ARRIUM LIMITED

RESULTS FOR ANNOUNCEMENT TO THE MARKET

HALF-YEAR ENDED 31 DECEMBER 2013

Comparison to previous corresponding period (pcp)	Movement	% Change		A$ million
Total revenue from ordinary activities	up	7%	to	3,642.5
Profit from ordinary activities after tax attributable to ordinary equity holders	up	NC*	to	220.4
Net profit for the period attributable to ordinary equity holders	up	NC*	to	220.4

* NC = Not comparable

Dividends	Interim Dividend 2014	Final Dividend 2013	Interim Dividend 2013
Amount per security	6.0c	3.0c	2.0c
Franked amount per security	0.0c	0.0c	0.0c
Amount per security declared to be conduit foreign income	0.0c	0.0c	1.6c
Total dividend and dividend payment (A$ million)	81.7	40.7	27.0

	Date
Ex-dividend date for Interim Dividend	7 March 2014
Record date for determining entitlement to Interim Dividend	14 March 2014
Date payable (on or around)	17 April 2014

Net tangible assets	31 December 2013	31 December 2012
Net Tangible Assets per security ($)	1.34	1.15

Details of Associates and Joint Venture Entities

Name of associate or joint venture entity	Associate or Joint Venture Entity	Percentage holding December 2013	Percentage holding December 2012
BOSFA Pty Ltd	Jointly controlled entity	50%	50%
GenAlta Recycling Inc.	Jointly controlled entity	50%	50%

Details of entities over which control was gained during the period

Name of entity	Date
Arrium Mining Sales Asia Limited	30 July 2013
Arrium Mining Services Asia Limited	26 July 2013

There were no entities over which control was lost during the period.

Dividend Reinvestment Plan

The Dividend Reinvestment Plan (DRP) provides eligible shareholders with an option to use dividend entitlements to acquire Arrium Limited ordinary shares. Participation is optional. The DRP price is the arithmetic average of the daily volume weighted average market price (rounded to the nearest cent) of all fully-paid ordinary shares in the Company sold on the ASX during the 10 consecutive trading days commencing on the date which is the second trading day after the Record date for the relevant dividend, less such discount, if any, not exceeding five per cent, as determined by the Board from time to time. DRP shares are currently priced at a nil discount.

The DRP will operate for the interim dividend. The last date of receipt of DRP election notices is before 5.00 pm on 14 March 2014 (the Record date).

No discount applies to the DRP.

Further ASX Appendix 4D disclosures are located in the Arrium Limited Half-Year Financial Report.

This report is based on a Financial Report that has been subject to review and is not subject to any dispute or qualification.

ASX RELEASE

18 February 2014

ARRIUM LIMITED 1H14 RESULTS

EXECUTION OF STRATEGY DELIVERS STRONG FIRST HALF

ARRIUM HIGHLIGHTS[i,ii,iii,iv]

- Sales revenue $3,643 million, up 7% on 1H13
- Underlying EBITDA $503 million, up 97% on 1H13 – record 1H result
- Statutory EBITDA $499 million, up 106% on 1H13
- Record 1H cash outcome
  - Strong statutory operating cash flow of $344 million
  - Good progress with divestments – proceeds $117m in 1H14
- Significant progress on reducing debt and improving leverage ratio
  - Substantial improvement in underlying leverage ratio to 2.3x (CY13)
- Underlying EPS 14.8c, up 279% from 3.9c 1H13
- Statutory EPS 16.2c, up from loss of 33.2c 1H13
- Record Mining EBITDA of $423 million, up 220% on 1H13 – Mining expansion benefits
- Mining Consumables continued to deliver strong earnings and cash
- Steel EBITDA and cash positive despite ongoing weakness in domestic demand

ARRIUM FINANCIAL RESULTS

- Underlying NPAT $201 million, up 294% from $51 million in 1H13
- Statutory NPAT $220 million, up from NLAT of $448 million in 1H13
- Statutory operating cash flow $344 million, up 97% on 1H13
- Statutory net debt $1,975 million, down compared to $2,115 million as at 30 June 2013
- Statutory gearing 33.8%, down 2.9 percentage points from 36.7% as at 30 June 2013
- Underlying leverage ratio[v] 2.3x (CY13), down from 3.6x (CY12)
- Interim dividend 6 cents per share (unfranked)

Arrium Mining

- Expanded Mining business and Whyalla Port performing well
- Record export hematite sales of 6.1Mt, up 79% from 3.4Mt 1H13
- Record EBITDA of $423 million, up 220% from $132 million 1H13
- Average loaded cash cost[vi] (excluding royalties & depreciation) $49.50/wmt
- Realised average price for half US$126/dmt (95% of average Platts 62% Fe index price)
- Benefits from Opal Blend and Whyalla Blend products
- Completed $86 million magnetite project on time and on budget

Arrium Mining Consumables

- EBITDA $100 million – continued strong earnings and cash
- Continued strong grinding media demand, particularly in North and South America
- Maintained stable grinding media margins
- Capacity expansions in Indonesia and Canada tracking in line with plan
- Weaker rail wheels and ropes demand in Australia as expected

Arrium Steel

- Steel business EBITDA and cash positive despite ongoing weakness in domestic demand
- Steel EBITDA $30 million, flat compared to 2H13
- Steel domestic sales lower compared to 1H13
- Synergy benefits from single steel business tracking to plan
- Recycling EBITDA and cash positive

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RESULTS COMMENTARY & REVIEW OF OPERATIONS

Mining and materials group, Arrium Limited (ASX:ARI) today announced that underlying net profit after tax (NPAT) for the six months ended 31 December 2013 was $201 million, an increase of 294% on the prior corresponding half NPAT of $51 million. Statutory NPAT for the first half was $220 million, up from a net loss after tax (NLAT) of $448 million for the prior corresponding half.

The significant increase in underlying NPAT for the half was primarily due to record earnings in the Mining business, reflecting benefits from the expansion to double iron ore sales to a rate of 12 million tonnes per annum in June last year.

Arrium Managing Director and CEO, Mr Andrew Roberts said: “The ongoing successful execution of our strategy is delivering value for shareholders, with this half including a marked increase in earnings and cash, and a lower and improved leverage ratio.

“Our strong first half results reflect the benefits of our growth strategy for the Mining and Mining Consumables businesses, with both of these businesses being substantial contributors to the company’s earnings for the half. The strong results lifted underlying earnings per share from 3.9 cents in the prior corresponding half to 14.8 cents this half, an increase of 279%.

“Pleasingly, we also made considerable progress with our current priority of reducing debt and improving our leverage ratio. The substantial earnings contributions from Mining and Mining Consumables helped deliver EBITDA of $503 million, an increase of 97% on the prior corresponding half and a first half record for the company. We also delivered a record first half cash outcome,” Mr Roberts said.

“Our Statutory operating cash flow for the half was $344 million, up 97% due mainly to increased sales in the Mining business and reduced working capital in Steel. We also made good progress on our divestments, with cash proceeds for the half totalling $117 million.

“The strong cash outcome led to net debt reducing to $1,975 million from $2,115 million at the end of June 2013. The lower net debt and record EBITDA for the half significantly improved the company’s leverage ratio to 2.3 times for the 2013 calendar year, compared to 3.6 times for the 2012 calendar year.

“The strong financial results have resulted in the Board lifting the interim dividend to 6 cents a share, an increase of 4 cents or 200% on the interim dividend declared for the same half last year.

“Operationally, our Mining business was the stand out contributor for the half delivering record EBITDA of $423 million, an increase of 220% on the prior corresponding period. Export hematite iron ore sales for the half were up 79% to 6.1 million tonnes, in line with our post expansion target rate of ~12 million tonnes per annum.

“Our Mining Consumables business again performed well, contributing $100 million of underlying EBITDA for the half underpinned by continued strong demand for grinding media, particularly in North and South America. As expected, the first half included weaker demand for rail wheels and mine ropes as some customers reduced inventory and delayed investment.

“In Steel, the business was again EBITDA and cash positive despite ongoing weakness in domestic demand. Underlying EBITDA from continuing operations of $30 million was flat compared to the prior half, in line with guidance, but down compared to the same half last year. Improved margins, cost synergy benefits from the establishment of a single steel business, and underlying profit from asset sales were offset by the impact of lower volumes in the half. In Recycling, the business was underlying EBITDA and cash positive.

“Our current priority remains lowering debt and improving our leverage ratio. We are well placed to build on the achievements of the first half through the benefits of our growth investments in Mining and Mining Consumables, from benefits to earnings and cash from cost reductions and a sustained lower Australian dollar in our Steel and Recycling businesses, and from further divestments,” Mr Roberts said.

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RESULTS SUMMARY

Statutory	Dec-13 $m	Dec-12 $m	% Change
Total Operations			
Sales revenue	3,643	3,404	7%
EBITDA	499	242	106%
EBIT	317	(367)	186%
Net profit/(loss) after tax	220	(448)	149%
Operating cash flow	344	175	97%
Net debt	1,975	2,155	(8%)
Gearing (net debt / net debt + equity)	33.8%	36.0%	-2.2pp
Earnings per share (weighted average) - cents	16.2	(33.2)	149%

Underlying	Dec-13 $m	Dec-12 $m	% Change
Total Operations			
Sales revenue	3,643	3,404	7%
EBITDA	503	255	97%
EBIT	322	120	168%
Net profit after tax	201	51	294%
Operating cash flow	379	183	107%
Leverage Ratio (net debt / EBITDA, 12 month rolling basis)	2.3	3.6	(37%)
Earnings per share (weighted average) - cents	14.8	3.9	279%

Details of the reconciliation of non-statutory to statutory results can be found in the Appendix attached to this document.

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SEGMENT ANALYSIS

ARRIUM MINING

- **Expanded Mining business and Whyalla Port performing well**
- **Record export hematite sales of 6.1Mt, up 79% from 3.4Mt 1H13**
- **On track for target sales of ~12Mtpa for FY14**
- **Record EBITDA of $423 million, up 220% from $132 million 1H13**
- **Average loaded cash cost (excluding royalties & depreciation) $49.50/wmt**
- **Realised average price for half US$126/dmt (95% of average Platts 62% Fe index price)**
- **Benefits from Opal Blend and Whyalla Blend products**
- **Completed $86 million magnetite project on time and on budget**

Revenue increased 135% to $877 million, from $373 million in the prior corresponding half due an increase in export hematite iron ore sales volumes and a higher average realised price. Sales volumes for the half increased 79% from 3.4 million tonnes to 6.1 million tonnes, reflecting the benefit of the expansion completed in June last year to double export hematite iron ore sales to a rate of 12 million tonnes per annum.

The Whyalla Port has continued to perform well following completion of the expansion to double its capacity to ~13 million tonnes per annum in July last year. Particular benefits of the expansion in the half included the new infrastructure providing sprint capability when required, and the increased shed capacity providing good coverage for product blending and mitigating some weather conditions.

Demand for iron ore in the half remained strong, in line with expectations. The average realised CFR price for the half was US$126/dmt, up 14% from US$111/dmt for the prior corresponding half. This represents 95% of the Platts 62% average CFR price for the half of US$134/dmt, an increase from 93% of the average Platts price in the prior corresponding half of US$118/dmt. The higher percentage largely reflects the benefit of Arrium's new Opal Blend and Whyalla Blend products, including the impact of lump premiums and customers valuing ores with a higher Fe and lower impurities. The average grade of sales in the half was 60.2% Fe, in line with guidance. Importantly, in Australian dollars, the average realised CFR price was $137/dmt, up 30% on the prior corresponding half.

Average loaded cash costs for the half were in line with guidance at $49.50/wmt.

EBITDA for the half was a record $423 million, up 220% from $132 million in the prior corresponding half due to the increased volumes and higher average realised price. EBIT increased 257% for the half to $324 million, from $91 million.

The business completed its $86 million Magnetite project at the end of the half, on time and on budget. This included installation of a tertiary crusher and modifications to the existing grinding circuit to allow the concentrator to treat a wider range of ores, as well as maximize product recovery. Full project benefits, including delivery of an additional 400 thousand tonnes per annum of ore products for sale, are expected following completion of ramp up in the second half.

The December 2013 quarter production report for Arrium Mining was released to the ASX today. The report includes additional information regarding the company's mining activities in the quarter.

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ARRIUM MINING CONSUMABLES

- **EBITDA $100 million – continued strong earnings and cash**
- **Continued strong grinding media demand, particularly in North and South America**
- **Maintained stable grinding media margins**
- **Capacity expansions in Indonesia and Canada tracking in line with plan**
- **Weaker rail wheels and ropes demand as expected**

Revenue was flat compared to the prior corresponding half at $787 million, as a higher average net sales price was offset by a 2% decrease in segment volumes from 0.57 million tonnes to 0.56 million tonnes. Higher grinding media sales volumes were offset by a decline in sales volumes from AltaSteel in Canada, as well as from the Australian rail wheel and mine ropes businesses due to a number of customers reducing inventory as expected, and from capital expenditure delays.

Demand for grinding media remained strong during the half underpinned by high levels of mining activity, particularly copper, gold and iron ore in our key markets of North America, South America and Australasia, despite softer commodity prices compared to the prior corresponding half. Geographically, all grinding media businesses performed well in the half.

The business commenced progressively rolling out its next generation of large grinding media (SAG ball). The next generation ball wears at a slower rate and is expected to further strengthen the business' strong competitive position, and deliver benefits through a volume/price trade-off.

The segment continued to generate strong earnings and cash, and maintained relatively stable grinding media margins. EBITDA for the half was $100 million, and EBIT was $76 million.

The recently completed capacity expansion at the Lima, Peru facility was ramped up during the half and is performing well and in line with expectations. The expansions at Cilegon, Indonesia and Kamloops, Canada are also progressing well, and are on budget. The Cilegon expansion is scheduled for completion in the March 2014 quarter, and the Kamloops expansion is expected to be completed mid-2015.

ARRIUM STEEL

- **Steel business EBITDA & cash positive despite ongoing weakness in domestic demand**
- **Steel EBITDA $30 million, flat compared to 2H13**
- **Steel domestic sales volumes lower compared to 1H13**
- **Synergy benefits from single steel business tracking to plan**
- **Recycling EBITDA and cash positive**

The Steel business continued to be adversely affected by ongoing weakness in domestic construction markets. However, the business made good progress with synergy benefits including cost and working capital reductions related to the establishment of a single steel business towards the end of the 2013 financial year, and is well positioned to benefit from a sustained lower Australian dollar and improved volumes.

Margins improved compared to the prior corresponding half, largely related to the impact of the lower Australian dollar, but the extent of the improvement was adversely affected by the volatility of the Australian dollar and lower South East Asian steel margins.

Across the segments, residential construction remained generally weak but with some improvement towards the end of the half, particularly construction of capital city apartments. Non-residential construction activity also remained weak and well below pre GFC levels, due mainly to credit availability issues. Government funded infrastructure activity continued at solid levels, as did mining production activity, and demand from the rural sector continues to be subject to factors such as weather and commodity prices.

Steel revenue decreased 7% compared to the prior corresponding half to $1,438 million, due to lower sales volumes and a slightly lower average net selling price.

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The Steel business was again EBITDA and cash positive despite the ongoing weakness in domestic demand. Underlying EBITDA from continuing operations of $30 million was flat compared to the prior half, in line with guidance. Improved margins, synergy benefits from the establishment of a single steel business and underlying profit from asset sales were offset by the impact of lower sales volumes.

In Recycling, demand and prices for ferrous and non-ferrous have remained weak, albeit there was an improvement in ferrous prices in the second quarter. The business has continued to focus on cost and operational improvements including the rationalisation of some sites. The business was underlying EBITDA and cash positive for the half.

FINANCIALS

Sales revenue for the 6 months ended 31 December 2013 increased 7% compared to the prior corresponding half to $3,643 million due to higher sales revenue in Arrium Mining, partly offset by lower revenue in the Steel & Recycling businesses.

Underlying EBITDA (earnings before interest, tax, depreciation and amortisation) increased 97% compared to the prior corresponding half, to $503 million due to an increased contribution from Arrium Mining.

Sales margin for the half increased to 8.9% from 3.5% in the prior corresponding half due mainly to higher sales margins in Arrium Mining.

Finance costs were $62 million, up from $58 million in the prior corresponding half mainly due to the strengthening of the US dollar against the Australian dollar, impacting the translation of interest expense on US dollar denominated borrowings, and the impact of capitalised interest in the prior period.

Underlying net profit after tax for the half was $201 million, up from $51 million for the prior corresponding half due mainly from higher earnings in the Arrium Mining.

Underlying earnings per share for the half (weighted average) was 14.8 cents, up from 3.9 cents for the prior corresponding half.

The **underlying effective tax rate** of 23% largely reflects the company tax rate of 30% less the benefit of R&D tax allowances and foreign currency differences.

INTERIM DIVIDEND

The Board announced today an unfranked interim dividend of 6 cents per share. The company has previously indicated that it has insufficient franking credits for paying franked dividends due to factors such as deductible research and development and prior year tax adjustments. The extent to which Arrium is able to frank future dividends will depend on future earnings and the level of franking credits generated from tax paid in Australia.

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OUTLOOK

In Mining, strong economic growth in China is expected to underpin continued strong demand for iron ore. We expect average iron ore prices to remain at solid levels over the balance of this financial year, particularly given the outlook for a sustained lower Australian dollar. The business is on track for achieving its target sales of ~12 million tonnes of hematite iron ore this financial year, with grade expected to average ~60% Fe. The average loaded cash cost is expected to remain at ~$50/wmt for the second half. Work is continuing on increasing sales above ~12 million tonnes, and utilising the full capacity of our expanded Whyalla Port.

We are continuing to diversify our customer base in North China and currently have trials of our Opal Blend and Whyalla Blend products underway with potential new customers in the region.

In Mining Consumables, despite volatility in commodity prices, demand for grinding media is expected to remain strong underpinned by high levels of copper and gold production, particularly in North and South America, and from declining head grades. The business has estimated[vii] the compound annual growth rate for grinding media demand in North and South America to be approximately 8% for the FY13 to FY17 period, although some project delays may impact the timing of this growth.

The business remains well placed to capture at least its high market share of the expected growth in demand due to its strong competitive position, including its ball quality, supply chain, technical support and its strategy of keeping capacity ahead of market demand. The business also expects to benefit from the progressive roll out of its next generation SAG ball.

Sales volumes for rail wheels and mining ropes in the second half are expected to be broadly in line with the first half.

In Arrium Steel, we expect the ongoing weakness in domestic and international steel markets to continue in the second half, but there are signs of a lift in domestic steel demand particularly from increased project construction that is underway in NSW and Western Australia. This lift is reflected in an improvement in the order book for the Steel business. Earnings in the second half are expected to benefit from improved volumes, the outlook for a sustained lower Australian dollar and the full impact of the $30 million synergy benefits expected this financial year (annualised expected benefit of $40 million in FY15) related to the establishment of a single steel business. In Recycling, earnings are expected to benefit from ongoing operational improvements in Australia and Asia.

ENDS

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Further information about Arrium Limited can be accessed via the website **www.arrium.com**.

Unless otherwise stated, this announcement contains certain non-statutory financial measures including underlying EBIT, underlying EBITDA, underlying NPAT, underlying earnings per share, underlying operating cash flow and underlying effective tax rate. These measures are used to assist the reader understand the financial performance of the Group's operations. Non-statutory financial information has not been audited or reviewed as part of KPMG's report on the Half Year Financial Report. However, KPMG have undertaken a set of procedures to agree the financial information in this announcement to underlying information supplied by the Company. Details of the reconciliation between non-statutory and statutory financial measures can be found in the attachment to this announcement. The ASX Release forms part of a package of information about the Group's Half Year Financial Results for the half year ended 31 December 2013 and should be read in conjunction with the other Half Year 2014 financial results materials including the 2014 Half Year Results Presentation and the Half Year Financial Report for the 6 months to 31 December 2013.

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[i] 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.

[ii] Unless otherwise stated, certain financial measures referred to in this document, including underlying results and ratios based on underlying results are non-statutory financial measures, which have not been audited or reviewed as part of KPMG's review report on the half year financial report. However, KPMG have undertaken a set of procedures to agree the financial information in this document to underlying information supplied by the Company. 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. Details of the reconciliation of non-statutory to statutory results can be found attached to this document.

[iii] Segment results referred to throughout this release are those reported in the 2014 Half Year Financial Report. They are equivalent to segment underlying results.

[iv] Unless otherwise stated, the December 2012 and June 2013 comparatives have been restated to reflect the application of the new Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine and the revised AASB 119 Employee Benefits. These details can be found in the 2014 Half Year Financial Report.

[v] Net debt / underlying EBITDA, 12 month rolling basis

[vi] Includes mining, crushing, beneficiation, rail, road haulage and transhipping costs. Excludes capitalised costs (infrastructure, pre-stripping and mining licences) and depreciation and amortisation charges in respect of those costs, royalties, sales and marketing and corporate costs.

