



Steel Site Tour Presentation

Steve Hamer, Chief Executive Steel

21 October 2014



For personal use only

This presentation contains certain forward-looking statements with respect to the financial condition, results of operations and business of Arrium and certain plans and objectives of the management of Arrium. Forward-looking statements can generally be identified by the use of words such as 'project', 'foresee', 'plan', 'expect', 'aim', 'intend', 'anticipate', 'believe', 'estimate', 'may', 'should', 'will' or similar expressions. All such forward looking statements involve known and unknown risks, significant uncertainties, assumptions, contingencies and other factors, many of which are outside the control of Arrium, which may cause the actual results or performance of Arrium to be materially different from any future results or performance expressed or implied by such forward looking statements. Such forward-looking statements speak only as of the date of this presentation. Factors that could cause actual results or performance to differ materially include without limitation the following: risks and uncertainties associated with the Australian and global economic environment and capital market conditions, the cyclical nature of the steel industry, the level of activity in the construction, manufacturing, mining, agricultural and automotive industries in Australia and North and South America and, to a lesser extent, the same industries in Asia and New Zealand, mining activity in the Americas, commodity price fluctuations, fluctuations in foreign currency exchange and interest rates, competition, Arrium's relationships with, and the financial condition of, its suppliers and customers, legislative changes, regulatory changes or other changes in the laws which affect Arrium's business, including environmental laws, a carbon tax, mining tax and operational risk. The foregoing list of important factors is not exhaustive. There can be no assurance that actual outcomes will not differ materially from these statements.

This presentation contains certain non-statutory financial measures including underlying EBIT, underlying EBITDA and underlying NPAT. These measures are used to assist the reader understand the financial performance of the company's operations. Non-statutory financial information has not been audited or reviewed as part of KPMG's report on the 2014 Full Year Financial Report. The Directors believe that using these non-statutory financial measures appropriately represents the financial performance of the Group's total operations including continuing and discontinued operations.

All balance sheet items are based on statutory financial information. Except as otherwise expressed, references in this document to net profit/loss after tax refer to net profit/loss attributable to equity holders of the parent. Segment results referred to throughout this presentation are those reported in the 2014 Full Financial Report.

Contents

	Page
Overview	4
Operational matters	30
Summary	34
Appendix	36

For personal use only

For personal use only



Overview



Arrium business structure



- Middleback Ranges
- Southern Iron
- Whyalla Port



- Moly-Cop
- AltaSteel



- Steel
- Recycling

For personal use only

A simplified single steel business



- Established mid 2013 by combining Arrium's Steel Manufacturing and Steel Distribution businesses

- We have:
 - Simplified our management structure
 - Rationalised our footprint
 - Reduced the number of employees
 - Reduced working capital
 - Improved our supply chain flexibility
 - Improved our customer response
 - Refocused our markets
 - Continued to lower our cost base including achieving synergies from the formation of a single Steel business of \$30m in FY14 (\$40m p.a. annualised)
 - Increased our leverage to improved sales volumes and a sustained lower AUD

A focused integrated operation



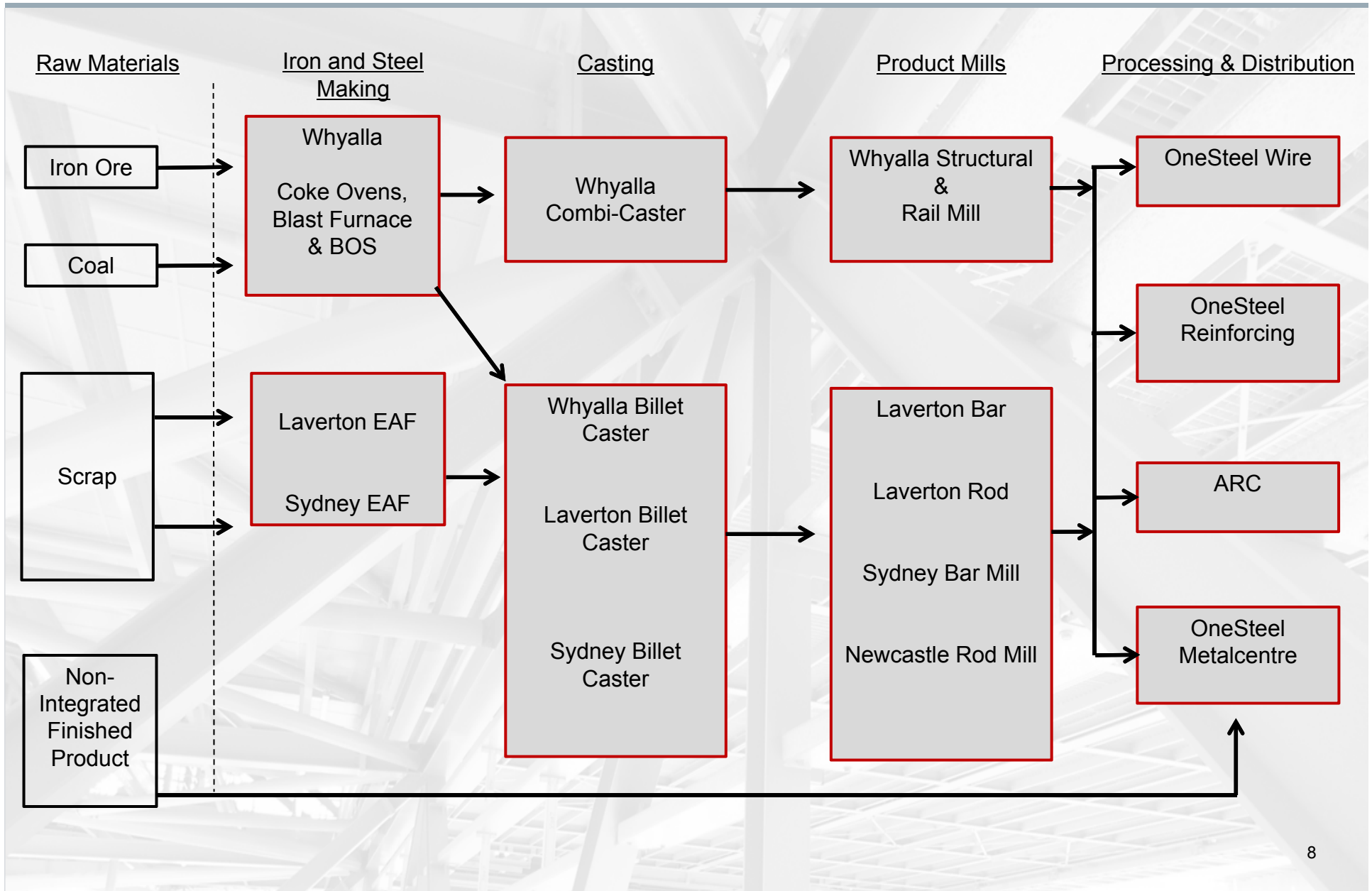
- Scrap/iron ore → Manufacturing → Distribution
- Australia's only manufacturer of steel long products
 - EAF & blast furnace production flexibility
 - Steelmaking capacity ~2.6Mt pa
 - Large product range – structural, reinforcing, rail, wire, fencing and strand products and solutions
- The leading distributor of metal products in Australia with a national footprint
 - #1 in general Australian steel distribution
 - #1 in Australian reinforcing
 - #1 in Australian wire

“We use our expertise in steel manufacturing, sales, logistics, supply chain and processing to deliver a safe, fast, flexible and reliable product to all Australian customers”

Our integrated value chain



For personal use only



Significant leverage to increased construction **arrium** STEEL

Total capacities

Laverton Steel Mill EAF	~710kt pa
Sydney Steel Mill EAF	~660ktpa
Whyalla Steelworks	~1.2Mt – 1.3Mtpa
<hr/>	
Total Steelmaking capacity	~2.6Mtpa

FY14 utilisation

EAF steelmake	825kt (~60% utilisation)
Whyalla steelmake	1.09Mt (~90% utilisation)
<hr/>	
Total FY14 steelmake production	1.91Mt



“~150kt of available EAF steelmake can be added for variable cost”

Steel business units



For personal use only

Focused on top-tier projects and helping customers reduce construction risks



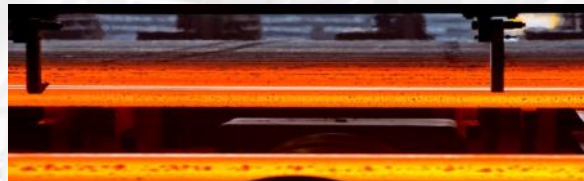
Sites	People	Revenue ¹
2	1,100+	~\$925m

Reliable manufacturer of billet into our integrated channel, and rail and structurals into our chosen distributor channels



Sites	People	Revenue ¹
3	~700	\$1.25bn+

Flexible and reliable manufacturer of billet, rebar, rod & mebar into our chosen distributor channels



Sites	People	Revenue ¹
3	400+	~\$300m

The largest processor & distributor of wire products into rural & construction markets



¹ Revenue based on FY14 sales and includes sales within the Arrium group

Steel business units



Focused on top-tier projects and helping customers reduce construction risks



Sites People Revenue¹

65+	~850	\$650m+
-----	------	---------

The leading distributor of a broad range of products leveraging scale in market coverage, product range, operations & supply chain



Sites People Revenue¹

38	875+	\$575m+
----	------	---------

Australia's largest reinforcing provider focussed on top-tier projects and helping customers with their construction risks



Sites People Revenue¹

36	~800	\$450m+
----	------	---------

The leading provider of reinforcing products to the mid-tier and smaller project markets



¹ Revenue based on FY14 sales and includes sales within the Arrium group

For personal use only

Set to benefit from increased construction

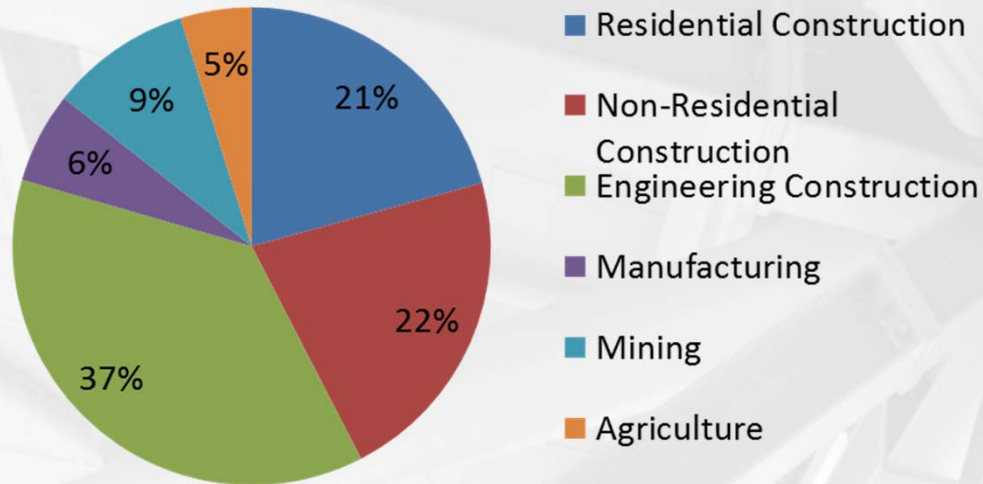


- More than 80% of sales in FY14 were to construction markets in Australia:
 - Infrastructure and Engineering – tunnels, roads, rails, bridges, gas plants etc
 - Residential (High rise and stand alone) – buildings/apartments and houses
 - Non-residential – hospitals, schools, commercial, supermarkets, industrial etc
- We also service the mining, manufacturing and agriculture markets

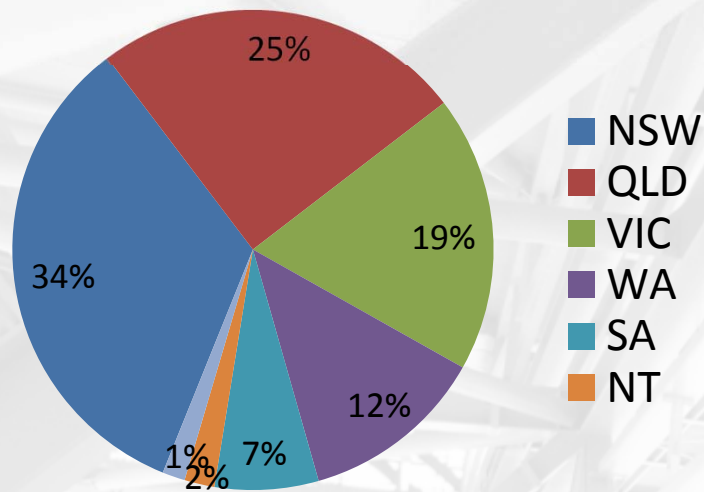


Well positioned for key growth areas

Approximate FY14 Steel domestic sales by market segment



Approximate FY14 steel domestic sales by state



- Residential, non-residential and engineering construction (including mining investment) drives demand for reinforcing bar and wire, rod for mesh, hot rolled structurals, merchant bar and rail
- Agriculture drives demand for rural wire, rural posts and rural pipe products
- Mining production drives demand for grinding bar which is feed for grinding media
- Steel has limited exposure to automotive and manufacturing segments
- Majority of steel sales on the East Coast (~80%)

