



# Shaping Australia with OneSteel

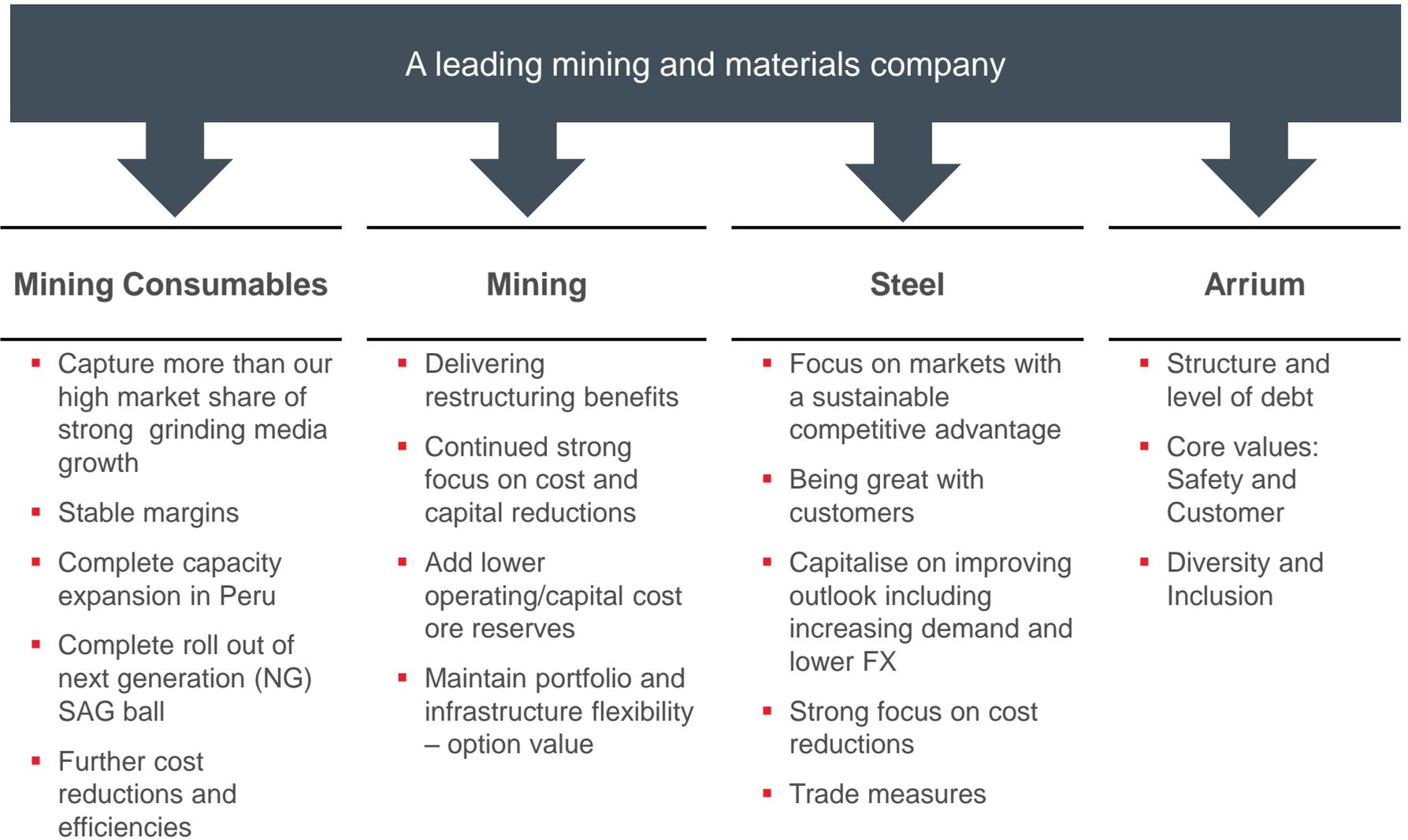
**Australian Steel Institute Convention**  
**Andrew Roberts, Managing Director & CEO**  
**16 September 2015**

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 audit of the FY15 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 operations. Other than results for the Mining Consumables segment, segment results referred to throughout this presentation are those reported in the 2015 Financial Report. Results for the Mining Consumables segment are the results of its total operations over the 12 months ended 30 June 2015, including continuing and discontinued operations. Except as otherwise stated, other Segment results 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 Arrium's FY15 financial results materials, released on 19 August 2015. For further information, refer to Arrium's FY15 financial results materials including the FY15 ASX Release and the FY15 Financial Report for the 12 months ended 30 June 2015.