[vii] Review conducted August 2013, next review due August 2014

ATTACHMENT

Year ended 31 December 2013	Statutory Results			Underlying Results			
Reconciliation between Underlying and Statutory Results	Continuing operations	Discontinued operations[1]	**Total Operations Statutory**	Restructuring costs[2]	Impairment[3]	Tax adjustments[4]	**Total Operations Underlying**
Sales revenue	3,358.6	283.9	**3,642.5**	-	-	-	**3,642.5**
Other revenue/income	70.0	4.4	**74.4**	-	-	-	**74.4**
Total revenue/income	3,428.6	288.3	**3,716.9**	-	-	-	**3,716.9**
Gross profit/(loss)	721.5	(27.4)	**694.1**	-	-	-	**694.1**
EBITDA	568.8	(70.0)	**498.8**	4.6	-	-	**503.4**
Depreciation and amortisation	(181.0)	-	**(181.0)**	-	-	-	**(181.0)**
Impairment	(4.7)	3.7	**(1.0)**	-	1.0	-	**0.0**
EBIT	383.1	(66.3)	**316.8**	4.6	1.0	-	**322.4**
Finance costs	(62.0)	-	**(62.0)**	-	-	-	**(62.0)**
Earnings before tax	321.1	(66.3)	**254.8**	4.6	1.0	-	**260.4**
Tax expense/(benefit)	(54.9)	21.0	**(33.9)**	(1.4)	(0.3)	(23.7)	**(59.3)**
Profit/(loss) after tax	266.2	(45.3)	**220.9**	3.2	0.7	(23.7)	**201.1**
Non-controlling interests	(0.5)	-	**(0.5)**	-	-	-	**(0.5)**
Net profit/(loss) after tax	265.7	(45.3)	**220.4**	3.2	0.7	(23.7)	**200.6**

1 Relating to the results of Australian Tube Mills, Merchandising and US Recycling businesses. Excludes intercompany transactions. Statutory EBITDA and statutory net profit after tax including intercompany transactions are $10.4m loss and $4.1m loss respectively.
2 Related to redundancies from organisational changes and other direct expenditure associated with business restructures.
3 Impairment of property, plant and equipment and intangible assets associated with Mining Consumables, Steel, US Recycling and Merchandising businesses.
4 Tax adjustment relates to the net impact of Mineral Resource Rent Tax

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ATTACHMENT

Half-year Ended 31 December 2012	Statutory Results			Underlying Results				
Reconciliation between Underlying and Statutory Results	Continuing operations	Discontinued operations[1]	**Total Operations Statutory**	Restructuring costs[2]	Impairment[3]	Tax adjustments[4]	Other items[5]	**Total Operations Underlying**
Sales Revenue	2,965.9	438.5	**3,404.4**	-	-	-	-	**3,404.4**
Other Revenue/Income	43.7	9.3	**53.0**	-	-	-	-	**53.0**
Total Revenue/Income	3,009.6	447.8	**3,457.4**	-	-	-	-	**3,457.4**
Gross Profit	542.2	13.9	**556.1**	-	-	-	-	**556.1**
EBITDA	293.9	(52.1)	**241.8**	13.7	-	-	(0.9)	**254.6**
Depreciation & Amortisation	(119.9)	(14.5)	**(134.4)**	-	-	-	-	**(134.4)**
Impairment	(96.5)	(378.0)	**(474.5)**	-	474.0	-	-	**(0.5)**
EBIT	77.5	(444.6)	**(367.1)**	13.7	474.0	-	(0.9)	**119.7**
Finance costs	(57.5)	(0.7)	**(58.2)**	-	-	-	-	**(58.2)**
(Loss)/profit before tax	20.0	(445.3)	**(425.3)**	13.7	474.0	-	(0.9)	**61.5**
Tax expense/(benefit)	(40.8)	20.3	**(20.5)**	(4.1)	-	16.3	(0.4)	**(8.7)**
(Loss)/profit after tax	(20.8)	(425.0)	**(445.8)**	9.6	474.0	16.3	(1.3)	**52.8**
Non-controlling interests	(0.4)	(1.4)	**(1.8)**	-	-	-	-	**(1.8)**
Net (loss)/profit after tax	(21.2)	(426.4)	**(447.6)**	9.6	474.0	16.3	(1.3)	**51.0**

1 Relating to the results of the Australian Tube Mills, Merchandising, US Recycling and Steel and Tube Holdings businesses. Excludes intercompany transactions. Statutory EBITDA and statutory net profit after tax including intercompany transactions are $9.6m and $382.7m loss respectively.
2 Related to redundancies from organisational changes and other direct expenditure associated with business restructures.
3 Impairment of the ARC brand name portfolio and goodwill in the Manufacturing and Distribution segments.
4 Tax adjustments related to prior year adjustments and the net impact of Mineral Resource Rent Tax.
5 Related to gains on sale of Steel & Tube Holdings and other non-recurring costs.

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ATTACHMENT

SEGMENT

Half year ended 31 December	Mining			Mining Consumables			Steel			Recycling		
$ millions	**2013**	**2012**	**% Chg**	**2013**	**2012**	**% Chg**	**2013**	**2012**	**% Chg**	**2013**	**2012**	**% Chg**
Total Revenue/Income	**877.4**	372.5	135.5%	**786.5**	793.9	(0.9%)	**1,438.1**	1,545.5	(6.9%)	**547.0**	574.5	(4.8%)
EBITDA	**423.1**	132.1	220.3%	**100.4**	100.4	0.0%	**30.1**	33.8	(10.9%)	**3.2**	(9.0)	135.6%
EBIT	**323.5**	90.6	257.1%	**76.4**	81.1	(5.8%)	**(21.2)**	(14.7)	(44.2%)	**(2.1)**	(15.2)	86.2%
Sales Margin (EBIT)	**36.9%**	24.3%	12.6pts	**9.7%**	10.2%	-0.5pts	**(1.5%)**	(1.0%)	-0.5pts	**(0.4%)**	(2.6%)	2.2pts
Assets	**2,171.2**	1,865.5	16.4%	**2,519.4**	2,295.3	9.8%	**2,154.0**	2,472.4	(12.9%)	**372.9**	617.3	(39.6%)
Funds Employed	**1,688.2**	1,541.0	9.6%	**2,139.4**	1,916.1	11.7%	**1,619.6**	1,939.2	(16.5%)	**295.9**	538.4	(45.0%)
Return on Funds Employed (%)	**40.1%**	13.2%	26.9pts	**7.5%**	8.3%	-0.8pts	**(2.4%)**	(1.4%)	-1pts	**(1.0%)**	(5.4%)	4.4pts
Employees (number)	**585**	565	3.5%	**2,063**	1,994	3.5%	**5,163**	5,350	(3.5%)	**628**	715	(12.2%)

Segment results are equivalent to the underlying results of each segment and comprised of continuing operations only. The results of discontinued operations form part of unallocated.

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ATTACHMENT

FINANCIAL RATIOS

HALF YEAR ENDED

$A millions	Dec-13	Jun13	Dec-12	Jun-12	Dec-11	Jun-11	Dec-10	Jun-10	Dec-09	Jun-09	Dec-08	Jun-08	Dec-07	Jun-07	Dec-06	Jun-06	Dec-05	Jun05	Dec-04	% Change Dec-13 to Dec-12
***Group Results*[1]**																				
Sales revenue	3,642.5	3,436.6	3,404.4	3,797.4	3,797.1	3,817.9	3,315.1	3,231.0	2,973.6	3,113.9	4,127.6	4,216.0	3,218.3	2,166.3	2,134.3	2,015.8	1,988.8	2,048.0	1,890.5	7.0%
Other revenue/income	74.4	60.9	53.0	99.4	22.4	31.8	12.4	38.9	17.4	18.4	47.9	16.9	33.6	17.2	16.7	22.7	16.3	17.1	17.5	40.4%
Total income	3,716.9	3,497.5	3,457.4	3,896.8	3,819.5	3,849.7	3,327.5	3,269.9	2,991.0	3,132.3	4,175.5	4,232.9	3,251.9	2,183.5	2,151.0	2,038.5	2,005.1	2,065.1	1,908.0	7.5%
Gross profit	694.1	523.4	556.1	619.3	578.4	838.3	646.3	550.1	683.9	634.6	952.9	980.4	700.8	368.4	468.8	366.4	432.3	379.4	407.6	24.8%
EBITDA	503.4	359.2	254.6	342.4	238.6	326.7	315.3	319.8	297.8	162.7	498.5	519.3	288.4	218.1	218.0	193.2	203.5	203.4	173.7	97.7%
Depreciation, amortisation & impairment	(181.0)	(166.4)	(134.9)	(118.8)	(102.6)	(112.9)	(100.6)	(105.2)	(98.7)	(101.5)	(98.0)	(108.8)	(86.1)	(48.1)	(48.1)	(46.6)	(47.4)	(52.5)	(45.0)	34.2%
EBIT	322.4	192.8	119.7	223.6	136.0	213.8	214.7	214.6	199.1	61.2	400.5	410.5	202.3	170.0	169.9	146.6	156.1	150.9	128.7	169.3%
Finance costs	(62.0)	(59.9)	(58.2)	(58.9)	(62.2)	(55.1)	(46.0)	(44.6)	(44.6)	(70.6)	(101.6)	(92.6)	(67.0)	(29.5)	(26.3)	(27.3)	(29.4)	(29.7)	(23.9)	6.5%
Profit before tax	260.4	132.9	61.5	164.7	73.8	158.7	168.7	170.0	154.5	(9.4)	298.9	317.9	135.3	140.5	143.6	119.3	126.7	121.2	104.8	323.4%
Tax benefit/(expense)	(59.3)	(17.9)	(8.7)	(43.5)	6.0	(43.6)	(41.2)	(47.3)	(34.3)	11.0	(75.1)	(90.4)	(37.6)	(35.5)	(39.2)	(26.3)	(34.5)	(29.9)	(25.5)	581.3%
Profit after tax	201.1	115.0	52.8	121.2	79.8	115.1	127.5	122.7	120.2	1.6	223.8	227.5	97.7	105.0	104.4	93.0	92.2	91.3	79.3	280.9%
Non-controlling interests	(0.5)	(0.3)	(1.8)	(3.0)	(2.9)	(3.9)	(3.3)	(1.1)	(1.2)	(1.4)	(8.7)	(5.9)	(4.3)	(5.7)	(6.2)	(5.5)	(8.1)	(8.5)	(9.0)	(72.2%)
Net profit after tax	200.6	114.7	51.0	118.2	76.9	111.2	124.2	121.6	119.0	0.2	215.1	221.6	93.4	99.3	98.2	87.5	84.1	82.8	70.3	293.3%
Non-trading items, net of tax																				
- Restructuring costs	*(3.2)*	*(56.1)*	*(9.6)*	*(15.8)*	*(14.0)*	*(6.2)*	-	*0.4*	*(1.6)*	*(44.7)*	*(2.1)*	*(31.8)*	*(26.3)*	-	-	-	-	-	-	(66.7%)
- Impairment	*(0.7)*	*(421.3)*	*(474.0)*	*4.1*	*(129.5)*	*(1.5)*	-	-	-	-	-	*(8.5)*	*(3.5)*	-	-	-	-	*49.7*	-	(99.9%)
- Transaction costs	-	-	-	*(2.7)*	*(16.0)*	*(5.9)*	*(8.0)*	-	-	-	-	-	-	-	-	-	-	-	-	-
- Tax adjustments & other items	*23.7*	*113.0*	*(15.0)*	*27.5*	*9.00*	*16.50*	-	*19.0*	-	*45.7*	*15.3*	-	-	*9.5*	-	*15.9*	-	-	-	258.0%
Net profit after tax - statutory	220.4	(249.7)	(447.6)	131.3	(73.6)	114.1	116.2	141.0	117.4	1.2	228.3	181.3	63.6	108.8	98.2	103.4	84.1	132.5	70.3	149.2%
Total assets	7,921.7	8,168.8	8,241.4	8,931.4	8,665.1	8,343.3	8,195.1	7,067.7	6,729.5	6,933.1	7,520.7	7,291.5	6,999.2	3,569.5	3,375.3	3,138.8	3,058.3	3,087.1	2,748.1	(3.9%)
Total liabilities	4,044.4	4,517.6	4,407.7	4,430.8	4,267.5	3,837.6	3,715.5	2,575.0	2,347.3	2,596.8	3,864.2	3,862.1	3,636.4	1,919.5	1,804.1	1,637.2	1,619.9	1,698.8	1,465.9	(8.2%)
Total equity	3,877.3	3,651.2	3,833.7	4,500.6	4,397.6	4,505.7	4,479.6	4,492.7	4,382.2	4,336.3	3,656.5	3,429.4	3,362.8	1,650.0	1,571.2	1,501.6	1,438.4	1,388.3	1,282.2	1.1%
Net debt[2]	1,975.4	2,114.9	2,154.7	2,143.3	2,241.9	1,728.4	1,891.6	963.7	969.9	1,223.9	2,269.8	1,947.2	1,985.6	769.8	753.1	638.8	660.0	645.3	709.0	(8.3%)
Funds employed	5,852.7	5,766.1	5,988.4	6,643.9	6,639.5	6,234.1	6,371.2	5,456.4	5,352.1	5,560.2	5,926.3	5,376.6	5,348.4	2,419.8	2,324.3	2,140.4	2,098.4	2,033.6	1,991.2	(2.3%)
Number of shares on issue (millions)	1,361.5	1,355.4	1,351.5	1,345.7	1,342.4	1,338.1	1,334.7	1,331.6	1,328.4	1,325.8	882.8	878.7	876.5	575.7	573.4	569.3	567.2	563.8	561.1	0.7%
Operating cash flow	378.9	412.5	183.2	303.8	215.7	300.2	162.9	324.5	328.7	328.3	42.5	359.7	162.5	424.5	90.8	324.1	93.7	179.8	56.1	106.8%
Free cash flow	169.3	259.3	(122.8)	69.0	49.2	161.6	64.1	221.5	258.5	240.6	(57.4)	164.3	51.0	102.1	55.3	53.6	(17.2)	116.5	(7.5)	237.8%
Capital and investment expenditure	209.6	153.2	306.0	235.3	483.7	152.5	1,091.7	135.7	71.1	85.4	105.5	154.2	2,320.8	183.5	177.0	112.7	114.9	63.9	63.6	(31.5%)
Return on equity % (PAT / average total equity)	10.7%	6.1%	2.5%	5.5%	3.6%	5.1%	5.7%	5.5%	5.5%	0.1%	12.6%	13.4%	5.8%	13.0%	13.6%	12.7%	13.1%	13.7%	11.9%	8.2pp
Return on funds employed % (EBIT / average funds employed)	11.1%	6.6%	3.8%	6.7%	4.2%	6.8%	7.3%	7.9%	7.3%	2.1%	14.2%	15.3%	7.6%	14.3%	15.2%	13.8%	15.1%	15.0%	12.8%	7.3pp
Sales margin %	8.9%	5.6%	3.5%	5.9%	3.6%	5.6%	6.5%	6.6%	6.7%	2.0%	9.7%	9.7%	6.3%	7.9%	8.0%	7.3%	7.9%	7.4%	6.8%	5.3pp
Gross profit margin %	19.1%	15.2%	16.3%	16.3%	15.2%	22.0%	19.5%	17.0%	23.0%	20.4%	23.1%	23.3%	21.8%	17.0%	22.0%	18.2%	21.7%	18.5%	21.6%	2.7pp
Earnings per share (cents)	14.8	8.6	3.9	8.8	5.8	8.3	9.4	9.2	9.0	-	24.5	26.6	11.8	17.4	17.3	15.5	14.9	14.8	12.6	279.5%
Dividends per share (cents)	6.0	3.0	2.0	3.0	3.0	4.0	6.0	6.0	5.0	4.0	6.0	13.5	8.0	10.5	8.0	10.0	7.0	7.5	6.0	4cents
Dividend payout ratio %	40.7%	35.5%	53.0%	34.2%	52.4%	48.1%	64.5%	65.8%	55.8%	100.0%	24.6%	53.5%	75.1%	92.2%	46.7%	65.0%	47.2%	51.1%	47.9%	-12.3pp
Gearing %	33.8%	36.7%	36.0%	32.3%	33.8%	27.7%	29.7%	17.7%	18.1%	22.0%	38.3%	36.2%	37.1%	31.8%	32.4%	29.8%	31.5%	31.7%	35.6%	-2.2pp
Interest cover (times EBITDA, 12m rolling basis)	7.1	5.2	5.1	4.8	4.8	6.4	7.0	6.9	4.0	3.8	5.2	5.1	5.3	7.8	7.7	7.0	6.9	7.0	7.8	2 times
Net tangible assets per share ($)	1.34	1.19	1.15	1.20	1.13	1.39	1.30	1.77	1.72	1.65	1.65	1.53	1.38	2.38	2.26	2.15	2.03	1.95	1.77	16.5%
Employees	9,606	10,078	10,177	11,007	11,488	11,598	11,549	10,598	10,574	11,104	11,743	11,678	11,639	7,526	7,733	7,527	7,269	7,395	7,262	(5.6%)
Sales per employee ($000s)	379	341	335	345	331	329	287	305	281	280	351	361	277	288	276	268	274	277	260	13.1%
Iron ore tonnes sold (Mt)	6.12	4.86	3.42	3.16	3.13	2.98	3.06	2.85	3.18	2.89	2.18	2.57	1.89							78.9%
Raw steel production (Mt)	1.22	1.20	1.30	1.29	1.21	1.21	1.11	1.01	1.14	0.80	1.23	1.44	1.26	0.86	0.88	0.83	0.80	0.81	0.54	(6.2%)
Steel tonnes despatched (Mt)	1.72	1.76	1.79	1.84	1.84	1.84	1.35	1.40	1.35	1.18	1.58	1.90	1.63	1.14	1.14	1.17	1.10	1.16	1.11	(3.9%)

1 Unless otherwise stated, certain financial measures referred to in this document, including underlying results and ratios based on underlying results are non-statutory financial measures, which have not been audited or reviewed as part of KPMG's review report on the half year financial statements. However, KPMG have undertaken a set of procedures to agree the financial information in this document to underlying information supplied by the Company. 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. Details of the reconciliation of non-statutory to statutory results can be found in the Appendix to this document. All balance sheet items are based on statutory financial information.
2 Net debt for December 2004 have been adjusted to include securitisation which was previously classified as off-balance sheet.

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1H14 Results Presentation

Andrew Roberts, Managing Director & CEO
Robert Bakewell, Chief Financial Officer

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.

Unless otherwise stated, this presentation contains certain non-statutory financial measures including underlying EBIT, underlying EBITDA, underlying NPAT, underlying earnings per share and underlying effective tax rate. 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 Half Year Financial Report. However, KPMG have undertaken a set of procedures to agree the financial information in this presentation to underlying information supplied by the company. 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. Segment results refer to throughout this presentation are those reported in the 2014 Half Year Financial Report. Except as otherwise stated, they are equivalent to segment underlying results for continuing operations only. Details of the reconciliation between non-statutory and statutory financial measures can be found in the Appendix of this presentation.

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.

Unless otherwise stated, the December 2012 and June 2013 comparatives have been restated to reflect the application of the new Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine and the revised AASB 119 Employee Benefits. These details can be found in the 2014 Half Year Financial Report.

Contents

1H14 highlights

"Execution of strategy delivers strong 1H"

- Realising benefits of growth investments in Mining and Mining Consumables
- Record 1H EBITDA and cash
- Lower and substantially improved leverage ratio

1H14 results overview

- Sales revenue $3,643 million, up 7% pcp
- Underlying EBITDA[1] $503 million, up 97% pcp & 1H record, (Stat. $499 million)
  - Record contribution from Mining
  - Strong earnings and cash from Mining Consumables
  - Steel business EBITDA and cash positive despite further weakness in domestic demand
- Underlying NPAT $201 million, up 294% from $51 million pcp, (Stat. $220 million)
- Underlying EPS 14.8c, up 279% from 3.9c pcp, (Stat. 16.2c)

1 A reconciliation of non-statutory underlying results to statutory results can be found in the Appendix to this presentation.

1H14 results overview (cont.)

- Strong statutory operating cash flow $344 million, up 97%
- Proceeds from divestments $117 million
- Statutory net debt $1,975 million, down 7% from $2,115 million (FY13)
- Underlying leverage[1] 2.3x (CY13) down from 3.6x (CY12)
- Statutory gearing 33.8%, down from 36.7% (FY13)
- Interim dividend 6 cents per share (unfranked), up from 2 cents pcp

1 Net Debt / underlying EBITDA, 12 month rolling basis

1H14 Segment Analysis

1H14 Mining results

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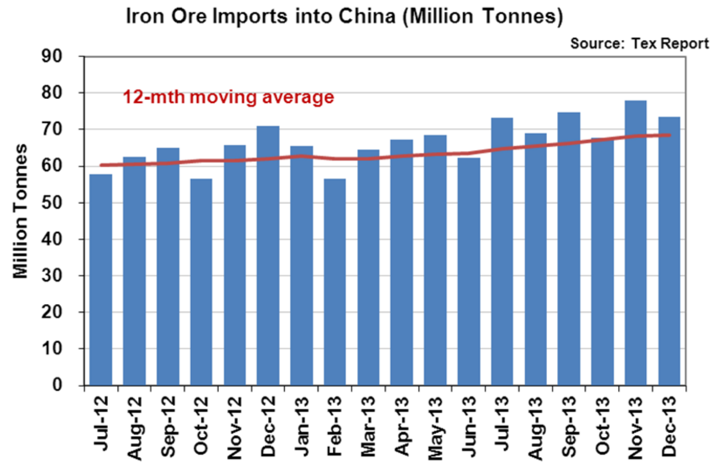
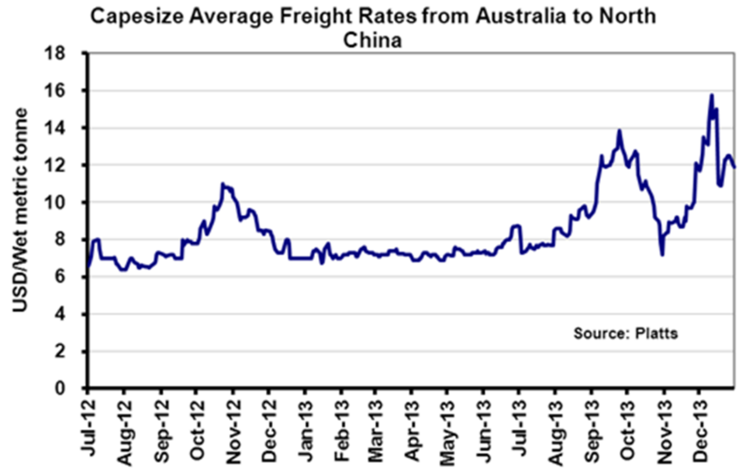
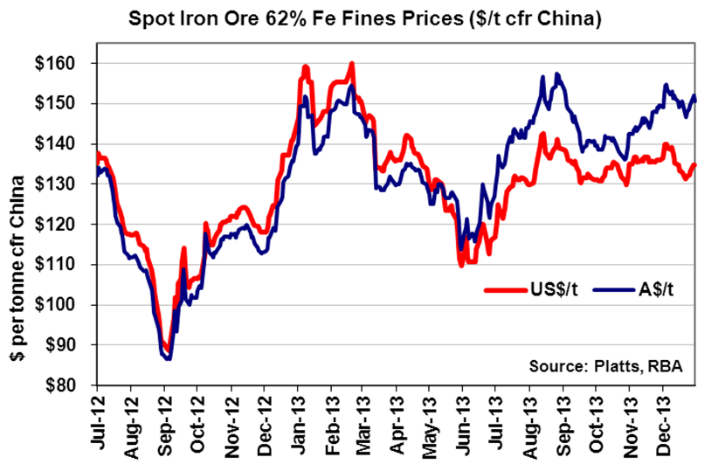
Market conditions and external factors

- Iron ore demand in China continued to be strong, increasing a further 15% pcp driven by record high levels of crude steel production
- Platts 62% Fe spot prices averaged US$134/dmt for 1H14
- In AUD, Platts 62% Fe spot prices averaged $145/dmt for 1H14
- Average C5 has increased 1H14 pcp







1H14 Mining results

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	1H14 $m	1H13 $m	% change	
Total revenue/income	877	373	↑	135
EBITDA	423	132	↑	220
EBIT	324	91	↑	257
Sales margin	37%	24%	↑	13 pp
Assets	2,171	1,866	↑	16
Funds employed	1,688	1,541	↑	10
Return on funds employed	40%	13%	↑	27 pp
Employees (number)	585	565	↑	4
External lump & fines iron ore sales (Mt)	6.12	3.42	↑	79
Pellets, other ore & by products (Mt)[1]	0.20	0.28	↓	29

1 Ore by products include dolomite, centrix, filter cake and pellet chips.

1H14 Mining results

- Expanded Mining business and Whyalla Port performing well
- Record hematite sales 6.1Mt, up 79% from 3.4Mt 1H13
- Average AUD realised price $137/dmt, up 30% 1H13
- Realised price 95% of Platts average spot price (62% Fe)
  - Benefit of new Opal Blend and Whyalla Blend products
  - Improved lump premium
- Customer mix ~70% contract, ~30% spot
- Average Fe grade 60.2% vs 59.2% pcp
- Mix ~65% fines, ~35% lump
- Average loaded cost (excl royalties & depn) A$49.50/wmt[1]
- Completed $86 million magnetite project on time and on budget
  - Full project benefits including ~400ktpa additional product following ramp up in 2H

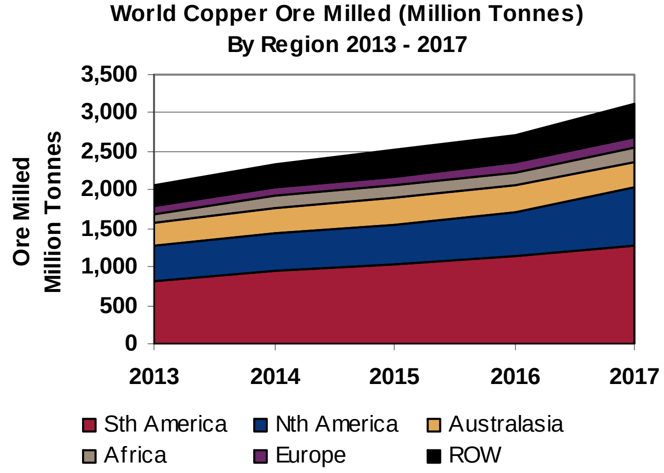
1 Includes mining, crushing, beneficiation, road haulage and transshipping costs. Excludes capitalised costs (infrastructure, pre-stripping and mining licences) and depreciation, amortisation charges in respect of those costs, royalties, sales and marketing and corporate costs.