Our competitive advantage



- We have capability to support the largest and most complex construction projects in Australia and are integral to our customers' success
- We provide steel products and solutions to large and small construction customers through local supply with fast, flexible and reliable service
- We can flex with customer delivery and design demands to within 1 hour delivery windows. A significant competitive advantage for large projects where on site storage is limited
- We have the capability to “sprint” and satisfy the needs of our customers through our fully integrated supply chain (no need to rely on long import supply chains)
- We supply quality products to Australian Standards
- We have the capability to service both ends of the long products market through our wholesale and retail business model

“As Australia’s only manufacturer and leading distributor of long products, our fully integrated value chain and national footprint provides a competitive advantage to service these markets”

Our value proposition

CUSTOMERS' RISKS MITIGATED

- 'Customer' is respected and a Core Value
- Full control of our end-to-end integrated manufacturing processes and transparent supply chain
- Long-term industry involvement with shared benefit and risk of local industry success

FLEXIBLE TO MARKET DYNAMICS

- Variety of business models enacted through locally empowered leaders
- "Sprint" capacity to match market needs
- Extensive national footprint
- Local and ready to listen

VALUE FOR MONEY

- "Straight forward" commercial relationships that make business easy
- Relentless focus on costs



UNDERSTAND MARKETS' NEEDS

- Knowledgeable of products, their applications, end-use markets and global trends
- Innovative solutions to solve customer problems
- Manufacture or import supply solutions to deliver meaningful products and services

PREDICTABLE

- Do what we say we will
- Reliable
- Product consistency
- Scale through integrated supply chain from raw materials to sales

QUALITY

- 'Safety' is a Core Value
- Meet standards and certification
- In-house engineering to optimise design
- Core metallurgical expertise

"Our tailored local service offer ensures fast, flexible and reliable delivery"

Key earnings drivers

1. Domestic sales volumes
2. AUD / USD FX rate
3. USD scrap to coal spread
4. South East Asian USD margins
5. Other costs



“The combination of these drive Steel’s financial performance”

1. Domestic sales volumes

Driven by market conditions in:

- Construction
- Rural
- Mining
- Manufacturing



We expect significant near term growth in the East coast construction markets largely driven by infrastructure

These are impacted by:

- Government funded infrastructure
- Private development
- Resource investment
- Availability of cash and credit
- Population growth
- Seasonal impacts
- Unemployment rates and trends
- Interest rates



Currently we have ~150kt of available steelmaking capacity (with no significant increase in fixed cost required) and ~600kt in total of available capacity.



We are leveraged for growth and ready to capture any increase in long product volumes (5% decrease in domestic volumes in FY14 v FY13 had adverse EBIT impact of \$71m)

Mix of volume is important:

- Wholesale vs retail
- Geography (freight differentials)
- Product mix



We are Australia's only long products manufacturer and leading steel distributor with strong market positions at wholesale and retail levels

Steel major projects – current or awarded



VIC

- Werribee Plaza Shopping Centre
- Webb Dock Maritime Package
- Bald Hill Wind Farm

WA

- Yandicoogina Sustaining Project 1 & 2
- Namuldi Below Water Table Project
- Roy Hill Package Three
- Crown Towers
- Old Treasury Building
- Mungari Gold

QLD

- 480 Queen St Tower
- Apartments West End
- Yeppean South

SA

- Royal Adelaide Hospital
- Adelaide Oval

NSW

- North West Rail Link
- Nambucca Heads to Urunga (NH2U) Road Project
- Darling Harbour LIVE
- Centrium Chatswood
- Arthur Street, North Sydney
- Pacific Highway Upgrade
- Sydney Cricket Ground Redevelopment
- Barangaroo Development
- Gas Extraction Tahmoor

Government budget & infrastructure



~\$16bn New Infrastructure Projects announced – mostly roads (historically steel intensive and positive for reinforcing)

- NSW \$2.9bn
 - West Sydney road development supporting Badgery's Creek airport development (\$1.7bn)
 - Other new projects (\$1.2bn)
- Vic \$3.2bn
 - East West Link & other new projects (\$3.2bn)
- Qld \$4.4bn
 - Warrego Highway (\$0.5bn)
 - Other projects (\$3.9bn)
- WA \$2.5bn
 - Perth freight – Kewdale to Fremantle Port \$0.9bn
 - Other new projects \$1.6bn
- SA \$1.9bn
 - North South Corridor (\$0.9bn)
 - Goodwood & Torrens (\$0.2bn)
 - Other new projects (\$0.8bn)
- Other States & Territories \$1.2bn
 - Tas (\$0.5bn)
 - NT (\$0.5bn)
 - ACT (\$0.2bn)
- \$300M toward the Inland Rail Project case – Brisbane to Melbourne freight – 599km new rail and 426km of upgrade.
- Asset Recycling \$5bn – dependent on State asset sales (apply for 15% of investment)

“Our leading market position and service capability has provided us with a history of consistently winning large infrastructure projects”

**Example – The Victorian Government and East West
Connect Consortium (Lend Lease)
Laverton Site visit 1st October 2014**



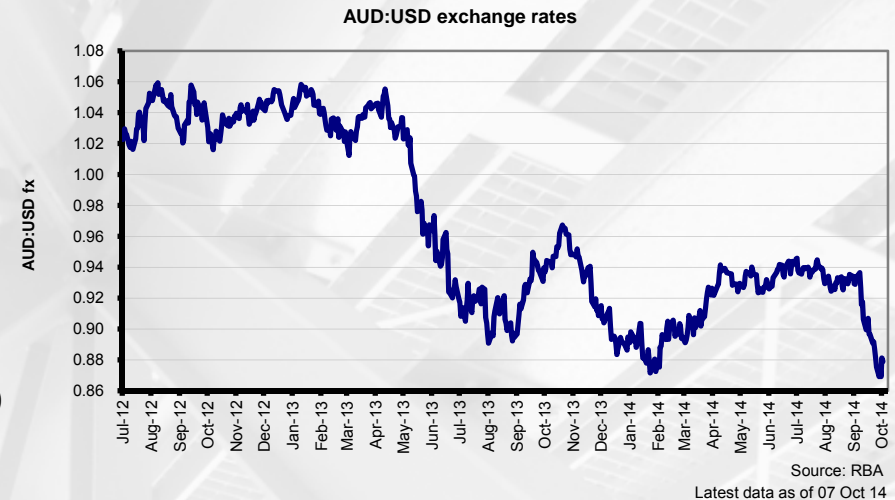
Over 90 per cent of materials for East West Link sourced locally



http://www.youtube.com/watch?v=dzw_fecRNiY

2. AUD / USD FX rate

- A key driver of our margins
- The wholesale margin is the difference between:
 - the landed price of imports (USD competition) and
 - scrap and coal raw material costs (USD purchases)
- Sensitivity – each 1c change in the AUD/USD FX rate is worth indicatively ~ \$8-\$10m in EBIT pa assuming no change in raw material costs, demand levels and SE Asian USD margins from FY14¹
- The decrease in the AUD/USD in the last month has enabled price increases to be notified to wholesale and retail customers, effective from November²



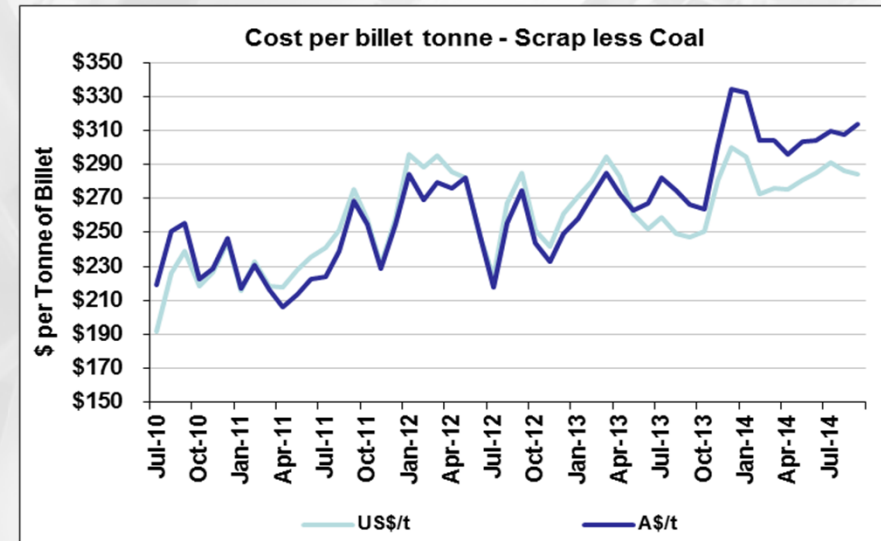
“Steel is well leveraged to a sustained fall in AUD”

¹ Based on the Steel business and the Mining Consumables Australian Waratah business direct and indirect impact.

² Refer to page 32 for price increase details.

3. USD scrap to coal spread

- SE Asian scrap based EAF producers are a driver of domestic prices
- High SE Asian USD scrap costs and low USD hard coking coal prices drives improved domestic steel margins. The opposite is true when the scrap to coal margin decreases.
- ~1.2mt of our production is from coal based Whyalla Steelworks production.
- The scrap / coal relativity has historically generally been favourable, but in FY11 it was unfavourable and a major factor in the significant EBIT loss for that year
- Sept 14 USD scrap to coal spreads are \$284/t – ~ 30% higher than the 10 year average
- We are working towards lowering our overall coal costs. We increased the semi-soft coal blend at Whyalla from 25% in FY13 to 40% in FY14 and are looking to further increase this to 45-50% in FY15.

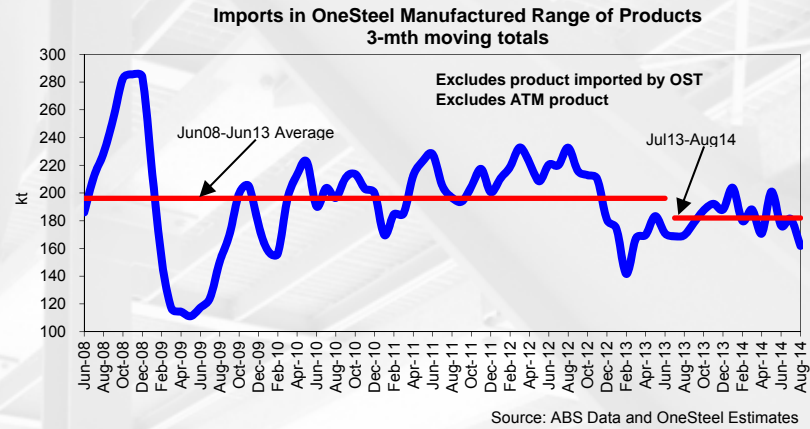
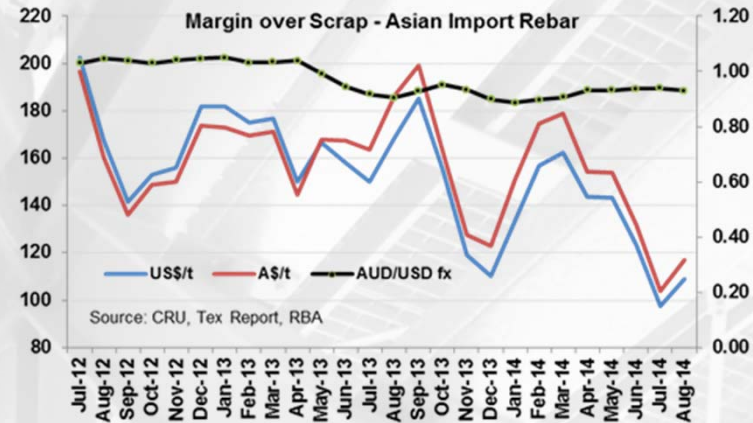


“USD scrap to USD coal spread is currently favourable”

4. USD South East Asian margins



- Historically our direct competition at a wholesale level is from South East Asian long product EAF producers. The key measure for these competitors is USD margin over scrap
- Indirectly we face competition from Chinese exports to South East Asia
- USD SE Asian prices generally take up to 3 months to flow into domestic pricing
- Over the last 10 years USD SE Asian rebar margins have generally been in the range of \$200-\$220 USD per tonne
- We have seen significant volatility in the US SE Asian margin over scrap since July 2012
- Sept 14 SE Asian margin over scrap fell to historic low of ~US\$90/t



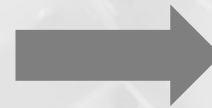
“While import prices have reduced, total import volumes have also reduced”

For personal use only

5. Other costs

Other costs (excluding scrap and coal) include:

- Labour
- Externally purchased finished product
- Freight
- Pellet and lump ore
- Utilities
- Repairs and maintenance
- Operating materials
- Contractors



*Together with scrap and coal
these make up our top 10
costs*



FY14 cost reductions



- Total delivered cost reductions per tonne excluding raw material price movements ~6% from FY13, after absorbing CPI
- Approximately 170 Steel FTE reductions June 13 to June 14¹
- Major cost reduction areas included:
 - Achieved synergies from the formation of single Steel business \$30m in FY14 (\$40m p.a. annualised)
 - Labour and site rationalisations
 - Operational cost and yield savings
 - Raw material usage and mix
 - Procurement and sourcing initiatives
 - Freight



“Headcount reductions continue to be a key focus”

¹ Headcount reductions in FY14 do not include reductions in Corporate support functions also charged to Steel.

