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8th October 2020

Mr. Gianpietro Benedetti
Chairman of the Board
Danieli & C. Officine Meccaniche S.p.A.

Dear Mr. Benedetti and members of the board,

We write to you as long-term holders of Danieli saving shares ("savers") to express our dismay at the terms of the proposal outlined by the company on 24th September 2020 to convert our shares into ordinary voting shares. It is our fiduciary duty to our investors to let you know we do not think the plan is equitable to saving shareholders and we urge you to reconsider certain key elements.

Whilst we believe the conversion is absolutely the correct thing to do, we note the proposal asks saving shareholders to give up 35% of their economic rights and higher dividend payments in return for nothing not also provided to the voting ordinary shares. It is thus a transfer of wealth from the minority share class to the ordinary shares, which primarily benefits the controlling families. While we agree with your premise that this will ultimately be beneficial to the company, it does so by enriching one group at the expense of another.

We find the proposed ratio, cited in your press release as a premium over the past one day, one month, three months, and six months to be opportunistic given COVID-19, general economic downturn and current market disinterest in the steel sector. Your cited premium also includes the proposed special dividend, which would also be provided to the ordinary shares, and as such does not improve the ratio. The actual implied premiums are significantly less. When looking at the past five years the discount has been closer to 30% and the five-year discount prior to the steel recession and COVID-19 meltdown would have been closer to 28%. We also note that Italian broker Intermonte has calculated that the average implicit premium in the past 10 years for conversions of savings shares, where the savings shares were at least 25% of the capital, has been between 22% and 24.6% over the one day, one month, three month and six month time periods.

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We believe, however, there is circular logic to any discussion of historical discount. We feel the primary reason for the discount of the savers to the ordinary shares has been the lack of trust by the savers share class that minorities would be treated fairly. The market has thus been proven correct that the corporate governance of the company is indeed poor, more akin to a self-serving developing economy company and not to a proud industrial Italian family-led institution.

We note that the EGM also calls for the implementation of double votes for long-term shareholders. Given the voting control of the families pre-deal and their dominance with this new rule post-deal, conversion also does not improve minorities' ability to instigate change or have their voices heard. In fact, those holding savers for more than two years prior to the deal will not receive double votes. This clearly goes against the supposed logic behind double votes and does not reward long-term shareholders equally. As the families would still control any AGM, there is no effective change to the status quo, demonstrating poor corporate governance and disregard for the economic interest of savers.

Environmental, Social and Governance ("ESG") standards must be priorities for a European-listed company. Treating minorities fairly is fundamental to ESG compliance.

Many academic studies have shown that family-controlled companies can in fact outperform competitors and the stock market given they are often focused on the long-term.[1,2] Unfortunately, this has not been the case for Danieli due to a complete disregard for minorities. In fact, the company has recently traded below the value of the cash on its balance sheet, clearly demonstrating the market's lack of faith.

Better treatment of minority investors is not only the morally correct thing to do but will also have many positive benefits for the company. It will ultimately lead to a significantly higher valuation in the capital markets which improves well-being of long-term shareholders such as pension funds, foundations and insurance companies and allows management significant M&A potential via treasury shares.

1 *Family businesses: Sustaining performance*. Credit Suisse. 2012.
2 *Leading a Family Business: Best Practices for Long-Term Stewardship*. Craig & Moores, Kellogg School of Management. 2017.

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Additional benefits include:

- Improved debt and export financing terms with a larger set of counterparties.
- Improved image with corporate clients.
- Improved employee perception, which should lead to attracting and retaining the best employees.
- Improved corporate reputation with governments, especially crucial given the changes in environmental policy worldwide and Danieli's pivotal role in improving the steel industry.
- Increased weighting in the major stock indices and increased trading liquidity which will open the shares to a wider range of investors.
- Increased interest of the financial press in Italy and elsewhere.

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We have a fiduciary responsibility to protect our investors' economic interests and therefore will vote against the current proposal and encourage other savings shareholders to do so as well. While it might be tempting for some to take the short-term deal, see improved liquidity of the stock and receive a one-time dividend, doing so is not in our clients' long term interest and it is detrimental to a fair market and fair society.

We ask the board to negotiate in good faith with the savings shareholders and not dictate to us a biased plan. We believe a higher ratio and/or an additional special dividend to savers is the right thing to do.

Sincerely,

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