



Financial Results

Half year ended 31 December 2016

15 February 2017



Agenda

- **Results Overview**
Galdino Claro, Group CEO
- **Financial Results**
Fred Knechtel, Group CFO
- **Strategic Progress & Outlook**
Galdino Claro, Group CEO



Inspecting the metal shredder in Kwinana, Western Australia

Business improvements driving higher earnings

Continued improvement in 1H FY17 earnings and return on capital

- Underlying EBIT of \$77 million
- Underlying NPAT of \$60 million
- Underlying Return on Capital of 6.8%¹

Strategic initiatives on track to deliver on FY18 return targets

- Sales volume break-even point reduced 9% to 7.0 million tonnes per annum
- Capex spending budgeted to support range of value-adding high-return projects

Strong balance sheet and capital management

- \$311 million in net cash as at 31 December 2016
- Interim dividend of 20 cents fully franked and 1.4 million shares repurchased in 1H FY17, with the buyback renewed for a further 12 months

1) Underlying Return on Capital (ROC) is based on underlying effective tax rate of 30%, annualised based on half year results

1H FY17 highlights

Sales Revenue \$2,385 million



1H FY16
\$2,412 million

2H FY16
\$2,240 million

Sales Volumes 4.36 million tonnes



1H FY16
4.30 million

2H FY16
4.25 million

Underlying¹ EBITDA \$133 million



1H FY16
\$61 million

2H FY16
\$123 million

Net Cash \$311 million (31 Dec 2016)



(30 June 2016)
\$242 million

Underlying¹ EBIT \$77 million



1H FY16
(\$5) million

2H FY16
\$63 million

Return on Capital¹ 6.8%



1H FY16
(0.4)%

2H FY16
5.5%


Underlying¹ NPAT \$60 million



1H FY16
(\$18) million

2H FY16
\$56 million

Interim Dividend 20 cents (100% franked)

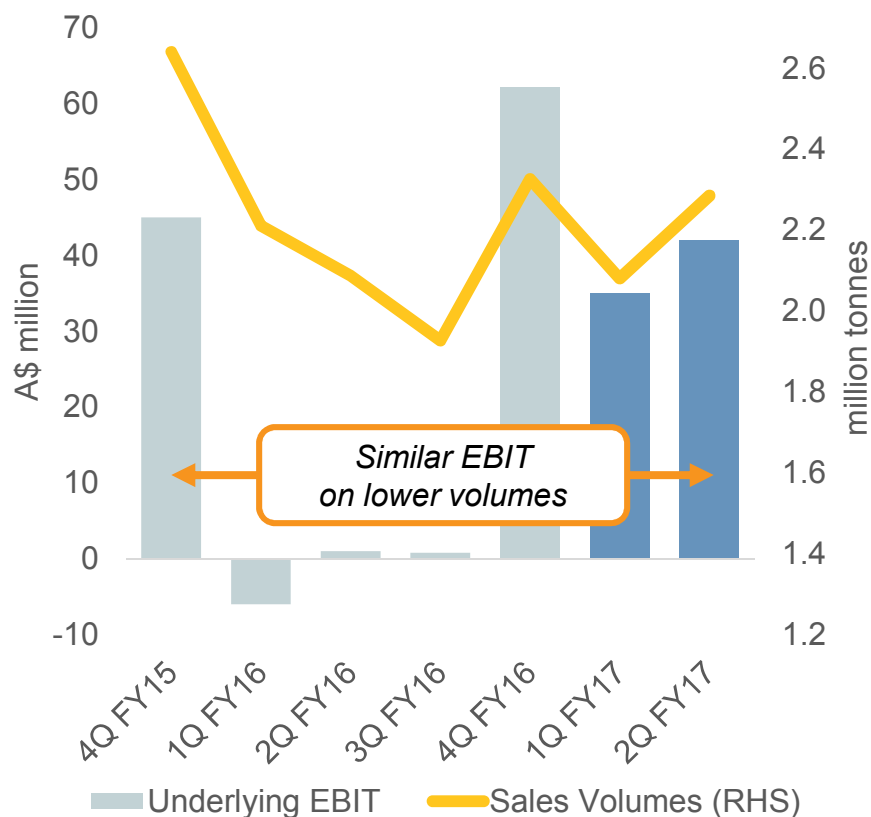


1H FY16
10 cents (unfranked)