Estimated FY15 cost reductions



- Expected benefits in FY15 of ~\$30m from the Steel cost reduction program commenced in FY14 driven by:
 - ~\$10m synergies – annualised benefit from single steel business (additional to \$30m benefit in FY14)
 - ~\$20m additional labour savings – restructuring charge taken in FY14
- Steel will play an important role in the delivery of the FY15 Arrium cost reduction program¹ – targeting a further \$60-90m annualised benefits across Arrium –already underway
 - Expected Arrium benefit FY15 \$40-\$50 million – weighted to 2H
 - Benefits weighted to Mining, then Steel
- Steel cost reduction areas for FY15 include:
 - Further labour and overhead reductions
 - Site Rationalisations
 - Operational cost and freight savings
 - Raw material usage and sourcing (e.g. semi-soft coal)

¹ Estimated Arrium restructuring cost in FY15 of ~\$25-35 million

Strong history of cost reductions



- Significant cost reduction programs:
 - FY10 – Arrium group wide labour cost reduction program (\$160m annualised)
 - FY12 - Steel labour cost reduction program (700+ FTEs, \$75m annualised)
 - FY14 – formation of single steel business (\$40m annualised)
- Reduction in headcount from ~8,200¹ in FY08 to ~5,100 in FY14
- Total delivered cost per tonne ex raw materials down by ~9% over the last 2 years
- Confident of being able to continue to reduce our costs and improve productivity

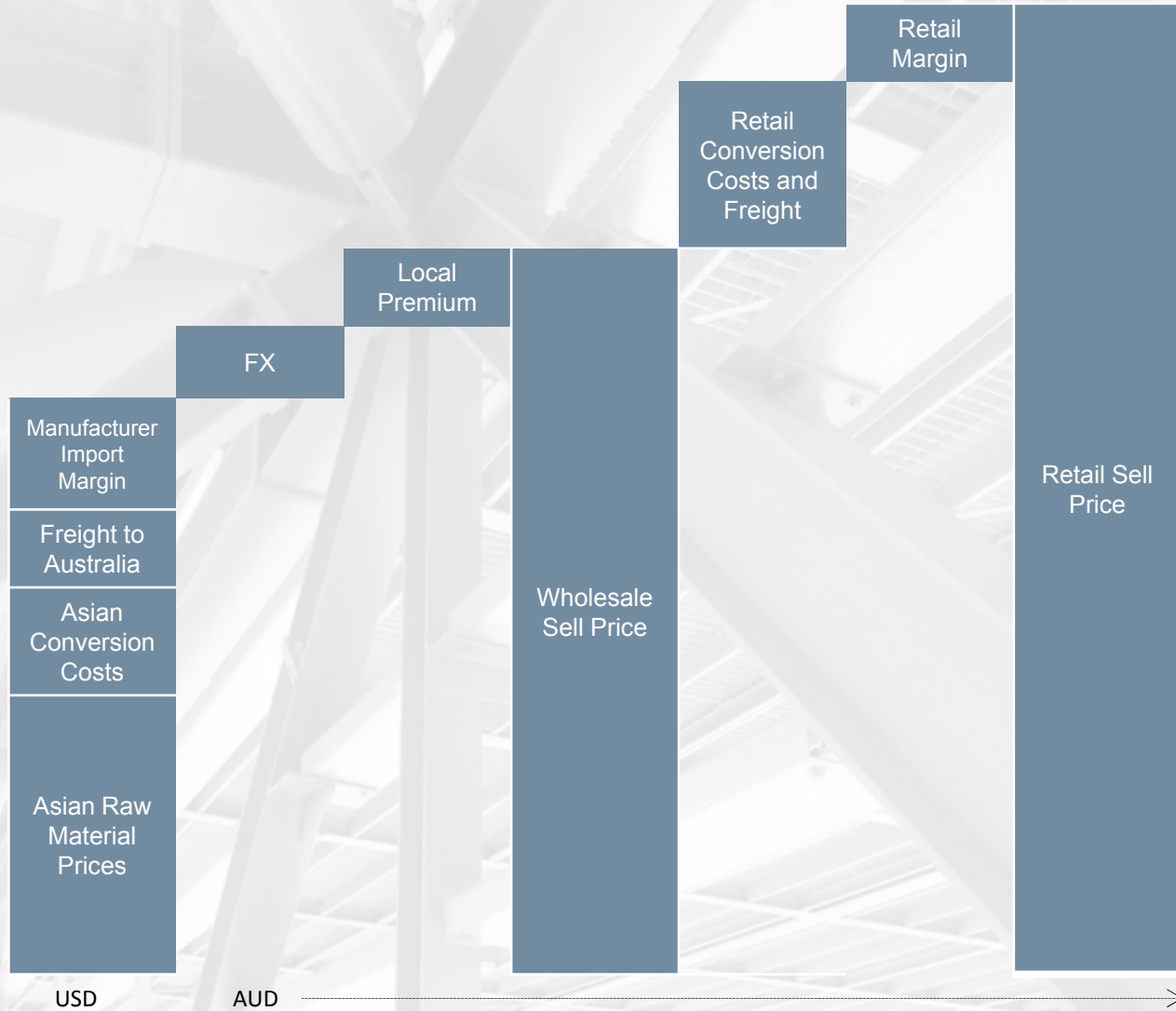
“Our focus is to continue to lower our fixed cost base as well as move fixed costs to variable where practical”

¹ FY08 figure includes employees from discontinued operations

Domestic steel pricing structures

For personal use only

- Impact of change in FX and scrap prices on domestic wholesale pricing - ~3 months lag depending on product
- Majority of steel product range competes with South East Asian - scrap fed Electric Arc Furnaces
- Local wholesale and retail premiums driven by level of service required and unique market offers

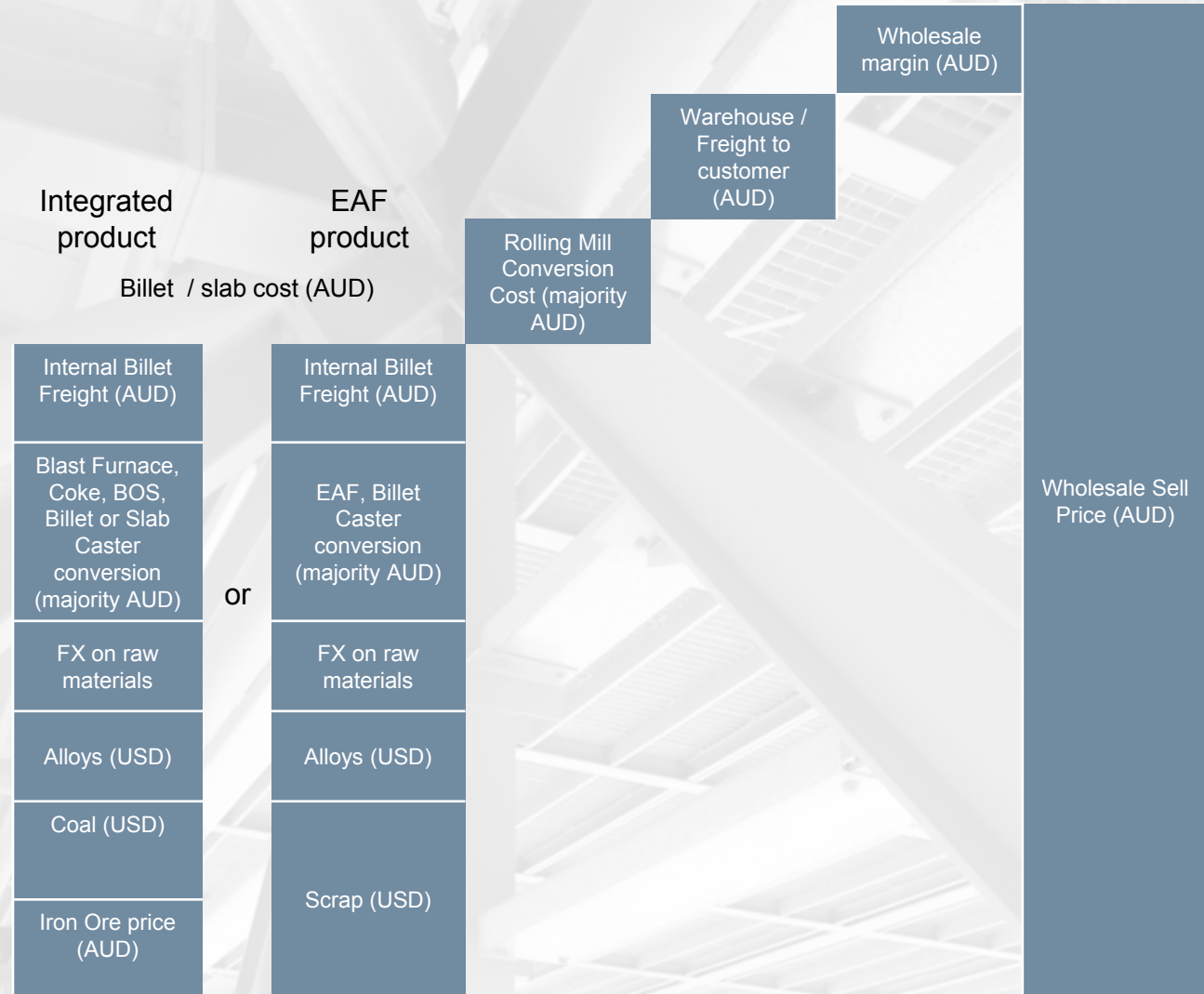


Note – above margin breakdown is not to scale and is for illustrative purposes only

Wholesale margin drivers

For personal use only

- Wholesale margin earned on sales of rods and bars, hot rolled structurals, rail and wire
- Approximately 1.1MT of production from the Whyalla Integrated Steelworks in FY14
- Approximately 825kt of production from the EAF facilities in FY14
- Wholesale margin is impacted by a combination of factors including exchange rates and SE Asian margins.



Note – above margin breakdown is not to scale and is for illustrative purposes only

For personal use only



Operational matters



Pricing update



- Recent AUD/USD depreciation has enabled announcement of price increases, commencing from November 2014
- Price increases of 4-8% communicated October 2014 to wholesale and retail markets across SIC, Merchant Bar and Structural products
- Price premium applicable for Wholesale customers due to local value proposition
- SE Asian spreads expected to improve from current record lows in the near term

For personal use only

Anti-dumping

- Arrium Steel is seeking to address the financial impact of unfairly traded imported dumped and/or subsidised goods – a key focus for the Steel business
- Anti-dumping investigations have been underway for structural steel (HRS), hollow structural sections (HSS), rebar and rod in coils (RiC)
 - Structural steel interim securities up to 20%
- Anti-dumping commission announced investigation into rebar on 17 October 2014
- Products now under investigation account for ~65% of Steel's sales volumes
- Lodgement of further anti-dumping and/or subsidisation applications being considered

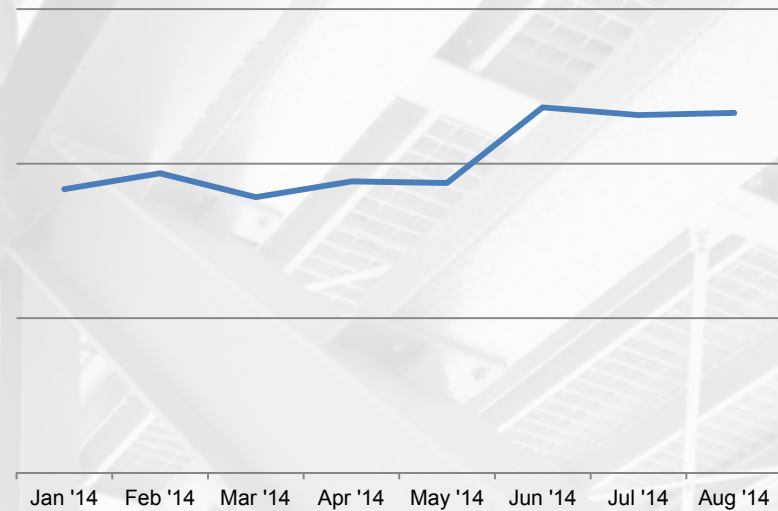
Steel – 1H15 update



For personal use only

- Stronger sales volumes at end FY14 have continued in 1H15
 - Commencement of delayed projects
 - Increased housing construction (particularly high rise dwellings)
 - Increasing infrastructure construction
- 1H15 EBITDA tracking to be lower than 2H14
 - Impact of historic low South East Asian margins on domestic margins for manufactured steel products more than offsetting:
 - Increased sales volumes
 - Annualised cost reductions in FY14
- Further cost reductions being implemented – weighted to 2nd half