1H14 Mining Consumables results

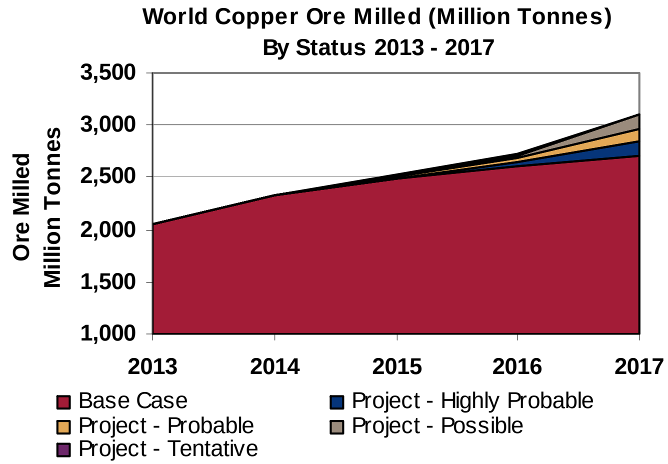
Market conditions and external factors

- Strong demand for copper and gold throughout the year – in line with expectations
- Miners focused on cost reductions but still looking to maximise output despite recent price volatility
- Solid pipeline of new projects and expansions, particularly in North and South America – some delays possible

"~80% of Arrium's grinding media sales driven by copper and gold"



Source: Wood Mackenzie Q4, 2013



Source: Wood Mackenzie Q4, 2013

1H14 Mining Consumables results

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	1H14 $m	1H13 $m	% change	
Total revenue/income	787	794	↓	1
EBITDA	100	100	-	-
EBIT	76	81	↓	6
Sales margin	10%	10%	-	-
Assets	2,519	2,295	↑	10
Funds employed	2,139	1,916	↑	12
Return on funds employed	8%	8%	-	-
Employees (number)	2,063	1,994	↑	3
External tonnes despatched (Mt)[1]	0.56	0.57	↓	2

1 Excludes scrap sales

1H14 Mining Consumables results

- Continuing strong EBITDA performance of $100 million
- Strong cash generation
- Continued strong demand for grinding media driven by copper, gold and iron ore production
- Grinding media volumes up 2% pcp
- Maintained stable margins
- Capacity expansions progressing well

1H14 Mining Consumables results (cont.)

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- Progressively rolling out next generation SAG ball
  - Furthers strengthens competitive position
  - Benefits expected from volume/price trade-off

- Segment sales down pcp
  - Lower rail wheels and ropes sales
  - Lower AltaSteel sales (merchant bar)

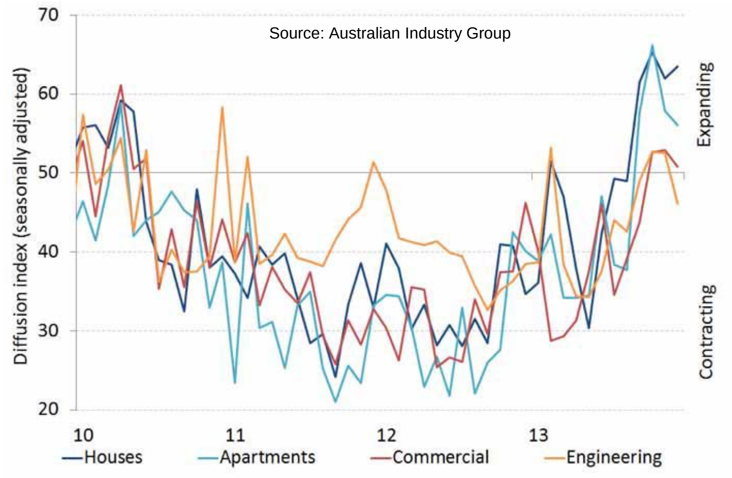
1H14 Steel & Recycling results

ARRIUM MINING AND MATERIALS

Market conditions and external factors

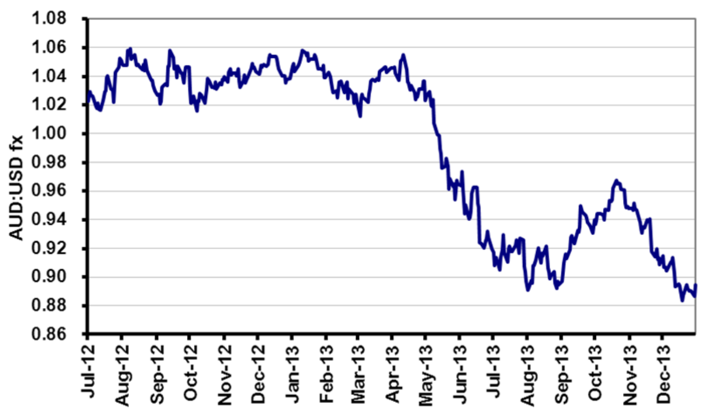
- Residential construction – signs of recovery, especially in medium and high density
- Non-residential construction – continued weakness due to relatively tight credit conditions
- Engineering construction – some project delays or cancellations in some major coal, gas and iron ore projects
- Over capacity and weak demand in international steel markets held international prices at low levels
- Improved business sentiment towards end of half, particularly given lower AUD

Construction Activity by Sector



AUD:USD exchange rates

Source: RBA



1H14 Steel results

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	1H14 $m	1H13 $m	% change	
Total revenue/income	1,438	1,546	↓	7
EBITDA	30	34	↓	12
EBIT	(21)	(15)	↓	40
Sales margin	(1%)	(1%)	-	-
Assets	2,154	2,472	↓	13
Funds employed	1,620	1,939	↓	16
Return on funds employed	(2%)	(1%)	↓	1 pp
Employees (number)	5,163	5,350	↓	3
External steel despatches (Mt)	1.05	1.05	-	-
Steel tonnes produced (Mt)	0.97	1.03	↓	6

1H14 Steel results

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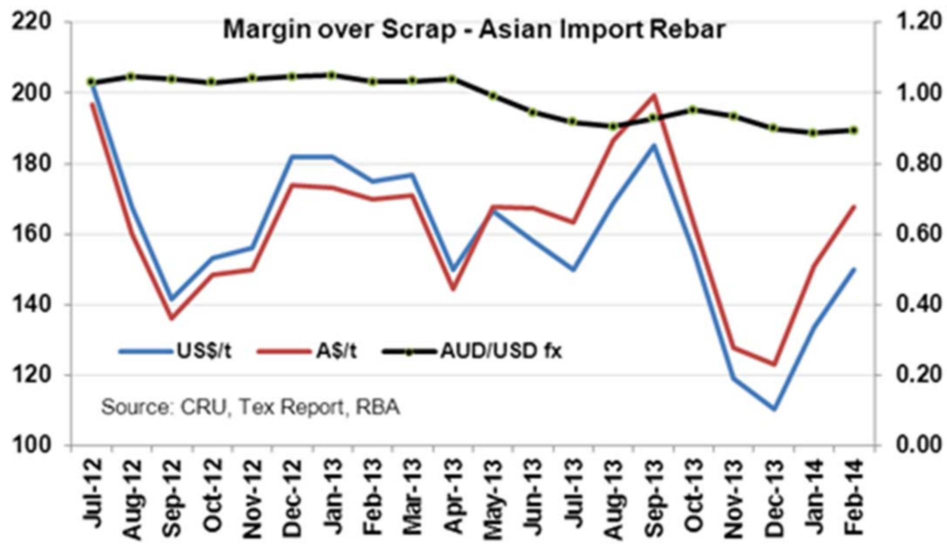
- Maintained positive EBITDA and cash position despite ongoing weakness in domestic construction
- EBITDA $30 million down pcp (flat v 2H13)
  - Improved margins
  - Cost synergy benefits from single steel business[1]
  - Underlying profit on asset sales

  Offset by:
  - Lower domestic volumes

1 On track for $30 million FY14 (annualised $40 million FY15)

1H14 Steel results (cont.)

- Positive impact of lower AUD on prices and margins partly offset by:
  - Lower SE Asian steel margins
  - Volatility in AUD
- Signs of improvement in construction activity, particularly NSW
- Dumping investigation of Structurals (HRS) underway
- Significant leverage to sustained lower AUD and increase in volumes



1H14 Recycling results

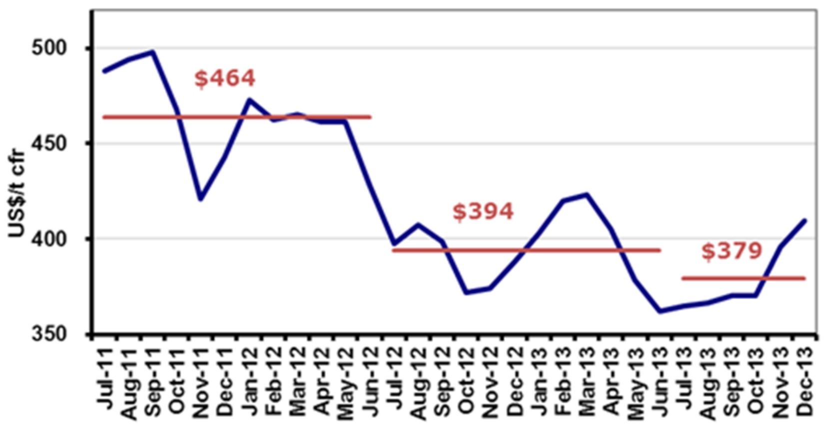
	1H14 $m	1H13[1] $m	% change	
Total revenue/income	547	575	↓	5
EBITDA	3	(9)	↑	-
EBIT	(2)	(15)	↑	87
Sales margin	0%	(3)%	↑	3 pp
Assets	373	617	↓	40
Funds employed	296	538	↓	45
Return on funds employed	(1)%	(5)%	↑	4 pp
Employees (number)	628	715	↓	12
Total scrap recycling tonnes (Mt)	0.74	0.73	↑	1

1 The segment assets and funds employed comprised of total continuing and discontinued operations.

1H14 Recycling results

- EBITDA positive
- Cash positive
- Improved results despite lower average prices
    - Improved trading performance
    - Good progress on cost and operational improvements
        - Labour reductions
        - Site rationalisation
        - Downstream shredder recoveries
- Continuing to focus on margin management, costs, and operational improvements in Australia and Asia

Asian HM1 Scrap Price (US$/t)



Source: Tex Report

LME Nickel Price (US$/t)

Source: LME

1H14 Financial Overview

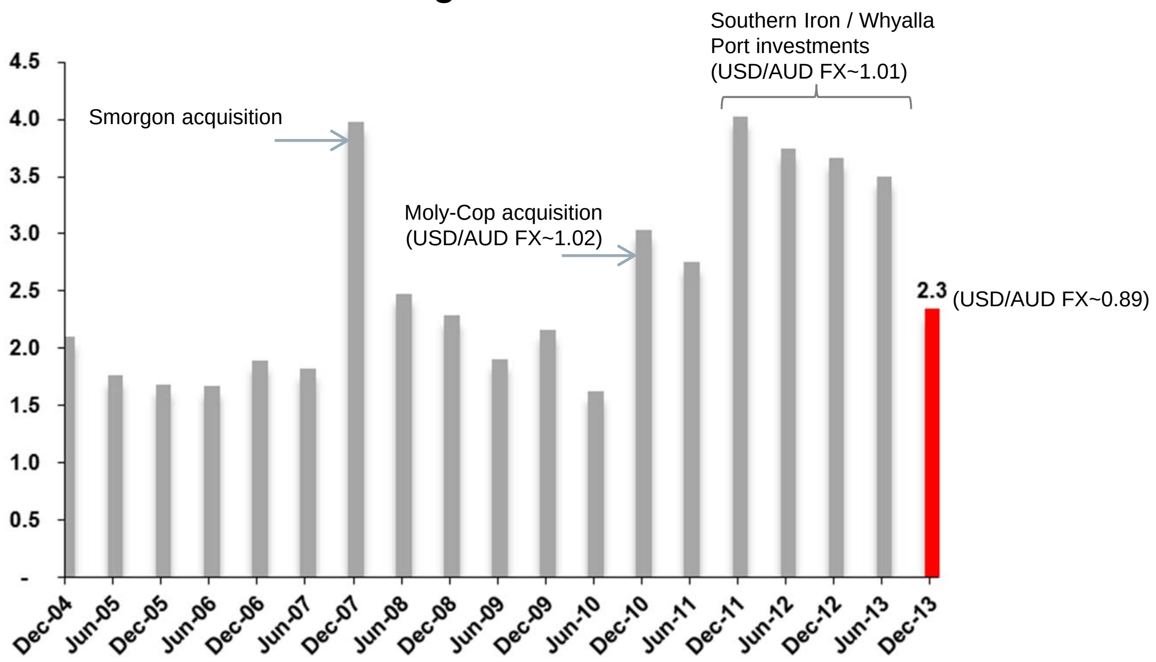
1H14 financial overview

- Strong 1H results - benefits from investments in Mining and Mining Consumables
- Sales revenue $3,643 million, up 7% pcp
- Record underlying EBITDA $503 million, up 97% pcp
- Underlying NPAT $201 million, up 294% pcp
- Statutory NPAT $220 million
  - MRRT deferred tax adjustment $24 million
- Record 1H cash outcome
  - Strong statutory operating cash flow $344 million
  - Good progress with divestments – proceeds $117 million in 1H14

1H14 financial overview

- Statutory net debt $1,975 million, down from $2,115 million at end FY13
  - Statutory gearing down 2.9 pp to 33.8%
  - Substantial improvement in leverage ratio[1] to 2.3x (CY13) from 3.6x (CY12)
  - Average funding cost Jan 2011 to Dec 2013 ~ 4.5%[2]

Leverage ratio



1 Net Debt / underlying EBITDA, 12-month rolling basis
2 Includes total drawn and undrawn funding

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Reconciliation of statutory to underlying results[1]

	1H14 $m	1H13 $m
Statutory net (loss)/profit after tax	**220**	**(448)**
Add back significant items, after tax		
Restructuring[2]	4	10
Impairment[3]	1	474
Tax and other adjustments - includes MRRT	(24)	15
Underlying net profit after tax	**201**	**51**

1 Full details of this reconciliation can be found in the Appendix to this presentation.
2 1H14 related to redundancies from organisational changes and other direct expenditure associated with business restructures.
3 1H13 related to impairment of the ARC brand name portfolio and goodwill in the Steel segment (previously Manufacturing and Distribution segments).

1H14 financial overview

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Statutory results[1]

	1H14 $m	1H13 $m		% change	Comment 1H14 vs 1H13
Sales revenue	3,643	3,404	↑	7	Higher iron ore sales volumes and prices
EBITDA	499	242	↑	106	Includes benefit of increased iron ore sales
Depn, amort & impairment	182	609	↓	70	1H13 included $474 million impairments
EBIT	317	(367)	↑	186	1H13 included $488 million impairment and restructuring
Finance costs	62	58	↑	7	Includes impact of weaker AUD v USD
Net profit/(loss) after tax	220	(448)	↑	149	Includes MRRT deferred asset adjustment
Operating cash flow	344	175	↑	97	Continued strong operating cash flow
Net debt	1,975	2,155	↓	8	Net debt rebased using AUD/USD rate at 30 June 2013 ~$1,900m (92c end FY13, 89c end 1H14)
Gearing (net debt /net debt plus equity)	33.8%	36.0%	↓	2.2 pp	
Return on funds employed	11%	(12)%	↑	23 pp	Highest return since FY08
Dividend (cents per share)	6.0	2.0	↑	4.0 c	Unfranked

1 For total operations (includes continuing and discontinued operations). For a reconciliation of these figures to the statutory results for continuing operations only, refer to the Appendix to this presentation.

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Underlying results[1]

	1H14 $m	1H13 $m	% change		Comment 1H14 vs 1H13
Sales revenue	3,643	3,404	↑	7	Higher iron ore sales volumes and prices
EBITDA	503	255	↑	97	Includes benefit of increased iron ore sales
Depreciation & amortisation	181	135	↑	34	Includes amortisation of mine rights and depreciation for Southern Iron
EBIT	322	120	↑	169	
Finance costs	62	58	↑	7	Includes impact of weaker AUD v USD
Profit before tax	260	62	↑	319	
Tax expense	59	9	↑	556	Effective tax rate 23%
Net profit after tax	201	51	↑	294	
Operating cash flow	379	183	↑	107	Continued strong operating cash flow
EPS (cents) – weighted average	14.8	3.9	↑	279	Reflects higher earnings
Return on funds employed	11%	4%	↑	7 pp	Highest return since FY08

1 For total operations, includes continuing and discontinued operations. A reconciliation of non-statutory underlying results to statutory results can be found in the Appendix to this presentation.

1H14 financial overview

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Balance sheet summary

	1H14 $m	1H13 $m		% change	Comments
Total assets	7,922	8,241	↓	4	Asset sales and impairments
Total liabilities	4,044	4,408	↓	8	Reduction in net debt
Net assets	3,877	3,834	↑	1	
Net debt	1,975	2,155	↓	8	Net debt rebased using AUD/USD rate at 30 June 2013 ~$1,900m (92c end FY13, 89c end 1H14)
Inventories	1,333	1,487[1]	↓	10	
Funds employed	5,853	5,988	↓	2	
Gearing (net debt/net debt plus equity)	33.8%	36.0%	↓	2.2 pp	Well within banking covenants
Interest cover – (times EBITDA, 12-mth rolling)[2]	7.1	5.1	↑	2 times	
NTA / share – ($)	1.34	1.15	↑	16	

1 Under AASB 5 Non-current Assets Held for Sale and Discontinued Operations, comparative assets and liabilities have not been restated to exclude any discontinued operations announced since 31 December 2012.
2 Underlying interest cover reflects underlying EBITDA divided by finance costs.

Cash flow reconciliation - statutory

	1H14 $m	1H13 $m
Profit/(loss) after tax, including amount attributable to NCI	221	(446)
Depreciation, amortisation and impairment	182	609
Non-cash items	(21)	(10)
Other changes in assets and liabilities including working capital	(38)	22
Operating cash flow	344	175
Capital expenditure	(209)	(306)
Free cash flow	135	(131)
Investment expenditure	-	-
Asset and business sales	117	76
Operating and investing cash flow	252	(55)

1H14 financial overview

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Capital expenditure – cash basis

	1H14 $m	1H13 $m	FY14 Est. $m
Mining[1]	110	201	245–270
Mining Consumables	33	21	65–75
Steel & Recycling	30	32	70–75
Total	**173**	**254**	**380–420**

Updated FY14 estimate:

- Mining
  - Additional ~$45 million – includes brought forward expenditure to accelerate utilising full capacity of Port
    - ~$35 million cut backs
    - ~$5 million exploration – increase program for resource to reserve conversion
  - Peculiar Knob haul road ~$5 million – sealing of existing road (safety, operational performance and maintenance benefits)
- Mining Consumables
  - Additional ~$5 million – land purchase near Arequipa for further expansion in Peru

1 Capital expenditure excludes impact of IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine that is applicable from 1 July 2013

FY14 asset divestments

- Expected proceeds $200 million - $250 million in FY14
- Tracking well:
  - Divestments at various stages of progress
    - Non integrated Steel and Recycling businesses / assets
    - Property sales
  - Divestments completed or under contract $150 million. Under contract includes:
    - Sheet & Coil
    - Coil Coaters
  - Cash proceeds in 1H14 $117 million
    - Businesses/assets: Building Services, Aluminium, Fagersta, Recycling (Maine, USA)
    - Properties
- Other opportunities – continuing to examine business and property portfolio

1H14 financial overview

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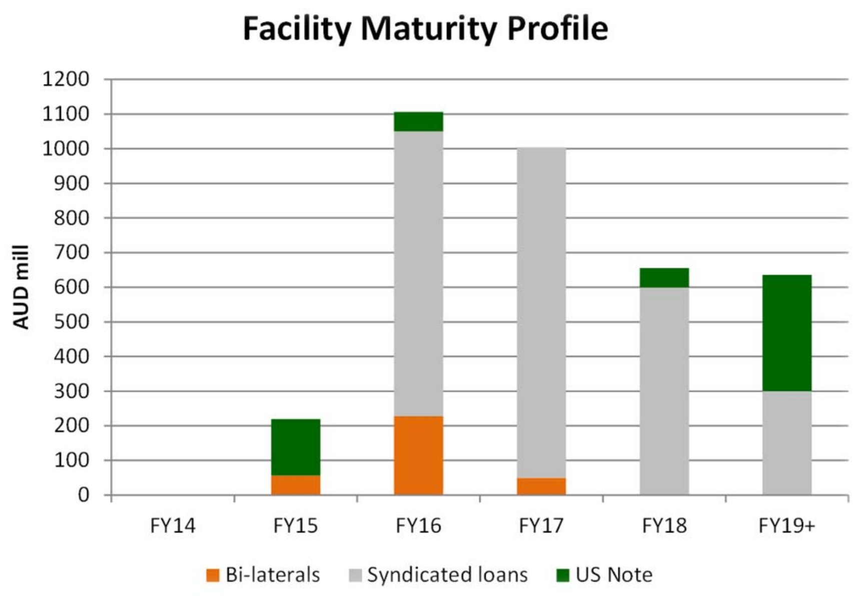
Debt facilities