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.

- Arrium strategic focus
- FY15 results – key points
- The macro environment for Steel
- A competitive anti-dumping system
- Our Steel business' focus
- ASI's strategy
- Summary



***Debt reduction continues to be a key priority***

## FY15 results – key points

- A very challenging year, due mainly to fall in iron ore prices
  - Average iron ore price down ~40% on prior year
  - Earnings and cash impact ~\$600 million
  - Significant asset impairments and restructuring costs – mainly Mining
  - Loss for the year (both underlying and statutory)
  
- Positives
  - Steel
    - Significant improvement in earnings
    - Increased sales volumes
    - Lowered cost base and increased leverage
    - Lower Australian dollar
    - Outlook for domestic demand (particularly construction) is positive
  - Mining Consumables business continued to perform strongly
  - Restructured Mining business – contributing cash
  
- Strategic Review



Barangaroo, NSW

## International

- China's rate of growth strong but slowing
- Steady flow of government stimulus in China
- Real estate recovery in China continues, construction has started to improve
- Steel overcapacity and oversupply in China and globally
  - Increased steel exports from China (now ~100Mtpa or ~10% of production)
- Asian steel prices and margins (USD/t) at 10 year lows
  - Weakening AUD reduces domestic impact
- Mills in China and SE Asia mostly in loss position