3 Month Quarterly Average Steel Sales Tonnes Per Day



For personal use only



Summary



Summary

- A simplified single steel business
- Leading market positions in Australia
- Significant leverage to:
 - Increased constructions activity
 - Sustained lower AUD/USD
 - Improved SE Asian steel margins
- Price increases effective from November 2014
- History of continuing to lower cost base – further significant reductions underway
- Well positioned to benefit from increased construction activity, particularly infrastructure
 - Volumes improving
 - Strong pipeline of new projects announced
- Anti-dumping investigations underway for ~65% of sales volumes



For personal use only



Appendix



Some interesting facts

- We employ approximately 5,500 Australians directly or indirectly
- We trade with over 27,000 customers a year
- We schedule, cut and bend over 100 million lengths of rebar a year
- We make and handle over 7 million sheets of mesh a year
- We despatch over 1,400 trucks and train wagons every day. That's almost 400,000 a year



Anti-dumping – actions in progress

Products	Status
Hot Rolled Structural Sections	<ul style="list-style-type: none"> On 26th Oct 13, the Anti-Dumping Commission initiated an investigation for HRS exported from Korea, Thailand, Taiwan and Japan. On 17th July 14, the Commission varied the requirement for provisional securities for imports. Range increased, now 2.2% to 19.8%. The Commission has given notice of extension and the Final Report is now due to be completed by the 31st Oct 14, Parliamentary Secretary's findings and publishing of dumping duties is due on or before the 30th Nov 14.
Rod in Coil (wire rod for mesh)	<ul style="list-style-type: none"> On 10th April 14 the Anti-Dumping Commission initiated an investigation for RiC exported from Indonesia, Taiwan and Turkey. The Commission has been granted a time extension with the Parliamentary Secretary's final decision currently scheduled to be end March 2015.
Hollow Structural Sections	<ul style="list-style-type: none"> On the 21st July 14 the Anti-Dumping Commission initiated investigation for HSS exported from Thailand. This follows measures being imposed in 2012 in respect of China, Taiwan, Malaysia and Korea.
Reinforcing Bar Straights and Coil	<ul style="list-style-type: none"> On 17th Oct 14 the Anti-Dumping Commission initiated an investigation for Rebar Straights and Coils exported from Spain, Korea, Taiwan, Thailand, Turkey, Singapore and Malaysia.

Commission may impose provisional dumping securities 60 days from initiation of the investigation. However measures can be made retrospective to the date of initiation.

The earliest date that the Parliamentary Secretary will make a decision on the outcome of the investigation and impose dumping duties is approximately 6 months after the date of initiation of the investigation.

For personal use only

Anti-dumping interim measures

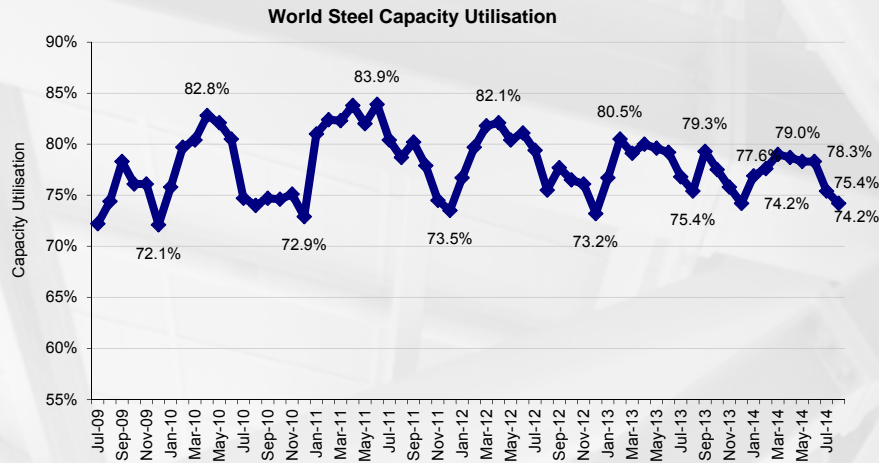
- The Anti Dumping Commission released the Statement of Essential Facts for the Hot Rolled Structural Sections case on 17 July 2014.
- Securities have been revised to the current rates indicated in the table below.

Country	Exporter/Manufacturer	Effective Rate of Dumping Securities
Japan	JFE Bars and Shapes	12.15%
	Uncooperative exporters	12.23%
Korea	Hyundai Steel Company	2.52%
	Uncooperative exporters	3.24%
Taiwan	TS Steel Co Ltd	4.68%
	Tung Ho Steel Enterprise Corporation	2.20%
	Uncooperative exporters	7.89%
Thailand	Siam Yamto Steel Co Ltd	19.80%
	Uncooperative exporters	21.04%

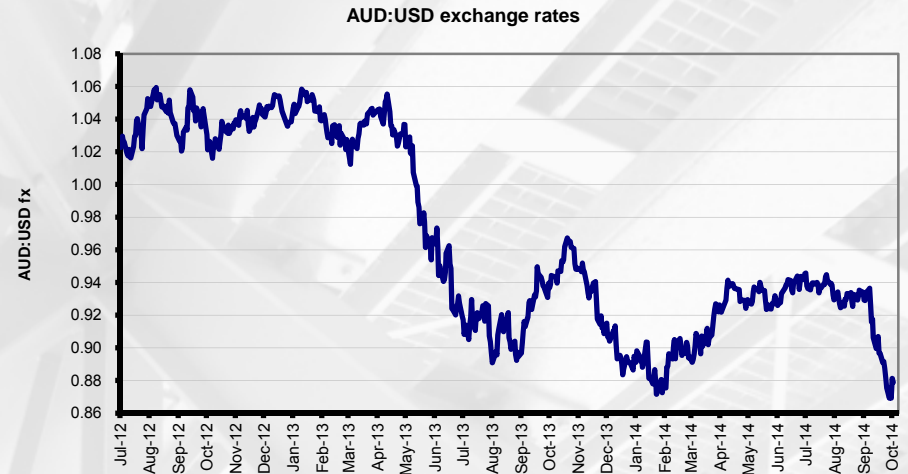
Market conditions and external factors



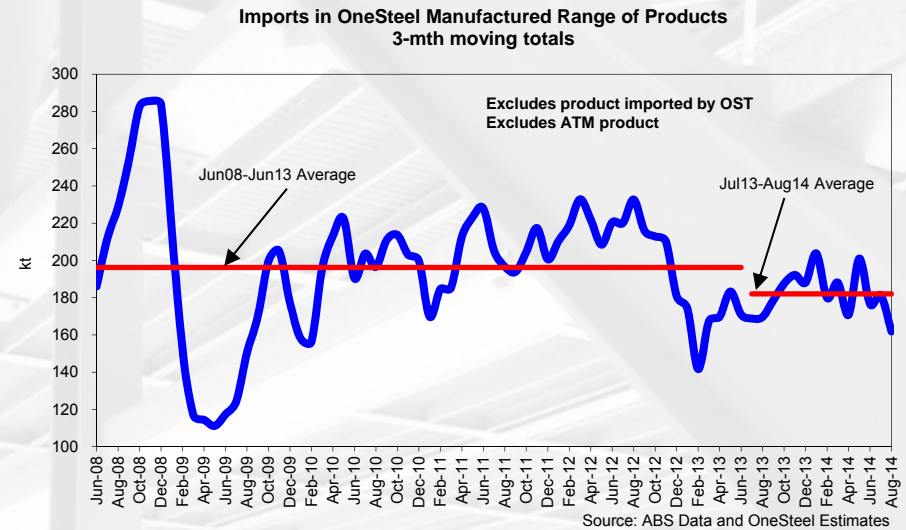
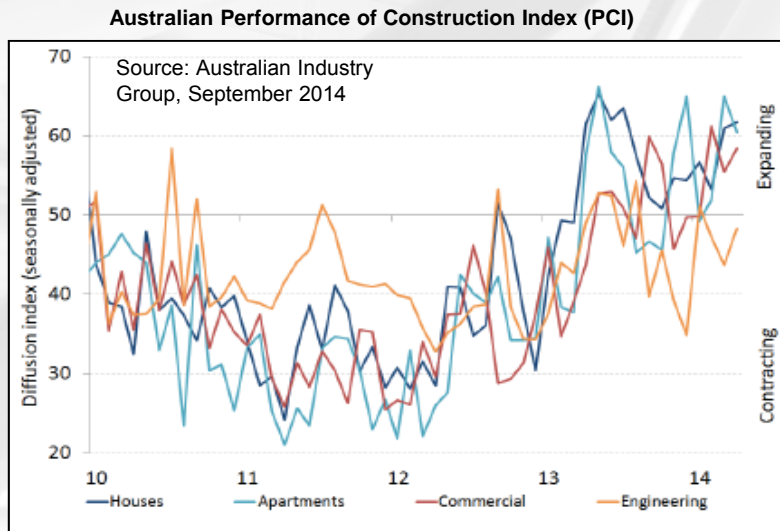
For personal use only



Source: WorldSteel



Source: RBA

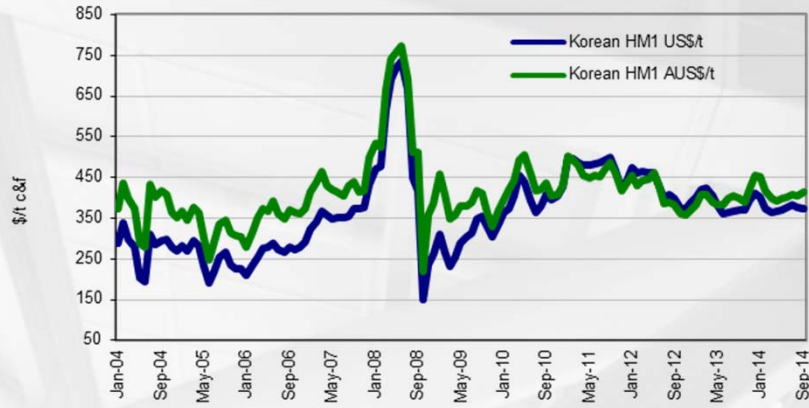


Source: ABS Data and OneSteel Estimates

Market conditions and external factors

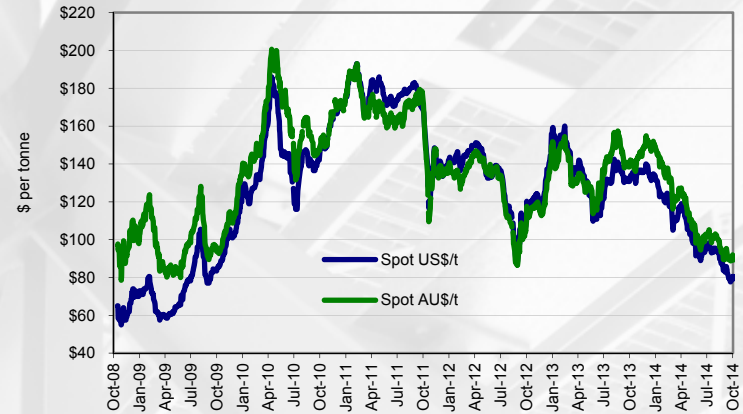
For personal use only

Korean HM1 Scrap Price
January 2004 to September 2014



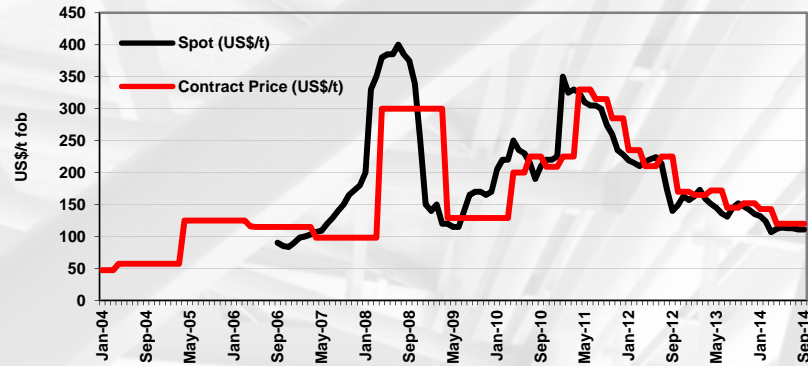
Source: Tex Report

WA Iron Ore Fines 62% Fe CFR Nth China
October 2008 to 08 October 2014



Source: Platts, latest data as of 10 October 2014

Hard Coking Coal Prices
January 2004 to September 2014

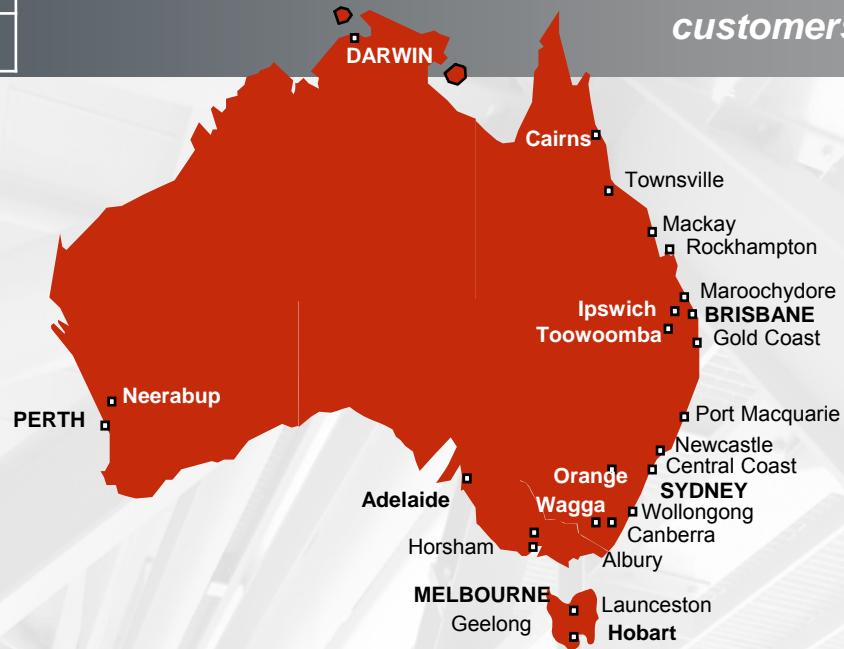


Source: CRU

For personal use only

Revenue ¹	\$575m
Employees	875+
Sites	38

“Australia’s largest reinforcing provider focussed on top-tier projects and helping customers with their construction risks”



¹ Revenue based on FY14 sales and includes sales within the Arrium group.