2H FY16
12 cents (100% franked)

Higher earnings delivered on lower volumes

Underlying EBIT by Quarter



1Q FY17

- Ferrous prices and volumes fell 24% and 11% respectively over 4Q FY16
- Underlying EBIT decrease relates to lower volumes
- Gains from streamline actions drove a material improvement in underlying EBIT over the prior year

2Q FY17

- Ferrous prices and volumes rose 14% and 10% respectively over 1Q FY17
- Similar underlying EBIT to 4Q FY15, when volumes were 16% higher



Financial Results

Fred Knechtel, Group CFO



Group financial performance

A\$m	1H FY16	2H FY16	1H FY17
Sales revenue	2,412.2	2,239.5	2,384.7
Statutory EBITDA	(11.0)	94.0	153.3
Underlying EBITDA	61.4	123.0	132.9
Statutory EBIT	(249.3)	33.8	97.4
Underlying EBIT	(4.8)	62.8	77.0
Statutory NPAT	(250.1)	33.6	80.0
Significant items	(232.3)	(22.2)	20.0
Underlying NPAT	(17.8)	55.8	60.0
Statutory EPS (dilutive)	(121.9)	15.1	40.2
Underlying EPS (dilutive)	(8.7)	27.3	30.1
Dividend per share (cents)	10.0	12.0	20.0
Total Invested Capital	1,523	1,590	1,583
Statutory ROC ¹	(32.1%)	4.4%	10.7%
Underlying ROC²	(0.4%)	5.5%	6.8%

- Sales revenue was 6% above 2H FY16 due to higher volumes and non-ferrous prices
- Underlying EBITDA up 8% over 2H FY16 due to streamline actions, higher volumes and metal margins
- Underlying EBIT of \$77 million includes a \$5 million adverse impact from exchange rates
- Effective tax rate of 13% due to utilisation of US and UK deferred tax assets
- Underlying NPAT of \$60 million, up 8% over 2H FY16
- Significant items after tax largely attributed to a gain on sale of non-core real estate
- Underlying EPS of 30 cents was 10% above 2H FY16 due to higher earnings and share buyback accretion
- Dividend of 20 cents, the largest since FY11
- 6.8% underlying Return on Capital, the highest since start of the five-year strategic plan
- Statutory return on capital of 10.7%

1) Statutory Return on Capital (ROC) is based on statutory NOPAT and actual taxes, annualised based on half year results
 2) Underlying Return on Capital (ROC) is based on underlying effective tax rate of 30%, annualised based on half year results

Business segment financial performance

Underlying EBIT (A\$m)	1H FY16	2H FY16	1H FY17
North America Metals	(23.1)	25.4	30.7
ANZ Metals	14.0	25.7	25.9
Europe Metals	2.1	16.5	15.8
Global E-Recycling	(0.3)	7.9	11.1
Corporate & Unallocated	2.5	(12.7)	(6.5)
Underlying EBIT	(4.8)	62.8	77.0

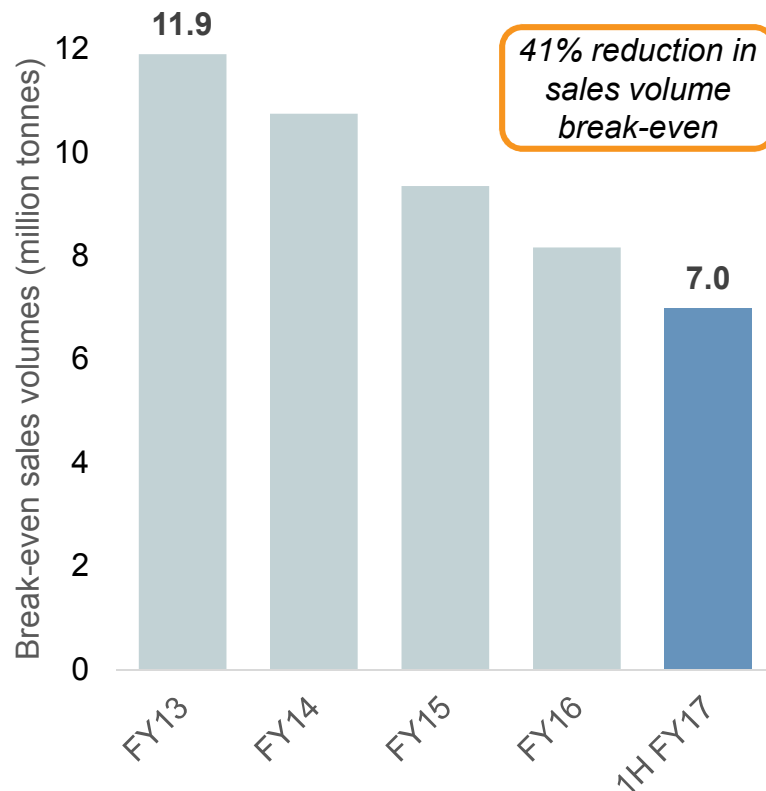
Sales volumes ('000 tonnes)	1H FY16	2H FY16	1H FY17
North America Metals	2,990	2,782	2,735
ANZ Metals	700	718	862
Europe Metals	609	752	763
Sales volumes	4,299	4,252	4,360