- Total facilities A$3.6 billion end 1H14
- ~$1.4 billion available undrawn facilities end 1H14
- Average interest rate for total drawn and undrawn funding ~4%
- Next significant maturity FY16
- Covenants include gearing ratio > 50% and interest cover between 3.0 and 3.5 times



FY14 Strategy, Growth & Outlook

Strategic focus

- Mining
  - Utilising full capacity of expanded Whyalla Port (~13Mtpa)
  - Conversion of resource to reserves
  - Increased exploration program
- Mining Consumables
  - Capturing at least our market share of expected growth in grinding media
  - Maintaining stable margins
  - Expanding capacity ahead of the market
  - Next generation SAG ball further strengthens strong competitive position
- Steel and Recycling
  - Ongoing focus on cost and operational improvements
  - Delivering positive and acceptable earnings returns through the cycle

Growth projects update

Mining

- $86 million Magnetite project completed end 1H – on time and budget
- Full benefits expected following ramp up in 2H14:
  - ~ 400ktpa addition ore product (~100kt 2H14)
  - Reduction in mining activity reducing cash outlays
  - Consumption of stockpiled magnetite ore
- Good progress assessing opportunities to utilise full capacity of Whyalla Port
- Continuing to progress ferrous and non ferrous exploration program
- Commenced Iron Knob Mining Area development end 2013 – on track for first ores mid FY15

Growth projects update

Mining Consumables

- Lima, Peru 40kt capacity expansion completed on time and budget in 1H
- Cilegon, Indonesia 50kt capacity expansion on track for commissioning in March 2014
- Kamloops, Canada 120kt capacity expansion commenced 1H for expected completion mid 2015

Lima, Peru

Cilegon, Indonesia

Outlook

Mining

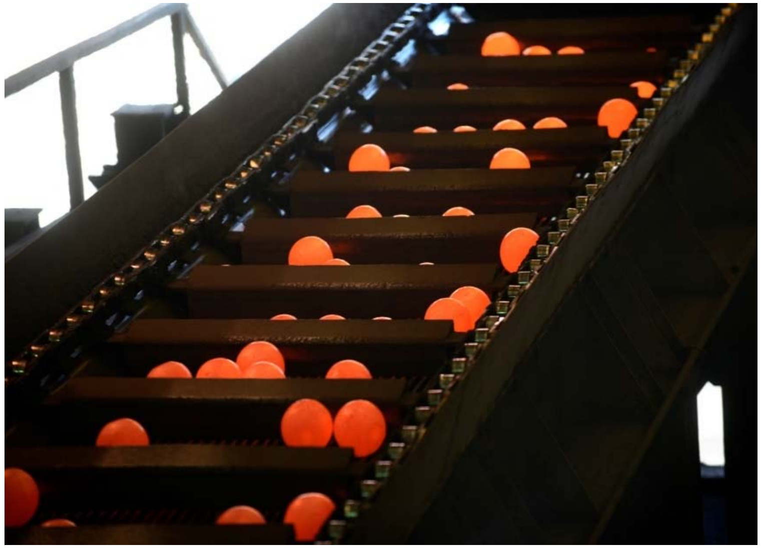
- Strong economic growth in China expected to continue to underpin strong demand for iron ore – increased market confidence
- Average iron ore price expected to remain at solid level over balance of FY14, particularly given outlook for sustained lower Australian dollar
- On track for targeted sales of ~12Mtpa hematite ore for FY14
- Expected average grade ~60% Fe
- Expected loaded cash cost ~$50/wmt[1]
- Continuing to diversify customer base into North Asia
- Work continues on increasing sales above 12Mtpa to utilise full 13Mtpa capacity of Whyalla Port

1 Includes mining, crushing, beneficiation, road haulage and transshipping costs. Excludes capitalised costs (infrastructure, pre-stripping and mining licences) and depreciation, amortisation charges in respect of those costs, royalties, sales and marketing and corporate costs.

Outlook

Mining Consumables

- Demand for grinding media expected to remain strong
  - High levels of copper and gold production, particularly in North and South America, despite volatility in commodity prices
  - Declining head grades
  - CAGR ~8% FY13 – FY17 North and South America[1] – project delays may impact timing
- Well placed to capture at least our high market share of the expected growth in demand
  - Ball quality (including next generation SAG ball), supply chain, technical support, expanding capacity ahead of demand
- Sales volumes for rail wheels and mining ropes for 2H14 expected to be broadly in line with 1H14



1 Review conducted August 2013, next review due August 2014

Outlook

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Steel & Recycling

- Ongoing weakness in domestic and international steel markets to continue in 2H, but signs of lift in domestic steel demand
  - Increased project construction underway in NSW and Western Australia
  - Improved order book
- Earnings in 2H expected to benefit from
  - Improved volumes
  - Outlook for sustained lower AUD
  - Full impact of synergy benefits from single steel business[1]
- Recycling earnings expected to benefit from ongoing operational improvements in Australia and Asia

1 FY14 of $30 million (annualised $40 million FY15)

Outlook

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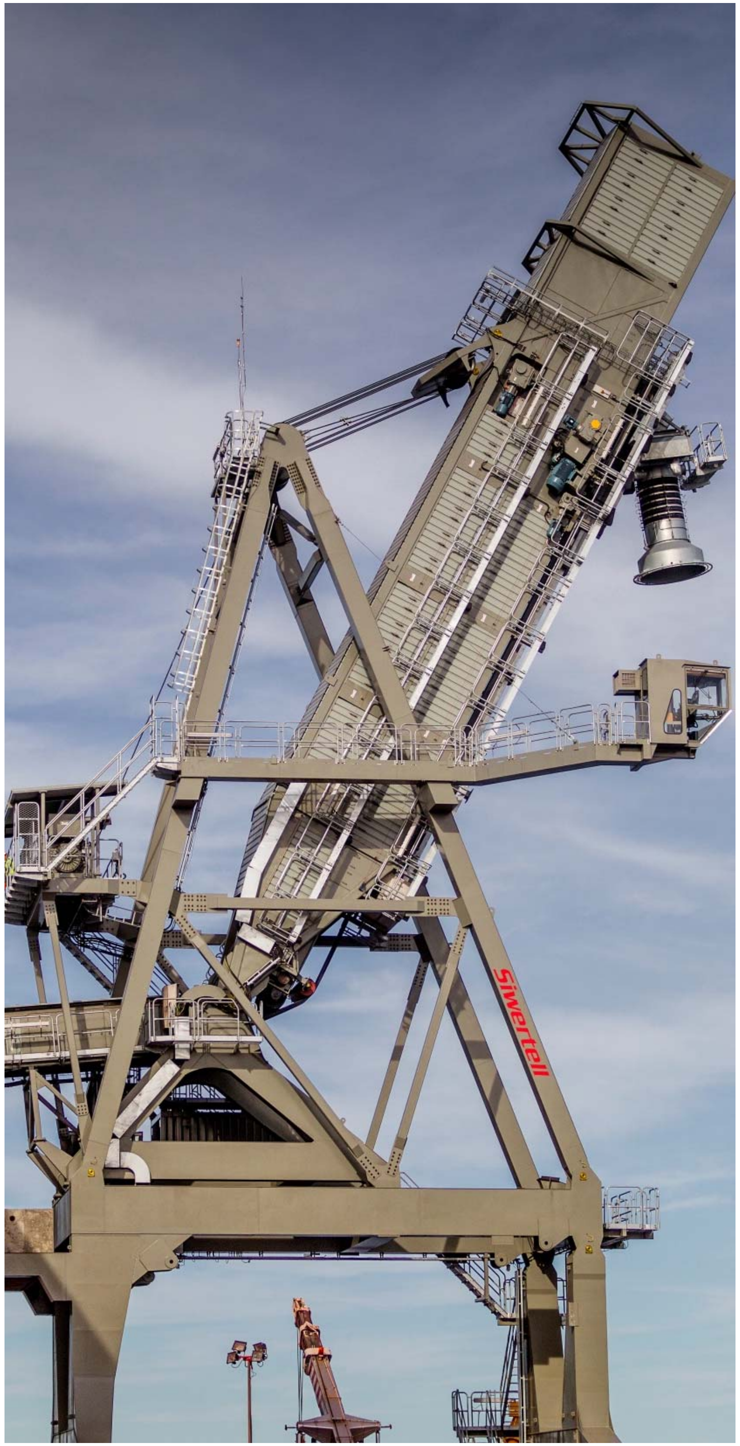
- Quantitative guidance for Group not appropriate at this time due to level of uncertainty around:
  - Iron ore prices
  - FX
  - Scrap prices and SE Asian margins
  - International economy
  - Level of domestic demand

Summary

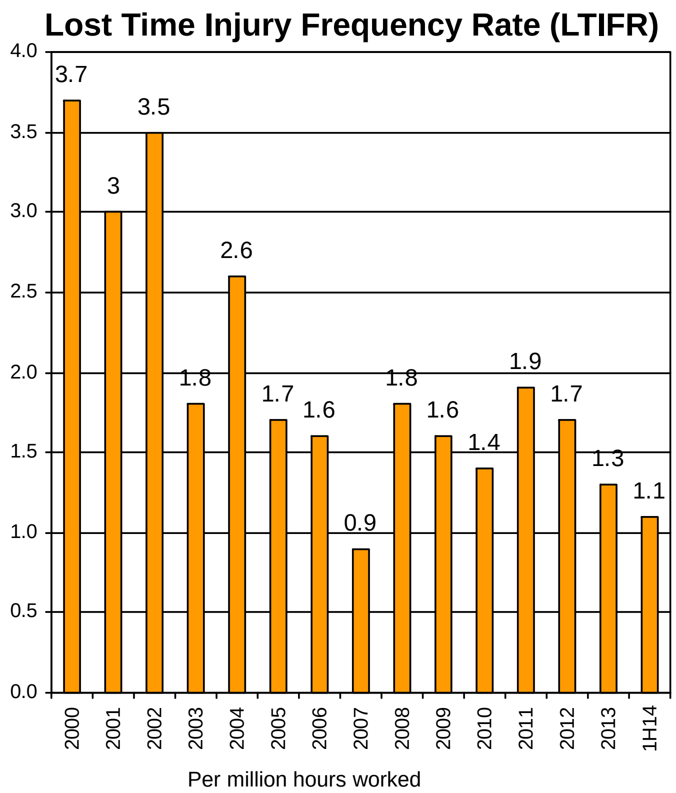
- Strong 1H14 results – benefits of strategic growth investments
- Record 1H EBITDA
- Substantial lift in EPS
- Record 1H cash outcome
- Lower debt and substantially improved leverage ratio
- Divestments continuing
- Key priority remains debt reduction and leverage improvement

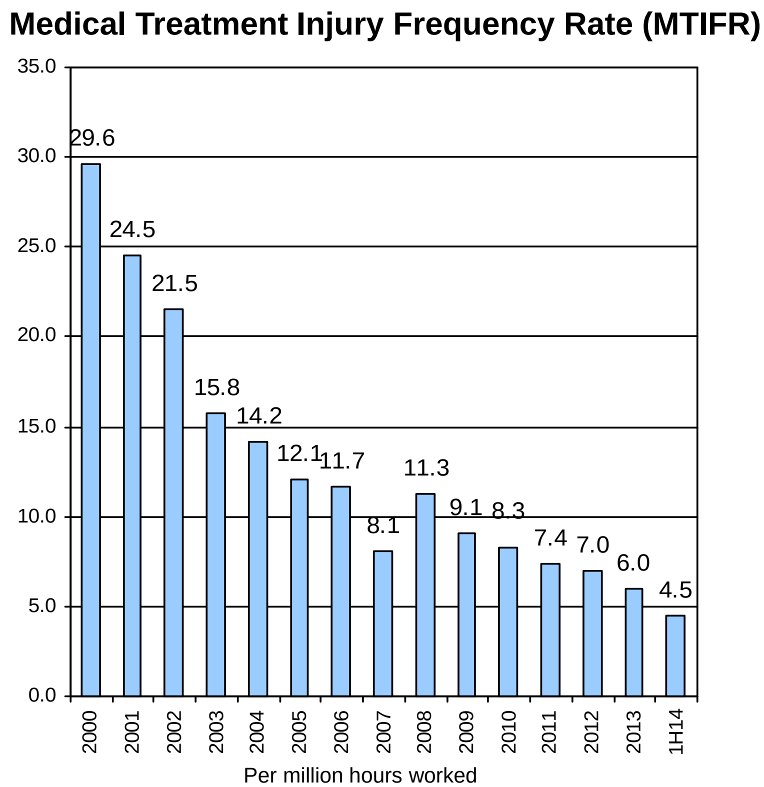
"Strong 1H14 results – benefits of strategic growth investments"



Appendix

1H14 safety performance





A key element of our Safety effort has been improving our capability to recognise, assess and manage high consequence as well as high frequency risks

1H14 business tonnage

Half-Year ended 31 December	1H14 mt	1H13 mt	1H12 mt	1H11 mt	1H10 mt	1H09 mt	1H08[1] mt	1H07 mt	1H06 mt	1H05 mt
Iron Ore										
Iron ore lump	2.13	1.42	1.29	1.52	1.50	0.77	1.32			
Iron ore fines	3.99	2.00	1.84	1.54	1.68	1.41	0.57			
Total lump & fines	6.12	3.42	3.13	3.06	3.18	2.18	1.89			
Pellets, other ore and by products[2]	0.20	0.28	0.19	0.31	0.22	0.36	0.34			
Recycling										
Ferrous - external	0.38	0.40	0.44	0.51	0.36	0.39	0.39			
Ferrous - internal	0.40	0.42	0.44	0.47	0.47	0.48	0.38			
Total ferrous	0.78	0.82	0.88	0.98	0.83	0.87	0.77			
Non-ferrous	0.12	0.12	0.12	0.13	0.08	0.08	0.08			
Total Recycling	0.90	0.94	1.00	1.11	0.91	0.95	0.85			
Despatches										
Mining Consumables - external	0.59	0.60	0.55	0.19	0.19	0.17	0.14			
Mining Consumables - internal	0.02	0.04	0.05	0.05	0.05	0.02	-			
Total despatches - Mining Consumables[3]	0.61	0.64	0.60	0.24	0.24	0.19	0.14			
Manufacturing	0.58	0.49	0.57	0.51	0.51	0.60	0.66	0.48	0.46	0.42
Distribution	0.55	0.70	0.72	0.65	0.65	0.81	0.83	0.66	0.64	0.68
Total despatches - Steel	1.13	1.19	1.29	1.16	1.16	1.41	1.49	1.14	1.10	1.11
Total despatches - external	1.72	1.79	1.84	1.35	1.35	1.58	1.63	1.14	1.10	1.11
Raw steel production										
Whyalla	0.54	0.58	0.52	0.54	0.56	0.54	0.59	0.59	0.56	0.27
Sydney Steel Mill	0.16	0.17	0.17	0.20	0.21	0.26	0.31	0.28	0.24	0.27
Laverton	0.27	0.28	0.26	0.25	0.26	0.29	0.27	-	-	-
Waratah	0.12	0.13	0.11	0.12	0.11	0.13	0.09	-	-	-
AltaSteel	0.13	0.14	0.15	-	-	-	-	-	-	-
Total raw steel production	1.22	1.30	1.21	1.11	1.14	1.23	1.26	0.88	0.80	0.54

1 Tonnages for FY08 reported for raw steel production and steel despatches include the SSX businesses as if they were part of the Arrium Group from 1 July 2007. All other production and despatch statistics presented above are actual. Tonnages include Moly-Cop Group from 1 January 2011 only.
2 Ore by products include dolomite, centrix, filter cake and pellet chips.
3 Includes scrap sales.
4 Tonnage comprises of total group operations.

Pre-2005 tonnage info can be found on Arrium's website.

Arrium FX exposure

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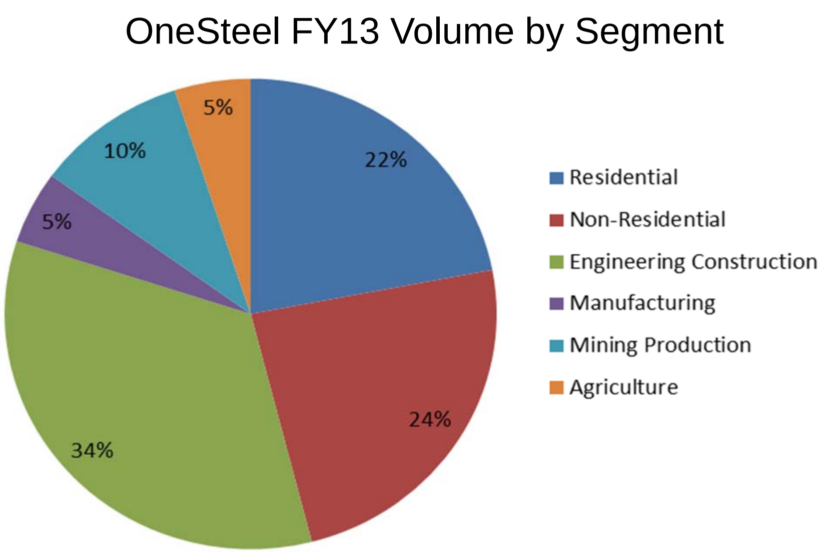
Exposure to movements in AUD vs USD

- Direct impact: 1c change in AUD/USD = ~$16-19 million[1] EBIT impact (annualised)
- Indirect impact: 1c change in AUD/USD = ~$10 million[2] EBIT impact (annualised)
- FX sensitivity on gearing[3]: 5c movement in AUD/USD = ~1% impact on gearing
- USD debt acts as natural hedge against FX exposure on USD net assets
  - Change in USD debt offset by change in value of USD assets

1 Based on impact of USD iron ore sales, translation of overseas earnings (Mining Consumables and Recycling), impact on Recycling Australia's margins, partially offset by USD purchases of coal and alloys in Steel.
2 Indicative indirect impact on continuing businesses. Assumes constant raw material prices and demand levels.
3 Based on balances at 31 December 2013.

Steel – key markets

Steel Domestic Sales by Market Segment



- ~75% of Steel revenue is driven by construction
- Residential, non-residential and engineering construction (inc mining investment) drives demand for reinforcing bar and wire, rod for mesh, structural pipe, HRS 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
- Manufacturing has limited exposure to automotive and manufacturing segments

Distribution indexed sales tonnes per day

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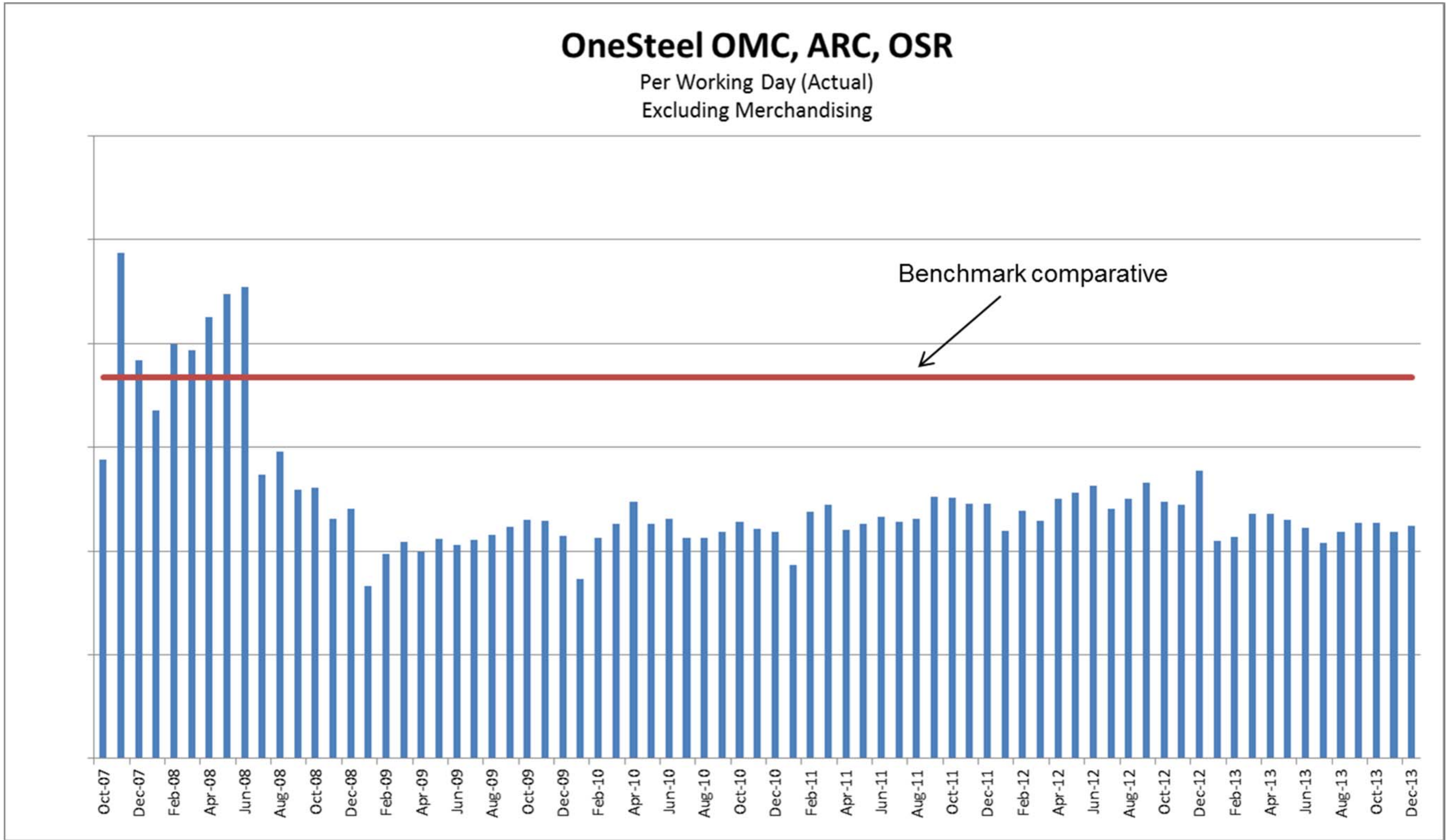

Source: Arrium Steel

Benchmark comparative line is based on average volumes for the period from Jul 2007 to Mar 2008, excluding Merchandising tonnes.