For personal use only

Revenue ¹	\$450m+
Employees	~800
Sites	36

“The leading provider of reinforcing products to the mid-tier and smaller project markets”



¹ Revenue based on FY14 sales and includes sales within the Arrium group

For personal use only

Revenue ¹	\$650m+
Employees	~850
Sites	65+

“The leading distributor of steel and metal products leveraging scale in market coverage, product range, operations and supply chain”



¹ Revenue based on FY14 sales and includes sales within the Arrium group

Revenue ¹	~\$300m
Employees	400+
Sites	3

“The largest processor and distributor of wire products into rural and construction markets”

SITES

- Newcastle Wire Mills
- Geelong Wire Mill
- Jindera

PRODUCTS

- Manufacturing wire
- Rural posts and fencing
- Wire ropes feed
- Steel in Concrete wire



¹ Revenue based on FY14 sales and includes sales within the Arrium group

Revenue ¹	\$1.25bn+
Employees	700+
Sites	5

“Flexible and reliable supplier of rebar, rod and mebar into our chosen distributor channels”

FACILITIES

- Sydney EAF
- Laverton EAF
- Sydney Bar Mill
- Newcastle Rod Mill
- Laverton Bar Mill
- Laverton Rod Mill
- Newcastle Conti-Stretch

PRODUCTS

- Billets
- Merchant bar (rounds, angles, channels, flats, squares)
- Reinforcing bar
- Conti-Stretch bar coils
- Roof bolt
- Reinforcing rod,
- Rod for wire



¹ Revenue based on FY14 sales and includes sales within the Arrium group

For personal use only

Revenue ¹	~\$925m
Employees	1,100+
Sites	2

*“Reliable supplier of billet in our integrated channel with rail and structurals into our chosen distributor channels
Integrated steelworks with internally sourced iron ore with a capacity of ~1.2 -1.3mt”*

WHYALLA KEY EQUIPMENT

- Blast Furnace
- Basic Oxygen Steelmake (BOS)
- Combi-Caster – slabs/billets
- Structural and Rail Mill

PRODUCTS

- Slabs
- Billets (including specials)
- Hot rolled structurals
- Rail – head hardened, plain carbon
- Rail sleepers



¹ Revenue based on FY14 sales and includes sales within the Arrium group

Historical data – Steel



	FY14 ¹ \$m	FY13 ¹ \$m	FY12 ¹ \$m	FY11 \$m	FY10 \$m	FY09 \$m	FY08 \$m	FY07 \$m	FY06 \$m	FY05 \$m	FY04 \$m
Total revenue/income	2,875.2	2,973.6	3,292.3	3,950.4	4,993.5	6,424.9	6,272.8	4,549.1	3,910.9	3,828.6	3,192.4
EBITDA	50.8	64.0	73.1	(37.1)	188.3	499.9	423.3	418.5	369.5	348.5	316.8
EBIT	(52.8)	(44.4)	(30.3)	(164.6)	56.8	372.0	279.2	331.4	284.1	259.1	236.7
Sales Margin	(1.8%)	(1.5%)	(0.9%)	(4.2%)	1.1%	5.8%	4.5%	7.3%	7.3%	6.8%	7.4%
Assets	2,109.7	2,287.6	2,692.6	3,966.9	4,132.9	4,125.5	4,637.7	3,136.1	2,869.8	2,778.2	2,621.5
Funds Employed	1,544.1	1,717.7	2,109.0	3,171.9	3,183.0	3,326.5	3,429.8	2,364.9	2,208.8	2,052.0	2,031.4
Return on funds employed	(3.2%)	(2.3%)	(1.1%)	(5.2%)	1.7%	11.0%	9.6%	14.5%	13.3%	12.7%	11.8%
Employees (number)	5,116	5,285	5,369	6,922	7,020	7,408	8,211	6,292	6,396	6,391	6,263
External tonnes despatched (Mt)	2.07	2.36	2.57	2.44	2.36	2.43	3.18	2.28	2.27	2.26	2.15
Steel tonnes produced (Mt)	1.91	1.99	2.00	1.92	1.91	1.79	2.44	1.73	1.63	1.35	1.62

The financial measures displayed in this table are based on underlying results.

1 Excludes discontinued operations.

For personal use only



OneSteel Reinforcing Villawood & Revesby – Site tour

Steve Hamer, Chief Executive Steel

21 October 2014

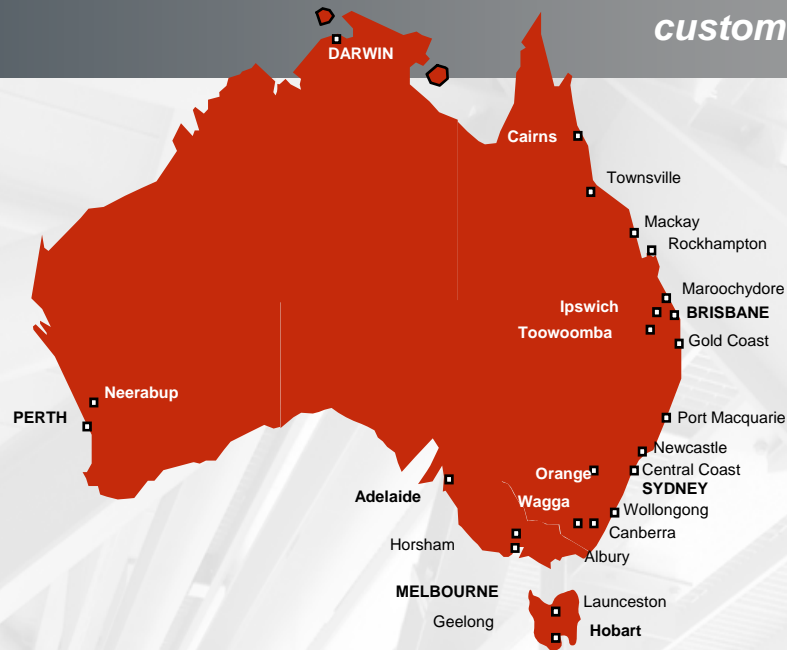


OneSteel Reinforcing fact sheet



Revenue ¹	\$575m
Employees	875+
Sites	38

“Australia’s largest reinforcing provider focussed on top-tier projects and helping customers with their construction risks”



¹ Revenue based on FY14 sales and includes sales within the Arrium group.

For personal use only

Villawood site fact sheet



Employees	<ul style="list-style-type: none"> 65 wages employees across day and afternoon shifts 36 salary employees 14 casual employees
Sites	230 tonne to 250 tonne per day (NSW Capacity 450 – 550 tonne per day)
Major equipment	<ul style="list-style-type: none"> Planet 20 - capacity 1.8 - 2t per hour Syntax 28 - capacity 0.8 - 1.2t per hour Mini Syntax - capacity 0.9 - 1.4t per hour SL300 Shear Line - capacity 2.8 - 3.2t per hour
Safety statistics	<ul style="list-style-type: none"> LTIFR = 0 (zero injuries) MTIFR = 0 (zero injuries) AIFR = 21.55
Total hours worked (last 12 months)	232,016



For personal use only

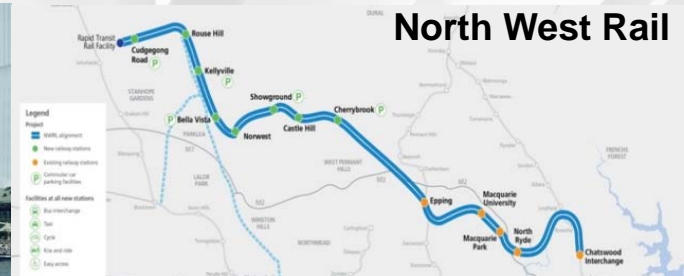
Major projects for OneSteel Reinforcing NSW



For personal use only



Darling Harbour Live



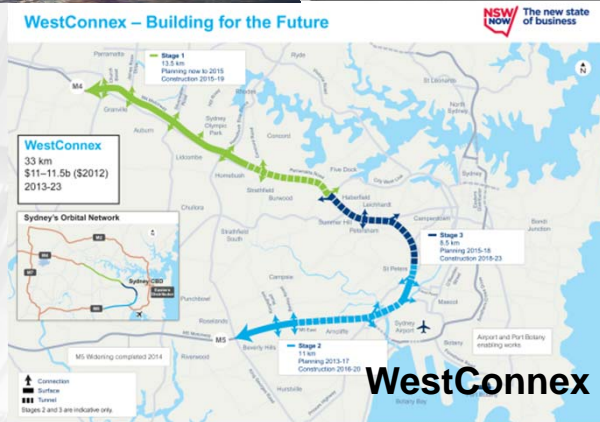
North West Rail



Barangaroo South



NorthConnex



WestConnex

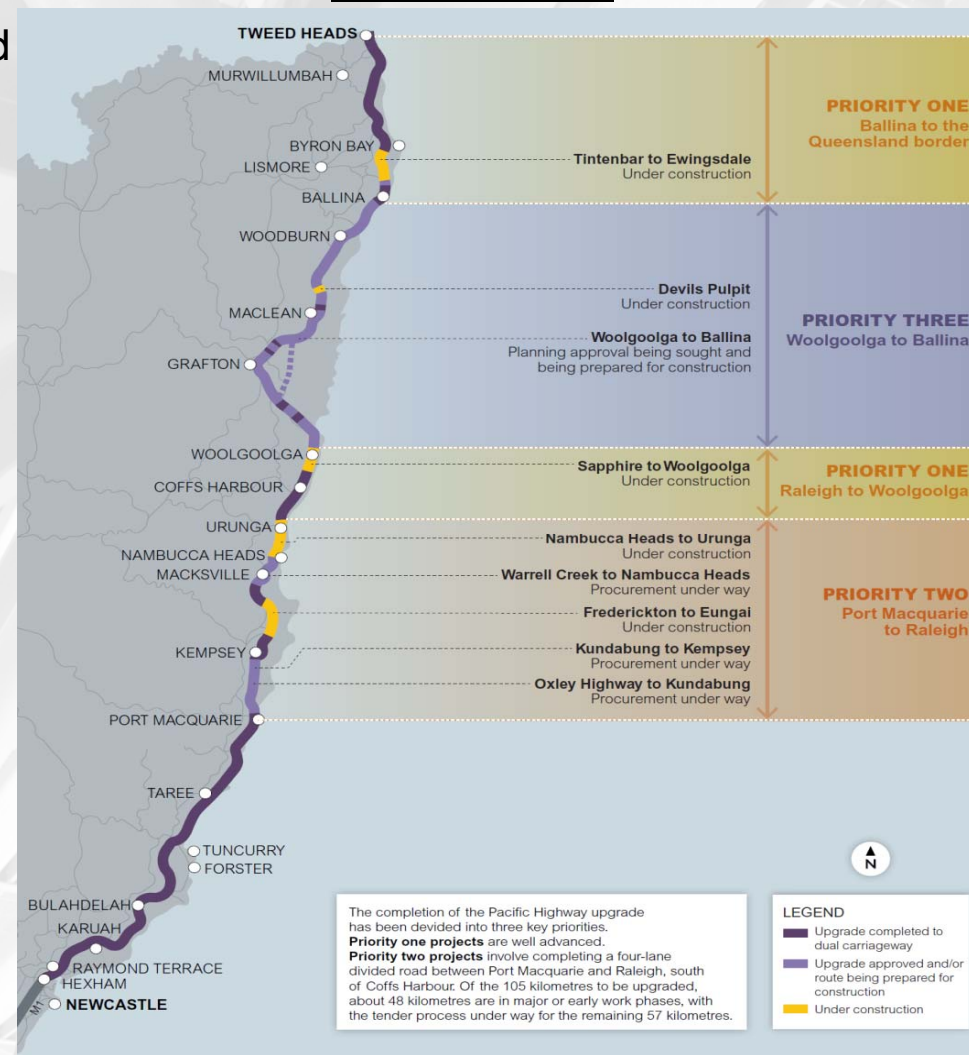
Pacific Highway upgrade work continues



- Approximately 25,000 tonnes of upgrade work expected to be tendered in period 2015 - 2017
- CRCP - continuous Reinforced Concrete Pavement using BAMTEC carpets
- Labour Productivity gains, safer deployment, speed of roadway development



Indicative Projects



For personal use only

Estimated impact of Sydney apartment growth **onesteel** reinforcing

14,000 apartments

Estimated Total Tonnes in the market (2015 – 2018): ~110ktpa¹



Centrium Chatswood



Parramatta City



Mascot Central

¹ Based on management estimates.