Intake volumes ('000 tonnes)	1H FY16	2H FY16	1H FY17
North America Metals	2,900	2,860	2,614
ANZ Metals	766	719	781
Europe Metals	673	747	730
Intake volumes	4,339	4,326	4,125

- North America Metals underlying EBIT of \$31 million
 - Earnings improvement in each sub-region
- ANZ Metals underlying EBIT of \$26 million
 - Reduced operational costs
 - Higher sales volumes
- Europe Metals underlying EBIT of \$16 million
 - Constant currency underlying EBIT of \$20 million
- E-Recycling underlying EBIT of \$11 million
 - Strong performance in Continental Europe
- Sales volumes improved 3% over 2H FY16
 - Equivalent operation sales volumes, excluding divested facilities in North America Metals, improved 4%

Substantially reduced volume break-even point

Volume break even reduction



- Sales volume break-even point further lowered to 7.0 million, improving business stability and increasing earnings leverage to higher future sale volume conditions
- Retained volume capacity across the business when industry conditions improve
 - Volume capacity of at least 12 million tonnes per annum
 - Significant upside leverage on annualised 1H FY17 sales volumes of 8.7 million tonnes
 - Cost structure to yield \$40-\$50 million of EBIT for every 500 thousand tonnes of additional sales volumes

Cash flow from earnings driving strong free cash flow

A\$m	1H FY16	2H FY16	1H FY17
Underlying EBITDA	61.4	123.0	132.9
Change in working capital	103.3	(111.0)	23.2
Interest and tax	(0.8)	(0.2)	(17.4)
Other non-cash items	(24.7)	(19.7)	(24.7)
Operating cash flow	139.2	(7.9)	114.0
Capital expenditure	(44.2)	(64.7)	(67.9)
Proceeds from asset sales	4.0	9.7	55.5
Other cash flow from investing	0.1	(0.6)	0.1
Free cash flow	99.1	(63.5)	101.7
Dividends paid	(26.7)	(20.1)	(23.7)
Share buy-back	(10.8)	(49.4)	(13.4)
Other cash flow from financing	(8.1)	3.6	4.1
Cash flow	53.5	(129.4)	68.7