1H14 summary of facilities

Maturity	Type of Facility	Facility Amount[1] AUD $m	USD $ m	CAD $m
Jul 14	US Note	-	30	-
Mar 15	Bi-laterals	-	50	-
Apr 15	US Note[2]	-	60	-
Jun 15	US Note[2]	-	20	-
Jul 15	Syndicated loans	-	204	-
Jul 15	US Note	-	50	-
Jul 15	Bi-laterals	150	-	-
Jul 15	Syndicated loans	-	135	-
Jul 15	Syndicated loans	-	-	200
Jul 15	Syndicated loans	231	-	-
Sep 15	Bi-laterals	-	25	-
Oct 15	Bi-laterals	50	-	-
Jul 16	Syndicated loans	-	192	-
Jul 16	Syndicated loans	-	330	-
Jul 16	Bi-laterals	50	-	-
Jul 16	Syndicated loans	-	135	-
Jul 16	Syndicated loans	217	-	-
Jul 17	Syndicated loans	-	533	-
Jun 18	US Note	-	50	-
Jul 18	US Note	-	97	-
Jul 18	Syndicated loans	-	267	-
Jul 20	US Note	-	53	-
Jun 21	US Note	-	125	-
Jan 22	Finance Lease	12	-	-
Jun 23	US Note	-	25	-

Maturity	Type of Facility	Facility Amount AUD $m[3]
FY15	Bi-laterals	56
	US Note	164
FY16	Bi-laterals	228
	Syndicated loans	822
	US Note	56
FY17	Bi-laterals	50
	Syndicated loans	955
FY18	Syndicated loans	599
	US Note	56
FY19+	Syndicated loans	299
	US Note	337
	Finance Lease	12
Total		**3,634**

1 As at 31 December
2 Swapped back to fixed AUD liability via Cross Currency Swap
3 USD and CAD denominated facilities converted to AUD at closing rate of 0.8904 and 0.9482 respectively

Regulatory

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Mineral Resources Rent Tax (MRRT)

- No MRRT liability expected in FY14 for either MBR or Southern Iron operations
- MRRT net deferred tax asset increased from $93 million FY13 to $117 million at 1H14

Carbon Tax

- P&L impact in 1H14 – $5 million cost
- Allocation of free carbon units received and sold 1H14
- Cash proceeds $69 million from sales of free carbon units offset by $17 million higher energy costs due to carbon tax

Reconciliation of income tax expense

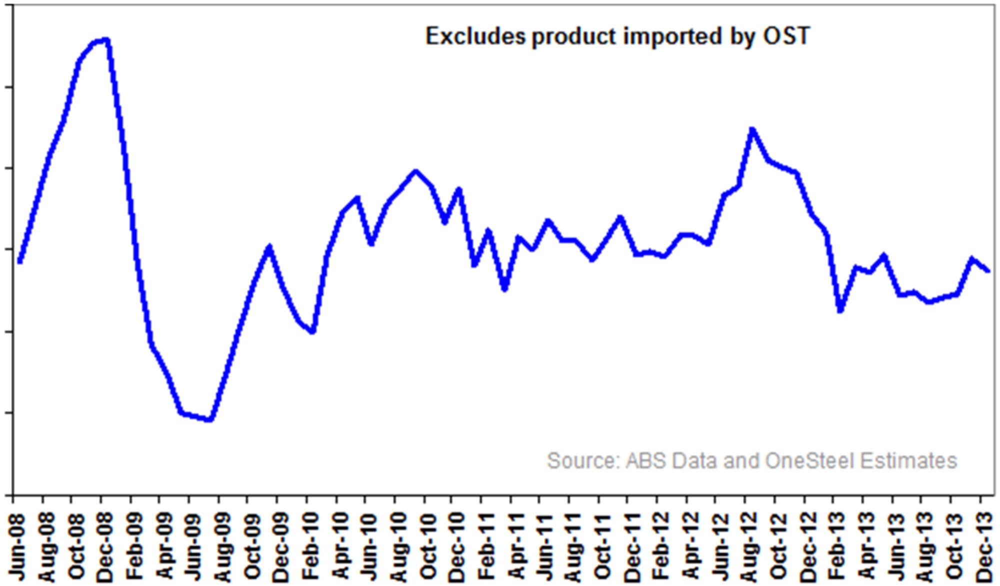
	Statutory		Underlying[1]	
	1H14 $m	1H13 $m	1H14 $m	1H13 $m
Total profit/(loss) before income tax	**255**	**(425)**	**260**	**62**
Prima facie income tax expense/(benefit) calculated at 30%	77	(128)	78	19
Tax effect of permanent differences				
Research and development allowance	(10)	(6)	(10)	(6)
Difference in overseas tax rates	(3)	(3)	(3)	(3)
Non-deductible impairment	-	142	-	-
Adjustments in respect of income tax of previous years	-	(2)	-	-
Foreign currency translation differences	(4)	-	(4)	-
Other items	(2)	(1)	(2)	(1)
Income tax expense excluding MRRT	**58**	**2**	**59**	**9**
Effective tax rate excluding MRRT	*23%*	*0%*	*23%*	*14%*
Income tax impact of MRRT taxation (benefit)/expense	(24)	19	-	-
Total income tax (benefit)/expense	**34**	**21**	**59**	**9**
Effective tax rate including MRRT	*13%*	*(5%)*	*23%*	*14%*

1 Excludes restructuring and transaction costs, adjustments in respect of income tax of previous years, Mineral Resource Rent Tax (MRRT) adjustments and impairment of intangible assets.

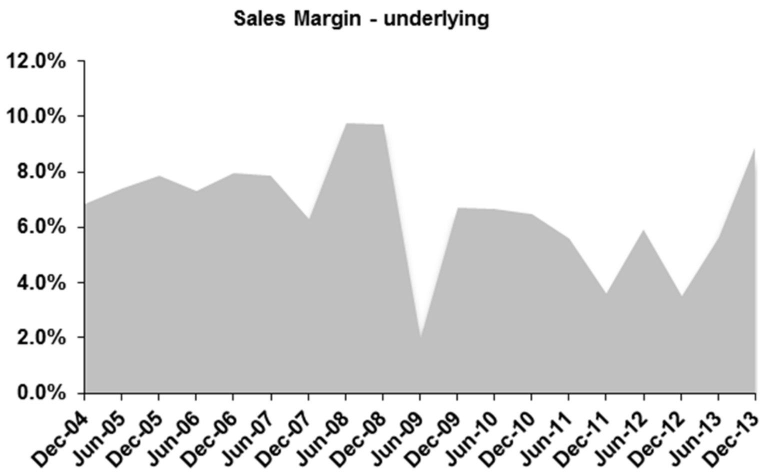
A reconciliation of non-statutory underlying results to statutory results can be found in the Appendix to this presentation.

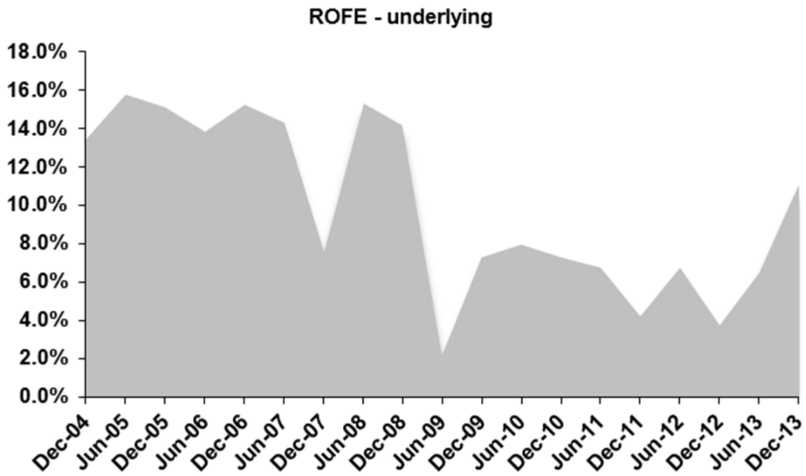
Market conditions and external factors

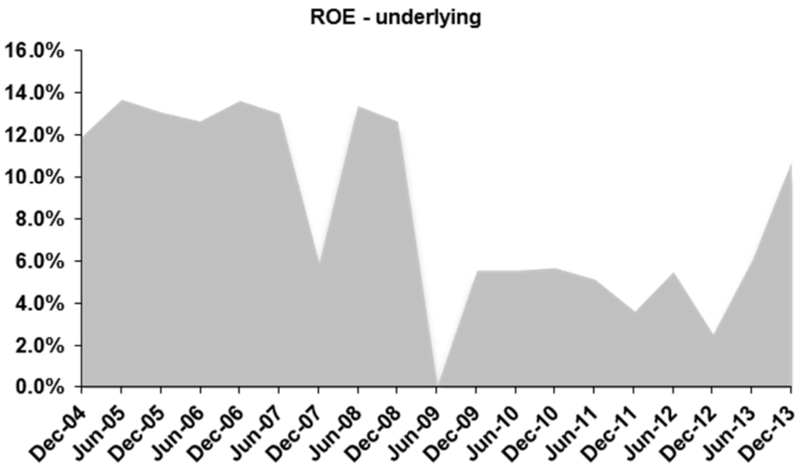
Imports in Arrium Manufactured Range of Products
(3-month moving totals)

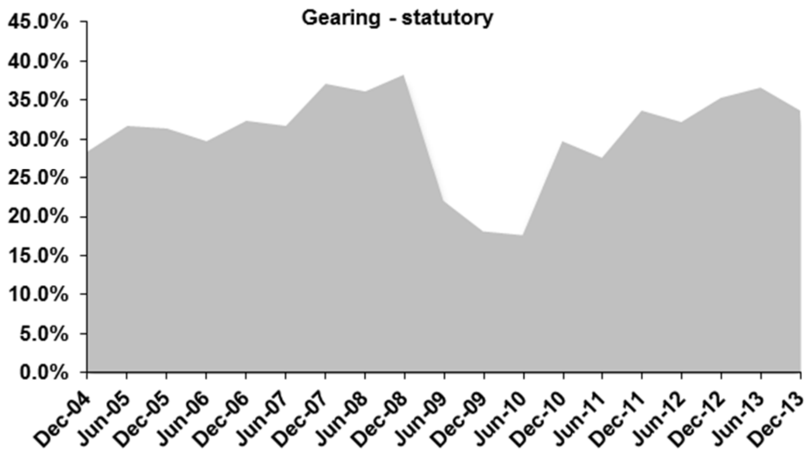


1H14 financial overview









1H14 financial overview

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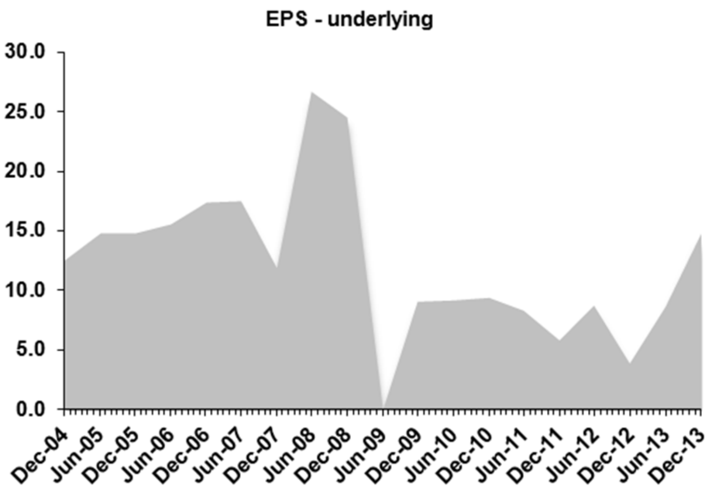
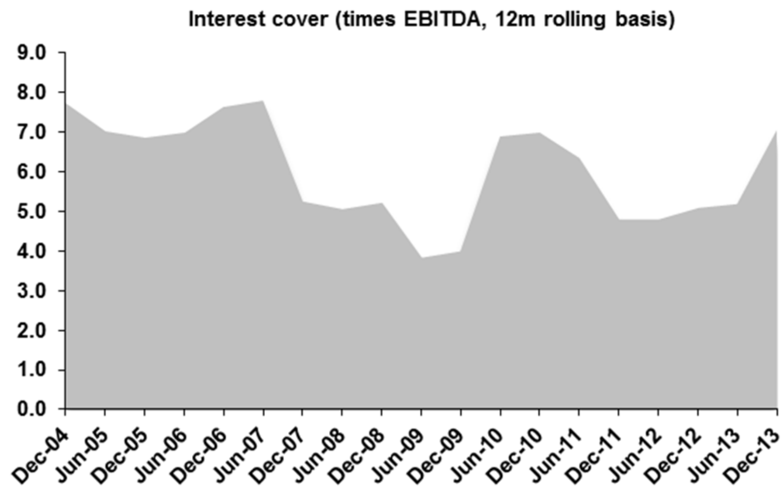
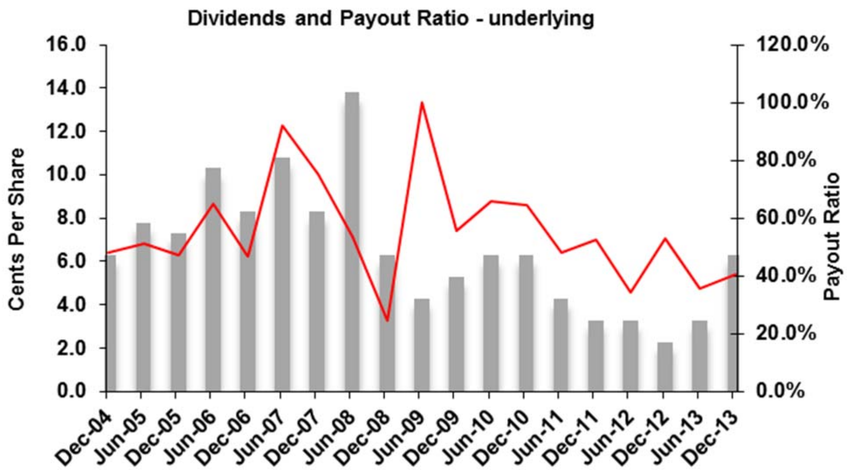
MINING AND MATERIALS







Historical data – profit and loss underlying

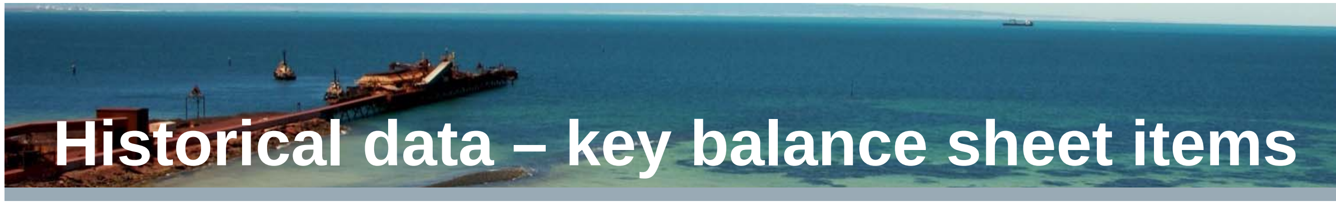
arrium MINING AND MATERIALS

Half-year ended 31 December	2013 $m	2012 $m	2011 $m	2010 $m	2009 $m	2008 $m	2007 $m	2006 $m	2005 $m	2004 $m
Sales revenue	**3,642.5**	3,404.4	3,797.1	3,315.1	2,973.6	4,127.6	3,218.3	2,134.3	1,988.8	1,890.5
EBITDA	**503.4**	254.6	238.6	315.3	297.8	498.5	288.4	218.0	203.5	173.7
Depreciation, amortisation and impairment	**(181.0)**	(134.9)	(102.6)	(100.6)	(98.7)	(98.0)	(86.1)	(48.1)	(47.4)	(45.0)
EBIT	**322.4**	119.7	136.0	214.7	199.1	400.5	202.3	169.9	156.1	128.7
Finance costs	**(62.0)**	(58.2)	(62.2)	(46.0)	(44.6)	(101.6)	(67.0)	(26.3)	(29.4)	(23.9)
Profit before tax	**260.4**	61.5	73.8	168.7	154.5	298.9	135.3	143.6	126.7	104.8
Tax (expense)/benefit	**(59.3)**	(8.7)	6.0	(41.2)	(34.3)	(75.1)	(37.6)	(39.2)	(34.5)	(25.5)
Non-controlling interests	**(0.5)**	(1.8)	(2.9)	(3.3)	(1.2)	(8.7)	(4.3)	(6.2)	(8.1)	(9.0)
Net profit after tax	**200.6**	51.0	76.9	124.2	119.0	215.1	93.4	98.2	84.1	70.3
EPS (cents) - weighted average	**14.8**	3.9	5.8	9.4	9.0	24.5	11.8	17.3	15.0	12.7
ROFE (%)	**11.1%**	3.8%	4.2%	7.3%	7.3%	14.2%	7.6%	15.2%	15.1%	12.8%
Dividends (cents/share)	**6.0**	2.0	3.0	6.0	5.0	6.0	8.0	8.0	7.0	6.0

Reconciliation of underlying NPAT to statutory NPAT:

Half-year ended 31 December	2013 $m	2012 $m	2011 $m	2010 $m	2009 $m	2008 $m	2007 $m	2006 $m	2005 $m	2004 $m
Net profit after tax - underlying	200.6	51.0	76.9	124.2	119.0	215.1	93.4	98.2	84.1	70.3
Non-trading items, net of tax										
- Restructuring costs	(3.2)	(9.6)	(14.0)	-	(1.6)	(2.1)	(26.3)	-	-	-
- Impairment	(0.7)	(474.0)	(129.5)	-	-	-	(3.5)	-	-	-
- Transaction costs	-	-	(16.0)	(8.0)	-	-	-	-	-	-
- Tax adjustments & other items	23.7	(15.0)	9.0	-	-	15.3	-	-	-	-
Net profit after tax - statutory	220.4	(447.6)	(73.6)	116.2	117.4	228.3	63.6	98.2	84.1	70.3

Pre-2004 results can be found on Arrium's website.



Historical data – key balance sheet items

MINING AND MATERIALS

Balance Sheet As at 31 December	2013 $m	2012 $m	2011 $m	2010 $m	2009 $m	2008 $m	2007 $m	2006 $m	2005 $m	2004[1] $m
Cash	240.5	326.1	224.2	141.5	88.5	29.8	84.2	20.8	37.0	12.9
Receivables	613.2	743.3	817.1	753.7	695.1	851.3	925.2	605.3	559.0	517.4
Inventory	1,332.5	1,486.8	1,524.3	1,687.1	1,270.4	1,727.7	1,308.5	888.8	840.2	758.8
Property, plant and equipment & Mine Development	3,173.3	3,090.8	2,883.8	2,671.6	2,449.4	2,493.2	2,397.3	1,527.1	1,273.6	1,088.7
Intangibles	2,046.2	2,273.9	2,824.5	2,687.8	2,037.5	2,134.7	2,085.2	218.2	230.6	231.8
Other assets	516.0	320.5	391.2	253.4	188.6	284.0	198.8	115.1	117.9	138.5
TOTAL ASSETS	**7,921.7**	**8,241.4**	**8,665.1**	**8,195.1**	**6,729.5**	**7,520.7**	**6,999.2**	**3,375.3**	**3,058.3**	**2,748.1**
Interest-bearing liabilities	2,215.9	2,480.8	2,466.1	2,033.1	1,058.4	2,299.6	2,069.8	773.9	697.0	521.9
Payables	1,031.0	935.0	898.8	847.0	596.4	832.0	883.7	586.9	503.7	601.0
Provisions	555.2	598.3	513.3	456.9	383.0	403.9	398.8	212.7	203.9	195.4
Other liabilities	242.3	393.6	389.3	378.5	309.5	328.7	284.1	230.6	215.3	147.6
TOTAL LIABILITIES	**4,044.4**	**4,407.7**	**4,267.5**	**3,715.5**	**2,347.3**	**3,864.2**	**3,636.4**	**1,804.1**	**1,619.9**	**1,465.9**
NET ASSETS	**3,877.3**	**3,833.7**	**4,397.6**	**4,479.6**	**4,382.2**	**3,656.5**	**3,362.8**	**1,571.2**	**1,438.4**	**1,282.2**
Contributed equity	2,962.8	3,774.3	3,767.0	3,753.3	3,738.8	2,949.5	2,913.6	1,143.4	1,118.2	1,102.3
Non-controlling interests	3.5	2.3	58.4	56.9	59.8	65.6	60.7	61.6	64.0	59.7
Retained earnings & reserves	911.0	57.1	572.2	669.4	583.6	641.4	388.5	366.2	256.2	120.2
TOTAL EQUITY	**3,877.3**	**3,833.7**	**4,397.6**	**4,479.6**	**4,382.2**	**3,656.5**	**3,362.8**	**1,571.2**	**1,438.4**	**1,282.2**
Funds Employed	**5,852.7**	**5,988.4**	**6,639.5**	**6,371.2**	**5,352.1**	**5,926.3**	**5,348.4**	**2,324.3**	**2,098.4**	**1,991.2**
Gearing %	**33.8%**	**36.0%**	**33.8%**	**29.7%**	**18.1%**	**38.3%**	**37.1%**	**32.4%**	**31.5%**	**35.6%**
Interest cover (times EBITDA, 12m rolling basis)	**7.1**	**5.1**	**4.8**	**7.0**	**4.0**	**5.2**	**5.3**	**7.7**	**6.9**	**7.8**
NTA/Share $	**1.3**	**1.2**	**1.1**	**1.3**	**1.7**	**1.7**	**1.4**	**2.3**	**2.0**	**1.8**

1 December 2004 figures have been adjusted to include securitisation
2 Pre-2004 financial information can be found on Arrium's website.

Historical data – statutory cash flow*

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Half-year ended 31 December	2013 $m	2012 $m	2011 $m	2010 $m	2009 $m	2008 $m	2007 $m	2006 $m	2005 $m	2004 $m
Profit after tax	**220.9**	(445.8)	(70.7)	119.5	118.6	237.0	67.9	104.4	92.2	79.3
Depreciation, amortisation and impairment	**182.0**	608.9	232.1	100.6	98.7	96.2	91.1	48.1	47.4	45.0
Non-cash items	**(20.5)**	(9.7)	21.0	(7.4)	(8.2)	(22.2)	12.9	(2.4)	0.2	(1.0)
Other changes in assets and liabilities including working capital	**(38.0)**	21.6	4.8	(55.9)	114.5	(273.4)	(25.6)	(59.3)	(46.1)	(67.2)
Operating cash flow	**344.4**	175.0	187.2	156.8	323.6	37.6	146.3	90.8	93.7	56.1
Capital expenditure	**(209.6)**	(306.0)	(166.5)	(98.8)	(70.2)	(102.6)	(160.9)	(174.9)	(110.9)	(63.6)
Free Cash Flow	**134.8**	(131.0)	20.7	58.0	253.4	(65.0)	(14.6)	(84.1)	(17.2)	(7.5)
Investment expenditure	**-**	-	(317.2)	(992.9)	(0.9)	(2.9)	(425.0)	(2.1)	(4.0)	**-**
Asset Sales	**117.4**	76.0	1.4	0.9	0.5	32.3	1.0	3.9	0.5	3.6
Other	**-**	-	-	-	-	-	-	(0.4)	1.9	0.7
Operating & investing cash flow	**252.2**	(55.0)	(295.1)	(934.0)	253.0	(35.6)	(438.6)	(82.7)	(18.8)	(3.2)

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

Historical data – Mining

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Half Year ended 31 December	2013 $m	2012[1] $m	2011 $m	2010 $m	2009 $m	2008 $m	2007 $m
Total revenue/income	877.4	372.5	421.0	465.3	331.1	291.7	222.3
EBITDA	423.1	132.1	186.3	289.7	126.1	68.9	92.1
EBIT	323.5	90.6	170.7	275.5	113.0	56.6	89.1
Sales Margin	36.9%	24.3%	40.5%	59.2%	34.1%	19.4%	40.1%
Assets	2,171.2	1,865.5	1,427.8	849.6	794.8	713.3	479.2
Funds Employed	1,688.2	1,541.0	1,196.1	735.7	708.0	620.8	427.0
Return on funds employed	40.1%	13.2%	34.6%	75.8%	32.4%	20.9%	41.7%
Employees (number)	585	565	504	338	352	334	128
External lump & fines iron ore sales (Mt)	6.12	3.42	3.13	3.06	3.18	2.18	1.89
Pellets, other ore and by products (Mt)[2]	0.20	0.28	0.19	0.31	0.22	0.36	0.34

1 December 2012 results have been restated for the application of new accounting standards and interpretations in accordance with AASB 108 Accounting Policies, Changes in Estimates and Errors. It also includes results relating to the WPG subsidiaries acquired on 6 October 2011.
2 Ore by products include dolomite, centrix, filter cake and pellet chips.