New Prefabrication facility



- 2 shifts, 5 days per week operation, with a total of 40 employees
- \$3.3m asset investment in FY15, including latest technology in bar processing and prefabrication.
- Guaranteed Lifting Certification
- Meets AS/NZS 1554.3 - welding reinforcing steel
- Traceability
- Quality Assurance
- Key equipment
 - MEP LTM300 bar shear line plus integrated CS460 automated bar bending system
 - Pedax Permatic automated bar bending system
 - Progress MSR20+2BK off coil processing system



Commissioning of new facility at 166 Newton Road Wetherill Park



Revesby site fact sheet



For personal use only


Employees	<ul style="list-style-type: none"> ▪ 71 wages employees across day and afternoon shifts ▪ 27 salary employees ▪ 28 casual employees
Sites	132,500 tonne per annum
Major equipment	<ul style="list-style-type: none"> ▪ ATT Mesh Machine - capacity 180 sheets/hour ▪ GD6 Mesh Machine - capacity 250 sheets/hour ▪ MG600TM Trench Machine - capacity 200 sheets/hour ▪ GRS Mesh Machine - capacity 100 sheets/hour ▪ MG600MM Mesh Machine - capacity 200 sheets/hour ▪ Wire Machines - capacity 8 metres per second ▪ Prefabrication Machines - 6,000 tonne per annum
Safety statistics	<ul style="list-style-type: none"> ▪ LTIFR = 0 (0 injuries) ▪ MTIFR = 4.23 (1 x MTI) ▪ AIFR = 50.78
Total hours worked (last 12 months)	236,301



Mesh manufacture


New innovation for suspended slabs

ATT Mesh Machine	
Tonnes per annum	20,000T
Average sheets/hour	180
Products	SL52, SL92, RL718, RL1018, UTEMESH (62-82), Mine Mesh G445
Improvements	<ul style="list-style-type: none">3 x 9m Made to Order Mesh - reduced lapping, greater customer productivityOperational productivity gains increased Average sheets per hour from 230 to 300



ATT Mesh Machine

BARMAT Machine	
Tonnes per annum	4,500T
Products	Tailor made mats for Prefabricators, multi level floor applications, Improved productivity for constructors, applied to Grollo Project - ATO at Box Hill
Improvements	Tailor made BARMAT to be bent to shape - culverts, road barriers, etc



BarMat Machine

For personal use only

Single dwelling – ONESLAB



OneSlab (reinforcing)

- Residential and Commercial Applications
- Fixed Price per m2 Bundled Product Offer
- Gives Customer greater control over costs
 - Reduced on site labour
 - Everything needed is delivered to site
 - No multiple deliveries, reduced labour down time
- Flexibility in design services

OneSteel Residential

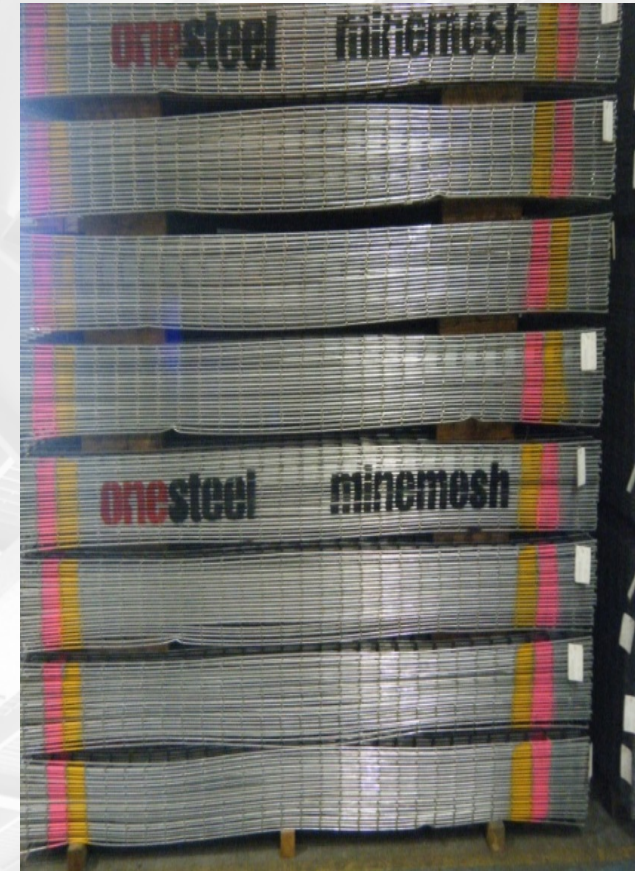
- Combines reinforcing steel with structural elements for residential house builders
- One Point of contact across business units
- OneSteel acts as steel category manager for residential builders



Mine Mesh – product driven innovation



- OSR developed innovation in manufacturing process
- Multinational Patents applied for
 - Potential wider application to be assessed Bar, Rod, Mesh
- Successful Mine Mesh Field Trials would lead to commercialisation in next 12 months
- Lighter, stronger
- Increased Ductility
- Reduction in embodied energy and carbon footprint
- Safer handling and significant productivity gains for mining customers



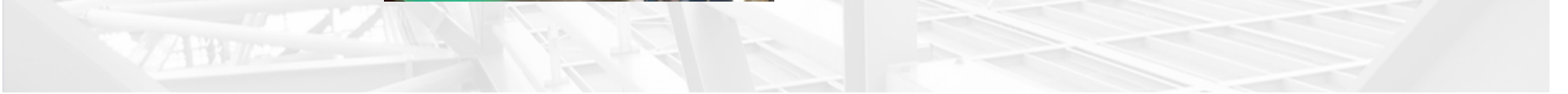
Summary



- Continue to support the construction sector - new plant, equipment & process / product development
- Market opportunities are significant
- Innovation key to success - Prefabrication, New Product Development, Branded differentiation based on solutions capability
- OneSteel Reinforcing continues to be the market leader

For personal use only

For personal use only



Recycling Site Tour Presentation

Geoff Feurtado, Chief Executive Recycling

21 October 2014

For personal use only



Contents

- Fit within Arrium
- Business overview
- Transformation
- Strategy & industry overview
- Zero waste initiatives
- Business environment & opportunities
- Summary



For personal use only

Fit within Arrium



- Middleback Ranges
- Southern Iron
- Whyalla Port



- Moly-Cop
- AltaSteel



- Steel
- Recycling

For personal use only

For personal use only



Business overview



OneSteel Recycling



We buy materials containing steel, stainless steel, copper, aluminium, lead, zinc, brass, bronze etc; prepare it for reuse then trade metals into local and global markets.



For personal use only

Ferrous scrap flow – how it happens

For personal use only

Materials Handling



Baler



Bales



Shred



Steelmaking



Shredder



Shears



Heavy Melt



Non Ferrous Shred



Non ferrous scrap flow – how it happens



For personal use only

Materials Handling

Weigh & Pay

Sort, classify and consolidate



Bale



Despatch



>150 ISRI Specifications

A core component of Arrium's portfolio



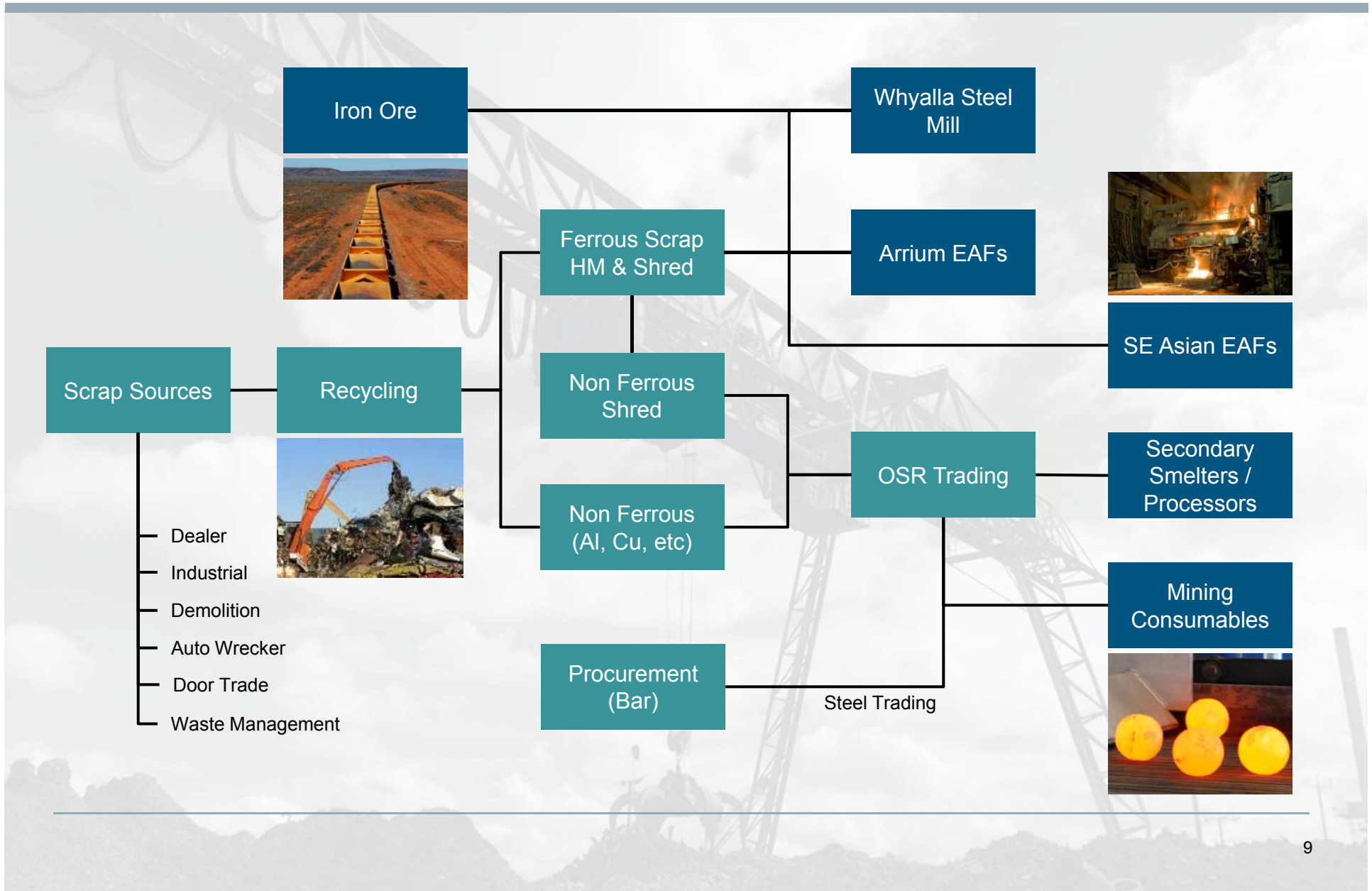
- OSR is a standalone profit centre and part of the integrated steel value chain
 - Core competence in metals trading & trading relationships
 - Culture that values safety and the customer experience
 - Structure that responds to circumstance
 - A portfolio of assets aligned to its purpose

- OSR's purpose is to add value by
 - Cost effective feed supply to Arrium
 - Non ferrous scrap trading
 - Applying trading capability to Arrium's advantage
 - Market insight

“OneSteel Recycling is a focussed business with clear purpose within the Arrium portfolio”

Business model

For personal use only



For personal use only



Transformation



Business right sized & focussed – a simpler business model

Revenue

- New yards at Wacol (Q) & Somerton (V)
- Expanded customer base in Asia
- Recovered additional 2% of waste streams as metals

Operations

- Costs reduced, productivity improved
- Footprint rationalised – 13 yards closed
- Shipping program

Portfolio

- US assets sold, Thai shredder JV exited

Capability

- HK Trading & Documentation systems
- Hand held grading
- Trading capability build