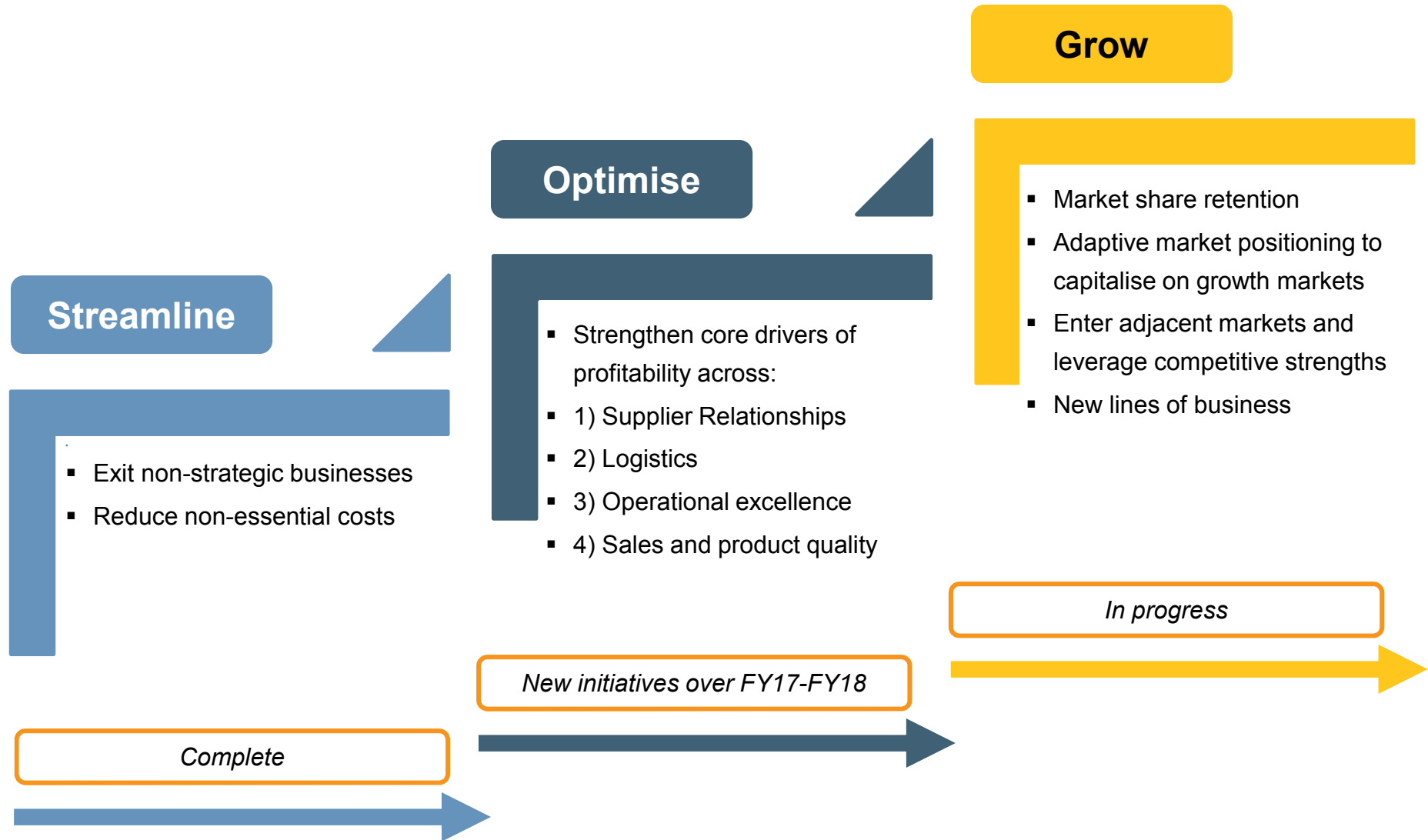
- Operating cash flow of \$114 million driven by:
 - Higher underlying EBITDA
 - \$23 million working capital release
 - 35% decrease in physical inventory
 - Partially offset by higher tax payments
- Capex of \$68 million, up 54% from 1H FY16
 - Supporting expansion as well as maintenance, safety and environmental initiatives
- \$56 million in proceeds from asset dispositions, mostly relating to sale of non-core Central Region assets
- Free cash flow of \$102 million
- \$24 million paid out in dividends
- \$13 million distributed through the share buy-back program