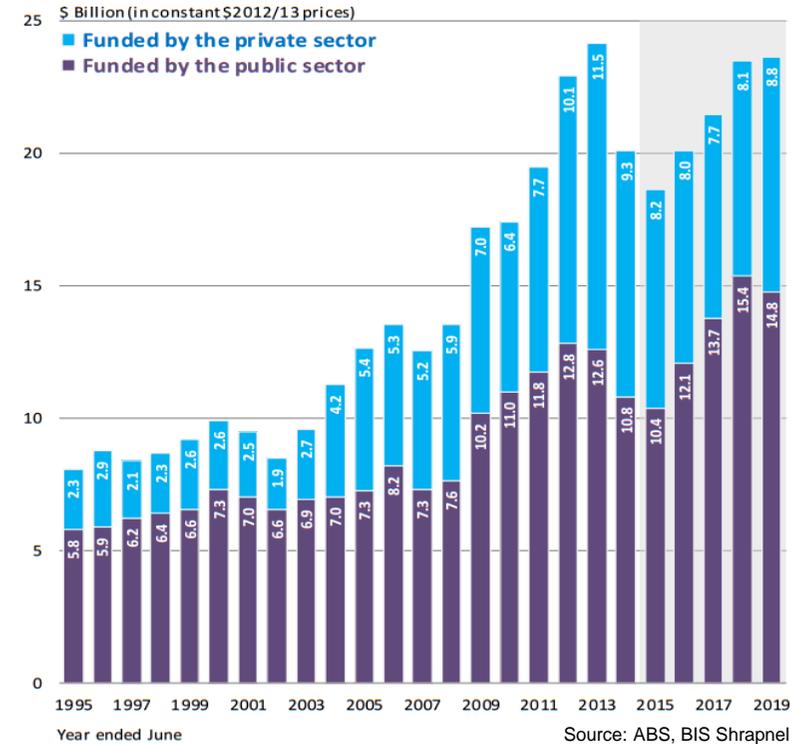
Source: WorldSteel

# Macro environment

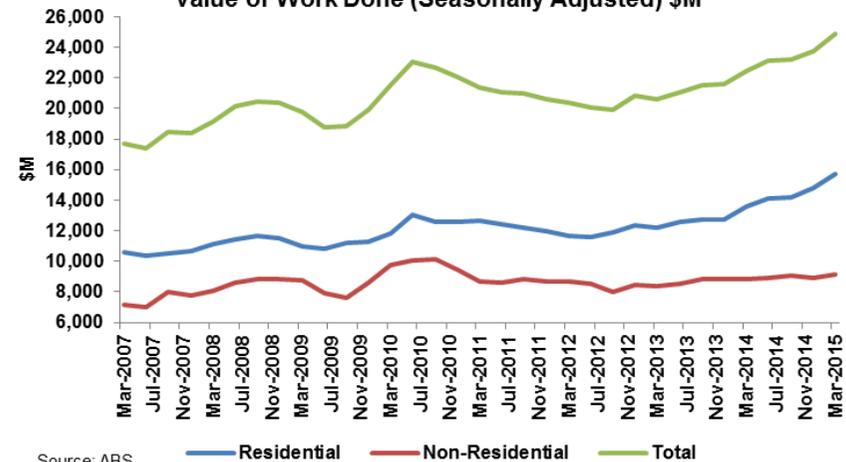
## Domestic

- Improving demand, mainly in NSW
- Residential stronger, particularly high rise apartments
- Non residential has improved (large commercial projects), but off low base
- Government funded infrastructure – commencement of solid pipeline of projects
- Manufacturing weak

NSW Investment – engineering construction

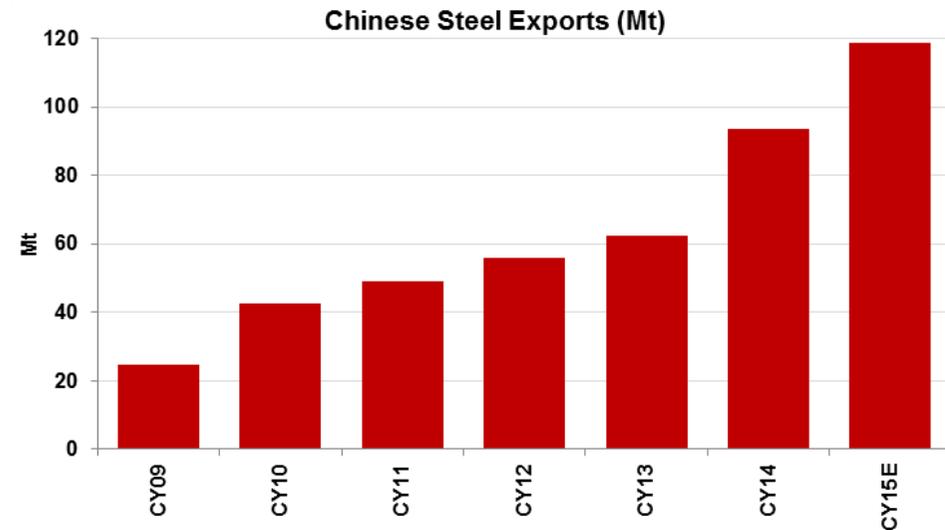


Value of Work Done (Seasonally Adjusted) \$M



# An effective Trade Action response system

- A globally competitive anti-dumping system is now an imperative
- Dumping has become a global problem
  - Over-capacity/supply in Steel
  - Increased steel exports from China
  - Depressed o/s domestic markets
- Other countries are responding
  - Safe-guards
  - Increased tariff rates
  - AD/CVD - level of measures
  - Other initiatives
- Australia's improvements
  - Increased Government focus
  - Regulatory and administrative improvements
  - Greater speed in implementing preliminary measures
  - New regulations to address circumvention
- Arrium is working with Government to further improve competitiveness of system
  - Rigorous, robustness and responsiveness



Source: Tex Report

# Arrium's Steel focus

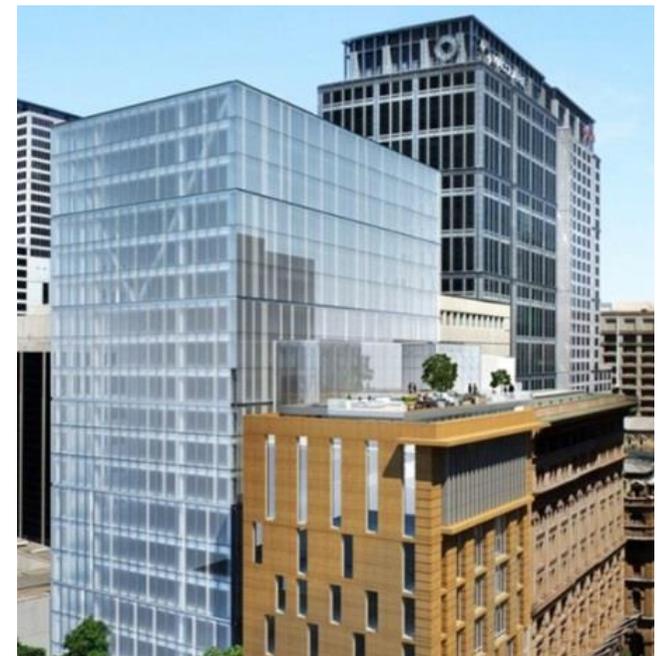
- Committed to being a world class partner to Australian/NZ construction industries
- Ensuring a sustainable business model
  - Delivering value to our customers
  - Having a competitive cost base



