/2020
Financial Receivables ST	3,942	7,618
Accrued interest	903	1,546
Derivative financial instruments	271	2,024
Total	5,116	11,188

These amount to 5,116 thousand euro as at June 30, 2021, a decrease of 6,072 thousand euro compared to the balance of 11,188 thousand euro as at June 30, 2020; 3,942 thousand euro concerns intra-group financing operations regulated through an intercompany current account at market rates and conditions, 903 thousand euro to accruals and deferrals on financial transactions and 271 thousand euro to fair value of some derivative instruments hedging the US dollar exchange rate risk outstanding as at June 30, 2021. Loans to Group companies are detailed in attachment X.

12) Cash and cash equivalents

The balance of 387,460 thousand euro as at June 30, 2021, increased by 65,891 thousand euro compared to the amount of 321,569 thousand euro as at June 30, 2020, and included cash in hand of 683 thousand euro and short-term bank deposits of 386,777 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, 2021, amounted to 811,768 thousand euro, a decrease of 12,254 thousand euro compared with 824,022 thousand euro as at June 30, 2020.

Dividends paid in the last two financial years related to profits earned in the financial years ended June 30, 2020, and June 30, 2019, in accordance with art. 7 of the Articles of Association, were as follows:

Dividends paid at				
	30/06/2021		30/06/2020	
(thousands of euro)	euro per share		euro per share	
Ordinary shares	0.1400	5,309	0.1500	5,688
N.C. Saving shares	0.1607	5,862	0.1707	6,227
Total dividends paid		11,171		11,915

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, 2021 (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 87,138 thousand euro as at June 30, 2021 (up by 4,203 thousand euro compared to June 30, 2020); the portfolio was made up of 3,255,603 ordinary shares and 3,953,863 savings shares, with a unit par value of 1 euro each and a total par value of 7,209 thousand euro (8.87% 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, 2021, this amounted to 22,523 thousand euro (unchanged from June 30, 2020) 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 792,132 thousand euro as at June 30, 2021, and decreased by 13,838 thousand euro compared to 805,970 thousand euro as at June 30, 2020. They are comprised as follows:

(thousands of euro)	30/06/2021	30/06/2020
Legal reserve	18,576	18,576
Extraordinary reserve	760,454	774,422
IAS 19 actuarial gains/(losses) reserve	(3,559)	(3,689)
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	792,132	805,970

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 amounted to 18,576 thousand euro as at June 30, 2021, unchanged since June 30, 2020: its amount as at June 30, 2021, exceeded the requirement stated in art. 2430 of the Italian Civil Code, so a further allocation of the net profit for the year was no longer mandatory.

Other reserves

The remaining reserves consist of:

Extraordinary reserves

The extraordinary reserves amounted to 760,454 thousand euro and they decreased by 13,968 thousand euro overall compared to 774,422 thousand euro as at June 30, 2020, as a result of the allocation of the result for 2019/2020 (after distribution of dividends) of 11,128 thousand euro as per the shareholders' resolution of October 28, 2020.

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, 2020), 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, 2021, unchanged since June 30, 2020.

13.5) Profit (loss) for the year

This amounted to a positive balance of 2,946 thousand euro as at June 30, 2021 (a negative balance of 2,841 thousand euro as at June 30, 2020).

NON-CURRENT LIABILITIES**14) Loans**

Non-current financial payables, which amounted to 201,329 thousand euro as at June 30, 2021 (239,756 thousand euro a year earlier, with a decrease of 38,427 thousand euro), consisted of the non-current portion of financial liabilities recognised in accordance with IFRS 16 of 8,690 thousand euro, 192,639 thousand euro consisted of the medium and long term portions of loans arranged with banks and other institutional lenders.

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, 2021, 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)	30/06/2021	30/06/2020
2021/2022	-	169,032
2022/2023	84,984	63,805
2023/2024	78,396	975
2024/2025	22,098	5,944
2025/2026 and beyond	15,851	-
Total	201,329	239,756

The breakdown of the company's net financial position as at June 30, 2021, is shown below, which includes financial payables and receivables with Group companies, compared to the previous financial year, is set below:

(thousands of euro)	30/06/2021	30/06/2020	Variation
Current financial assets			
Securities and other financial assets	5,116	11,189	(6,073)
Cash and cash equivalents	387,460	321,569	65,891
Total	392,576	332,758	59,818
Non-current financial liabilities			
Non-current financial liabilities	192,639	230,000	(37,361)
Lease liabilities non-current	8,690	9,756	(1,066)
Total	201,329	239,756	(38,427)
Current financial liabilities			
Bank debts and other financial liabilities	423,451	356,863	66,588
Lease liabilities current	1,647	1,768	(121)
Total	425,098	358,631	66,467
Current net financial position	(32,522)	(25,873)	(6,649)
Non-current net financial position	(201,329)	(239,756)	38,427
Net financial position	(233,851)	(265,629)	31,778

The net financial position includes, as "Bank debts and other financial liabilities", customer advance payments on job orders not yet in production amounting to 6,380 thousand euro, which were not present at June 30, 2020. 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 321,234 thousand euro as at June 30, 2021, and 229,170 thousand euro as at June 30, 2020, respectively, were instead included in working capital as they are used to finance job orders in progress, together with advances to suppliers.

Note that the above diagram includes all the components envisaged for the calculation of the net financial position as indicated in CONSOB communication no. 5-21 of 29 April 2021 which refers to ESMA guideline 32-382-1138. Trade payables and other non-current payables required by the aforementioned guideline that have a significant implicit or explicit financing component are included in the line "Bank debts and other financial liabilities" as explained above.

15) Post-employment benefits

The balance of 13,570 thousand euro decreased by 1,799 thousand euro compared to 15,369 thousand euro as at June 30, 2020.

Changes were as follows:

(thousands of euro)	30/06/2021	30/06/2020
Opening balance	15,369	17,296
Cost relating to employee compensation with defined benefits	44	58
Benefits paid	(1,672)	(1,695)
Actuarial (gains)/losses recognized in the statement of comprehensive income	32	(159)
Other accruals for employee benefits	(203)	(131)
Closing balance	13,570	15,369

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:

	30/06/2021	30/06/2020
Discount rate	0.25%	0.30%
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%
-88	97	159	-157	-252	260

16) Provisions for risks

Totalling 23,717 thousand euro as at June 30, 2021, this item increased compared to the balance of 2,761 thousand euro as at June 30, 2020, as shown in the following changes:

(thousands of euro)	30/06/2021	30/06/2020
Opening balance	2,761	2,761
Provision	21,000	2,650
Release of unused provisions	0	(650)
Utilisations and other changes	(44)	(2,000)
Closing balance	23,717	2,761

The increase in the item Provisions for risks is mainly related to the reclassification of amounts that as at June 30, 2020, were classified in the item "Payables for construction contracts and customer advance payments" as explained in Note 7).

Provisions for risks are set up to cover costs and expenses that may arise from situations that, as at June 30, 2021, were still of uncertain outcome.

The provision for risks includes the provision for the entire expected loss at operating margin level of a job order including the estimate of any future charges related to its completion as well as to the possible recognition of contractual penalties.

The provision also includes extraordinary charges for closing the job order related to a dispute with a Malaysian customer for which a prudent provision was already made at June 30, 2020. It was included in the write-down provision on job orders in progress for third parties, 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 actually covers about 50% of the amount assessed for 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.

Estimates for these accruals and the amount of the provisions resulting at the end of the period are the result of a detailed assessment by the Company management which takes into account the information available on various elements, by their nature uncertain, that influence the estimate, historical experience and assumptions considered reasonable. Because of the uncertainty that characterises the assumptions and conditions on which the estimates are based, the outcomes of the situations for which these estimates and assumptions have been used may differ from those reported in the financial statements and may therefore give rise to impacts on the results of operations in subsequent periods.

CURRENT LIABILITIES

17) Trade payables

Trade payables are broken down as follows:

(thousands of euro)	30/06/2021	30/06/2020
ST payables to suppliers	292,732	384,291
Payables to group companies	252,143	286,289
Total	544,875	670,580

Due to suppliers decreased by 91,559 thousand euro compared to the balance as at June 30, 2020. The amount includes payables in foreign currencies totalling 17.3 million euro (of which 15.56 million USD, equivalent to 13.05 million euro and 179 million Algerian dinars equivalent to approximately 1.3 million euro) at the financial year-end exchange rate. At the end of the previous year, payables in foreign currencies totalled 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 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 35 million euro as at June 30, 2021, with different maturities but less than 12 months (77.8 million euro as at 30 June 2020). 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 decreased by 34,146 thousand euro compared to the value as at June 30, 2020, are broken down in attachment X.

18) Payables for construction contracts and customer advance payments

Payables for construction contracts and customer advance payments, totalling 476,359 thousand euro as at June 30, 2021, increased by 60,225 thousand euro from 416,134 thousand euro as at June 30, 2020, comprise:

(thousands of euro)	30/06/2021	30/06/2020
ST Advances from customers	251,899	163,778
Advances from Group Companies	69,336	65,391
Payables for construction contracts	118,100	119,698
Payables to group companies for WIP, net	30,644	37,230
Other advances on job orders not yet in production	6,380	0
Write-down provision on job orders in progress for third parties	0	30,037
Total	476,359	416,134

“Current customer advance payments” and “Group company advance payments” 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” (6,380 as at June 30, 2021) include amounts paid by some customers as guarantee deposits relating to job orders, not yet in force, included in the net financial position (not present as at June 30, 2020).

“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 estimates of any future charges related to its completion as well as to the recognition of contractual penalties where considered probable), has been allocated partly to the provision for risks, as mentioned in note 16) and partly as an adjustment to construction contracts with a positive net value (see note 7).

Advance payments received and trade payables to Group companies are detailed in attachment X.

19) Other current liabilities

Other current liabilities amounted to 53,690 thousand euro as at June 30, 2021 (55,317 thousand euro as at June 30, 2020) and they are mainly comprised of:

(thousands of euro)	30/06/2021	30/06/2020
Due to employees	29,372	26,514
Indirect tax payables	0	35
Withholding tax due	4,193	4,335
Guarantee deposits	10,637	16,105
Due to supplementary pension funds	674	687
Due to social security institutions	5,877	6,253
Due to company boards and committees	146	134
Other ST liabilities	2,791	1,254
Total	53,690	55,317

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, 2021, 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.

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, 2021, the liability item totalled 418,717 thousand euro, compared to 358,631 thousand euro as at June 30, 2020.