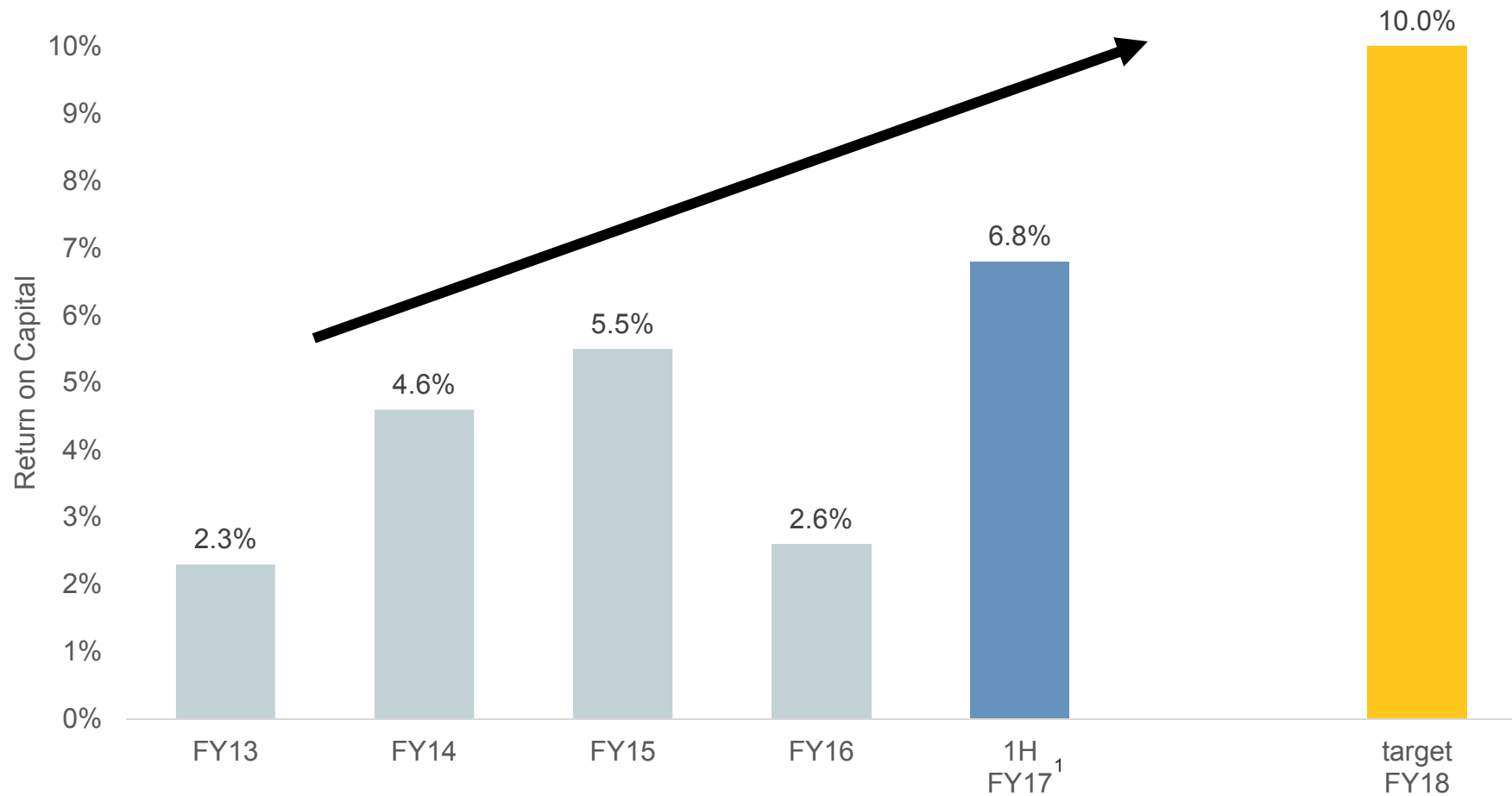
Strategic Progress & Outlook

Galdino Claro, Group CEO





Improving return on capital through internal actions



1) Underlying Return on Capital (ROC) is based on underlying effective tax rate of 30%, annualised based on half year results

Substantial pipeline of internal initiatives over FY17-FY18

	1H FY17	2H FY17	FY18
Streamline Initiatives	<ul style="list-style-type: none"> - Completion of asset sale in the central region ✓ - Closure of stainless steel operations ✓ - US e-recycling resetting ✓ 		
Optimise Initiatives	<ul style="list-style-type: none"> - Claremont terminal dredging ✓ 	<ul style="list-style-type: none"> - MRP installation in Kwinana - Chicago rail connection - Zorba de-commoditisation pilot - Overhead cost redesign phase 1 	<ul style="list-style-type: none"> - MRP in New Jersey - MRP in Chicago - Municipal recycling expansion - Avonmouth, UK upgrade - Overhead cost redesign phase 2
Annualised EBIT	\$154 million	+ \$20 to \$25 million¹	+ \$50 to \$70 million¹

Internal initiatives anticipated to deliver an additional \$70 million to \$95 million in EBIT benefits over the 1H FY17 run rate

1) Total value in each fiscal year indicates the expected annual EBIT benefit once the initiatives are complete, which may not be in the fiscal year commenced. Key initiatives only have been listed.