50 Martin Place<sup>1</sup>



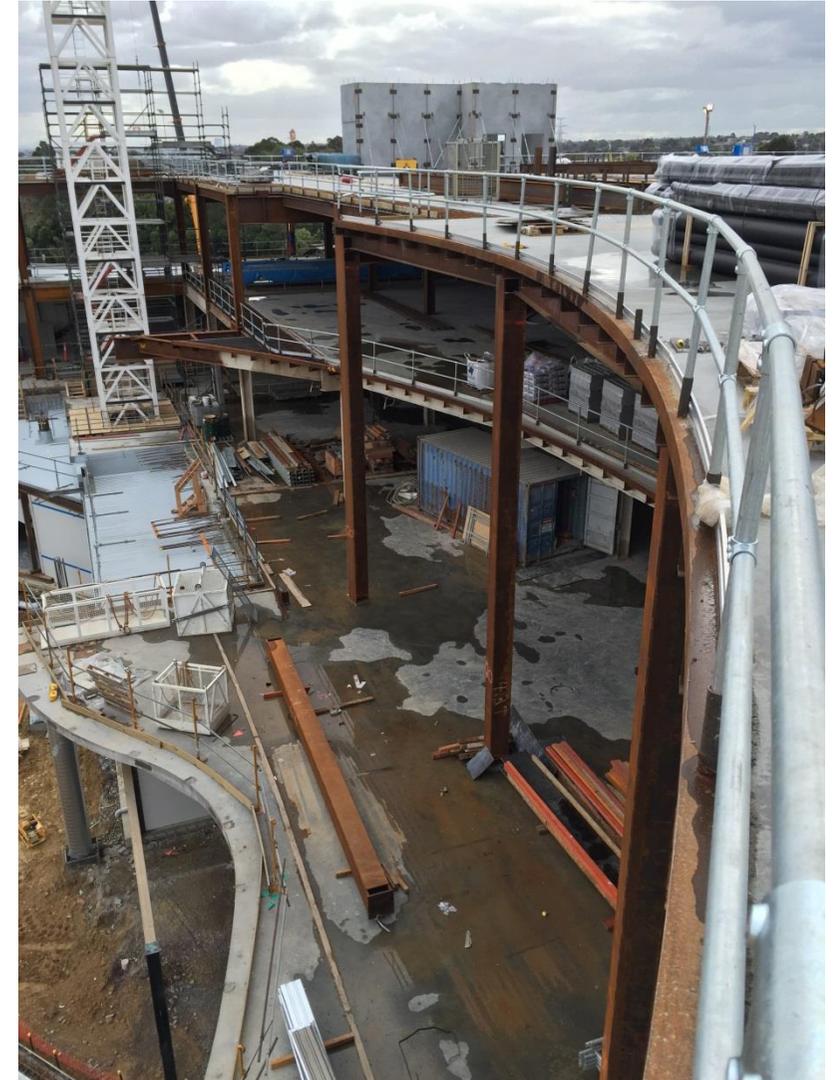
20 Martin Place



5 Martin Place

# Being great with customers is 'core'

- Market, customer and product knowledge
- Timely and flexible delivery of solutions
- Operational excellence driving reliability
- Committed expertise and capability in increasing steel intensity and local content
- In-house design efficiency and optimisation
- Available capacity close to key markets
  - Steelmaking at Sydney Steel Mill increasing
  - Rebar fabrication capacity in Western Sydney
  - 41 sites in NSW
- Integrated footprint
- Committed to ASI value chain