(thousands of euro)	30/06/2021	30/06/2020
Current portion of long-term loans	167,611	274,750
ST Loans from subsidiaries	249,270	81,898
Accruals on financial payables	189	215
Lease liabilities current	1,647	1,768
Total	418,717	358,631

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)	30/06/2021	30/06/2020
Bank guarantees and liens to third parties	935,138	992,224
Bank guarantees and liens to third parties on behalf of Group companies	77,965	88,531
Total	1,013,103	1,080,755

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, 2021, guarantees from third parties in the company's favour amounted to 31,618 thousand euro.

INFORMATION ON THE INCOME STATEMENT

23) Revenues

Revenues are broken down as follows:

(thousands of euro)	30/06/2021		30/06/2020	
		of which with related parties		of which with related parties
Revenues from sales and services	1,567,983	328,996	695,285	112,256
Changes in finished products and construction contracts	(661,619)	82,623	385,182	310,222
Other operating income	20,854	14,089	21,213	12,317
Total revenues	927,218	425,708	1,101,680	434,795

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.

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)	30/06/2021		30/06/2020	
		of which with related parties		of which with related parties
Purchase of raw materials	38,067	0	26,458	0
Purchase of finished products	481,421	157,171	629,187	228,904
Other purchases	150		164	
Purchase cost of of raw materials and consumables	519,638	157,171	655,809	228,904

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)	30/06/2021		30/06/2020	
	Managers and staff	Blue collars	Managers and staff	Blue collars
Wages and salaries	95,301	17,847	98,904	18,395
Social security contributions	25,738	5,701	26,726	5,900
Employee Termination Indemnity	6,457	1,269	6,768	1,293
Other personnel costs	2,141	226	2,437	221
Personnel costs	154,680		160,644	

The average number of personnel during the last two financial years was as follows:

	30/06/2021	30/06/2020
Executives	82	85
White collars / Managers	1,622	1,674
Blue collars	505	544
Apprentices	135	158
Total	2,344	2,461

Changes in “Personnel costs” relate to the size of the organisation and the natural trend in earnings.

26) Other operating costs

These amounted to 235,349 thousand euro as at June 30, 2021 (278,733 thousand euro as at June 30, 2020) and consisted of:

(thousands of euro)	30/06/2021		30/06/2020	
		of which with related parties		of which with related parties
Cost for services	217,163	54,436	255,030	63,662
Use of third parties assets	8,739	480	8,286	371
Provisions	0		2,650	
Other costs	9,447	(312)	12,767	439
Total Other costs	235,349	54,604	278,733	64,472

26.1) Cost of services

Cost of services included in “Other operating costs” amounted to 217,163 thousand euro as at June 30, 2021, and 255,030 thousand as at June 30, 2020, thus decreasing by 37,867 thousand euro; they are made up as follows:

(thousands of euro)	30/06/2021		30/06/2020	
		of which with related parties		of which with related parties
Outsourcing	66,482	54,436	88,019	63,662
Energy and motive power	2,544		2,536	
Utilities	742		709	
Plant management, repairs and maintenance	4,917		5,743	
Travel and living expenses	7,366		14,520	
Commissions and premiums	3,877		5,719	
Despatch, transportations and portorage	59,447		53,013	
Insurances	3,333		3,197	
Legal and administrative consultancy	3,794		4,328	
Cleaning and security expenses	1,075		1,005	
Bank services	3,456		4,917	
Postal and communication costs	1,901		3,028	
Advertising and promotion expenses	404		867	
Other services	57,825		67,428	
Total Other for services	217,163	54,436	255,030	63,662

Outsourcing to Group companies is detailed in attachment X, under operating costs.
“Other cost of services” include emoluments to the Board of Statutory Auditors, amounting to 130 thousand euro (132 thousand euro as at June 30, 2020).

26.2) Cost for use of third party assets

At 8,739 thousand euro as at June 30, 2021, this item increased by 453 thousand euro compared to 8,286 thousand euro as at June 30, 2020.

(thousands of euro)	30/06/2021		30/06/2020	
		of which with related parties		of which with related parties
Use of third parties assets	8,739	480	8,286	371

26.3) Other operating costs

These amounted to 9,447 thousand euro as at June 30, 2021, compared to 12,767 thousand euro as at June 30, 2020, with a decrease of 3,320 thousand euro. They were made up as follows:

(thousands of euro)	30/06/2021		30/06/2020	
		of which with related parties		of which with related parties
Loss on disposal of tangible assets	15		3	
Sundry taxes	1,250		1,110	
Other charges	0		0	
Contributions	1,079		1,119	
Other operating costs	3,339	(312)	2,808	439
Extraordinary expense	3,764		7,727	
Other costs	9,447	(312)	12,767	439

Extraordinary expense decreased as at June 30, 2021, due to the settlement of some disputes during the year.

27) Depreciation, amortisation and write-downs

In detail:

(thousands of euro)	30/06/2021		30/06/2020	
Depreciation of property, plant and equipment	7,091		7,983	
Depreciation of right of use	1,537		1,644	
Amortisation of intangible assets	5,765		5,117	
Total depreciation and amortisation	14,393		14,744	
Write-down/(Reversal) of impairment losses	6,465		(863)	
Write-downs	6,465		(863)	
Total write-downs, depreciation and amortisation	20,858		13,881	

28) Financial income

This amounted to 22,506 thousand euro as at June 30, 2021, and consisted mainly of:

(thousands of euro)	30/06/2021		30/06/2020	
		of which with related parties		of which with related parties
Dividends from subsidiaries	17,500	17,500	0	0
Interest income on bank deposits	1,675		4,339	
Interest from customers	606		623	
Other financial income	2,725	1	669	9
Total	22,506	17,501	5,631	9

29) Financial charges

These consisted of:

(thousands of euro)	30/06/2021		30/06/2020	
	of which with related parties		of which with related parties	
Interest on loans and debts with banks and lessors	894	376	748	88
Interest on discount operations	50		2,867	
Financial expenses on the employee severance indemnity	0		58	
Charges for discounting of receivables	0		2,149	
Other financial charges	230		670	
Total	1,174	376	6,492	88

Note that interest expense for leases amounting to 171 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)	30/06/2021	30/06/2020
Exchange gains	25,903	25,019
Exchange losses	(43,688)	(19,711)
Total	(17,785)	5,308

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 negative result is mainly linked to the performance of the exchange rate of the US dollar against the euro.

31) Income taxes

These amounted to a negative balance of 2,706 thousand euro and were broken down as follows:

(thousands of euro)	30/06/2021	30/06/2020
Income taxes	641	231
(Income)/charges from tax consolidation	(3,565)	(2,278)
Prior year income taxes	2,709	(1,704)
Deferred tax assets	(1,920)	3,765
Deferred tax liabilities	(571)	(112)
Total	(2,706)	(98)

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)	30/06/2021	30/06/2020
Fixed fees	1,458	1,419
Variable fees	52	155
Benefits in kind	35	10
Total	1,545	1,584

33) Disclosure of public funds pursuant to Italian Law 124/2017

Grants and contributions received in the period from July 1, 2020, to June 30, 2021, 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 benefit
Autonomous Region of Friuli Venezia Giulia - Central management of production activities	150,000	Innovative project “BeSafe” - Advanced Protection of Intellectual Property and “business critical” ICT Assets/Services
Ministry of Economy and Finance	1,327,299	Italian Law no. 160 of December 27, 2019, Art. 1 paragraphs 184-194 (Off. Gaz. no. 304 of December 30, 2019)
Joint Interprofessional Fund called “Formazienda”, set up pursuant to art. 118, Italian Law no. 388 of December 23, 2000	20,385	Contributions for employee training TRAINING PLAN ID 2019-R010 CALLED “MAY 2019 PERSONNEL TRAINING”
Joint Interprofessional Fund called “Formazienda”, set up pursuant to art. 118, Italian Law no. 388 of December 23, 2000	53,087.50	Contributions for employee training TRAINING PLAN ID 2020-R080 CALLED “July 2020 PERSONNEL TRAINING”
Revenue Agency	28,297	Sanitisation and PPE credit - Italian Law Decree no. 34/2020 Art. 125

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, 2021. With regard to the COVID-19 pandemic, there are no events that have created an impact on the company after June 30, 2021. 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 27, 2021, would result in an increase of approximately 8 million euro in unrealised exchange differences for the year compared to the figure recorded considering the exchange rate as at June 30, 2021.

Except for what has already been discussed, no other events occurred after June 30, 2021, 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.

ATTACHMENT No. I
SCHEDULE OF EQUITY INVESTMENTS

	Balance as at 30/06/2019	Purchases and subscriptions	Sales or decreases	Write-downs
(thousands of euro)				
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	1	35		
	1,170,799	35	0	0
Grand Total	1,170,799	35	0	0