Conclusion & outlook

1H FY17 Highlights

- Completed sale and closure of underperforming non-core assets
- Volume break-even of 7.0 million tonnes, the lowest since the start of five-year strategic plan
- Underlying EBIT of \$77 million, a turnaround from a \$5 million loss in the prior corresponding period
- Underlying Return on Capital of 6.8% was the highest since FY11
- Interim dividend of 20 cents is the highest since FY11

External market conditions improving, but still volatile

- Steel exports from China have been declining, supporting demand from global EAF steelmakers
- Global demand for steel expected to improve ex-China in 2017
- Ferrous supply-demand dynamics now rebalanced, with medium-term potential for higher prices

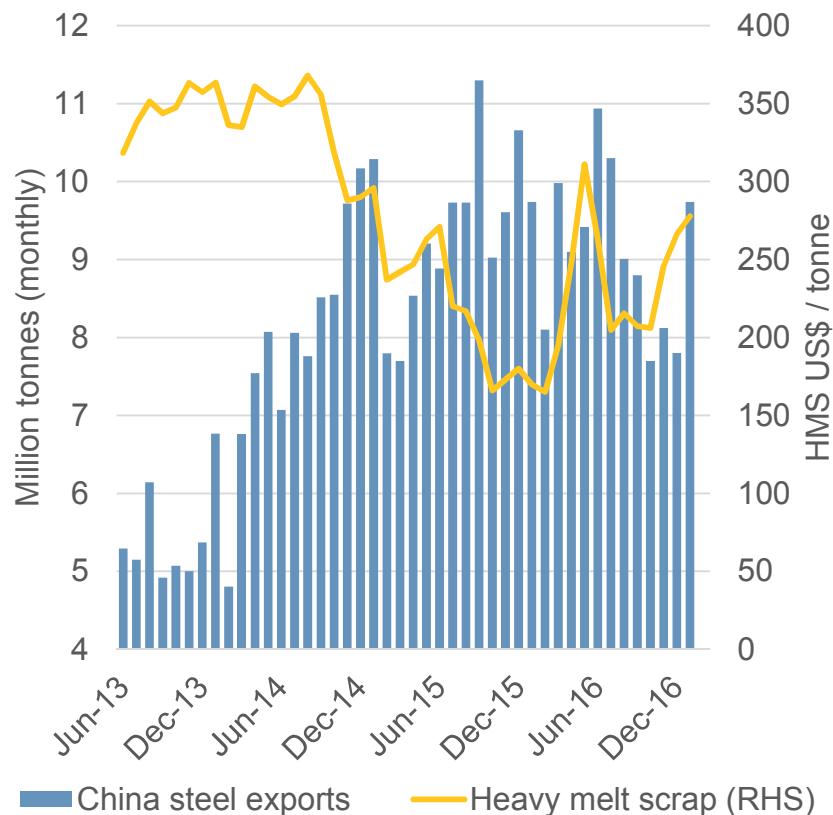


Appendix



Declining steel exports from China, lifting ferrous demand

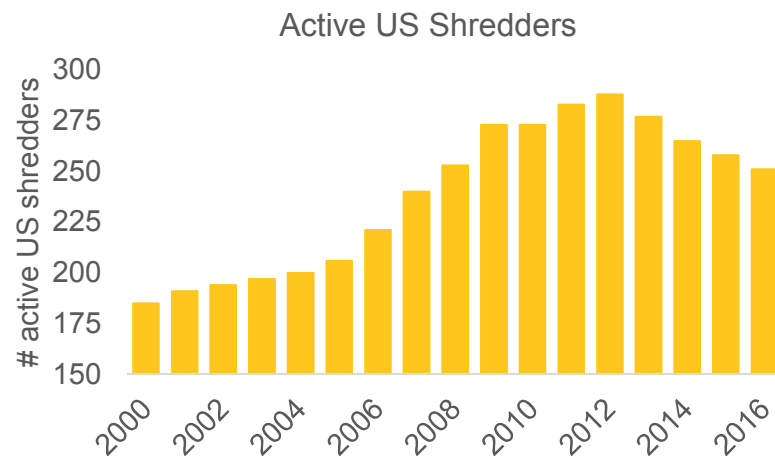
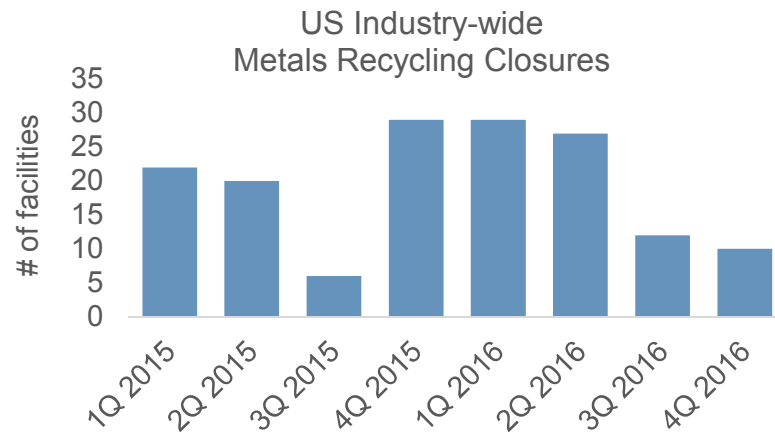
China Steel Exports vs Ferrous Scrap Price