Historical data – Mining Consumables

Half Year ended 31 December	2013 $m	2012 $m	2011 $m	2010[1] $m
Total revenue/income	786.5	793.9	768.4	338.9
EBITDA	100.4	100.4	81.3	31.2
EBIT	76.4	81.1	65.2	21.1
Sales Margin	9.7%	10.2%	8.5%	6.2%
Assets	2,519.4	2,295.3	2,312.8	2,421.0
Funds Employed	2,139.4	1,916.1	1,975.0	2,052.2
Return on funds employed	7.5%	8.3%	6.7%	2.7%
Employees (number)	2,063	1,994	1,976	1,836
External tonnes despatched (Mt)[2]	0.56	0.57	0.53	0.19
Internal tonnes despatched (Mt)	0.02	0.04	0.05	0.05
Steel tonnes produced (Mt)	0.25	0.27	0.26	0.12

1 The December 2010 results for the Manufacturing and Mining Consumables segments have been restated to reflect changes in organisation structure following the formation of the new Mining Consumables segment as a result of the acquisition on the Moly-Cop Group on 31 December 2010. Arrium's existing Waratah, Newcastle facilities, which include the grinding media and rail wheel businesses, Arrium's grinding media businesses in the United States and Indonesia, and the Wire Ropes business at Newcastle previously reported as part of the Manufacturing segment now form part of the Mining Consumables segment.
2 Excludes scrap sales.

Historical data – Steel

ARRIUM MINING AND MATERIALS

Half Year ended 31 December	2013[2] $m	2012[2] $m	2011[2] $m	2010[1] $m	2009[1] $m	2008[1] $m	2007[1] $m	2006[1] $m	2005[1] $m	2004[1] $m
Total revenue/income	1,438.1	1,545.5	1,644.8	2,396.4	2,774.2	4,079.9	2,953.2	2,275.6	2,071.4	1,978.5
EBITDA	30.1	33.8	(17.4)	(18.3)	196.7	474.0	194.3	217.6	188.1	159.7
EBIT	(21.2)	(14.7)	(67.8)	(82.2)	123.0	401.7	120.5	174.0	144.7	118.8
Sales Margin	(1.5%)	(1.0%)	(4.1%)	(3.4%)	4.4%	9.8%	4.1%	7.6%	7.0%	6.0%
Assets	2,154.0	2,472.4	2,662.3	4,013.5	5,064.6	5,690.6	5,366.8	3,100.3	2,778.7	2,598.1
Funds Employed	1,619.6	1,939.2	2,187.0	3,221.1	4,238.2	4,738.1	4,299.1	2,389.6	2,161.8	1,989.8
Return on funds employed	(2.4%)	(1.4%)	(5.0%)	(4.4%)	5.5%	17.8%	7.2%	15.3%	13.9%	11.8%
Employees (number)	5,163	5,350	5,461	6,942	7,937	9,035	9,071	6,499	6,253	6,247
External tonnes despatched (Mt)[3]	1.13	1.19	1.29	1.16	1.16	1.41	1.49	1.14	1.10	1.11
Steel tonnes produced (Mt)[3]	0.97	1.03	0.95	0.99	1.03	1.09	1.17	0.88	0.80	0.54

1 Steel historical information has been derived by adding together the Manufacturing and Distribution segments. Transactions between these segments have not been eliminated.
2 Steel information for 2013, 2012 & 2011 excludes transactions between entities previously in the Manufacturing and Distribution segments and excludes discontinued operations.
3 Tonnage comprises of total operations

Historical data – Recycling

arrium MINING AND MATERIALS

Half Year ended 31 December	2013[1] $m	2012[2] $m	2011[2] $m	2010 $m	2009 $m	2008 $m	2007 $m
Total revenue/income	547.0	574.5	631.7	714.4	492.1	685.9	527.4
EBITDA	3.2	(9.0)	2.1	3.2	3.8	(29.0)	10.4
EBIT	(2.1)	(15.2)	(5.0)	(5.3)	(3.6)	(37.0)	5.7
Sales Margin	(0.4%)	(2.6%)	(0.8%)	(0.7%)	(0.7%)	(5.4%)	1.1%
Assets	372.9	617.3	659.8	647.0	614.0	671.3	628.3
Funds Employed	295.9	538.4	581.2	567.5	548.9	604.8	536.5
Return on funds employed	(1.0%)	(5.4%)	(1.7%)	(1.8%)	(1.3%)	(12.1%)	2.1%
Employees (number)	628	715	823	1,017	962	1,010	1,054
Ferrous tonnes - external (Mt)[3]	0.38	0.40	0.44	0.51	0.36	0.39	0.39
Ferrous tonnes - internal (Mt)[3]	0.40	0.42	0.44	0.47	0.47	0.48	0.38
Non-ferrous tonnes (Mt)[3]	0.12	0.12	0.12	0.13	0.08	0.08	0.08

1 Exclude discontinued operations.

2 December 2012 and 2011 results have been restated to exclude the the results of Recycling US as discontinued operations. Under AASB 5 Non-current Assets Held for Sale and Discontinued Operations, comparative assets and liabilities have not been restated as 'held for sale'. Accordingly, the segment assets and funds employed comprised of total continuing and discontinued operations.

3 Tonnage comprises of total operations

1H14 statutory vs underlying results

arrium MINING AND MATERIALS

Year ended 31 December 2013	Statutory Results			Underlying Results			
Reconciliation between Underlying and Statutory Results	Continuing operations	Discontinued operations[1]	**Total Operations Statutory**	Restructuring costs[2]	Impairment[3]	Tax adjustments[4]	**Total Operations Underlying**
Sales revenue	3,358.6	283.9	**3,642.5**	-	-	-	**3,642.5**
Other revenue/income	70.0	4.4	**74.4**	-	-	-	**74.4**
Total revenue/income	3,428.6	288.3	**3,716.9**	-	-	-	**3,716.9**
Gross profit/(loss)	721.5	(27.4)	**694.1**	-	-	-	**694.1**
EBITDA	568.8	(70.0)	**498.8**	4.6	-	-	**503.4**
Depreciation and amortisation	(181.0)	-	**(181.0)**	-	-	-	**(181.0)**
Impairment	(4.7)	3.7	**(1.0)**	-	1.0	-	**0.0**
EBIT	383.1	(66.3)	**316.8**	4.6	1.0	-	**322.4**
Finance costs	(62.0)	-	**(62.0)**	-	-	-	**(62.0)**
Earnings before tax	321.1	(66.3)	**254.8**	4.6	1.0	-	**260.4**
Tax expense/(benefit)	(54.9)	21.0	**(33.9)**	(1.4)	(0.3)	(23.7)	**(59.3)**
Profit/(loss) after tax	266.2	(45.3)	**220.9**	3.2	0.7	(23.7)	**201.1**
Non-controlling interests	(0.5)	-	**(0.5)**	-	-	-	**(0.5)**
Net profit/(loss) after tax	265.7	(45.3)	**220.4**	3.2	0.7	(23.7)	**200.6**

1 Relating to the results of Australian Tube Mills, Merchandising and US Recycling businesses. Excludes intercompany transactions. Statutory EBITDA and statutory net profit after tax including intercompany transactions are $10.4m loss and $4.1m loss respectively.
2 Related to redundancies from organisational changes and other direct expenditure associated with business restructures.
3 Impairment of property, plant and equipment and intangible assets associated with Mining Consumables, Steel, US Recycling and Merchandising businesses.
4 Tax adjustment relates to the net impact of Mineral Resource Rent Tax

1H13 statutory vs underlying results

Half-year Ended 31 December 2012	Statutory Results			Underlying Results				
Reconciliation between Underlying and Statutory Results	Continuing operations	Discontinued operations[1]	**Total Operations Statutory**	Restructuring costs[2]	Impairment[3]	Tax adjustments[4]	Other items[5]	**Total Operations Underlying**
Sales Revenue	2,965.9	438.5	**3,404.4**	-	-	-	-	**3,404.4**
Other Revenue/Income	43.7	9.3	**53.0**	-	-	-	-	**53.0**
Total Revenue/Income	3,009.6	447.8	**3,457.4**	-	-	-	-	**3,457.4**
Gross Profit	542.2	13.9	**556.1**	-	-	-	-	**556.1**
EBITDA	293.9	(52.1)	**241.8**	13.7	-	-	(0.9)	**254.6**
Depreciation & Amortisation	(119.9)	(14.5)	**(134.4)**	-	-	-	-	**(134.4)**
Impairment	(96.5)	(378.0)	**(474.5)**	-	474.0	-	-	**(0.5)**
EBIT	77.5	(444.6)	**(367.1)**	13.7	474.0	-	(0.9)	**119.7**
Finance costs	(57.5)	(0.7)	**(58.2)**	-	-	-	-	**(58.2)**
(Loss)/profit before tax	20.0	(445.3)	**(425.3)**	13.7	474.0	-	(0.9)	**61.5**
Tax expense/(benefit)	(40.8)	20.3	**(20.5)**	(4.1)	-	16.3	(0.4)	**(8.7)**
(Loss)/profit after tax	(20.8)	(425.0)	**(445.8)**	9.6	474.0	16.3	(1.3)	**52.8**
Non-controlling interests	(0.4)	(1.4)	**(1.8)**	-	-	-	-	**(1.8)**
Net (loss)/profit after tax	(21.2)	(426.4)	**(447.6)**	9.6	474.0	16.3	(1.3)	**51.0**

1 Relating to the results of the Australian Tube Mills, Merchandising, US Recycling and Steel and Tube Holdings businesses. Excludes intercompany transactions. Statutory EBITDA and statutory net profit after tax including intercompany transactions are $9.6m and $382.7m loss respectively.
2 Related to redundancies from organisational changes and other direct expenditure associated with business restructures.
3 Impairment of the ARC brand name portfolio and goodwill in the Manufacturing and Distribution segments.
4 Tax adjustments related to prior year adjustments and the net impact of Mineral Resource Rent Tax.
5 Related to gains on sale of Steel & Tube Holdings and other non-recurring costs.

ARRIUM LIMITED

ABN 63 004 410 833

FINANCIAL REPORT

for the half-year ended 31 December 2013

Contents

Directors' Report

Your Directors submit their report for the half-year ended 31 December 2013.

Directors

The following persons were Directors of Arrium Limited during the half-year and up to the date of this report unless stated otherwise:

R B Davis
C R Galbraith, AM
P G Nankervis
G J Plummer (resigned 15 July 2013)
D A Pritchard
A G Roberts (appointed 18 February 2013)
P J Smedley
G J Smorgon, AM
R Warnock

Principal activities

The principal activities of Arrium Limited ("Arrium" or "the Company") and its subsidiaries ("the Group") during the half-year were: mining and supply of iron ore and other steelmaking raw materials to steel mills internationally and in Australia; manufacture and supply of mining consumables products with key market positions globally; manufacture and distribution of steel long products; and recycling of ferrous and non-ferrous scrap metal.

Review of operations

A review of operations of the Group during the half-year and the results of those operations is attached.

Net profit after tax attributable to members of Arrium as parent entity for the half-year was $220.4m (2012: loss of $447.6m).

Rounding of amounts

The Company is of the kind referred to in Australian Securities and Investments Commission (ASIC) Class Order 98/100. In accordance with that Class Order, amounts in the report have been rounded off to the nearest one hundred thousand dollars, or where the amount is $50,000 or less, zero, unless specifically stated to be otherwise.

Lead Auditor's independence declaration

The lead Auditor's independence declaration is set out on page 4 and forms part of the Directors' Report for the half-year ended 31 December 2013.

Signed in accordance with a resolution of the Directors.

Petter Smedley	**Andrew Roberts**
Chairman	Managing Director &
	Chief Executive Officer

Sydney
18 February 2014

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

To the Directors of Arrium Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2013 there have been:

(a) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

AWYoung

A W Young
Partner

Sydney
18 February 2014

Income Statement
FOR THE HALF-YEAR ENDED 31 DECEMBER

		CONSOLIDATED	
	Notes	2013 $m	2012 Restated* $m
Sales revenue	4	3,358.6	2,965.9
Cost of sales		(2,635.8)	(2,423.7)
Gross profit		722.8	542.2
Other revenue	4	18.7	33.6
Other income	4	51.3	10.1
Operating expenses		(409.5)	(507.7)
Finance costs		(62.0)	(57.5)
Share of net (loss)/profit of investments accounted for using the equity method		(0.2)	(0.7)
Profit from continuing operations before income tax	4	**321.1**	**20.0**
Income tax expense	5	(54.9)	(40.8)
Profit/(Loss) from continuing operations after tax		**266.2**	**(20.8)**
Loss from discontinued operations after tax	11	(45.3)	(425.0)
Net profit/(loss) for the period		**220.9**	**(445.8)**
Net profit/(loss) for the period is attributable to:			
Non-controlling interests		0.5	1.8
Equity holders of the parent		220.4	(447.6)
		220.9	**(445.8)**

* In accordance with AASB 108 *Accounting Policies, Changes in Estimates and Errors* the comparatives have been restated for the application of new accounting standards and interpretations. Refer to Note 1.

The accompanying notes form an integral part of the financial statements.

Statement of Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER

	Notes	CONSOLIDATED 2013 $m	2012 Restated* $m
Profit/(Loss) after tax		**220.9**	**(445.8)**
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges:			
- net losses taken to equity		(3.4)	(1.0)
- reclassification adjustment for gains included in profit or loss		4.1	4.1
- transferred to initial carrying amount of hedged items		0.6	(6.2)
Currency translation differences:			
- net investment hedges		(52.4)	29.8
- reclassification adjustment for losses included in profit or loss		-	(6.9)
- exchange fluctuations on overseas net assets		67.5	(46.2)
Items that may not be reclassified subsequently to profit or loss:			
Actuarial gains/(losses) on retirement benefit obligation		15.6	26.7
Other comprehensive income, net of tax		32.0	0.3
Total comprehensive income		**252.9**	**(445.5)**
Total comprehensive (expense)/income attributable to:			
Equity holders of the parent		252.3	(448.0)
Non-controlling interests		0.6	2.5
		252.9	**(445.5)**
Earnings per share attributable to the ordinary equity holders of the parent:			
Basic earnings per share (cents per share)	7	16.25	(33.24)
Diluted earnings per share (cents per share)	7	16.12	(33.24)
Earnings per share for profit/(loss) from continuing operations attributable to the ordinary equity holders of the parent:			
Basic earnings per share (cents per share)	7	19.59	(1.57)
Diluted earnings per share (cents per share)	7	19.43	(1.57)

* In accordance with AASB 108 *Accounting Policies, Changes in Estimates and Errors* the comparatives have been restated for the application of new accounting standards and interpretations. Refer to Note 1.

The accompanying notes form an integral part of the financial statements.

Balance Sheet

AS AT

		CONSOLIDATED	
	Notes	31 December 2013 $m	30 June 2013 Restated* $m
ASSETS			
Current assets			
Cash and cash equivalents	10	240.5	438.3
Receivables		593.3	720.9
Derivative financial instruments		5.5	11.3
Inventories		1,332.5	1,277.8
Current tax assets		7.4	6.0
Other financial assets		-	0.8
Other current assets		7.1	7.2
Disposal groups and assets held for sale	11	248.2	368.6
Total current assets		**2,434.5**	**2,830.9**
Non-current assets			
Receivables		19.9	13.2
Investments accounted for using the equity method		12.8	12.8
Derivative financial instruments		20.9	23.2
Other financial assets		1.3	-
Other non-current assets		33.6	13.7
Property, plant and equipment		2,715.0	2,687.4
Mine development expenditure		458.3	405.3
Other intangibles and goodwill		2,046.2	2,035.1
Deferred tax assets		179.2	147.2
Total non-current assets		**5,487.2**	**5,337.9**
TOTAL ASSETS		**7,921.7**	**8,168.8**
LIABILITIES			
Current liabilities			
Payables		1,030.8	1,098.1
Derivative financial instruments		8.8	13.0
Interest-bearing liabilities		35.3	1.1
Current tax liabilities		15.3	7.9
Provisions		327.4	341.3
Disposal groups and liabilities held for sale	11	119.2	175.4
Total current liabilities		**1,536.8**	**1,636.8**
Non-current liabilities			
Payables		0.2	0.2
Derivative financial instruments		43.4	45.2
Interest-bearing liabilities		2,180.6	2,552.1
Deferred tax liabilities		55.6	48.0
Provisions		227.8	235.3
Total non-current liabilities		**2,507.6**	**2,880.8**
TOTAL LIABILITIES		**4,044.4**	**4,517.6**
NET ASSETS		**3,877.3**	**3,651.2**
EQUITY			
Contributed equity	8	2,962.8	3,778.0
Retained earnings		883.5	(128.0)
Reserves		27.5	(1.7)
Parent interests		3,873.8	3,648.3
Non-controlling interests		3.5	2.9
TOTAL EQUITY		**3,877.3**	**3,651.2**

* In accordance with AASB 108 *Accounting Policies, Changes in Estimates and Errors* the comparatives have been restated for the application of new accounting standards and interpretations. Refer to Note 1.

The accompanying notes form an integral part of the financial statements.

Cash Flow Statement

FOR THE HALF-YEAR ENDED 31 DECEMBER

	Notes	CONSOLIDATED 2013 $m	2012 Restated* $m
		Inflows/(Outflows)	
Cash flows from operating activities			
Receipts from customers		3,846.0	3,618.9
Payments to suppliers and employees		(3,415.2)	(3,370.3)
Interest received		1.5	1.6
Interest and other finance costs paid		(58.2)	(59.2)
Income taxes paid		(29.7)	(16.0)
Net operating cash flows		**344.4**	**175.0**
Cash flows from investing activities			
Purchases of property, plant and equipment, mine development expenditure and other intangibles		(209.6)	(306.0)
Proceeds from sale of property, plant and equipment		88.2	7.2
Proceeds from sale of businesses		29.2	-
Proceeds from sale of controlled entity, net of cash disposed		-	68.8
Net investing cash flows		**(92.2)**	**(230.0)**
Cash flows from financing activities			
Purchase of shares for equity based compensation		(2.1)	-
Net (repayment of)/proceeds from borrowings		(420.7)	150.1
(Loan to)/repayment of loan from related party		(0.5)	0.3
Repayment of principal of finance leases		(0.3)	(0.5)
Dividends paid		(33.1)	(39.2)
Net financing cash flows		**(456.7)**	**110.7**
Net (decrease)/increase in cash and cash equivalents		**(204.5)**	**55.7**
Cash and cash equivalents at the beginning of the half-year		438.3	271.7
Effect of exchange rate fluctuations on cash and cash equivalents held		6.7	(1.7)
Cash and cash equivalents at the end of the half-year	10	**240.5**	**325.7**

* In accordance with AASB 108 *Accounting Policies, Changes in Estimates and Errors* the comparatives have been restated for the application of new accounting standards and interpretations. Refer to Note 1.

The accompanying notes form an integral part of the financial statements.

Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT						NON-CONTROLLING INTERESTS	TOTAL EQUITY
	CONTRIBUTED EQUITY							
CONSOLIDATED	**Issued capital $m**	**Employee compensation shares $m**	**Total contributed equity** $m	**Retained earnings** $m	**Total reserves** $m	**Total parent interests** $m	$m	$m
At 1 July 2013, as previously reported	3,803.6	(25.6)	3,778.0	(25.7)	(21.7)	3,730.6	2.9	3,733.5
Impact of changes in accounting policies*	-	-	-	(102.3)	20.0	(82.3)	-	(82.3)
Restated balance at 1 July 2013	**3,803.6**	**(25.6)**	**3,778.0**	**(128.0)**	**(1.7)**	**3,648.3**	**2.9**	**3,651.2**
Net profit for the period	-	-	-	220.4	-	220.4	0.5	220.9
Other comprehensive income	-	-	-	-	31.9	31.9	0.1	32.0
Total comprehensive income for the period, net of tax	-	-	-	**220.4**	**31.9**	**252.3**	**0.6**	**252.9**
Transactions with equity holders:								
Share capital reduction (Note 8)	(831.8)	-	(831.8)	831.8	-	-	-	-
Share-based payments expense	-	-	-	-	8.4	8.4	-	8.4
Purchase of shares for equity based compensation	-	(2.1)	(2.1)	-	-	(2.1)	-	(2.1)
Vested shares	-	11.1	11.1	-	(11.1)	-	-	-
Dividends paid	-	-	-	(40.7)	-	(40.7)	-	(40.7)
Shares issued under dividend reinvestment plan	7.6	-	7.6	-	-	7.6	-	7.6
Total transactions with equity holders	(824.2)	9.0	(815.2)	791.1	(2.7)	(26.8)	-	(26.8)
Balance at 31 December 2013	**2,979.4**	**(16.6)**	**2,962.8**	**883.5**	**27.5**	**3,873.8**	**3.5**	**3,877.3**

* In accordance with AASB 108 *Accounting Policies, Changes in Estimates and Errors* the comparatives have been restated for the application of new accounting standards and interpretations. Refer to Note 1.
The accompanying notes form an integral part of the financial statements.

Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

CONSOLIDATED	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT – CONTRIBUTED EQUITY: Issued capital $m	Employee compensation shares $m	Total contributed equity $m	Retained earnings $m	Total reserves $m	Total parent interests $m	NON-CONTROLLING INTERESTS $m	TOTAL EQUITY $m
At 1 July 2012, as previously reported	3,796.5	(25.6)	3,770.9	734.6	(66.7)	4,438.8	61.8	4,500.6
Impact of changes in accounting policies*	-	-	-	(104.0)	(25.4)	(129.4)	-	(129.4)
Restated balance at 1 July 2012	**3,796.5**	**(25.6)**	**3,770.9**	**630.6**	**(92.1)**	**4,309.4**	**61.8**	**4,371.2**
Net loss for the period, as previously reported	-	-	-	(447.2)	-	(447.2)	1.8	(445.4)
Impact of changes in accounting policies*	-	-	-	(0.4)	-	(0.4)	-	(0.4)
Restated net loss for the period	-	-	-	(447.6)	-	(447.6)	1.8	(445.8)
Other comprehensive (expense)/income, as previously reported	-	-	-	-	(27.1)	(27.1)	0.7	(26.4)
Impact of changes in accounting policies*	-	-	-	-	26.7	26.7	-	26.7
Restated other comprehensive income for the period	-	-	-	-	(0.4)	(0.4)	0.7	0.3
Restated total comprehensive (expense)/income for the period, net of tax	**-**	**-**	**-**	**(447.6)**	**(0.4)**	**(448.0)**	**2.5**	**(445.5)**
Transactions with equity holders:								
Share-based payments expense	-	-	-	-	0.9	0.9	-	0.9
Dividends paid	-	-	-	(40.4)	-	(40.4)	(2.2)	(42.6)
Discontinued operations	-	-	-	-	-	-	(59.8)	(59.8)
Shares issued under dividend reinvestment plan	3.4	-	3.4	-	-	3.4	-	3.4
Transfer to retained earnings	-	-	-	1.8	(1.8)	-	-	-
Total transactions with equity holders	3.4	-	3.4	(38.6)	(0.9)	(36.1)	(62.0)	(98.1)
Restated balance at 31 December 2012	**3,799.9**	**(25.6)**	**3,774.3**	**144.4**	**(93.4)**	**3,825.3**	**2.3**	**3,827.6**

* In accordance with AASB 108 *Accounting Policies, Changes in Estimates and Errors* the comparatives have been restated for the application of new accounting standards and interpretations. Refer to Note 1.
The accompanying notes form an integral part of the financial statements.

Notes to the financial statements

Notes to the financial Statements (continued)

1. BASIS OF PREPARATION OF HALF-YEAR FINANCIAL REPORT

The financial report includes the condensed financial statements for the consolidated entity consisting of Arrium Limited and its subsidiaries.

This condensed general purpose financial report for the half-year ended 31 December 2013 has been prepared in accordance with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Act 2001.

This half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2013 and any public announcements made by Arrium Limited during the half-year in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as set out below.

(a) Changes in accounting policy

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2013, except for the adoption of new standards and interpretations as of 1 July 2013, noted below:

AASB 10 Consolidated Financial Statements

AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and UIG-112 Consolidation – Special Purpose Entities.

The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority of voting rights may give control.

The adoption of this standard did not have an impact on the Group.

AASB 11 Joint Arrangements

AASB 11 replaces AASB 131 Interests in Joint Ventures and UIG-113 Jointly- controlled Entities – Non−monetary Contributions by Ventures.

AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method.

The adoption of this standard did not have an impact on the Group.

AASB 12 Disclosure of Interests in Other Entities

AASB 12 includes all disclosures relating to the Group's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates, structured entities and subsidiaries with non-controlling interests.

The adoption of this standard did not have an impact on the Group.

Notes to the financial statements (continued)

1. BASIS OF PREPARATION OF HALF-YEAR FINANCIAL REPORT (CONTINUED)

(a) Changes in accounting policy (continued)

AASB 13 Fair value measurement

AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets.

AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.

In accordance with the transitional provisions of AASB 13, the Group has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurement of the Group's assets and liabilities.

AASB 119 Employee Benefits

The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment requires that the liabilities arising from such plans are recognised in full with actuarial gains and losses being recognised in other comprehensive income. The corridor approach will no longer be permitted. The standard also revised the method of calculating the return on plan assets.

The revised standard also changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.

As required under AASB 119, the change in policy has been applied retrospectively and comparative figures have been restated accordingly. The impact of these adjustments on the individual line items in the financial statements is shown in Note 1(b) below.

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009 – 2011 Cycle

AASB 2012-5 makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The standard addresses a range of improvements, including the clarification of the comparative information requirements (AASB 101 Presentation of Financial Statements).

The adoption of this standard has been reflected in the Group's financial report for the half-year ended 31 December 2013.

Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine

This interpretation applies to stripping costs incurred during the production phase of a surface mine. Production stripping costs are to be capitalised as part of an asset, if an entity can demonstrate that it is probable future economic benefits will be realised, the costs can be reliably measured and the entity can identify the component of an ore body for which access has been improved. This asset is to be called the "stripping activity asset".

The stripping activity asset shall be amortised on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. The units of production method has been applied.

As required under Interpretation 20, the change in policy has been applied retrospectively and comparative figures have been restated accordingly. The impact of these adjustments on the individual line items in the financial statements is shown in Note 1(b) below.

Notes to the financial statements (continued)

1. BASIS OF PREPARATION OF HALF-YEAR FINANCIAL REPORT (CONTINUED)

(b) Impact on financial statements

In accordance with AABS 108 *Accounting Policies, Changes in Estimates and Errors* the comparatives have been restated for the application of new accounting standards and interpretations. The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the change have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

Income statement (extracts)

Half-year ended 31 December 2012	Prior year restatement Increase/ (Decrease) Adoption of AASB 119 $m	Adoption of IFRIC 20 $m
Cost of sales	-	13.7
Operating expenses	(1.9)	(11.5)
Finance costs	(0.8)	-
Profit from continuing operations before income tax	(2.7)	2.2
Income tax expense	0.8	(0.7)
Profit from continuing operations after tax	(1.9)	1.5
Net profit for the period	**(1.9)**	**1.5**
Net profit attributable to:		
Equity holders of the parent	(1.9)	1.5

Statement of comprehensive income (extracts)

Half-year ended 31 December 2012	Prior year restatement Increase/ (Decrease) Adoption of AASB 119 $m	Adoption of IFRIC 20 $m
Net profit for the period	(1.9)	1.5
Items that may not be reclassified subsequently to profit or loss:		
Remeasurement of retirement benefit obligation, net of tax	26.7	-
Other comprehensive income, net of tax	26.7	-
Total comprehensive income	**24.8**	**1.5**
Total comprehensive income attributable to:		
Equity holder of the parent	24.8	1.5
Non-controlling interests	-	-
	24.8	**1.5**
Earnings per share attributable to the ordinary equity holders of the parent:		
Basic earnings per share (cents per share)	-	-
Diluted earnings per share (cents per share)	-	-
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the parent:		
Basic earnings per share (cents per share)	-	-
Diluted earnings per share (cents per share)	-	-

Notes to the financial statements (continued)

1. BASIS OF PREPARATION OF HALF-YEAR FINANCIAL REPORT (CONTINUED)

(b) Impact on financial statements (continued)

Cash flow statement (extracts)

Half-year ended 31 December 2012	Prior year restatement Increase/ (Decrease) Adoption of AASB 119 $m	Prior year restatement Increase/ (Decrease) Adoption of IFRIC 20 $m
Cash flows from operating activities		
Payments to suppliers and employees	-	47.2
Net operating cash flows	**-**	**47.2**
Cash flows from investing activities		
Purchases of property, plant and equipment, mine development expenditure and other intangibles		(47.2)
Net investing cash flows	**-**	**(47.2)**

Balance sheet (extract)

As at 30 June 2013	Prior year restatement Increase/ (Decrease) Adoption of AASB 119 $m	Prior year restatement Increase/ (Decrease) Adoption of IFRIC 20 $m
Inventories	-	(3.1)
Other non-current assets	(19.0)	-
Mine development expenditure	-	(87.3)
Deferred tax assets	4.5	26.2
Total assets	**(14.5)**	**(64.2)**
Current tax liabilities	-	(0.9)
Deferred tax liabilities	(2.8)	-
Provisions	7.3	-
Total liabilities	**4.5**	**(0.9)**
Retained earnings	(39.0)	(63.3)
Reserves	20.0	-
Total equity	**(19.0)**	**(63.3)**

As at 1 July 2012	Prior year restatement Increase/ (Decrease) Adoption of AASB 119 $m	Prior year restatement Increase/ (Decrease) Adoption of IFRIC 20 $m
Other non-current assets	(27.7)	-
Mine development expenditure	-	(90.8)
Deferred tax assets	18.6	-
Total assets	**(9.1)**	**(90.8)**
Deferred tax liabilities	(8.4)	(27.2)
Provisions	65.1	-
Total liabilities	**56.7**	**(27.2)**
Retained earnings	(40.4)	(63.6)
Reserves	(25.4)	-
Total equity	**(65.8)**	**(63.6)**

Notes to the financial statements (continued)

1. BASIS OF PREPARATION OF HALF-YEAR FINANCIAL REPORT (CONTINUED)

(b) Impact on financial statements (continued)

The following tables show the impact of the restatement of comparatives in accordance with AASB 108 *Accounting Policies, Changes in Estimates and Errors* as a result of the application of new accounting standards and interpretations.

Income statement (extracts)

Half-year ended 31 December 2013	**Current year impact* Increase/ (Decrease) Adoption of AASB 119 $m**
Cost of sales	-
Operating expenses	1.2
Finance costs	-
Profit from continuing operations before income tax	1.2
Income tax expense	(0.4)
Profit from continuing operations after tax	0.8
Net profit for the period	**0.8**
Net loss attributable to:	
Equity holders of the parent	0.8
Non-controlling interests	-
	0.8

Statement of comprehensive income (extracts)

Half-year ended 31 December 2013	**Current year impact* Increase/ (Decrease) Adoption of AASB 119 $m**
Items that may not be reclassified subsequently to profit or loss:	
Remeasurement of retirement benefit obligation, net of tax	15.6
Other comprehensive income, net of tax	15.6
Total comprehensive income	**15.6**
Total comprehensive income attributable to:	
Equity holder of the parent	15.6
Non-controlling interests	-
	15.6
Earnings per share attributable to the ordinary equity holders of the parent:	
Basic earnings per share (cents per share)	1.15
Diluted earnings per share (cents per share)	1.14
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the parent:	
Basic earnings per share (cents per share)	1.15
Diluted earnings per share (cents per share)	1.14

Notes to the financial statements (continued)

1. BASIS OF PREPARATION OF HALF-YEAR FINANCIAL REPORT (CONTINUED)

(b) Impact on financial statements (continued)

Balance sheet (extract)

As at 31 December 2013	Current year impact* Increase/ (Decrease) Adoption of AASB 119 $m
Inventories	-
Other non-current assets	22.3
Mine development expenditure	-
Deferred tax assets	(0.4)
Total assets	**21.9**
Current tax liabilities	-
Deferred tax liabilities	6.7
Provisions	(1.2)
Total liabilities	**5.5**
Retained earnings	0.8
Reserves	15.6
Total equity	**16.4**

* It is not practicable to disclose the impact of IFRIC 20 on the current period due to a fundamental change in the calculation methodology and identification of components of the ore body under the interpretation.

(c) Reclassification

Prior period balance sheet tax balances have been reclassified to reflect offset current and deferred tax assets and liabilities to the extent that they relate to income taxes levied by the same tax authority on the same taxable entity. This reclassification had the impact of decreasing deferred tax asset by $370.1m, decreasing deferred tax liabilities by $349.1m, increasing current tax asset by $6.0m and decreasing current tax liability by $15.0m.

2. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses based on historical experience and on other various factors it believes to be reasonable under the circumstances. Actual results may differ from the judgements, estimates and assumptions. Changes in estimates and assumptions for the half-year ended 31 December 2013 that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

Significant accounting judgements

Impairment of non-financial assets other than goodwill and intangibles with indefinite useful lives

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset or cash generating unit (CGU) that may lead to impairment. These include business performance, technology, economic and political environments and future business expectations. If an impairment indicator exists, the recoverable amount of the asset is determined. Given the current uncertain economic environment, management considered that the indicators of impairment were significant enough, and as such, these assets have been tested for impairment in this financial period.

Notes to the financial statements (continued)

2. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Taxation

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the Balance Sheet and the application of income tax legislation. These judgements are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of tax assets and liabilities recognised on the Balance Sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the Income Statement.

Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences (including those relating to MRRT), are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be reduced simultaneously.

Significant accounting estimates and assumptions

Impairment of goodwill and intangibles with indefinite useful lives

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired on at least an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill and intangibles with indefinite useful lives are allocated using a value in use discounted cash flow methodology.

Minerals Resource Rent Tax

The Minerals Resource Rent Tax (MRRT) applies to iron ore and coal extraction activities from 1 July 2012. On 24 October 2013 the Government released draft legislation repealing the MRRT but has not yet substantially enacted that legislation which means the MRRT is still law. The MRRT applies to Arrium's iron ore mining operations both to the export sales and the ore used in the Steelworks. MRRT deferred tax assets arise in respect of these activities and are required to be measured over the relevant life of the mine. Estimates and assumptions for the life of the mine are potentially subject to significant changes. As the deferred tax asset in respect of MRRT is subject to assessment for recoverability each reporting period, the deferred tax asset recognised is subject to change.

Notes to the financial Statements (continued)

3. SEGMENT INFORMATION

HALF-YEAR ENDED 31 DECEMBER 2013	Mining[1] $m	Mining Consumables[1] $m	Steel[1] $m	Recycling[1] $m	Total segments $m
Segment revenues					
Sales to external customers	855.0	747.9	1,359.7	396.0	3,358.6
Intersegment revenue	0.1	28.1	39.0	150.1	217.3
Other revenue/income from external customers	22.3	10.5	39.4	0.9	73.1
Total segment income	**877.4**	**786.5**	**1,438.1**	**547.0**	**3,649.0**
Unallocated					
Discontinued operations					348.0
Other revenue/income[2]					(3.2)
Intersegment eliminations[3]					(276.9)
Consolidated Income					**3,716.9**
Segment share of profit of investments accounted for using the equity method	-	0.7	-	-	0.7
Unallocated					(0.9)
Consolidated share of (loss) of equity accounted investments					**(0.2)**
Segment earnings before interest, tax, depreciation and amortisation	**423.1**	**100.4**	**30.1**	**3.2**	**556.8**
Depreciation, amortisation and impairment	(99.6)	(24.0)	(51.3)	(5.3)	(180.2)
Segment earnings before interest and tax	**323.5**	**76.4**	**(21.2)**	**(2.1)**	**376.6**
Unallocated					
Restructuring costs[4]					(4.6)
Finance costs					(62.0)
Impairment[5]					(1.0)
Discontinued operations					(8.2)
Other[6]					(41.9)
Intersegment eliminations[3]					(4.1)
Consolidated profit before tax[7]					**254.8**
Tax expense					(33.9)
Consolidated profit after tax					**220.9**

Notes to the financial statements (continued)

3. SEGMENT INFORMATION (CONTINUED)

AS 31 DECEMBER 2013	Mining[1] $m	Mining Consumables[1] $m	Steel[1] $m	Recycling[1] $m	Total segments $m
Segment assets	**2,171.2**	**2,511.4**	**2,154.0**	**372.9**	**7,209.5**
Investments accounted for using the equity method	-	8.0	-	-	8.0
Unallocated					
Tax assets					210.1
Cash and cash equivalents					240.5
Discontinued operations					207.4
Other assets					80.7
Intersegment eliminations[3]					(34.5)
Consolidated assets					**7,921.7**
Segment liabilities	**483.0**	**380.0**	**534.4**	**77.0**	**1,474.4**
Unallocated					
Tax liabilities					72.6
Interest-bearing liabilities					2,215.9
Discontinued operations					111.3
Other liabilities					198.2
Intersegment eliminations[3]					(28.0)
Consolidated liabilities					**4,044.4**

Notes to the financial statements (continued)

3. SEGMENT INFORMATION (CONTINUED)

HALF-YEAR ENDED 31 DECEMBER 2012[8,9]	Mining[1] $m	Mining Consumables[1] $m	Steel[1] $m	Recycling[1] $m	Total segments $m
Segment revenues					
Sales to external customers	365.8	733.6	1,464.7	401.8	2,965.9
Intersegment revenue	-	44.3	64.8	171.5	280.6
Other revenue/income from external customers	6.7	16.0	16.0	1.2	39.9
Total segment income	**372.5**	**793.9**	**1,545.5**	**574.5**	**3,286.4**
Unallocated					
Discontinued operations					515.5
Other revenue/income					3.9
Intersegment eliminations[3]					(348.4)
Consolidated Income					**3,457.4**
Segment share of profit of investments accounted for using the equity method	-	(0.5)	-	(0.3)	(0.8)
Unallocated					0.1
Consolidated share of loss of equity accounted investments					**(0.7)**
Segment earnings before interest, tax, depreciation and amortisation	**132.1**	**100.4**	**33.8**	**(9.0)**	**257.3**
Depreciation, amortisation and impairment	(41.5)	(19.3)	(48.5)	(6.2)	(115.5)
Segment earnings before interest and tax	**90.6**	**81.1**	**(14.7)**	**(15.2)**	**141.8**
Unallocated					
Restructuring costs[4]					(13.7)
Finance costs					(58.2)
Impairment[5]					(474.0)
Discontinued operations					1.0
Other					(23.7)
Intersegment eliminations[3]					1.5
Consolidated loss before tax[7]					**(425.3)**
Tax expense					(20.5)
Consolidated loss after tax					**(445.8)**

Notes to the financial statements (continued)

3. SEGMENT INFORMATION (CONTINUED)

AS AT 31 DECEMBER 2012[8,9]	Mining[1] $m	Mining Consumables[1] $m	Steel[1] $m	Recycling[1] $m	Total segments $m
Segment assets	**1,865.5**	**2,288.6**	**2,472.4**	**616.4**	**7,242.9**
Investments accounted for using the equity method	-	6.7	-	0.9	7.6
Unallocated					
Tax assets					255.4
Cash and cash equivalents					326.6
Discontinued operations					394.0
Other assets					54.2
Intersegment eliminations[3]					(39.3)
Consolidated assets					**8,241.4**
Segment liabilities	**324.5**	**379.2**	**533.2**	**78.9**	**1,315.8**
Unallocated					
Tax liabilities					309.9
Interest-bearing liabilities					2,481.7
Discontinued operations					129.4
Other liabilities					207.3
Intersegment eliminations[3]					(36.4)
Consolidated liabilities					**4,407.7**

1 Segment results are equivalent to the underlying results of each segment and are comprised of continuing operations only. The results of discontinued operations form part of unallocated.
2 Other income of unallocated includes foreign exchange losses reported within net foreign exchange gains in other income at the consolidated group.
3 Intersegment eliminations include eliminations between the reportable segments and discontinued operations.
4 Restructuring costs related to redundancies from organisation changes and other direct expenditures associated with restructuring comprising Mining Consumables $2.6m and reversal of previously raised restructuring provisions in Recycling $0.4m. The remaining balance is unallocated. In 2012, restructuring costs related to Recycling $3.1m and Steel $3.8m with the remaining balance unallocated.
5 Impairment of property, plant and equipment in Mining Consumables $0.5m, Steel $4.2m and Recycling $0.3m.The remaining balance is unallocated. In 2012, impairment of $96.0m related to Steel with the remaining balance unallocated.
6 Includes corporate costs, share based payment expense for the vesting of rights under the Performance Rights Plan and other provisions and costs.
7 Consolidated profit/(loss) before tax includes a loss of $66.3m (2012: loss of $445.3m) relating to discontinued operations.
8 The 2012 comparatives have been restated to reflect the change in segment structure and formation of the Steel Segment as announced on 30 May 2013. The 2012 comparatives have also been restated to include the results of ATM, Merchandising and Recycling US as discontinued operations and classified as unallocated. Under *AASB 5 Non-current Assets Held for Sale and Discontinued Operations*, comparative assets and liabilities have not been restated as “held for sale”.
9 In accordance with AASB 108 *Accounting Policies, Changes in Estimates and Errors* the comparatives have been restated for the application of new accounting standards and interpretations. Refer to Note 1.

Notes to the financial statements (continued)

3. SEGMENT INFORMATION (CONTINUED)

Identification of reportable segments

The Group has identified its operating segments based on internal reporting that is reviewed and used by the MD&CEO and the executive management team in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the nature of the products provided, with each operating segment representing a strategic business unit that offers different products and serves different markets.

The reportable segments are based on operating segments including those that meet the aggregation criteria as determined by the similarity of the products produced and sold as these are the sources of the Group's major risks and have the most effect on the rates of return.

Mining

The Mining segment's operations are located in South Australia; the Middleback Ranges, approximately 60 kilometres from the Whyalla township, and Southern Iron, which includes the Peculiar Knob tenement, located approximately 90 kilometres from the Cooper Pedy township. The Mining segment exports hematite iron ore to external customers and supplies both pelletised magnetite iron ore and some hematite lump iron ore to Arrium's integrated steelworks at Whyalla.

Mining Consumables

The Mining Consumables segment comprises Moly-Cop grinding media businesses, Moly-Cop Ropes, Waratah Steel Mill and AltaSteel, with businesses located across North America, South America, Indonesia and Australia.

The Mining Consumables segment supplies resource companies with a range of key mining consumables, including grinding media, wire ropes and rail wheels.

Steel

The Steel segment manufactures billet at its integrated steelworks in Whyalla and two electric arc furnaces. The manufacturing operations also include several rolling and wire mills. The Whyalla steelworks produces common and special grade billet as feedstock for the downstream Rod and Bar mills as well as producing rail and structural steel products for sale to external customers. Billets produced from Whyalla and the Sydney and Laverton electric arc furnaces are rolled into a wide range of long products for sale or further processing.

The Steel segment also distributes a diverse range of manufactured and externally sourced steel and metal products including structural steel sections, steel plate, angles, channels, reinforcing steel and carbon products to the construction, manufacturing and resource markets.

Recycling

The Recycling segment supplies steelmaking raw materials to domestic and international steel mills, as well as non-ferrous metals for recycling. The Recycling segment operates in 8 countries through a combination of physical operations in the form of collection sites and trading offices that supply raw materials to foundries, smelters and steel mills in Australia and globally.

Intra/intersegment transfers

The Mining segment sells pelletised and lump iron ore to the Steel segment. The Recycling segment sells raw materials to the Steel and Mining Consumables segment.

All sales between segments are conducted on an arm's length basis, with terms and conditions no more favourable than those which it is reasonable to expect when dealing with an external party, except for the sales of iron ore from the Mining segment to the Steel segment which occurs at cost.

Unallocated

Investments accounted for using the equity method, cash and cash equivalents, current taxes, deferred taxes, borrowings, derivative financial instruments and certain financial assets and liabilities are not allocated to the segments as they are managed on a group basis.

The results and balances of held for sale assets and discontinued operations have been classified as unallocated.