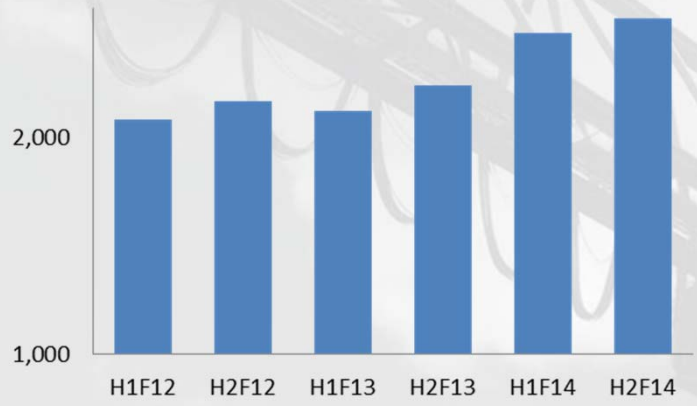


KPIs

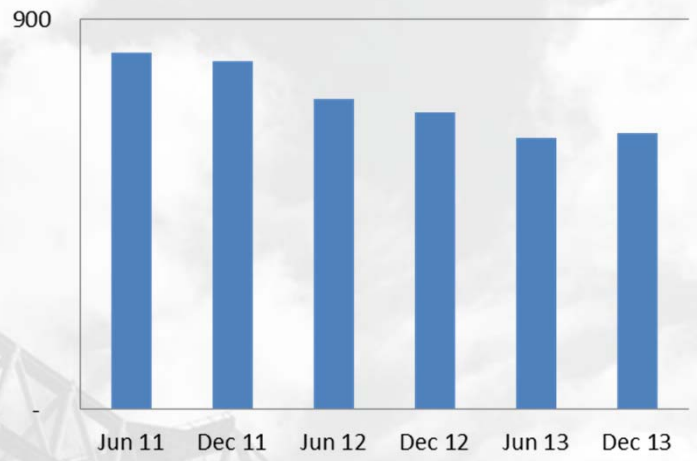


For personal use only

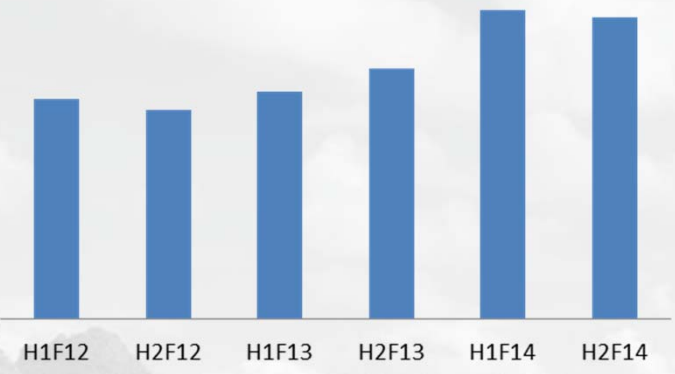
Intake tonnes per person - annualised (Australia)



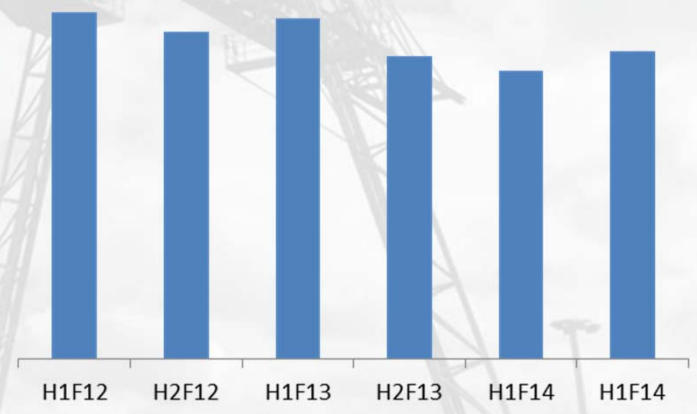
Headcount



Working Capital turn - Australia + Asia

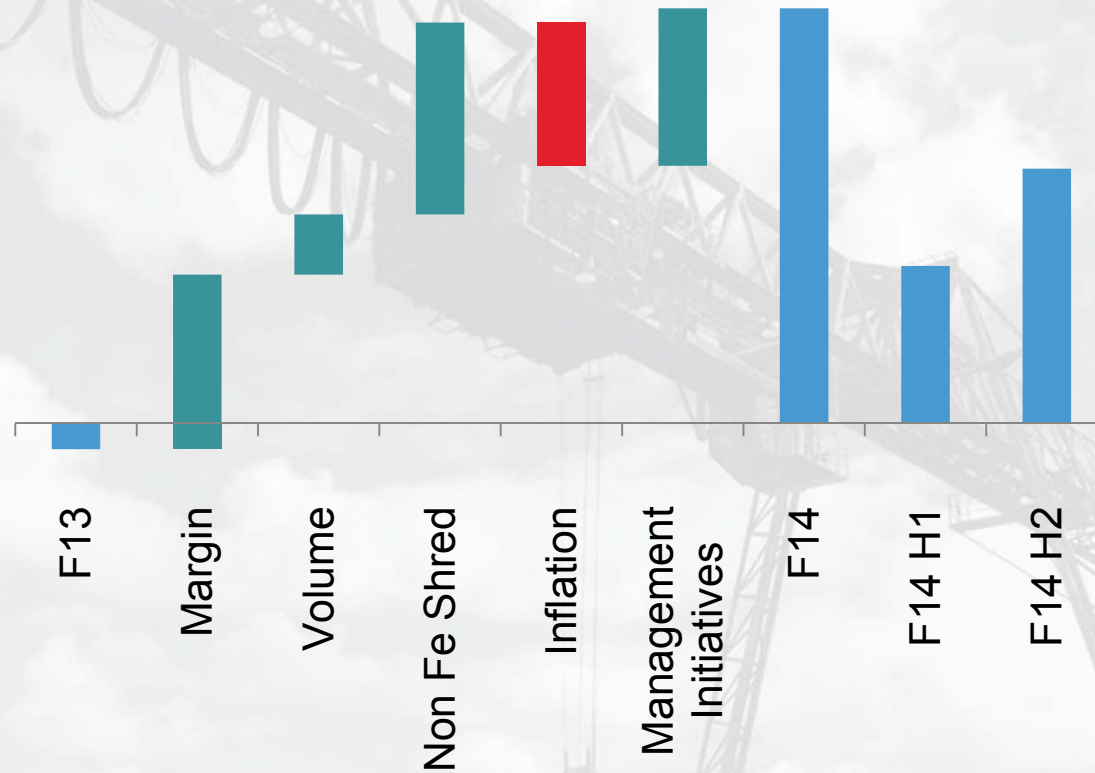


Expenses per intake tonne



FY14 EBITDA drivers

Continuing business – underlying EBITDA



For personal use only

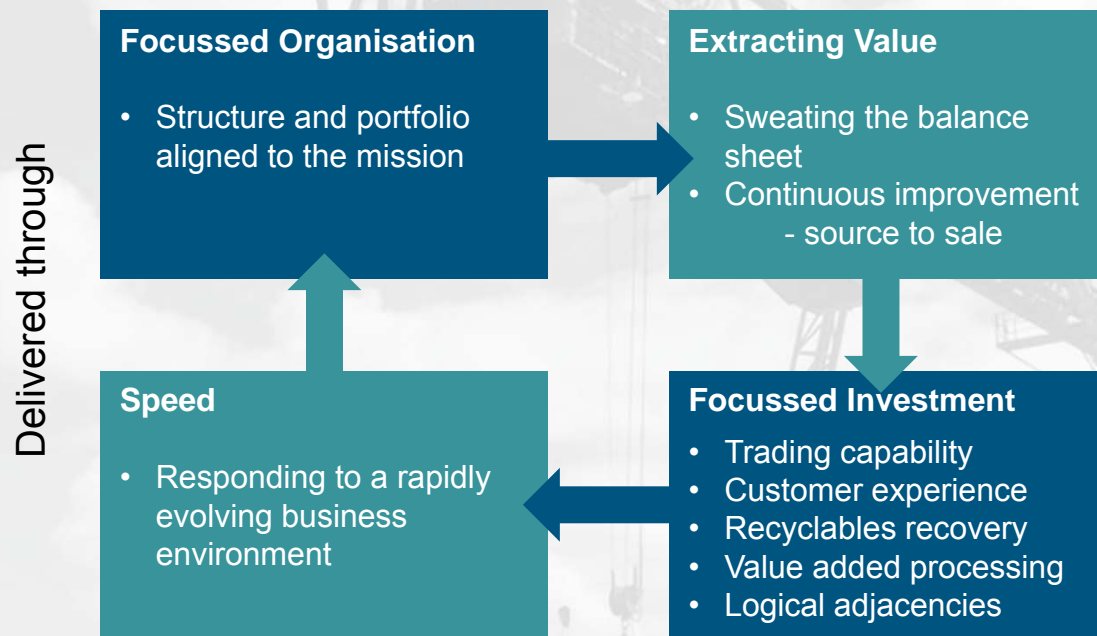
Strategy & industry overview



Recycling strategy

Metal Recycler – trading in ferrous and non ferrous scrap metals

- Cost effective supply of ferrous scrap to Arrium Steel
- Asian trading platform leveraged for the Arrium Group



Recycling industry drivers



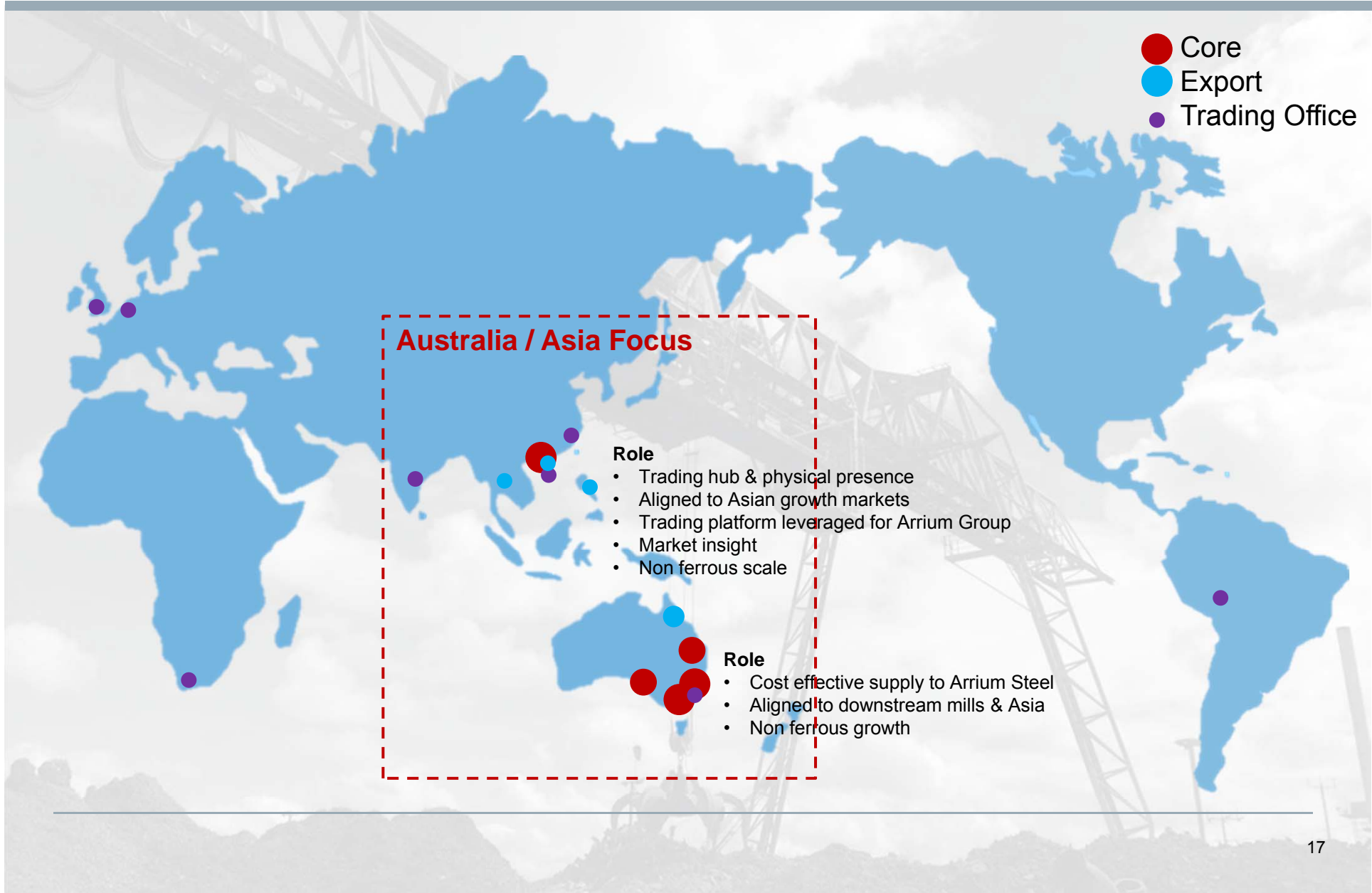
Industry profitability reset by the GFC
OSR right sized & refined, change consolidated