- China’s exports of steel have been declining since mid-2016
 - China’s annual steel exports have fallen 8% since July 2016
 - Lower exports are supporting higher steel production outside China, and increased demand and prices for ferrous scrap

- China announced intentions to reduce annual steelmaking capacity by 100 to 150 million tonnes
 - 2016 reduction target of 45 million tonnes appears on track
 - Total implied capacity reduction of ~10% to 15%

Metal recycling industry beginning to rationalise



- Over 160 reported closures of metals recycling facilities since the start of 2015
- Consolidation taking place through bankruptcies, indefinite idling, consolidations and voluntary exits
- Pace of closures increased in early 2016
- Number of active metal shredders in the US has been in decline since 2012

Group Profit & Loss



A\$m	1H FY16	1H FY17	Chg %
Sales revenue	2,412.2	2,384.7	(1.1)
Statutory EBITDA	(11.0)	153.3	NMF
Underlying EBITDA	61.4	132.9	116.4
Statutory EBIT	(249.3)	97.4	NMF
Underlying EBIT	(4.8)	77.0	NMF
Net Interest expense	(5.8)	(5.0)	13.8
Statutory tax (expense)/benefit	5.0	(12.4)	NMF
Underlying tax (expense)/benefit	(7.2)	(12.0)	(66.7)
Statutory NPAT	(250.1)	80.0	NMF
Significant items	(232.3)	20.0	NMF
Underlying NPAT	(17.8)	60.0	NMF
Statutory EPS (dilutive)	(121.9)	40.2	NMF
Underlying EPS (dilutive)	(8.7)	30.1	NMF
Dividend per share (cents)	10.0	20.0	100.0

North America Metals



A\$m	1H FY16	1H FY17	Chg %
Sales Revenue	1,235.6	1,111.0	(10.1)
Statutory EBITDA	(2.3)	81.4	NMF
Underlying EBITDA	15.9	61.7	288.1
Depreciation	32.2	26.6	(17.4)
Amortisation	6.8	4.4	(35.3)
Statutory EBIT	(167.2)	50.4	NMF
Underlying EBIT	(23.1)	30.7	NMF
Assets	1,086.8	1,202.8	10.7
Intake Volumes (000's)	2,900	2,614	(9.9)
Sales Volumes (000's)	2,990	2,735	(8.5)
Employees	1,898	1,683	(11.3)

Australia & New Zealand Metals



A\$m	1H FY16	1H FY17	Chg %
Sales Revenue	377.5	491.6	30.2
Statutory EBITDA	23.1	39.5	71.0
Underlying EBITDA	27.7	39.9	44.0
Depreciation	13.1	13.8	5.3
Amortisation	0.6	0.2	(66.7)
Statutory EBIT	9.4	25.5	171.3
Underlying EBIT	14.0	25.9	85.0
Assets	479.8	534.1	11.3
Intake Volumes (000's)	766	781	2.0
Sales Volumes (000's)	700	862	23.1
Employees	729	701	(3.8)

Europe Metals



A\$m	1H FY16	1H FY17	Chg %
Sales Revenue	372.3	414.9	11.4
Statutory EBITDA	(40.5)	22.1	NMF
Underlying EBITDA	9.2	22.1	140.2
Depreciation	7.1	6.3	(11.3)
Amortisation	0.0	0.0	-
Statutory EBIT	(47.8)	15.8	NMF
Underlying EBIT	2.1	15.8	652.4
Assets	218.7	256.0	17.1
Intake Volumes (000's)	673	730	8.5
Sales Volumes (000's)	609	763	25.3
Employees	579	642	10.9