Notes to the financial statements (continued)

4. INCOME STATEMENT ITEMS

	CONSOLIDATED	
	2013	2012
	$m	$m
Continuing operations:		
(a) Sales revenue		
Product sales	3,355.2	2,962.2
Rendering of services	3.4	3.7
Total sales revenue	**3,358.6**	**2,965.9**
(b) Other revenue		
Interest received from unrelated parties	1.5	1.5
Other	17.2	32.1
Total other revenue	**18.7**	**33.6**
TOTAL REVENUE	**3,377.3**	**2,999.5**
(c) Other income		
Net gains on disposal of property, plant and equipment	28.1	4.2
Net fair value and foreign exchange gains	4.3	5.9
Other	18.9	-
Total other income	**51.3**	**10.1**
TOTAL INCOME	**3,428.6**	**3,009.6**
Discontinued operations:		
(a) Sales revenue		
Product sales	283.9	438.5
Total sales revenue	**283.9**	**438.5**
(b) Other revenue		
Interest received from unrelated parties	-	0.1
Other	1.8	5.2
Total other revenue	**1.8**	**5.3**
TOTAL REVENUE	**285.7**	**443.8**
(c) Other income		
Net gains on disposal of property, plant and equipment	2.6	1.4
Gain on sale of controlled entity	-	2.4
Net fair value and foreign exchange gains	-	0.2
Total other income	**2.6**	**4.0**
TOTAL INCOME	**288.3**	**447.8**

Notes to the financial statements (continued)

4. INCOME STATEMENT ITEMS (CONTINUED)

	CONSOLIDATED 2013 $m	CONSOLIDATED 2012 Restated* $m
(d) Profit/(Loss) before income tax includes the following specific expenses:		
Continuing operations:		
Depreciation of property, plant and equipment	111.0	90.0
Amortisation of mine development expenditure	44.4	22.6
Amortisation of finite-life intangible assets	25.6	7.3
Impairment of property, plant and equipment[1]	4.7	0.5
Impairment of other intangibles and goodwill[1]	-	96.0
Restructuring costs[2]	2.3	7.3
Inventory write down to net realisable value	1.0	5.8
Share-based payment expense	8.4	0.9
Discontinued operations:		
Depreciation of property, plant and equipment	-	14.4
Amortisation of finite-life intangible assets	-	0.1
Impairment reversal of property, plant and equipment[1]	(3.7)	-
Impairment of other intangibles and goodwill[1]	-	378.0
Restructuring costs[2]	2.3	6.4
Write down of inventory to net realisable value	(0.4)	0.2

* In accordance with AASB 108 *Accounting Policies, Changes in Estimates and Errors* the comparatives have been restated for the application of new accounting standards and interpretations. Refer to Note 1.
1 Impairment charge/(reversal) relating to the Steel and Merchandising businesses respectively.
2 Restructuring costs related to redundancies from organisational changes and other direct expenditure associated with business restructures.

5. INCOME TAX

(a) Reconciliation of income tax expense to prima facie tax payable

	CONSOLIDATED 2013 $m	CONSOLIDATED 2012 Restated* $m
Profit from continuing operations before income tax	321.1	20.0
Loss from discontinued operations before income tax	(66.3)	(445.3)
Total profit/(loss) before income tax	254.8	(425.3)
Prima facie income tax expense/(credit) calculated at 30%	76.5	(127.6)
Research and development allowance	(9.7)	(6.2)
Non-deductible expenses	0.3	0.6
Capital gains non-taxable	(8.0)	-
Difference in overseas tax rates	(3.4)	(3.4)
Adjustments in respect of income tax of previous years	(0.1)	(2.2)
Non-deductible impairment	-	142.2
Tax on partnership income	7.7	-
Foreign currency translation differences	(3.9)	-
Income tax impact of MRRT taxation expense	10.2	(7.9)
Other items	(1.8)	(1.4)
Income tax expense/(benefit) recognised in the Income Statement	67.8	(5.9)
MRRT related taxation (benefit)/expense	(33.9)	26.4
Total taxation expense/(benefit)	33.9	20.5

* In accordance with AASB 108 *Accounting Policies, Changes in Estimates and Errors* the comparatives have been restated for the application of new accounting standards and interpretations. Refer to Note 1.

Notes to the financial statements (continued)

5. INCOME TAX (CONTINUED)

	CONSOLIDATED 2013 $m	CONSOLIDATED 2012 Restated* $m
Aggregate income tax expense/(benefit) is attributable to:		
Continuing operations	54.9	40.8
Discontinued operations	(21.0)	(20.3)
	33.9	20.5

* In accordance with AASB 108 *Accounting Policies, Changes in Estimates and Errors* the comparatives have been restated for the application of new accounting standards and interpretations. Refer to Note 1.

(b) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of estimated capital losses amounting to $45.8 million (June 2013: $43.0m). Deferred tax assets have not been recognised in respect of MRRT amounting to $328.6m (June 2013: $408.4m).

Capital tax losses are subject to continuity of ownership tests and MRRT unrecognised deferred tax assets are subject to future taxable mining profits. Deferred tax assets have not been recognised in respect of these items where it is not probable that future taxable profit or future mining profit will be available against which the consolidated entity can utilise the benefits.

(c) Minerals Resource Rent Tax

The Minerals Resource Rent Tax (MRRT) applies to Arrium's iron ore mining operations both to the export sales and the ore used in the Steelworks. On 24 October 2013 the Government released draft legislation repealing the MRRT with effect from 1 July 2014 but has not yet substantially enacted that legislation which means the MRRT is still law. MRRT deferred tax assets (DTA) arise in respect of allowable MRRT deductions and are required to be measured over the relevant life of mine (LOM). A significant unbooked DTA exists in respect of MRRT starting base deductions which are in excess of forecast MRRT profit over the LOM. The updated mines profit forecast has resulted in higher MRRT profit and in turn recognition of part of the unbooked starting base DTA.

There has been no payment of MRRT for the 6 months to 31 December 2013. Arrium has recognised deferred tax assets of $166.8m (June 2013: $132.9m), deferred tax liabilities of $50.1m (June 2013: $39.9m) and a corresponding net decrease in income tax expense of $23.7m (June 2013: $57.6m) for the half-year ended 31 December 2013.

6. DIVIDENDS

The following dividends have been paid, declared or recommended since the end of the preceding financial year:

	On ordinary shares $m	Dividend per ordinary share cents
December 2013		
Final dividend for 2013, paid on 17 October 2013	40.7	3.0
December 2012		
Final dividend for 2012, paid on 18 October 2012	40.4	3.0

Dividends not recognised at the end of the half-year

In addition to the above dividends, since the end of the half-year, the Directors have recommended the payment of an interim dividend of 6.0 cents per fully paid ordinary share (December 2012: 2.0 cents). The aggregate amount of the proposed dividend expected to be paid on or around 17 April 2014 but not recognised as a liability at balance date is $81.7m (December 2012: $27.0m).

Notes to the financial statements (continued)

7. EARNINGS PER SHARE

The following reflects the earnings and share data used in the calculation of basic and diluted earnings per share:

(a) Earnings

	December 2013 $m	December 2012 Restated* $m
Profit/(loss) attributable to equity holders of the parent	220.4	(447.6)
Add: Adjustment for employee compensation shares	(0.5)	1.6
Earnings used in calculating basic and diluted earnings per share attributable to equity holders of the parent	**219.9**	**(446.0)**
Net profit/(loss) for the period attributable to continuing operations	266.2	(20.8)
Less: Non-controlling interests	(0.5)	(0.4)
Profit/(loss) from continuing operations attributable to equity holders of the parent	265.7	(21.2)
Add: Adjustment for employee compensation shares	(0.6)	0.1
Earnings used in calculating basic and diluted earnings per share from continuing operations attributable to equity holders of the parent	**265.1**	**(21.1)**

(b) Number of ordinary shares

	Number of shares	
Weighted average number of ordinary shares used in the calculation of basic earnings per share	1,353,066,242	1,341,770,990
Dilutive effect of employee compensation shares	10,911,001	-
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	1,363,977,243	1,341,770,990

(c) Earnings per share

Earnings per share attributable to the ordinary equity holders of the parent:		
Basic earnings per share (cents per share)	16.25	(33.24)
Diluted earnings per share (cents per share)	16.12	(33.24)
Earnings per share for profit/(loss) from continuing operations attributable to the ordinary equity holders of the parent:		
Basic earnings per share (cents per share)	19.59	(1.57)
Diluted earnings per share (cents per share)	19.43	(1.57)

* In accordance with AASB 108 *Accounting Policies, Changes in Estimates and Errors* the comparatives have been restated for the application of new accounting standards and interpretations. Refer to Note 1.

Notes to the financial statements (continued)

8. CONTRIBUTED EQUITY

	CONSOLIDATED	
	December 2013 $m	June 2013 $m
Issued capital (a)	2,979.4	3,803.6
Employee compensation shares (b)	(16.6)	(25.6)
Total contributed equity	2,962.8	3,778.0
(a) Issued capital		
Number of ordinary shares: 1,361,469,008 (June 2013: 1,355,433,903)		
Issued and paid-up	2,979.4	3,803.6
(b) Employee compensation shares		
Number of ordinary shares: 4,969,280 (June 2013: 6,283,917)		
Shares held in trust under equity-based compensation arrangements	(16.6)	(25.6)

	Number of ordinary shares	Value of ordinary shares $m
Movements in issued capital for the period		
On issue at the beginning of the period	1,355,433,903	3,803.6
Issued during the period:		
Under a Dividend Reinvestment Plan	6,035,105	7.6
Share capital reduction	-	(831.8)
On issue at the end of the period	1,361,469,008	2,979.4
Movements in employee compensation shares for the period		
Held in trust at the beginning of the period	6,283,917	(25.6)
Shares purchased on-market	1,840,000	(2.1)
Shares vested	(3,154,637)	11.1
Held in trust at the end of the period	4,969,280	(16.6)

On 19 August 2013, the Company reduced its share capital by $831.8m for the amount that is not represented by available assets, reflecting the impairment charges incurred by the Company during the year ended 30 June 2013. The reduction was made in accordance with section 258F of the *Corporations Act 2001* (Cth) and had the effect of reducing the share capital account and eliminating accumulated losses at the Company and Consolidated Entity level. There was no impact on the number of issued shares or on the Statement of Comprehensive Income or Statement of Cash Flows.

Notes to the financial statements (continued)

9. CONTINGENCIES

Contingent Liabilities

Contingent liabilities at balance date not otherwise provided for in the financial statements are categorised as follows:

	CONSOLIDATED	
	December 2013 $m	June 2013 $m
Guarantees and indemnities		
Bank guarantees covering:		
Workers' compensation self-insurance licences[1]	44.7	52.5
Performance of contracts and financial obligations	47.6	45.5

1 In Australia, Arrium Limited has given guarantees to various state workers' compensation authorities as a pre-requisite for self-insurance. Of this amount, a total of $31.5m (June 2013: $28.4m) has been provided for in the consolidated financial statements as recommended by independent actuarial advice.

Third party claims

The Group has been involved from time to time in various claims and lawsuits incidental to the ordinary course of business, including claims for damages and commercial disputes relating to its products and services. Based on legal advice obtained, other than amounts already provided for in the accounts, the Directors do not expect any material liability to eventuate.

Taxation

From time to time, the Company is subject to information requests, reviews, audits and investigations by tax authorities in the various jurisdictions in which the Group operates, including the Australian Taxation Office ("ATO"). These include a current audit by the ATO in relation to a sale and leaseback transaction entered into in 2004. Amended assessments have been received in respect of the sale and leaseback transaction for $26.0m, comprising $16.5m of primary tax, $5.4m of interest and $4.1m of penalty. The ATO has advised that the amended assessments are based on its determination to deny a part of the income tax deductions in respect of lease rental payments made under the sale and leaseback transaction.

The Company strongly disputes this view and believes its treatment of the lease payments is supported by both case law and the ATO's own published ruling on sale and leaseback transactions. The Company intends to vigorously defend its position and to pursue all avenues of objection as appropriate. Accordingly, no liability has been recognised in the Company's financial statements in relation to this transaction. As part of the objection process, the Company has paid $7.4m of the assessed primary tax and interest whilst the matter is disputed. This amount has been offset against other agreed tax refunds with the ATO.

Notes to the financial statements (continued)

10. CASH AND CASH EQUIVALENTS

Reconciliation to the Cash Flow Statement

Cash at balance date as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:

	CONSOLIDATED	
	December 2013 $m	December 2012 $m
Cash and cash equivalents	240.5	326.1
Cash and cash equivalents attributable to discontinued operations	-	(0.4)
	240.5	325.7

11. HELD FOR SALE ASSETS AND DISCONTINUED OPERATIONS

(a) Details of operations held for sale and discontinued operations

Australian Tube Mills (ATM)

In February 2013, the Arrium Board determined the ATM business would be held for sale. Therefore the ATM business first met the criteria for classification as held for sale effective 30 June 2013 and continues to meet the criteria as held for sale. The ATM business manufactures structural pipe and tube from facilities at Acacia Ridge, QLD, Newcastle, NSW and Somerton, VIC. Accordingly, as at 31 December 2013, the ATM business has been classified as a discontinued operation. The comparatives for the half-year ended 31 December 2012 have been restated. The company intends to progress the sale process for the ATM business during the next 6 months.

Merchandising

The Merchandising portfolio comprises a range of businesses that process and distribute steel and other metal products in Australia. The portfolio includes Building Services, Aluminium, Fagersta, Sheet & Coil, Coil Coaters and Metpol. The non-integrated Merchandising business, first met the criteria for classification as held for sale effective 30 June 2013 and continues to meet the criteria as held for sale. Accordingly, as at 31 December 2013, the Merchandising business has been classified as a discontinued operation. The comparatives for the half-year ended 31 December 2012 have been restated. During the six months to 31 December 2013, the Building Services business was sold to Antec, the Aluminium business was sold to Capral and the Fagersta business was closed and assets sold to E-Steel. Contracts have been signed for the sale of the business and/or assets of Sheet & Coil and Coil Coaters businesses. The sale of these businesses and/or assets are expected to complete during the next 6 months. The remaining business in the Merchandising portfolio is Metpol. The company intends to progress the sale process for the Metpol business during the next 6 months.

US Recycling

The US Recycling operations first met the criteria for classification as held for sale as at 30 June 2013 and continue to meet the criteria as held for sale. Accordingly, as at 31 December 2013, the US Recycling operations have been classified as discontinued. The comparatives for the half-year ended 31 December 2012 have been restated. During the six months to 31 December 2013, the Maine business was sold to American Iron and Metal. The company intends to progress the sale process for the Florida and Virginia business during the next 6 months.

Steel & Tube Holdings Limited

On 9 October 2012, Arrium disposed of its 50.3% stake in Steel & Tube Holdings, a public listed company in New Zealand, for a fixed price of NZ$2.05 per share. As at 31 December 2012, Steel & Tube Holdings was classified as a discontinued operation.

Notes to the financial statements (continued)

11. HELD FOR SALE ASSETS AND DISCONTINUED OPERATIONS (CONTINUED)

LiteSteel

In December 2011, the Arrium Board decided to exit its LiteSteel business, which previously formed part of the Steel segment. The LiteSteel business sold and marketed LiteSteel beams primarily in Australia and the United States. The LiteSteel business operations have now closed, with the US business assets having been sold in June 2012. As at 31 December 2012, the LiteSteel business was classified as a discontinued operation.

(b) Financial performance of the discontinued operations

The results of the discontinued operations for the half-year are presented below:

	2013 $m	**2012** $m
Revenue	283.9	438.5
Expenses	(311.3)	(424.6)
Gross profit	(27.4)	13.9
Other revenues	1.8	5.3
Other income	2.6	1.6
Operating expenses	(47.0)	(89.8)
Finance costs	-	(0.7)
Impairment reversal/(charge)	3.7	(378.0)
Gain on sale of controlled entity	-	2.4
Loss before tax from discontinued operations	(66.3)	(445.3)
Tax benefit	21.0	20.3
Loss for the half-year from discontinued operations	(45.3)	(425.0)
Net loss for the period from discontinued operations is attributable to:		
Non-controlling interests	-	1.4
Equity holders of the parent	(45.3)	(426.4)
	(45.3)	(425.0)
Earnings per share for discontinued operations attributable to the ordinary equity holders of the parent:		
Basic earnings per share (cents per share)	(3.34)	(31.67)
Diluted earnings per share (cents per share)	(3.34)	(31.67)

(c) Assets and liabilities – held for sale

The major classes of assets and liabilities held for sale as at 31 December 2013 are as follows:

	December 2013 $m	**June 2013** $m
Assets		
Receivables	42.9	86.2
Inventory	96.9	137.5
Property, plant and equipment	83.7	107.5
Current tax assets	-	1.0
Deferred tax assets	23.5	35.1
Other assets	1.2	1.3
Assets held for sale	248.2	368.6
Liabilities		
Payables	85.8	121.9
Provisions	31.7	50.8
Deferred tax liabilities	1.7	2.7
Liabilities held for sale	119.2	175.4
Net assets	129.0	193.2

Notes to the financial statements (continued)

11. HELD FOR SALE ASSETS AND DISCONTINUED OPERATIONS (CONTINUED)

(d) Cash flow information – discontinued operations

The net cash flows of the discontinued operations are as follows:

	2013 $m	2012 $m
Operating activities	2.0	25.3
Investing activities	32.1	70.7
Financing activities	-	-
Net cash inflow	34.1	96.0

(e) Details of the sale of the discontinued operations

	2013 $m	2012 $m
Cash consideration received/receivable	32.1	71.6
Carrying amount of net assets disposed	(32.1)	(135.9)
Non-controlling interests	-	59.8
Reclassification from reserves	-	6.9
Gain on sale before income tax	-	2.4
Income tax expense	-	-
Gain on sale after income tax	-	2.4

The carrying amounts of assets and liabilities of the discontinued operations as at the date of the sale were:

	2013 $m	2012 $m
Cash	-	2.8
Receivables and other assets	-	50.6
Inventory	21.4	69.5
Property, plant and equipment	14.7	38.4
Intangibles	-	31.6
Payables	(1.9)	(22.2)
Tax liabilities	-	(1.1)
Provisions	(1.6)	(4.6)
Borrowings	-	(27.7)
Net deferred tax liability	(0.5)	(1.4)
Net assets	32.1	135.9

Notes to the financial statements (continued)

12. FINANCIAL INSTRUMENTS

Carrying amounts versus fair values

The fair values of financial assets and financial liabilities, together with the carrying amounts in the balance sheet, are as follows

	Carrying amount $m	Fair value $m
Current financial assets		
Cash and cash equivalents	240.5	240.5
Receivables	593.3	593.3
Derivative financial instruments		
Forward contracts – held for trading	3.6	3.6
Option contracts – cash flow hedges	0.6	0.6
Interest rate swap contracts – fair value hedges	0.5	0.5
Power Purchase Agreement	0.8	0.8
	839.3	839.3
Non-current financial assets		
Receivables	19.9	19.9
Derivative financial instruments		
Interest rate swap contracts – fair value hedges	18.1	18.1
Power Purchase Agreement	2.8	2.8
Other financial assets	1.3	1.3
	42.1	42.1
Current financial liabilities		
Payables	1,030.8	1,030.8
Derivative financial instruments		
Forward contracts – cash flow hedges	0.4	0.4
Forward contracts – held for trading	7.0	7.0
Option contracts – cash flow hedges	0.6	0.6
Interest rate swap contracts – cash flow hedges	0.8	0.8
Interest-bearing liabilities		
Finance lease	1.2	1.2
Unsecured		
US Private Placement – at fair value	0.5	0.5
US Private Placement – at amortised cost	33.6	38.9
	1,074.9	1,080.2

Notes to the financial statements (continued)

12. FINANCIAL INSTRUMENTS (CONTINUED)

	Carrying amount $m	Fair value $m
Non-current financial liabilities		
Payables	0.2	0.2
Derivative financial instruments		
Interest rate swap contracts – cash flow hedges	6.1	6.1
Cross-currency interest rate swap contracts – fair value hedges	27.5	27.5
Cross-currency interest rate swap contracts – cash flow hedges	9.8	9.8
Interest-bearing liabilities		
Finance lease	11.2	11.2
Unsecured		
Bank loans	1,610.3	1,610.3
US Private Placement – at fair value	88.4	88.4
US Private Placement – at amortised cost	470.7	497.3
	2,224.2	2,250.8

Management assessed that cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Financial instruments carried at fair value

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The Group uses various methods in estimating the fair value of a financial instrument. These comprise:

Level 1: The fair value is calculated using quoted prices in active markets.

Level 2: The fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: The fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised below:

	31 December 2013		30 June 2013	
	Level 2 $m	Total $m	Level 2 $m	Total $m
Financial assets				
Forward contracts	3.6	3.6	10.7	10.7
Option contracts	0.6	0.6	0.6	0.6
Interest rate swaps	18.6	18.6	20.3	20.3
Cross-currency interest rate swaps	-	-	2.9	2.9
Power Purchase Agreement	3.6	3.6	-	-
	26.4	26.4	34.5	34.5
Financial liabilities				
Forward contracts	7.4	7.4	9.7	9.7
Options contracts	0.6	0.6	2.5	2.5
Interest rate swaps	6.9	6.9	7.9	7.9
Cross-currency interest rate swaps	37.3	37.3	38.1	38.1
	52.2	52.2	58.2	58.2

Notes to the financial statements (continued)

12. FINANCIAL INSTRUMENTS (CONTINUED)

For financial instruments not quoted in active markets, the Group uses valuation techniques such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use both observable and unobservable market inputs.

Financial instruments that use valuation techniques with only observable market inputs or unobservable inputs that are not significant to the overall valuation include interest rate swaps, Power Purchase Agreement, cross-currency interest rate swaps and forward exchange contracts not traded on a recognised exchange. These instruments are included in Level 2.

Transfer between categories

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred. There were no transfers between categories during the period.

13. EVENTS AFTER BALANCE SHEET DATE

There have been no other circumstances arising since 31 December 2013 that have significantly affected or may significantly affect:

(a) the operations;

(b) the results of those operations; or

(c) the state of affairs of Arrium in future financial years.

Directors' Declaration

In the opinion of the Directors of Arrium Limited ("the Group"):

(a) the financial statements and accompanying notes of the Group are in accordance with the *Corporations Act 2001* (Cth), including:

   (i) giving a true and fair view of the Group's financial position as at 31 December 2013 and of its performance for the half-year ended on that date;

   (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and

(b) that there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.

Peter Smedley
Chairman

Andrew Roberts
Managing Director &
Chief Executive Officer

Sydney
18 February 2014

Independent Auditor's Review Report

Independent Auditor's Review Report to the members of Arrium Limited

Report on the financial report

We have reviewed the accompanying condensed half-year financial report of Arrium Limited, which comprises the consolidated balance sheet as at 31 December 2013, consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the half-year ended on that date, notes 1 to 13 comprising a summary of significant accounting policies and other explanatory information and the Directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The Directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Arrium Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the condensed half-year financial report of Arrium Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

A W Young
Partner

Sydney
18 February 2014

Corporate Directory

ACN 004 410 833

ABN 63 004 410 833

DIRECTORS

Mr Peter J Smedley (Chairman)

Mr R Bryan Davis

Mr Colin R Galbraith, AM

Mr Peter G Nankervis

Mr Dean A Pritchard

Mr Andrew G Roberts (MD&CEO)

Mr Graham J Smorgon, AM

Ms Rosemary Warnock

COMPANY SECRETARY

Ms Kara L Nicholls

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EXTERNAL AUDITOR

KPMG

AUSTRALIAN SECURITIES EXCHANGE LISTING

Arrium Limited's fully paid ordinary shares are quoted on the Australian Securities Exchange (ASX:ARI).