Balance as at 30/06/2020	Purchases and subscriptions	Sales or decreases	Write-downs	Balance as at 30/06/2021	Number of shares h eld	%
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
36	0			36	43	1.75
1,170,834	0	0	0	1,170,834		
1,170,834	0	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	30/06/2021
ABS Deutschland GmbH - Ratinger (DEU)		EURO	30/06/2021
Acciaierie Bertoli Safau Iberica SL - Bilbao (ESP)		EURO	30/06/2021
Acciaierie Bertoli Safau S.p.A. - Pozzuolo (UD)		EURO	30/06/2021
Acciaierie Bertoli Safau Scandinavia AB - Örebro (SWE)		SEK	30/06/2021
Acciaierie Bertoli Safau Sisak Doo - Sisak (HRV)	*	HRK	30/06/2021
Automation Integrated Solutions SpA - Pianezza (TO)		EURO	30/06/2021
Danieli Automation S.p.A. - Buttrio (UD)		EURO	30/06/2021
Danieli Automation Co. Ltd. - Rayong (THA)		THB	30/06/2021
Danieli Finance Solutions S.A. - Luxembourg (LUX)		EURO	30/06/2021
Danieli Canada Inc. - Toronto (CAD)		CAN	30/06/2021
Danieli Centro Combustion India Pvt. Ltd. - Pune (IND)	*	INR	30/06/2021
Danieli Centro Combustion S.p.A. - Cinisello Balsamo (MI)		EURO	30/06/2021
Danieli Centro Cranes S.p.A. - Rezzato (BS)		EURO	30/06/2021
Danieli Changsu Trading Co. Ltd - Changshu (CHN)	*	CNY	30/06/2021
Danieli Co. Ltd. - Rayong (THA)	*	EURO	30/06/2021
Danieli Construction International S.p.A. - Buttrio (UD)		EURO	30/06/2021
Danieli Corporation - Wilmington, Delaware (USA)		USD	30/06/2021
Danieli Corus BV - Ijmuiden (NLD)		EURO	30/06/2021
Danieli Corus India (Pvt) Ltd. - New Delhi (IND)		INR	30/06/2021
Danieli Hoogovens Steel Making Technology Ltd. Shanghai (CHN)		CNY	30/06/2021
Danieli Czech Engineering AS - Praha (CZE)		CZK	30/06/2021
Danieli Do Brasil LTDA - Diadema (BRA)	*	BRL	30/06/2021
Danieli Engineering & Services GmbH - Völkermarkt (AUT)		EURO	30/06/2021
Danieli Engineering Japan Co. Ltd. - Yokohama (JPN)		JPY	30/06/2021
Danieli Engineering Rom Srl - Cluj Napoca (ROU)	*	RON	30/06/2021
Danieli Germany GmbH - Duisburg (DEU)		EURO	30/06/2021
Danieli Heavy Machinery Eng. LLC - Dnepropetrovsk (UKR)	*	UAH	30/06/2021
Danieli Henschel SAS - Méry (FRA)		EURO	30/06/2021
Danieli Henschel Service OOO in liquidazione - Moscow (RUS)	*	RUB	30/06/2021
Danieli High Technology (Changshu) Co., Ltd - Changshu (CHN)		CNY	30/06/2021
Danieli Holdings Inc. - Wilmington, Delaware (USA)		USD	30/06/2021
Danieli India Ltd. - Kolkata (IND)	*	INR	30/06/2021
Danieli Malaysia Sdn Bhd - Kuala Lumpur (MYS)	*	MYR	30/06/2021
Danieli Metall. Equip. & Service (China) Co Ltd. Changshu (CHN)	*	CNY	30/06/2021
Danieli Metallurgical Equipm.(Beijing) Co Ltd. In liquidazione Beijing (CHN)	*	CNY	30/06/2021
Danieli Middle East for Eng. Services (LMTD) - Cairo (EGY)	*	EGP	30/06/2021
Danieli Procome Iberica SA - Dondika (ESP)		EURO	30/06/2021
Danieli Russia Engineering OOO in liquidazione - Moscow (RUS)	*	RUB	30/06/2021
Danieli Special Cranes S.r.l. in liquidazione - Gradisca d'Is. (GO)		EURO	30/06/2021

Non-current assets	Current assets	Shareholders' equity	Non-current liabilities	Current liabilities
3,751	3,503	6,838	0	415
103	179	99	76	108
3	155	121	0	37
675,421	502,376	658,722	102,239	416,837
0	1,089	682	0	406
416,333	428,444	297,922	198,632	348,223
36	2,698	505	720	1,509
171,709	123,110	168,138	8,390	118,291
49,084	38,606	50,511	0	37,178
2,273	1,095,880	1,084,263	380	13,511
0	174	172	0	1
35,628	739,884	209,834	105,039	460,639
2,691	68,814	12,515	2,274	56,715
61	5,485	5,300	0	246
0	6,672	1,797	0	4,875
37,910	379,371	92,679	2,235	322,367
4,389	28,455	29,380	690	2,774
10,075	442,311	13,259	2,238	436,889
14,385	63,834	50,580	0	27,640
40,590	844,809	368,153	0	517,246
18	92,105	44,368	0	47,754
5,784	54,783	44,210	0	16,357
13,086	37,659	31,044	(1)	19,702
4,191	62,642	36,489	98	30,245
60,329	995,690	(121,848)	0	1,177,866
91	7,732	6,834	256	732
14,207	70,625	2,915	3,374	78,544
10,462	125,889	112,295	18,620	5,436
373	2,737	403	240	2,468
1,358	8,387	(17,970)	0	27,716
646	192,087	14,951	1,080	120
64,605	3,703	60,415	0	7,893
4,699,396	8,909,326	4,377,747	719,025	8,511,950
0	2,421	1,885	0	535
751,852	5,546,113	1,466,851	190,099	4,641,015
0	1,567	189	0	1,378
322	40,576	(53,799)	0	94,697
1,167	10,207	10,493	123	759
1,378,107	52,608	1,405,144	0	25,571
669	2,106	2,657	0	119

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
Danieli Systec Doo - Labin (HRV)		HRK	30/06/2021
Danieli Systec Technology Doo - Nova Gorica (SLV)		EURO	30/06/2021
Danieli Systec Engineering Doo - Smederevo (SRB)	*	RSD	30/06/2021
Danieli Technology Inc. - Wilmington, Delaware (USA)		USD	30/06/2021
Danieli Tongchuang Information Technology (Beijing) Co.Ltd Beijing (CHN)		CNY	30/06/2021
Danieli UK Holding Ltd. - Rotherham (GBR)		GBP	30/06/2021
Danieli Volga LLC - Dzerzhinsk (RUS)	*	RUB	30/06/2021
DWU Engineering Polska - Wroclaw (POL)		PLZ	30/06/2021
Elsid Cheda Ltd. - Moscow (RUS)	*	RUB	30/06/2021
ESW Röhrenwerke GmbH - Eschweiler (DEU)		EURO	30/06/2021
Fata Gulf Co. WLL - Doha (QAT)	*	QAR	30/06/2021
Fata S.p.A. - Pianezza (TO)	*	EURO	30/06/2021
Findan S.p.A. - Pradamano (UD)		EURO	30/06/2021
"Industrial Beteiligung Serv. & Contracting Co. LLC Al Khobar (SAU)"		SAR	30/06/2021
Industrielle Beteiligung Company Ltd. - HoChiMinh City (VNM)		VND	30/06/2021
Industrielle Beteiligung SA - Luxembourg (LUX)		EURO	30/06/2021
Innoval Technology Ltd.- Rotherham (GBR)		GBP	30/06/2021
Sabolarie Haven & Hospitality S.p.A. Buttrio (UD)		EURO	30/06/2021
More S.r.l. - Gemona del Friuli (UD)		EURO	30/06/2021
Morgårdshammar AB - Smedjebacken (SWE)		SEK	30/06/2021
Pars Foulad Jam Sama Heavy Metallurgical Equipment Co. PJS Eshtehard (IRN)	*	IRR	30/06/2021
Rotelec SA - St. Quentin (FRA)		EURO	30/06/2021
Zhuozhou Ruixin Metallurgy Equipment Co., Ltd - (CHN)		CNY	30/06/2021
Scuole e Asili Cecilia Danieli S.r.l. - Buttrio (UD)		EURO	30/06/2021
Stern S.r.l. in liquidazione - Magnago (MI)		EURO	30/06/2021
Sund Birsta AB - Sundsvall (SWE)		SEK	30/06/2021
Sund Birsta Beijing Metallurgical Equipment Co. Ltd. Beijing (CHN)		CNY	30/06/2021
Sund Birsta Inc. - Jacksonville, Florida (USA)	*	USD	30/06/2021
Sund Strap AB - Sundsvall (SWE)		SEK	30/06/2021
Danieli Telerobot Labs Srl - Genova	*	EURO	30/06/2021
Termo Makina Sanayi Ve Tic. AS - Duzce (TUR)	*	TRY	30/06/2021
Turismo 85 S.r.l. - Buttrio (UD)		EURO	30/06/2021

* numbers in the accounts prepared for the consolidated financial statements

Non-current assets	Current assets	Shareholders' equity	Non-current liabilities	Current liabilities
28,266	67,917	65,456	0	30,728
361	1,046	1,321	0	86
6,063	279,393	255,666	0	29,790
0	2,626	2,626	0	0
1,252	54,898	24,431	0	31,718
7,127	22,631	10,941	944	17,872
1,278,857	1,907,297	1,573,379	9,690	1,603,083
422	4,713	2,822	346	1,967
514	114,516	106,917	0	8,113
12,158	2,381	13,118	1,176	245
17	3,431	890	0	2,558
12,684	130,989	5,661	1,111	136,900
9,299	400	9,321	0	378
22	2,968	2,184	685	120
118,026,013	83,041,716	146,207,536	0	54,860,194
726,296	8,360	674,652	0	60,004
214	1,090	1,159	0	145
5,669	574	1,990	0	4,251
6,462	27,204	26,081	3,336	4,247
13,791	294,035	86,258	0	221,568
1,249,137,222	770,667,886	204,404,952	1,012,515,672	802,884,483
607	16,245	11,527	145	36
4,565	16,936	17,391	3,250	30
5,410	1,168	1,369	4,215	994
167	1,268	1,335	0	99
7,366	529,518	364,132	26,984	145,768
2,872	83,666	43,526	0	43,013
507	6,724	5,433	0	1,799
0	116	116	0	0
200	4,746	1,079	361	3,507
13,727	9,317	15,161	0	7,883
650	2,280	595	756	1,579

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	3,677
ABS Deutschland GmbH - Ratinger (DEU)	EURO	678
Acciaierie Bertoli Safau Iberica SL - Bilbao (ESP)	EURO	370
Acciaierie Bertoli Safau S.p.A. - Pozzuolo (UD)	EURO	889,940
Acciaierie Bertoli Safau Scandinavia AB - Örebro (SWE)	SEK	2,280
Acciaierie Bertoli Safau Sisak Doo - Sisak (HRV)	* HRK	560,486
Danieli Automation S.p.A. - Buttrio (UD)	EURO	152,222
Danieli Automation Co. Ltd. - Rayong (THA)	THB	50,967
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	416,413
Danieli Centro Combustion S.p.A. - Cinisello Balsamo (MI)	EURO	44,203
Danieli Centro Cranes S.p.A. in liquidazione - Rezzato (BS)	EURO	79
Danieli Changsu Trading Co. Ltd - Changshu (CHN)	* CNY	17,486
Danieli Co. Ltd. - Rayong (THA)	* EURO	195,739
Danieli Construction International S.p.A. - Buttrio (UD)	EURO	8,401
Danieli Corporation - Wilmington, Delaware (USA)	USD	542,017
Danieli Corus BV - IJmuiden (NLD)	EURO	50,039
Danieli Corus India (Pvt) Ltd. - New Delhi (IND)	INR	998,806
Danieli Hoogovens Steel Making Technology Ltd Shanghai (CHN)	CNY	88,162
Danieli Czech Engineering AS - Praha (CZE)	CZK	17,148
Danieli Do Brasil LTDA - Diadema (BRA)	* BRL	53,914
Danieli Engineering & Services GmbH - Völkermarkt (AUT)	EURO	89,422
Danieli Engineering Japan Co. Ltd. - Yokohama (JPN)	JPY	879,666
Danieli Engineering Rom Srl - Cluj Napoca (ROU)	* RON	5,296
Danieli Germany GmbH - Duisburg (DEU)	EURO	30,610
Danieli Heavy Machinery Engineering LLC Dnepropetrovsk (UKR)	* UAH	59,063
Danieli Henschel SAS - Méry (FRA)	EURO	2,529
Danieli Henschel Service OOO in liquidazione - Moscow (RUS)	* RUB	0
Danieli High Technology (Changshu) Co.Ltd - Changshu (CHN)	CNY	155,580
Danieli Holdings Inc. - Wilmington, Delaware (USA)	USD	0
Danieli India Ltd. - Kolkata (IND)	* INR	4,679,244
Danieli Malaysia Sdn Bhd - Kuala Lumpur (MYS)	* MYR	0
Danieli Metall. Equip. & Service (China) Co Ltd.Changshu (CHN)	* CNY	2,134,206
Danieli Metallurgical Equipm.(Beijing) Co Ltd. In liquidazione Beijing (CHN)	* CNY	31,330
Danieli Middle East for Eng. Services (LMTD) - Cairo (EGY)	* EGP	676
Danieli Procome Iberica SA - Dondika (ESP)	EURO	3,293
Danieli Russia Engineering LLC in liquidazione - Moscow (RUS)	* RUB	37,164
Danieli Special Cranes S.r.l. in liquidazione - Gradisca d'Is. (GO)	EURO	0