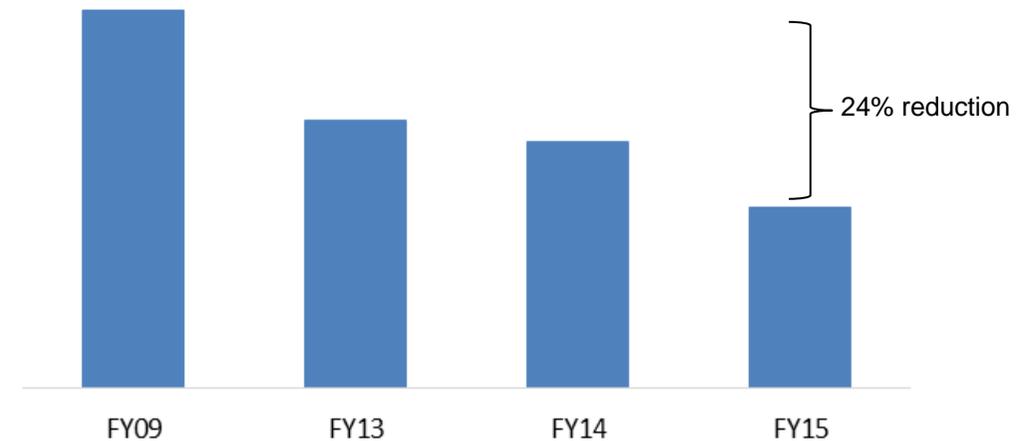


Chadstone Shopping Centre<sup>1</sup>

# Areas of focus

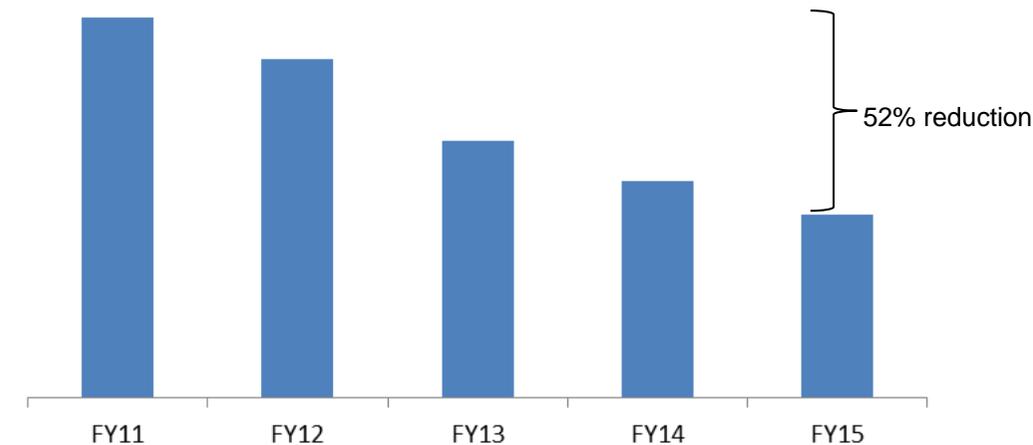
- What we can control
  - Customer focused value propositions
  - Ensuring an aligned business structure and resources
  - Continuing to lower our cost base and improve competitiveness
    - Reduced total delivered cost<sup>1</sup> per tonne by 8% in FY15 (24% since 2009)
  - Site rationalisations
  - Continuing to lower working capital
- Delivering volume growth through servicing increased construction activity, particularly rebar

Total Delivered Cost \$/t excl Raw Materials



Source: Arrium

Steel Net Working Capital<sup>2</sup>



Source: Arrium

<sup>1</sup> Total delivered cost is the total of all Steel costs excluding coal, scrap, iron ore lump and pellets and imported semi-finished/finished goods.

<sup>2</sup> Continuing operations only. Excludes ATM and Merchandising.

# Solid project pipeline

## VIC

- RMIT New Academic Street – commercial
- 360 Collins Street - commercial
- 271 Spring Street – commercial
- 664 Collins Street - Tower 2 – commercial
- Flemington Race Course – commercial
- 80 Collins Street – commercial
- Telstra Head Office – commercial
- 405 Bourke Street – commercial
- Level Crossing Removals – infrastructure

## WA

- Elizabeth Quay – various projects
- Alkimos Development – various projects
- Water Bank Development – residential
- Reid Highway Upgrade – infrastructure
- Airport Link - infrastructure
- Collier Urea Project - resources