Future opportunities
Continuous improvement – source to sale
Supply source portfolio
Resource recovery
Landfill cost minimisation
Value added processing
Ongoing global growth in EAF steelmaking & secondary smelting

Aligned to key markets



For personal use only



Aligned to Arrium Steel



For personal use only



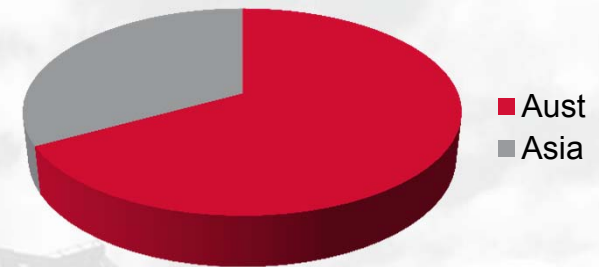
Product and market exposure

For personal use only

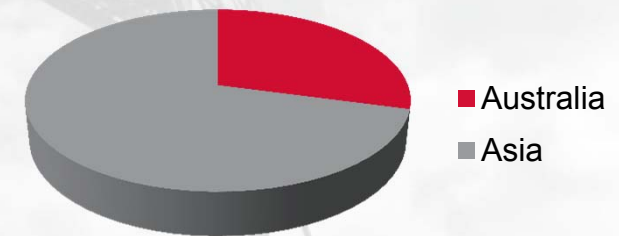
	Australia	Asia
Ferrous	✓	✓
Shredders	x4	
Local Customers	Steel Mills	Steel Mills
Export Customers	SE Asia	-
Export Method	Bulk Ship Containers	-
Non Ferrous	✓	✓
Products	All*	SS & Cu
Export Method	Containers	Containers
Trading		Hedged Brokerage

* Including Zorba / non ferrous shred

Sales Revenue Source



Sales Revenue Destination



Zero waste initiatives



Zero waste initiatives

- The recycling sector in Australia generates ~600ktpa of waste that goes to landfill at a cost ~\$50Mpa.
- Governments landfill levies are increasing and industry relief is set to lessen
 - The NSW landfill levy expected to double to ~\$105-115/t in 2017
 - Increasing export of “unprocessed scrap” and contained waste
- OneSteel has invested in additional technology (sensor sorts and batch feeders) at its Hemmant & Laverton shredders to extract 2% of waste stream as metal but waste streams still contain metals, plastics and other reusable materials.



Zero waste initiatives

- OneSteel Recycling has a two pronged approach – diverting material from landfill and minimising the metals in landfill
 - Working with Government to secure grant funding
 - R&D program; in house research and partnerships with Universities in Sydney & Melbourne
 - Studying new technologies and their potential applicability



For personal use only



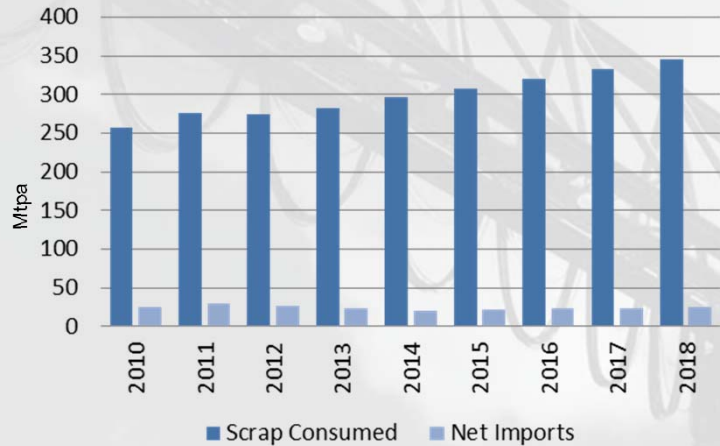
Business environment & opportunities



Positive long term environment

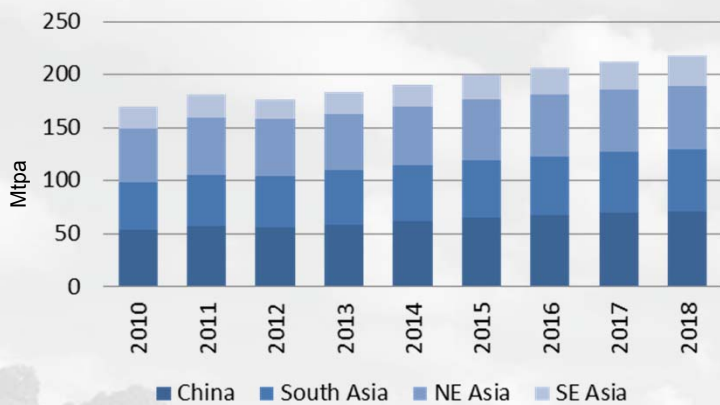
For personal use only

Asia - Ferrous Scrap Consumed



Source: CRU

EAF Steelmake - 3.4%pa projected growth



Source: CRU



OSR is positioned to capitalise on Australian & Asian demand

A volatile near term business environment

Macro

- Chinese economic restructuring
 - Metals capacity growth has run ahead of demand growth
 - Excess metals capacity
 - China exporting at marginal cost - volume & liquidity
 - Chinese billets used as scrap substitute
 - Resetting of iron ore and coal prices
 - Scrap price reset
- US economy recovering - USD appreciating
 - AUD depreciation being mitigated by scrap price weakness

Industry

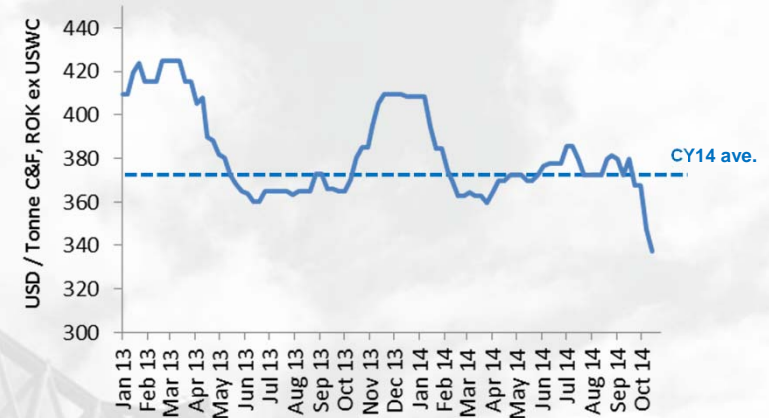
- Tight prompt & obsolete scrap flows
- Excess shredder and recycling capacity
- Containerisation of scrap (and waste)
 - Intense competition for source supply
 - Bypassing the conventional value chain
 - Increasing competition to supply SE Asian steel mills



Ferrous scrap prices

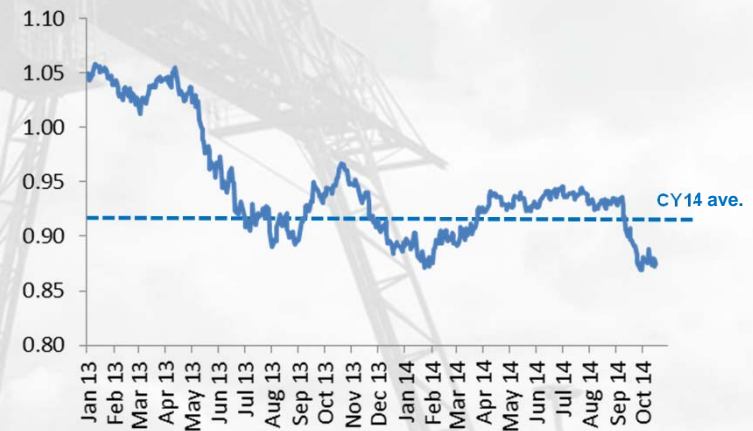
- Reset of steel industry input costs
- The Australian dollar is impacted by sentiment, low raw materials prices & USD strength
- AUD depreciation has not fully mitigated price falls
- Recycling sector anticipating a period of tighter ferrous scrap margins

Tex HM1 - weekly price report



Source: Tex

AUD:USD Exchange Rate



Source: RBA

Base metal prices

- Non ferrous represents over half of OSR's revenue – a major driver of profitability
- Stainless steel and copper margins under pressure from weak sentiment

Nickel:

Ni prices strong after Indonesian export bans but weakening demand and high inventories have negated.

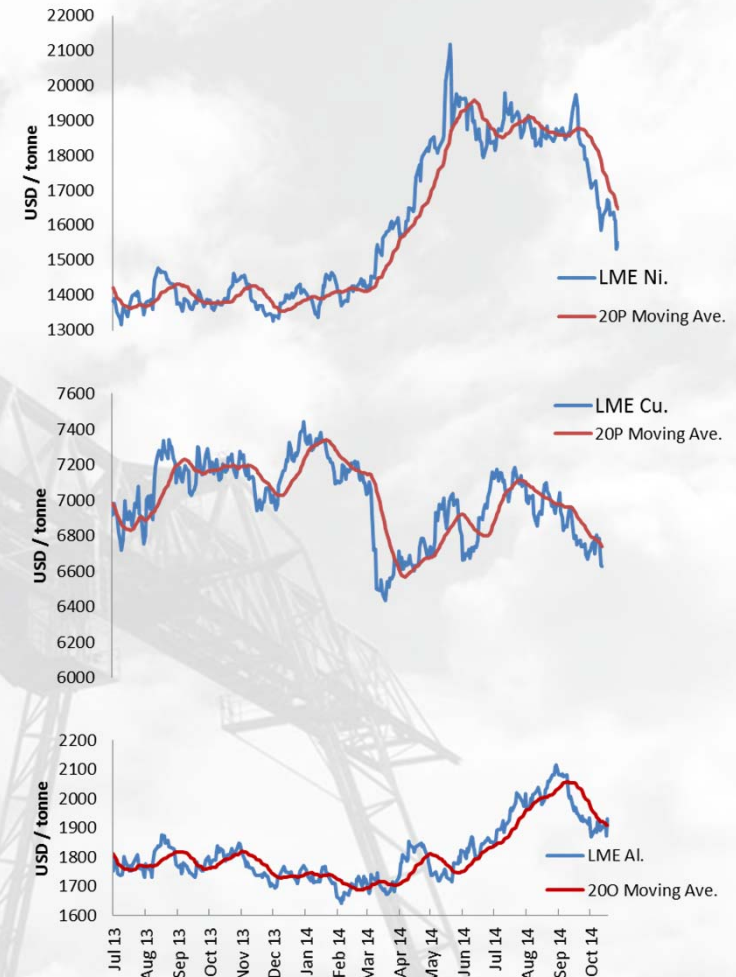
Copper:

Copper is an indicator of Asia's economic condition. Weak sentiment is impacting in the near term.

Aluminium:

Aluminium supply is tight. Prices are strong with premiums for physical metal at record levels.

- Upside leveraged to improving medium term Asian economic sentiment



Source: Metal Bulletin

Outlook

The business plans to build on its stronger FY14 performance through:

- Leveraging its repositioned footprint
- Further cost reductions and operational improvements
- Maximise returns from non-ferrous trading opportunities



Path forward

- Source to sale – continuous improvement
- Trading capability & customer experience
- Waste minimisation / resource recovery
- Value added processing
- Logical adjacencies



For personal use only

Summary

- Transformation completed; a robust, simpler, focussed business
 - Solid earnings momentum
- Opportunities from latent value
 - Source to sale – continuous improvement
 - Yield improvement / waste minimisation
 - Working capital management
- Responding to current volatility as metals industries adjust to the Chinese paradigm
 - Static prices erode margins, price volatility creates opportunities
- Robust longer term opportunities from continued global growth in EAF steelmaking and secondary smelting



For personal use only



Appendix



Historical data – Recycling



	FY14 ¹	FY13 ¹	FY12 ¹	FY11	FY10	FY09	FY08
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Total revenue/income	1,132.2	1,165.3	1,362.5	1,507.2	1,123.7	1,124.0	1,404.1
EBITDA	12.1	(3.4)	5.6	37.6	22.9	(21.8)	98.4
EBIT	1.3	(15.6)	(8.4)	20.9	7.7	(38.6)	86.5
Sales Margin	0.1%	(1.3%)	(0.6%)	1.4%	0.7%	(3.4%)	6.2%
Assets	393.9	400.2	577.5	652.5	710.7	614.1	741.5
Funds Employed	296.9	301.0	472.5	554.3	618.4	537.7	620.8
Return on funds employed	0.4%	(4.0%)	(1.6%)	3.6%	1.3%	(6.7%)	13.9%
Employees (number)	641	685	804	1,033	1,019	1,016	1,127
Ferrous tonnes (Mt)	1.19	1.25	1.40	1.91	1.70	1.66	1.71
Non-ferrous tonnes (Mt)	0.25	0.23	0.24	0.25	0.19	0.14	0.18

The financial measures displayed in this table are based on underlying results.

¹ Excludes discontinued operations.

For personal use only

arrium
STEEL