Costs of Production	Fin. income and expenses	Taxes for the year	Net profit	Number of employees
(2,670)	0	(61)	945	20
(646)	(1)	(9)	21	4
(295)	0	(22)	54	1
(841,515)	6,361	(13,609)	41,177	1,222
(1,849)	0	(92)	338	1
(605,934)	(901)	5,250	(41,099)	160
(138,520)	(390)	(3,245)	10,066	420
(53,304)	(47)	0	(2,385)	22
(1,209)	4,817	(3,267)	348	5
(320)	(94)	0	(413)	0
(397,981)	22,276	(12,750)	27,959	62
(46,024)	(759)	453	(2,127)	105
(303)	10	(657)	(872)	0
(15,935)	(1,750)	(768)	(967)	0
(183,964)	947	(2,192)	10,529	893
(8,140)	(5)	(697)	(441)	66
(538,642)	(901)	(576)	1,899	103
(40,219)	(304)	383	9,898	136
(634,322)	(13,150)	(94,290)	257,044	34
(64,347)	(680)	(5,784)	17,351	11
(9,316)	(2,270)	(6,844)	(1,282)	5
(45,210)	260	(415)	8,549	13
(67,092)	(159)	(5,478)	16,694	55
(929,655)	(10,886)	16,916	(43,959)	10
(4,888)	97	0	505	23
(31,642)	(2,905)	534	(3,404)	98
(49,100)	7,078	(2,798)	14,242	64
(2,212)	0	0	317	0
(467)	(1,982)	491	(1,958)	0
(151,230)	(28)	(1,080)	3,241	44
(20)	1,489	0	1,469	0
(4,619,060)	(498,516)	100,556	(337,775)	461
(65)	0	0	(65)	0
(1,959,676)	(77,703)	(14,524)	82,303	916
(10,992)	108,284	(16,850)	111,773	0
(7,082)	(1,460)	0	(7,866)	2
(3,072)	(21)	(48)	152	13
(48,989)	419	(226)	(11,633)	1
(25)	0	8	(17)	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 Doo - Labin (HRV)	HRK	180,004
Danieli Systec Technology Doo - Nova Gorica (SLV)	EURO	988
Danieli Systec Eng. Doo - Smederevo (SRB)	*	RSD 344,583
Danieli Technology Inc. - Wilmington, Delaware (USA)	USD	0
Danieli Tongchuang Information Technology (Beijing) Co.,Ltd Beijing (CHN)	CNY	59,739
Danieli UK Holding Ltd. - Rotherham (GBR)	GBP	19,298
Danieli Volga LLC - Dzerzhinsk (RUS)	*	RUB 2,235,860
DWU Engineering Polska SP z.o.o.- Wroclaw (POL)	PLZ	10,251
Elsid Cheda Ltd. - Moscow (RUS)	*	RUB 102,738
ESW Röhrenwerke GmbH - Eschweiler (DEU)	EURO	0
Fata Gulf Co. WLL - Doha (QAT)	*	QAR 2,577
Fata S.p.A. - Pianezza (TO)	*	EURO 98,316
Findan S.p.A. - Pradamano (UD)	EURO	460
Industrial Beteiligung Serv. & Contr. Co. LLC - Al Khobar (SAU)	SAR	2,021
Industrielle Beteiligung Company Ltd. - HoChiMinh City (VNM)	VND	186,907,580
Industrielle Beteiligung SA - Luxembourg (LUX)	EURO	0
Innoval Technology Ltd.- Rotherham (GBR)	GBP	1,607
Sabolarie Haven & Hospitality S.p.A. - Buttrio (UD)	EURO	38
More S.r.l. - Gemona del Friuli (UD)	EURO	20,085
Morgårdshammar AB - Smedjebacken (SWE)	SEK	113,189
Pars Foulad Jam Sama Heavy Metallurgical Equipment Co. PJS Eshtehard (IRN)	*	IRR 198,584,810
Rotelec SA - St.Quentin (FRA)	EURO	13,729
Zhuozhou Ruixin Metallurgy Equipment Co., Ltd - (CHN)	CNY	17,448
Scuole e Asili Cecilia Danieli S.r.l. - Buttrio (UD)	EURO	354
Stem S.r.l. in liquidazione - Magnago (MI)	EURO	0
Sund Birsta AB - Sundsvall (SWE)	SEK	466,231
Sund Birsta Beijing Metallurgical Equipment Co. Ltd. Beijing (CHN)	CNY	85,876
Sund Birsta Inc. - Jacksonville, Florida (USA)	*	USD 9,006
Sund Strap AB - Sundsvall (SWE)	SEK	0
Danieli Telerobot Labs Srl - Genova	*	EURO 4,524
Termo Makina Sanayi Ve Tic. AS - Duzce (TUR)	*	TRY (7,538)
Turismo 85 S.r.l. - Buttrio (UD)	EURO	2,233

* 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
(173,627)	(340)	(328)	5,709	267
(900)	0	(14)	74	16
(343,356)	(776)	(713)	(262)	65
0	5	0	5	0
(60,804)	487	0	(578)	74
(19,728)	262	21	(146)	65
(2,107,517)	(10,660)	(46,243)	71,439	141
(9,741)	(45)	(78)	387	58
(81,776)	2,194	(4,631)	18,525	31
0	0	0	(17,637)	2
(2,500)	(3)	(51)	23	1
(99,530)	281	273	(660)	119
(560)	629	(86)	442	0
(3,851)	(48)	0	(1,877)	10
(167,299,463)	2,679,764	(1,228,255)	21,059,625	180
(6,856)	31,716	(5)	24,855	2
(1,615)	(33)	52	11	22
(103)	(1)	0	(65)	0
(15,416)	(167)	(1,416)	3,086	83
(107,978)	6,070	(94)	11,186	24
(351,870,745)	8,015,084	0	(145,270,851)	34
(10,796)	(17)	(820)	2,095	36
(11,111)	(256)	(681)	5,399	30
(300)	(58)	(2)	(5)	0
(33)	0	0	(33)	0
(406,037)	29	(12,624)	47,599	77
(71,549)	(734)	(3,437)	10,156	31
(6,713)	(2)	(496)	1,795	8
0	0	0	0	0
(4,476)	(74)	(4)	(29)	23
(16,164)	(14,608)	0	(38,309)	2
(1,911)	(1)	69	391	32

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, 2021	(C)=(A-B) Difference	Notes
(thousands of euro)						
SUBSIDIARIES						
Direct						
Danieli Finance Solutions S.A. - Luxembourg (LUX)	30.06	100.00	1,084,263	824,303	259,960	
Industrielle Beteiligung SA - Luxembourg (LUX)	30.06	100.00	674,652	502,945	171,707	
Indirect						
ABS Centre Métallurgique Sas - Metz (FRA)	30.06	100.00	6,838	5,000	1,838	
ABS Deutschland GmbH - Ratinger (DEU)	30.06	100.00	99	225	(126)	(2)
Acciaierie Bertoli Safau Iberica SL - Bilbao (ESP)	30.06	100.00	121	42	80	
Acciaierie Bertoli Safau S.p.A. - Pozzuolo (UD)	30.06	100.00	658,723	348,989	309,734	
Acciaierie Bertoli Safau Scandinavia AB - Örebro (SWE)	30.06	100.00	67	6	62	
Acciaierie Bertoli Safau Sisak Doo - Sisak (HRV)	30.06	100.00	39,769	42,413	(2,644)	(2)
Danieli Automation S.p.A. - Buttrio (UD)	30.06	100.00	168,138	12,664	155,474	
Danieli Automation Co. Ltd. - Rayong (THA)	30.06	100.00	1,325	1,325	(0)	
Danieli Canada Inc. - Toronto (CAD)	30.06	100.00	118	1,233	(1,115)	(2)
Danieli Centro Combustion India Pvt. Ltd. - Pune (IND)	31.03	100.00	2,376	366	2,010	
Danieli Centro Combustion S.p.A. - Cinisello Balsamo (MI)	30.06	100.00	12,515	3,292	9,223	
Danieli Centro Cranes S.p.A. in liquidazione - Rezzato (BS)	30.06	100.00	5,300	5,176	124	
Danieli Changsu Trading Co. Ltd - Changshu (CHN)	31.12	100.00	1,797	128	1,669	
Danieli Co. Ltd. - Rayong (THA)	30.06	100.00	92,679	29,918	62,761	
Danieli Construction International S.p.A. - Buttrio (UD)	30.06	100.00	29,380	24,769	4,611	
Danieli Corporation - Wilmington, Delaware (USA)	30.06	100.00	12,031	8,279	3,752	
Danieli Corus BV - IJmuiden (NLD)	30.06	100.00	50,580	32,200	18,380	
Danieli Corus India (Pvt) Ltd. - New Delhi (IND)	30.06	100.00	4,168	1,644	2,524	
Danieli Hoogovens Steel Making Technology Ltd. Shanghai (CHN)	30.06	100.00	5,782	3,584	2,198	
Danieli Czech Engineering AS - Praha (CZE)	30.06	100.00	1,735	116	1,619	
Danieli Do Brasil LTDA - Diadema (BRA)	31.12	100.00	5,257	2,486	2,771	
Danieli Engineering & Services GmbH - Völkermarkt (AUT)	30.06	100.00	36,489	4,000	32,489	
Danieli Engineering Japan Co. Ltd. - Yokohama (JPN)	30.06	100.00	(927)	(927)	(0)	
Danieli Engineering Rom Srl - Cluj Napoca (ROU)	31.12	100.00	1,387	5	1,382	
Danieli Germany GmbH - Duisburg (DEU)	30.06	100.00	2,915	2,915	(0)	
Danieli Heavy Machinery Engineering LLC - Dnepropetrovsk (UKR)	31.12	100.00	3,470	935	2,535	
Danieli Henschel SAS - Méry (FRA)	31.12	100.00	403	19,282	(18,879)	(3)
Danieli Henschel Service OOO in liquidazione - Moscow (RUS)	31.12	100.00	(207)	4	(211)	(2)
Danieli High Technology (Changshu) Co., Ltd - Changshu (CHN)	30.06	100.00	1,948	1,500	448	
Danieli Holdings Inc. - Wilmington, Delaware (USA)	30.06	100.00	50,837	50,837	0	
Danieli India Ltd. - Kolkata (IND)	31.03	100.00	49,565	52,224	(2,660)	(2)
Danieli Malaysia Sdn Bhd - Kuala Lumpur (MYS)	31.12	100.00	382	111	271	
Danieli Metall. Equip. & Service (China) Co Ltd.Changshu (CHN)	31.12		191,141	30,000	161,141	
Danieli Metallurgical Equipm. (Beijing) Co Ltd. In liquidazione Beijing (CHN)	31.12	100.00	25	(13,819)	13,843	
Danieli Russia Engineering OOO in liquidazione - Moscow (RUS)	31.12	100.00	16,193	10,137	6,056	
Danieli Special Cranes S.r.l. in liquidazione - Gradisca d'Is. (GO)	30.06	100.00	2,658	2,649	8	
Danieli Systec Doo - Labin (HRV)	30.06	100.00	8,738	12	8,725	
Danieli Systec Technology Doo - Nova Gorica (SLV)	30.06	100.00	1,321	13	1,308	