## QLD

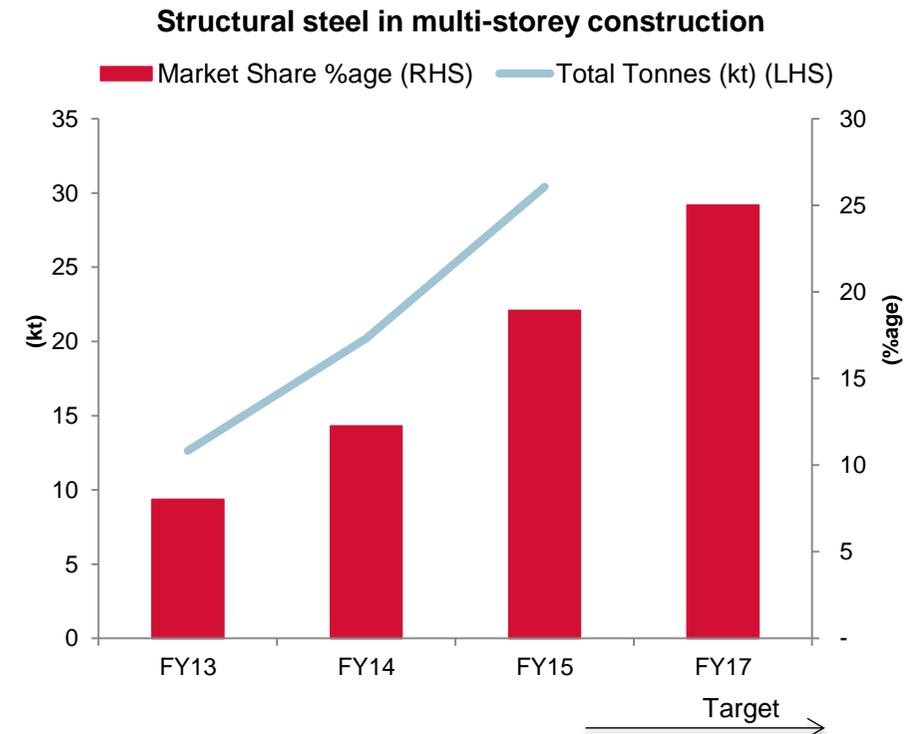
- Commonwealth Games Village – residential
- Toowoomba Bypass - infrastructure
- Jewel Apartments – residential
- Jupiters Casino Hotel – commercial

## NSW

- St George Hospital – commercial
- Canterbury development – residential
- Rosebery development – residential
- Box Hill development – residential
- Castle Hill development – residential
- Upright Meadowbank development – residential
- Barangaroo – central basement
- Northconnex – infrastructure
- M4 – infrastructure
- M5 East Tunnel – infrastructure
- Northern Beaches Hospital – commercial
- Pacific Highway Upgrade – infrastructure

# ASI strategy – growing steel intensity

- Strategy for growing steel intensity is working
- Market share of structural steel in multi-storey construction has more than doubled
- Structural steel intensity increasing (average tonnes per project), total volume increased from 12kt to 30kt per annum
- Number of structural steel projects increasing (63 projects over next 3 years)
- OneSteel is a key partner in delivering benefits of the ‘built environment’
  - Fast, safe, quality assured through accreditation and economical construction
  - Innovation, collaboration and creating value



Source: ASI Growing Steel Intensity Sub Committee

*Video contains a short case study on three recent multistorey projects, including; Meriton Serviced Apartments in North Sydney, 480 Queen Street in Brisbane and The Star Events Centre in Sydney. The case study highlights how the use of structural steel can provide fast, safe, quality assured and economical solutions.*

# ASI strategy – local content

- Our local industry is well positioned to compete and supply
  - Local steel value chain remains underutilised (manufacturing, distribution, fabrication & erection)
  - Local value chain has capacity and capability to competitively meet the market
- In addition to broader economic benefits, local supply provides benefits such as service, flexibility and quality that can significantly reduce project risk and budget overruns
- There are significant opportunities for local supply
  - Federal budget allocation of ~\$70 billion over next four years for critical steel intensive infrastructure
  - Leadership from Federal and State governments required to provide full, fair and reasonable opportunities for local supply chain
    - Positive action from Victoria and South Australia governments
    - NSW needs to act now
    - Federal government has a clear key role to play

# Summary

- The external environment is challenging and volatile
  - Increased risk from dumped steel due to international overcapacity/oversupply. Strong and effective Australian Industry policy important
  - Historical low USD steel prices and margins
- Domestic construction activity has improved and the outlook is positive
  - Solid pipeline of infrastructure projects
  - Residential strong, particularly high-rise
- Local supply has the capacity and capability to serve increased activity, particularly NSW
- Strategies to increase steel intensity are working
- OneSteel is committed to ASI's strategy



Perth Stadium<sup>1</sup>

**Thank you**