Danieli Systec Eng. Doo - Smederevo (SRB)	31.12	100.00	2,177	0	2,176	
Danieli Technology Inc. - Wilmington, Delaware (USA)	30.06	100.00	2,210	2,122	88	
Danieli Tongchuang Information Technology (Beijing) Co., Ltd Beijing (CHN)	30.06	51.00	6,242	1,660	4,582	
Danieli UK Holding Ltd. - Rotherham (GBR)	30.06	100.00	12,751	10,882	1,869	
Danieli Volga LLC - Dzerdzhinsk (RUS)	31.12	100.00	18,132	17,501	631	
DWU Engineering Polska SP.z.o.o.- Wroclaw (POL)	30.06	100.00	624	122	502	
Elsid Cheda Ltd. - Moscow (RUS)	31.12	100.00	1,232	79	1,153	
ESW Röhrenwerke GmbH - Eschweiler (DEU)	30.06	100.00	13,118	94,025	(80,907)	(3)
Fata S.p.A. - Pianezza (TO)	31.12	100.00	5,661	56,169	(50,508)	(3)
Findan S.p.A. - Pradamano (UD)	30.06	100.00	9,321	8,770	551	
Industrial Beteiligung Serv. & Contracting Co. LLC Al Khobar (SAU)	30.06	100.00	490	910	(420)	(2)
Industrielle Beteiligung Company Ltd. - HoChiMinh City (VNM)	30.06	100.00	5,344	2,514	2,830	
Innoval Technology Ltd.- Rotherham (GBR)	30.06	100.00	1,351	3,915	(2,564)	(3)
Sabolarie Haven & Hospitality S.p.A. Buttrio (UD)	30.06	100.00	1,990	2,100	(110)	(2)
More S.r.l. - Gemona del Friuli (UD)	30.06	100.00	26,081	3,346	22,735	
Morgårdshammar AB - Smedjebacken (SWE)	30.06	100.00	8,531	6,952	1,579	
Pars Foulad Jam Sama Heavy Metallurgical Equipment Co. PJS Eshtehard (IRN)	30.06	100.00	4,095	13,430	(9,334)	(2)
Scuole e asili Cecilia Danieli S.r.l. - Buttrio (UD)	30.06	100.00	1,369	500	869	
Stem S.r.l. in liquidazione - Magnago (MI)	30.06	100.00	1,335	1,336	(1)	
Sund Birsta AB - Sundsvall (SWE)	30.06	100.00	36,013	3,217	32,796	
Sund Birsta Beijing Metallurgical Equipment Co. Ltd. Beijing (CHN)	30.06	100.00	5,672	512	5,160	
Sund Birsta Inc. - Jacksonville, Florida (USA)	30.06	100.00	4,572	8	4,564	
Sund Strap AB - Sundsvall (SWE)	30.06	100.00	11	5	7	
Danieli Telerobot Labs Srl - Genova	31.12	100.00	1,079	965	114	
Turismo 85 S.r.l. - Buttrio (UD)	30.06	100.00	595	76	519	
Termo Makina Sanayi Ve Tic. AS - Duzce (TUR)	31.12	100.00	1,469	1,469	0	
Automation Integrated Solutions S.p.A. - Pianezza (TO)	31.12	100.00	505	505	0	
Danieli Procome Iberica SA - Dondika (ESP)	30.06	99.99	10,493	218	10,275	
Rotelec SA - St.Quentin (FRA)	30.06	99.99	11,527	341	11,186	
Danieli Middle East for Eng. Services (LMTD) - Cairo (EGY)	31.12	99.80	(2,882)	(3,568)	686	
Zhuozhou Ruixin Metallurgy Equipment Co., Ltd - (CHN)	30.06	51.00	2,266	332	1,934	
Fata Gulf Co. WLL - Doha (QAT)	31.12	49.00	176	40	136	
ASSOCIATES						
Indirect						
Danieli Taranis LLC - Chelsea (USA)	30.06	50.00	1,292	3,040	(1,748)	(3)
Inter-Rail S.p.A. - Udine	31.12	50.00	3,392	3,224	168	
Telefriuli S.p.A. - Udine	31.12	31.51	95	89	6	
D.S.R. Sider Engineering Group S.p.A. - Pozzuolo del Friuli (UD)	31.12	30.00	352	2,415	(2,063)	(3)
Fata Hunter India PVT - Bangalore (IND)	31.03	100.00	34	41	(7)	(3)
OTHERS						
Indirect						
Metal Interconnettor S.c.p.A. - Milano	31.12	3.80	7,688	7,688	0	
Total higher value					1,172,524	

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	22,397	0
Treasury shares at cost	(87,138)	
Extraordinary reserve	742,286	
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	(3,559)	
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	727,516	12,023
Profit for the year	2,946	
Grand total	811,767	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	
22,397		A B	22,397
	(87,138)	-	
	742,286	A B C	742,286
	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	-	
	(3,559)	-	
	0	-	
	(2,009)	-	
22,522	692,971		788,242
	2,946		
37,644	761,350		788,242

ATTACHMENT No. V
BANK DEBTS

	Original amounts	Current portions due by June 30, 2022	Portions due after June 30, 2022	Total
(thousands of euro)				
Payables to banks for loans				
- BNL loan (Annual floating rate 0 - last instalment by June 2022, in euro)	40,000	40,000	0	40,000
- Friuladria loan (Annual floating rate 0.02 - last instalment by September 2021, in euro)	18,000	18,000	0	18,000
- Banco BPM loan (Annual floating rate 0.03 - last instalment by October 2021, in euro)	30,000	30,000	0	30,000
- BPER loan (Annual floating rate 0.05 - last instalment by July 2021, in euro)	20,000	6,000	0	6,000
- Danieli Finance Solutions loan (Annual floating rate 0.0740% - last instalment by November 2021, in euro)	50,000	50,000	0	50,000
- Danieli Finance Solutions loan (Annual floating rate 0.0740% - last instalment by November 2021, in euro)	100,000	100,000	0	100,000
- Credem loan (Annual floating rate 0.02% - last instalment by May 2022, in euro)	35,000	35,000	0	35,000
- Bank Austria loan (Annual floating rate 0% until April 23rd, 2021 last instalment by September 2022, in euro)	50,000	0	50,000	50,000
- Banca Intesa Brescia loan (Annual floating rate 0.013% - last instalment by October 2023, in euro)	50,000	12,500	18,750	31,250
- Banca Intesa loan (Annual floating rate 0% - last instalment by December 2025, in euro) (Covenants: NFP/EBITDA ratio not greater than 2.0; NFP/shareholders' equity ratio not greater than 1.0)	95,000	21,111	73,889	95,000
- Ubi Banca loan (Annual fixed rate 0.06% - 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	5,000	0	5,000
TOTAL	608,000	317,611	192,639	510,250
IFRS 16 Financial Loans		1,647	8,690	10,337
GRAND TOTAL	608,000	319,258	201,329	520,587

ATTACHMENT No. VI**EQUITY INVESTMENTS HIGHER THAN 10% IN UNLISTED COMPANIES AS AT JUNE 30, 2021****Italian subsidiaries**

no.	investee company	% as at June 30, 2021	dir.	ind.	through	Share Capital (thousands)	
						%	Amount
						currency	
1	Acciaierie Bertoli Safau S.p.A. - Via Buttrio 28 33050 Pozzuolo (UD)	100.00		x x	Industrielle Beteiligung SA Findan S.p.A.	99.918 0.081	euro 290,000
2	Corte delle Fucine S.r.l. - Via Nazionale n. 41 33042 Buttrio (UD)	100.00		x	Findan S.p.A.	100.00	euro 100
3	Danieli Automation S.p.A. - Via B. Stringher 4 33042 Buttrio (UD)	100.00		x x	Industrielle Beteiligung SA Findan S.p.A.	99.95 0.05	euro 10,000
4	Danieli Centro Combustion S.p.A. - Via G. Galilei 40 20092 Cinisello Balsamo (MI)	100.00		x x	Industrielle Beteiligung SA Findan S.p.A.	99.8 0.2	euro 2,500
5	Danieli Centro Cranes S.p.A. in liquidazione - Via Gardesana 22 25086 Rezzato (BS)	100.00		x x	Industrielle Beteiligung SA Findan S.p.A.	75.00 25.00	euro 120
6	Danieli Construction International S.p.A. - Via Nazionale 41 33042 Buttrio (UD)	100.00		x x	Industrielle Beteiligung SA Findan S.p.A.	99.999 0.0001	euro 6,000
7	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
8	Danieli Telerobot Labs Srl a s.u. - via Bucciari 9 - Stradario 08520 16153 Genova	100.00		x	Danieli Automation S.p.A.	100.000	euro 595
9	Fata S.p.A. - Strada Statale n. 24 Km 12 10044 Pianezza (TO)	100.00		x	Industrielle Beteiligung SA	100.00	euro 5,000
10	Findan S.p.A. - Via Dante 56 33040 Pradamano (UD)	100.00		x x	Industrielle Beteiligung SA Danieli Constr. Intern. S.p.A.	99.96 0.04	euro 2,500
11	Sabolarie Haven & Hospitality S.p.A. - Via Nazionale n. 41 33042 Buttrio (UD)	100.00		x	Findan S.p.A.	100.00	euro 2,100
12	More S.r.l. - Via Santa Lucia 7 33013 Gemona del Friuli (UD)	100.00		x x	Industrielle Beteiligung SA Findan S.p.A.	79.167 20.84	euro 240
13	Scuole e Asili Cecilia Danieli S.r.l. - Via Nazionale 41 33042 Buttrio (UD)	100.00		x 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 x	Industrielle Beteiligung SA Findan S.p.A.	99.00 1.00	euro 265
15	Turismo 85 S.r.l. - Via Nazionale 8/C 33042 Buttrio (UD)	100.00		x x	Industrielle Beteiligung SA Findan S.p.A.	99.00 1.00	euro 10
16	Zerotredici Polo Formativo S.r.l. - Via Nazionale n. 41 33042 Buttrio (UD)	100.00		x	Findan S.p.A.	100.00	euro 100
17	Absolute Scarl - via Buttrio 28 33050 Pozzuolo del Friuli (UD)	50.00		x	Acc. Bertoli Safau S.p.A.	50.00	euro 50
18	Editoriale il Friuli S.r.l. - via Nazionale 120 33010 Tavagnacco (UD)	31.51		x	Telefriuli S.p.A.	100.00	euro 100
19	Euronews S.r.l. - via Nazionale 120 - 33010 Tavagnacco (UD)	31.51		x	Editoriale il Friuli	100.00	euro 15
20	Telefriuli S.p.A. - via Nazionale 120 - 33010 Tavagnacco (UD)	31.51		x	Findan S.p.A.	31.51	euro 156
21	Daneasy S.r.l. - Largo Augusto 3 - 20122 Milano	19.00		x	Findan S.p.A.	19.00	euro 10
22	Inter-Rail S.p.A. - Via Carducci 44 - 33100 Udine	50.00		x	Acc. Bertoli Safau S.p.A.	50.00	euro 120
23	Automation Integrated Solutions S.p.A. - SS 24 Km 12 10044 Pianezza (TO)	100.00		x	Danieli Automation S.p.A.	100.00	euro 100
24	In-Rail S.p.A. - Via M. Boccanegra 15 - 16126 Genova	18.47		x	Inter-Rail S.p.A.	36.93	euro 1,850
25	Primus Capital S.p.A. in liquidazione Via A. Cechov 502 - 20151 Milano	9.00		x	Industrielle Beteiligung SA	9.00	euro 8,000

Società estere

no.	investee company	% as at June 30, 2021	dir.	ind.	through	Share Capital (thousands)	
						%	Amount
						currency	
26	ABS Centre Métallurgique Sas- Metz (FRA)	100.00		x	Acc. Bertoli Safau S.p.A.	100.00	euro 5,000
27	ABS Deutschland GmbH - Ratinger (DEU)	100.00		x	Acc. Bertoli Safau S.p.A.	100.00	euro 25

Foreign subsidiaries

no.	investee company	% as at June 30, 2021	dir.	ind.	through	Share Capital (thousands)	
						% currency	Amount
28	Acciaierie Bertoli Safau Iberica SL - Bilbao (ESP)	100.00		x	Acc. Bertoli Safau S.p.A.	100.00 euro	3
29	Acciaierie Bertoli Safau Scandinavia AB - Örebro (SWE)	100.00		x	Acc. Bertoli Safau S.p.A.	100.00 sek	50
30	Acciaierie Bertoli Safau Sisak Doo - Sisak (HRV)	100.00		x	Acc. Bertoli Safau S.p.A.	100.00 hrk	811,833
31	Danieli Automation Co. Ltd. - Rayong (THA)	100.00		x	Industrielle Beteiligung SA	100.00 thb	81,275
32	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
33	Danieli Canada Inc. - Toronto (CAD)	100.00		x	Danieli Corporation	100.00 cad	7,922
34	Danieli Centro Combustion India Pvt. Ltd. -Pune (IND)	100.00		x	Industrielle Beteiligung SA	100.00 inr	24,000
35	Danieli Changsu Trading Co. Ltd - Changshu (CHN)	100.00		x	Danieli Germany GmbH	100.00 cny	1,000
36	Danieli Co. Ltd. - Rayong (THA)	100.00		x	Industrielle Beteiligung SA	100.00 thb	1,445,000
37	Danieli Corporation - Wilmington, Delaware (USA)	100.00		x	Danieli Holdings Inc.	100.00 usd	1
38	Danieli Corus BV - IJmuiden (NLD)	100.00		x	Danieli Corus Technical	100.00 euro	136
39	Danieli Corus India (Pvt) Ltd. - New Delhi (IND)	100.00		x x	Danieli Corus BV Industrielle Beteiligung SA	99.95 0.05 inr	875
40	Danieli Czech Engineering AS - Praha (CZE)	100.00		x	Industrielle Beteiligung SA	100.00 czk	3,000
41	Danieli do Brasil LTDA - Diadema (BRA)	100.00		x	Industrielle Beteiligung SA	100.00 brl	3,373
42	Danieli Engineering & Services GmbH - Völkermarkt (AUT)	100.00		x	Industrielle Beteiligung SA	100.00 euro	4,000
43	Danieli Engineering Japan Co. Ltd. - Yokohama (JPN)	100.00		x	Industrielle Beteiligung SA	100.00 jpy	40,000
44	Danieli Engineering Rom Srl - Cluj Napoca (ROU)	100.00		x	Industrielle Beteiligung SA	100.00 ron	10
45	Danieli Germany GmbH - Duisburg (DEU)	100.00		x	Industrielle Beteiligung SA	100.00 euro	10,000
46	Danieli Heavy Machinery Engineering LLC Dnepropetrovsk (UKR)	100.00		x	Industrielle Beteiligung SA	100.00 uah	177,882
47	Danieli Henschel SAS - Mery (FRA)	100.00		x	Industrielle Beteiligung SA	100.00 euro	192
48	Danieli Henschel Service OOO in liquidazione - Moscow (RUS)	100.00		x	Danieli Henschel SAS	100.00 rub	50
49	Danieli High Technology (Changshu) Co., Ltd - Changshu (CHN)	100.00		x	Industrielle Beteiligung SA	100.00 euro	1,500
50	Danieli Holdings Inc. - Wilmington, Delaware (USA)	100.00		x	Industrielle Beteiligung SA	100.00 usd	8,825
51	Danieli Hoogovens Steel Making Technology Ltd. Shanghai (CHN)	100.00		x	Danieli Corus BV	100.00 usd	200
52	Danieli India Ltd. - Kolkata (IND)	100.00		x	Industrielle Beteiligung SA	100.00 inr	5,649,416
53	Danieli Malaysia Sdn. Bhd. - Kuala Lumpur (MYS)	100.00		x	Danieli Constr. International S.p.A.	100.00 myr	500
54	Danieli Metall. Equip. & Service (China) Co Ltd.Changshu (CHN)	100.00		x	Industrielle Beteiligung SA	100.00 cny	280,111
55	Danieli Metallurgical Equipm.(Beijing) Co Ltd. in liquidazione Shanghai City (CHN)	100.00		x	Industrielle Beteiligung SA	100.00 cny	41,297
56	Danieli Metallurgical Industry (China) Co., Ltd - Beijing (CHN)	100.00		x	Industrielle Beteiligung SA	100.00 cny	50,000
57	Danieli Metallurgical Materials (Jiangsu) Co., Ltd - Beijing (CHN)	100.00		x	Danieli Metallurgical Equipment and Service (China) Co., Ltd.	100.00 cny	23,579
58	Danieli Industrial Automation (Suzhou) Co., Ltd - Beijing (CHN)	100.00		x	Danieli Metallurgical Equipment and Service (China) Co., Ltd.	100.00 cny	50,000
59	Danieli Russia Engineering OOO in liquidazione - Moscow (RUS)	100.00		x	Industrielle Beteiligung SA	100.00 rub	50,350
60	Danieli Systec doo - Labin (HRV)	100.00		x	Danieli Automation S.p.A.	100.00 hrk	750

Foreign subsidiaries

no.	investee company	% as at June 30, 2021	dir.	ind.	through	Share Capital (thousands)	
						% currency	Amount
61	Danieli Systec Engineering Doo - Smederevo (SRB)	100.00		x	Danieli Automation S.p.A.	100.00 rsd	51
62	Danieli Systec Technology Doo - Nova Gorica (SLV)	100.00		x	Danieli Automation S.p.A.	100.00 euro	38
63	Danieli Technology Inc. - Wilmington, Delaware (USA)	100.00		x	Danieli Holdings, Inc.	100.00 usd	1
64	Danieli UK Holding Ltd. - Rotherham (GBR)	100.00		x	Industrielle Beteiligung SA	100.00 gbp	12,489
65	Danieli Volga LLC - Dzerzhinsk (RUS)	100.00		x x	Danieli Russia Eng. OOO Industrielle Beteiligung SA	99.99 0.01 rub	255,033
66	DWU Engineering Polska SP.z.o.o.- Wroclaw (POL)	100.00		x	Industrielle Beteiligung SA	100.00 pln	900
67	Elsid Cheda Ltd. - Moscow (RUS)	100.00		x	Danieli Automation S.p.A.	100.00 rub	10
68	ESW Röhrenwerke GmbH - Eschweiler (DEU)	100.00		x	Industrielle Beteiligung SA	100.00 euro	25
69	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
70	Industrielle Beteiligung Company Ltd. - HoChiMinh City (VNM)	100.00		x	Industrielle Beteiligung SA	100.00 vnd	80,183,393
71	Industrielle Beteiligung S.A. - Luxembourg (LUX)	100.00	x		Danieli & C. Off. Mecc. S.p.A.	100.00 euro	328,700
72	Innoval Technology Ltd.- Rotherham (GBR)	100.00		x	Danieli UK Holding Ltd.	100.00 gbp	1
73	Morgårdshammar AB - Smedjebacken (SWE)	100.00		x	Industrielle Beteiligung SA	100.00 sek	25,000
74	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
75	Sund Birsta (Beijing) Metallurgical Equipment Co. Ltd. Beijing (CHN)	100.00		x	Sund Birsta AB	100.00 cny	5,000
76	Sund Birsta AB - Sundsvall (SWE)	100.00		x	Industrielle Beteiligung SA	100.00 sek	10,000
77	Sund Birsta Inc. - Jacksonville, Florida (USA)	100.00		x	Sund Birsta AB	100.00 usd	10
78	Sund Strap AB - Sundsvall (SWE)	100.00		x	Sund Birsta AB	100.00 sek	100
79	Suzhou More Metallurgy Technology Co., Ltd. - Beijing (CHN)	100.00		x	More srl	100.00 euro	490
80	Termo Makina Sanayi Ve Tic. AS - Duzce (TUR)	100.00		x	Industrielle Beteiligung SA	100.00 try	29,597
81	Danieli Procome Iberica SA - Dondika (ESP)	99.99		x	Industrielle Beteiligung SA	99.99 euro	108
82	Rotelec SA - St Quentin (FRA)	99.99		x	Industrielle Beteiligung SA	99.99 euro	600
83	Danieli Middle East for Eng. Services LLC - Cairo (EGY)	99.80		x	Industrielle Beteiligung SA	99.80 egp	50
84	Danieli Middle East And North Africa LLC - Cairo (EGY)	99.80		x	Industrielle Beteiligung SA	99.80 egp	50
85	Danieli Taranis LLC - Chelsea, Alabama (USA)	50.00		x	Danieli Holdings Inc.	50.00 usd	1
86	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
87	International Engineering Dana Petro Foulad Passargad (PJSCO) Esfahan (IRAN)	51.00	x		Danieli & C. Off. Mecc. SpA	51.00 rials	3,500,000
88	Zhuozhou Ruixin Metallurgy Equipment Co., Ltd - (CHN)	51.00		x	Sund Birsta (Beijing) Metallurgical Equipment Co. Ltd.	51.00 cny	5,000
89	Fata Gulf Co. WLL - Doha (QAT)	49.00		x	Fata S.p.A.	49.00 qar	200
90	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 2020/2021 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, 2020 TO JUNE 30, 2021**

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.	9,124	16,505	25,629	Improved specific process control	Reduction in production costs and improved finished product quality
Total R&D for the 2020/2021 financial year	9,124	16,505	25,629		

D) The company, aware of the importance of research and development for the future of its business, invested large amounts during the 2020/2021 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, 2021			AI 30/06/2020		
	Taxable income	Rate	Tax	Taxable income	Rate	Tax
Profit before tax (A)	241			(2,938)		
Theoretical income tax charge/(benefit) of (A)		24,0%	57		24,0%	(706)
Taxable income (B)	0			17,000		
Effective tax rate of (B)		24,0%	0		24,0%	4,080
Effective tax rate % on (A)			0,0%			-138,9%
Use of past year tax losses (80%)	0		0	(5,576)		(1,338)
Use of past years ACE	0		0	(11,424)		(2,742)
CURRENT IRES (Italian income tax)	0		0	0		0
(Deductable) and taxable in next fiscal years temporary changes and tax rate change effect	10,165	24,0%	2,491	17,575	24,0%	4,218
Entry of tax benefit on past year losses due to the participation to the National Tax Consolidation (*)	14,854	24,0%	3,565	(9,492)	24,0%	(2,278)
Entry of deferred tax assets on past year tax losses	N.A.		0	N.A.		0
Other changes on past years	N.A.		(3,351)	N.A.		2,043
Total taxes recognised in the financial statements			2,705			(98)

(*) 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, 2020			
	IRES	IRAP	Taxable income	Deferred tax assets
Taxed provisions	24.00%	3.90%	27,881	7,779
Taxed provisions	24.00%		25,112	6,027
Tax losses that may be carried fwd	24.00%		-	0
Provision for doubtful accounts	24.00%		25,646	6,155
Other tax changes	24.00%		2,096	503
Discounting of employee sev. indemnity	24.00%		1,792	430
TOTAL DEFERRED TAX ASSETS			82,527	20,894

DEFERRED TAX ASSETS	June 30, 2020			
	IRES	IRAP	Taxable income	Deferred tax assets
Change in construction contracts	24.00%	3.90%	530	148
Discounting of employee sev. indemnity	24.00%		0	0
Recovery of unrealised exchange gains	24.00%		8,758	2,102
TOTAL DEFERRED TAX LIABILITIES			9,288	2,250

June 30, 2021						
IRES	IRAP	Taxable income	Deferred tax assets	Reclassifications	Through profit or loss	To shareholders' equity
24.00%	3.90%	27,250	7,603		(176)	
24.00%		24,376	5,850		(176)	
24.00%		-	0		0	
24.00%		32,705	7,849		1,694	
24.00%		4,723	1,133		630	
24.00%		1,401	336		(53)	(41)
		90,455	22,772	0	1,918	(41)

June 30, 2021						
IRES	IRAP	Taxable income	Deferred tax assets	Reclassifications	Through profit or loss	To shareholders' equity
24.00%	3.90%	0	0		(148)	
24.00%		0	0			
24.00%		6,989	1,677		(425)	
		6,989	1,677	0	(573)	0

ATTACHMENT No. X**SUMMARY OF BALANCE SHEET AND INCOME STATEMENT RELATIONS
WITH SUBSIDIARY AND ASSOCIATED COMPANIES**

	Inventories and advances	Trade and other Receivables	Financial Receivables	Advances received	Trade and other Payables	Financial Payables
(thousands of euro)						
SUBSIDIARIES						
Indirect, residing in Italy						
Acciaierie Bertoli Safau S.p.A. - Pozzuolo (UD)	0	9,022	0	0	134	0
Danieli Automation S.p.A. - Buttrio (UD)	5,388	7,502	0	0	23,590	759
Danieli Centro Combustion S.p.A. - Cinisello Balsamo (MI)	333	2,005	0	805	19,737	18,860
Danieli Centro Cranes S.p.A. - Rezzato (BS)	0	8	0	0	173	3
Danieli Construction International S.p.A. - Buttrio (UD)	0	199	0	0	964	19,032
Danieli Special Cranes S.r.l. - Gradisca d'Is. (GO)	0	1	0	0	0	1,801
Fata S.p.A. - Pianezza (TO)	67	410	0	0	291	5,150
Findan S.p.A. - Pradamano (UD)	0	12	350	0	113	0
La Letizia S.p.A.	0	72	3,053	0	0	0
More S.r.l. - Gemona del Friuli (UD)	0	21	0	0	707	5,000
Qualisteel S.r.l. - Pozzuolo del Friuli (UD)	0	0	0	0	0	0
Scuole e Asili Cecilia Danieli S.r.l. - Buttrio (UD)	0	5	202	0	99	0
Stem S.r.l. in liquidazione - Magnago (MI)	0	7	0	0	0	928
Danieli Telerobot Labs. Srl a s.u. -Genova	0	11	0	0	81	0
Turismo 85 S.r.l. - Buttrio (UD)	0	58	0	0	155	0
Automation Integrated Solutions S.p.A. - Pianezza (TO)	0	67	0	0	252	0
Total companies residing in Italy	5,788	19,399	3,605	805	46,296	51,533
Direct, not residing in Italy						
Danieli Finance Solutions S.A. - Luxembourg (LUX)	0	0	1	0	0	150,000
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	45	0
Acciaierie Bertoli Safau Sisak Doo - Sisak (HRV)	0	25	0	0	0	0
Danieli Canada Inc. - Toronto (CAD)	0	1	0	0	0	0
Danieli Automation Co. Ltd. - Rayong (THA)	0	25	0	0	0	0
Danieli Centro Combustion India Pvt. Ltd. -Pune (IND)	0	1,554	0	0	50	0
Danieli Changsu Trading Co. Ltd - Changshu (CHN)	0	1	0	0	272	0
Danieli Co. Ltd. - Rayong (THA)	(3,096)	9,114	0	3,517	127,005	0
Danieli Corporation - Wilmington, Delaware (USA)	16,642	167,520	0	61,425	2,180	0
Danieli Corus BV - IJmuiden (NLD)	(13)	291	0	0	78	0
Danieli Corus Technical Services BV - IJmuiden (NLD)	0	0	0	0	0	0
Danieli Czech Engineering AS - Praha (CZE)	0	2	0	0	47	1,037
Danieli Do Brasil SA - Diadema (BRA)	0	200	0	12	184	0
Danieli Engineering & Services GmbH - Völkemarkt (AUT)	0	1,885	0	0	1,451	9,270
Danieli Engineering Japan Co. Ltd. - Yokohama (JPN)	0	661	0	0	89	0

	Inventories and advances	Trade and other Receivables	Financial Receivables	Advances received	Trade and other Payables	Financial Payables
(thousands of euro)						
Indirect, not residing in Italy						
Danieli Engineering Rom Srl - Cluj Napoca (ROU)	0	26	0	0	224	0
Danieli Germany Gmbh - Duisburg (DEU)	(2,902)	785	0	0	2,339	4,348
Danieli Heavy Machinery Engineering LLC - Dnepropetrovsk (UKR)	0	86	0	0	468	0
Danieli Henschel SAS - Méry (FRA)	0	302	0	0	0	0
Danieli India Ltd. - Kolkata (IND)	397	23,562	0	0	8,465	0
Danieli Malaysia Sdn Bhd - Kuala Lumpur (MYS)	0	110	0	0	0	0
Danieli Metall. Equip. & Service (China) Co Ltd. Changshu (CHN)	4,252	24,510	0	0	46,927	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	2,240	0
Danieli Procome Iberica SA - Sondica (ESP)	0	55	0	0	1,644	7,235
Danieli Russia Engineering LLC - Moscow (RUS)	0	241	0	0	319	0
Danieli Systec Automatizacija Doo - Labin (HRV)	0	78	0	0	2,448	0
Danieli Systec Doo - Nova Gorica (SLV)	0	7	0	0	370	0
Danieli Systec Eng. Doo - Smederevo (SRB)	0	27	0	0	1,248	0
Danieli Taranis LLC. - Chelsea (USA)	0	70	0	0	0	0
Danieli UK Holding Ltd. - Rotherham (GBR)	1,278	3,119	0	0	589	1,454
Danieli Volga LLC - Dzerzhinsk (RUS)	1,558	6,932	0	559	1,461	0
DWU Engineering Polska - Wroclaw (POL)	0	69	301	0	212	0
Fata Gulf Co. WLL - Doha (QAT)	0	0	0	0	0	0
Industrial Beteiligung Serv. & Contr. Co. LLC Al Khobar (SAU)	0	0	0	0	75	0
Industrielle Beteiligung Company Ltd. HoChiMinh City (VNM)	0	237	0	0	1,082	0
Innoval Technology Ltd.- Rotherham (GBR)	0	5	0	0	24	0
Morgårdshammar AB - Smedjebacken (SWE)	0	16	0	0	85	20
Pars Foulad Jam Sama Heavy Metallurgical Equipment Co. PJS - Eshtehard (IRN)	0	3,310	0	0	338	0
Rotelec SA - Bagnolet (FRA)	0	18	0	0	55	3,181
Sund Birsta AB - Sundsvall (SWE)	0	28	(1)	0	3,840	21,191
Sund Birsta Inc. - Plantation, Florida (USA)	0	1	(1)	0	0	0
Termo Makina Sanayi Ve Tic. AS - Duzce (TUR)	21	0	0	0	13	0
Exchange gains/losses	(1)	(959)	37		(26)	1
Total companies not residing in Italy	18,135	244,299	337	65,513	205,846	197,737
TOTAL	23,924	263,699	3,942	66,318	252,143	249,270

ATTACHMENT No. X continued**SUMMARY OF BALANCE SHEET AND INCOME STATEMENT
RELATIONS WITH SUBSIDIARY AND ASSOCIATED COMPANIES**

	Operating revenues	Operating costs	Financial income	Financial charges
(thousands of euro)				
SUBSIDIARIES				
Indirect, residing in Italy				
Acciaierie Bertoli Safau S.p.A. - Pozzuolo (UD)	55,769	2,949	0	0
Danieli Automation S.p.A. - Buttrio (UD)	7,090	46,292	0	0
Danieli Centro Combustion S.p.A. - Cinisello Balsamo (MI)	1,578	18,926	0	0
Danieli Centro Cranes S.p.A. - Rezzato (BS)	1	43	0	0
Danieli Construction International S.p.A. - Buttrio (UD)	386	4,316	0	0
Danieli Special Cranes S.r.l. - Gradisca d'Is. (GO)	4	0	0	0
Fata S.p.A. - Pianezza (TO)	484	488	0	0
Findan S.p.A. - Pradamano (UD)	12	441	0	0
Sabolarie Haven & Hospitality S.p.A. - Buttrio (UD)	60	0	0	0
More S.r.l. - Gemona del Friuli (UD)	28	2,704	0	0
Scuole e Asili Cecilia Danieli S.r.l. - Buttrio (UD)	4	325	0	0
Danieli Telerobot Labs. Srl a s.u. -Genova	3	526	0	0
Turismo 85 S.r.l. - Buttrio (UD)	90	5	0	0
Automation Integrated Solutions S.p.A. - Pianezza (TO)	56	1,286	0	0
Total companies residing in Italy	65,566	78,302	1	0
Direct, not residing in Italy				
Danieli Finance Solutions S.A. - Luxembourg (LUX)	16	0	0	374
Industrielle Beteiligung SA - Luxembourg (LUX)	1	0	17,500	0
Indirect, not residing in Italy				
ABS Centre Métallurgique SaS - Metz (FRA)	4	123	0	0
Acciaierie Bertoli Safau Sisak Doo - Sisak (HRV)	(1,496)	0	0	0
Danieli Automation Co. Ltd. - Rayong (THA)	9	122	0	0
Danieli Canada Inc. - Toronto (CAD)	1	0	0	0
Danieli Centro Combustion India Pvt. Ltd. -Pune (IND)	124	113	0	0
Danieli Changsu Trading Co. Ltd - Changshu (CHN)	1	310	0	0
Danieli Co. Ltd. - Rayong (THA)	16,744	48,735	0	0
Danieli Corporation - Wilmington, Delaware (USA)	301,053	2,312	0	0
Danieli Corus BV - IJmuiden (NLD)	274	79	0	0
Danieli Czech Engineering AS - Praha (CZE)	130	143	0	0
Danieli Do Brasil SA - Diadema (BRA)	503	568	0	0
Danieli Engineering & Services GmbH - Völkemarkt (AUT)	9,516	2,042	0	0
Danieli Engineering Japan Co. Ltd. - Yokohama (JPN)	658	217	0	0

(thousands of euro)	Operating revenues	Operating costs	Financial income	Financial charges
Indirect, not residing in Italy				
Danieli Engineering Rom Srl - Cluj Napoca (ROU)	51	693	0	0
Danieli Germany Gmbh - Duisburg (DEU)	1,116	3,222	0	0
Danieli Heavy Machinery Engineering LLC - Dnepropetrovsk (UKR)	147	1,288	0	0
Danieli Henschel SAS - Méry (FRA)	578	11	0	0
Danieli India Ltd. - Kolkata (IND)	5,590	16,262	0	0
Danieli Metall. Equip. & Service (China) Co Ltd.Changshu (CHN)	19,262	27,521	0	0
Danieli Middle East for Eng. Services (LMTD) - Cairo (EGY)	0	36	0	0
Danieli Procome Iberica SA - Sondica (ESP)	73	1,998	0	0
Danieli Systec Automatizacija Doo - Labin (HRV)	144	8,229	0	0
Danieli Systec Doo - Nova Gorica (SLV)	11	584	0	0
Danieli Systec Eng. Doo - Smederevo (SRB)	40	1,656	0	0
Danieli Taranis LLC. - Chelsea (USA)	35	19	0	0
Danieli UK Holding Ltd. - Rotherham (GBR)	2,122	1,872	0	0
Danieli Volga LLC - Dzerzhinsk (RUS)	2,415	3,153	0	0
DWU Engineering Polska - Wroclaw (POL)	136	1,147	0	0
Fata Gulf Co. WLL - Doha (QAT)	0	0	0	0
Industrial Beteiligung Serv. & Contr. Co. LLC - Al Khobar (SAU)	0	285	0	0
Industrielle Beteiligung Company Ltd. - HoChiMinh City (VNM)	411	3,458	0	0
Innoval Technology Ltd.- Rotherham (GBR)	10	57	0	0
Morgårdshammar AB - Smedjebacken (SWE)	150	118	1	0
Pars Foulad Jam Sama Heavy Metallurgical Equipment Co. PJS Eshtehard (IRN)	0	2,048	0	0
Rotelec SA - Bagnolet (FRA)	265	922	0	0
Sund Birsta Inc. - Plantation, Florida (USA)	1	0	0	0
Sund Birsta AB - Sundsvall (SWE)	45	4,129	0	2
Termo Makina Sanayi Ve Tic. AS - Duzce (TUR)	0	0	0	0
Total companies not residing in Italy	360,142	133,473	17,501	376
TOTAL	425,707	211,775	17,501	376

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, 2020 to June 30, 2021

Assessment of the suitability of the administrative and accounting procedures for the preparation of the financial statements for the year to June 30, 2021 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, 2021
 - 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 27, 2021

Chairman of the Board of Directors
Gianpietro Benedetti
Signed

Manager responsible for the preparation
of company accounting documents
Alessandro Brussi
Signed

REPORT OF THE BOARD OF AUDITORS TO THE MEETING OF THE SHAREHOLDERS UNDER ART. 153, D. LGS. No 58/98 AND ART. 2429, PAR. 2, ITALIAN CIVIL CODE

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 2021.

LAWS, REGULATIONS AND ETHICAL SOURCES

During the financial year ended 30 June 2021, 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 2020/2021, 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 11 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 2020/2021 financial year was characterized by the evolution of the Covid-19 pandemic, also seeing the spread of measures to combat it.

The health emergency in Italy has been extended until 31/12/2021.

The Italian authorities adopted increasingly stringent containment measures, and in the first months of 2021 the vaccination campaign aimed at immunizing the entire population was launched.

In order to contain the effects of the contagion, the company has adopted adequate prevention and containment measures, putting in place and developing all those measures aimed at protecting the health and safety of workers.

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 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 Directors 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. The Board of Directors 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 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 16 September 2021), 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.

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 2021, 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 2021, 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 2021, 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 2021, and we have no particular comments to make.

More specifically, as regards the separate financial statements as at 30 June 2021, 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 27 September 2021.

Indication of opinions given, proposals and comments made during the year in accordance with the law.

During the Financial Year 2020/2021, 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 2021 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 2021 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 2021 as presented, and the acceptance of the resolution proposals.

Udine, 7 October 2021

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)

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, 2021, 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, 2021, 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

The separate financial statements of Danieli & C. Officine Meccaniche S.p.A. include Construction contracts assets for Euro 165.9 million and Construction contracts liabilities for Euro 148.7 million. Construction contracts are evaluated based on the percentage of completion, estimating the progress of works with the input method.

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:

- 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.

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, 2021.

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".

Audit procedures performed

The audit procedures addressing this key audit matter included, among others:

- 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:
 - 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 related to total revenues and costs of projects;



- 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.

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, 2021, 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, 2021 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, 2021 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, 2021

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, 2021, following a single convocation date, to approve the financial statements for the year ended June 30, 2021, and to examine the consolidated financial statements for the same period.

The shareholders also resolved:

1. the distribution of a dividend equal to Euro 0,1700 per each ordinary share and equal to Euro 0,1907 per each saving shares.
Such dividend shall be paid - net of treasury shares that will be held at the "record date" indicated below and gross of any withholding tax- from the date of November 24, 2021, after detachment of coupon No. 43 on November 22, 2021, and with "record date" (i.e. date of entitlement to pay such dividend) on November 23, 2021.
2. the appointment of the board of directors for the next three-year period, setting the number of members at 10, in the persons of: Gianpietro Benedetti, appointed Chairman, Camilla Benedetti, Giacomo Mareschi Danieli, Alessandro Brussi, Carla de Colle, Rolando Paolone, Antonello Mordegli, Chiara Mio, Cecilia Metra and Giulio Gallazzi; the last three have declared that they possess the requirements of independence specified in article 148, paragraph 3 of the Consolidated Law on Finance.
The total gross yearly remuneration for the board of directors (which includes the remuneration of directors vested with special powers) was set at 855,000 euro.
3. the appointment of the board of legal auditors for the next three-year period, namely: standing auditors Davide Barbieri, Chairman, Gaetano Terrin and Vincenza Bellettini; alternate auditors Alessandro Ardiani, Alessandro Gambi and Emanuela Rollino.
4. a favorable opinion on the second section of the Report on Danieli's Remuneration Policy and Paid Remuneration. The result of the resolution has an advisory nature. Please note that, pursuant to art. 123-ter, paragraph 3-bis, of the TUF, the first section must be submitted to the vote of the shareholders at least every three years or on the occasion of changes to the remuneration policy. The first section has already been submitted to the binding vote of the Shareholders' Meeting on 28 October 2020, which approved it by a majority (shareholders present: 75.75% of the share capital; favorable shareholders present: 97.92%; shareholders against present: 2.08%) and, having not undergone any changes in the last financial year, this year it was not submitted to the vote of the Shareholders' Meeting.
5. 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.



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