Global E-Recycling



A\$m	1H FY16	1H FY17	Chg %
Sales Revenue	426.8	353.9	(17.1)
Statutory EBITDA	5.8	17.0	193.1
Underlying EBITDA	5.7	15.4	170.2
Depreciation	5.7	4.3	(24.6)
Amortisation	0.3	0.0	(100.0)
Statutory EBIT	(46.2)	12.7	NMF
Underlying EBIT	(0.3)	11.1	NMF
Assets	433.3	392.5	(9.4)
Employees	1,639	1,428	(12.9)

Corporate & Unallocated



A\$m	1H FY16	1H FY17	Chg %
Sales Revenue	0.0	13.3	NMF
Statutory EBITDA	2.9	(6.7)	NMF
Underlying EBITDA	2.9	(6.2)	NMF
Depreciation	0.4	0.3	(25.0)
Amortisation	0.0	0.0	-
Statutory EBIT	2.5	(7.0)	NMF
Underlying EBIT	2.5	(6.5)	NMF
Assets	348.9	270.7	(22.4)
Employees	75	85	13.3

1H FY17 income tax expense considerations



A\$m	Profit Before Tax	Income Tax Expense	Effective Tax %
Statutory Result	92.4	12.4	13.4%
Reconciling items:			
Deferred tax assets not recognized		(0.4)	
Recognition of previously unrecognised tax losses		15.6	
Underlying Results		27.6	29.9%

Significant items by region – 1H FY17



1H FY17 (A\$m)	NA Metals	ANZ Metals	Europe Metals	Global E-Recycling	Unallocated	Pre-Tax Total	After-Tax Total
Reversal of fixed asset impairment	(0.9)	-	-	(1.4)	-	(2.3)	(1.8)
Gain on sale of property	(24.3)	-	-	-	-	(24.3)	(24.3)
Yard closure costs and dilapidation provisions	1.8	0.2	-	-	-	2.0	2.0
Redundancies	2.5	0.1	-	0.1	0.5	3.2	3.1
Net expenses relating to lease settlements / onerous leases	0.2	0.1	-	(0.3)	-	-	-
Other	1.0	-	-	-	-	1.0	1.0
Significant Items for 1H FY17	(19.7)	0.4	-	(1.6)	0.5	(20.4)	(20.0)

Significant items by region – 1H FY16



1H FY16 (A\$m)	NA Metals	ANZ Metals	Europe Metals	Global E-Recycling	Unallocated	Pre-Tax Total	After-Tax Total
Goodwill impairment	-	-	0.2	43.1	-	43.3	34.2
Other intangible asset impairment	6.8	-	-	2.9	-	9.7	8.6
Impairment of investment in joint venture	119.1	-	-	-	-	119.1	119.1
Fixed asset impairment	14.4	1.5	8.6	0.8	-	25.3	24.6
Lease settlements/onerous leases	0.2	0.9	36.5	-	-	37.6	37.3
Redundancies	3.2	2.0	1.0	-	-	6.2	5.6
Yard closure costs and dilapidation provisions	0.4	0.2	3.6	(0.9)	-	3.3	2.9
Significant Items for 1H FY16	144.1	4.6	49.9	45.9	-	244.5	232.3

Financial summary - Group



A\$m	FY10	FY11	FY12	FY13	FY14	FY15	FY16	1H FY16	1H FY17
Group Results									
Sales Revenue	7,453	8,847	9,036	7,193	7,129	6,311	4,652	2,412	2,385
Underlying EBITDA	379	414	253	190	242	263	184	61	133
Underlying EBIT	235	283	123	67	119	142	58	-5	77
Underlying NPAT	127	182	74	17	69	102	38	-18	60
Underlying EPS (cents)	65	88	36	8	34	49	19	-9	30
Dividend (cents)	33	47	20	0	10	29	22	10	20
Balance Sheet									
Total Assets	4,233	4,167	3,509	2,917	2,649	2,882	2,571	2,567	2,656
Total Liabilities	959	1,256	1,225	988	816	769	738	672	762
Total Equity	3,274	2,912	2,284	1,929	1,834	2,113	1,833	1,895	1,894
Net Cash (Net Debt)	15	-126	-292	-154	42	314	242	373	311
Cash Flows									
Operating Cash Flow	-48	159	290	297	210	298	131	139	114
Capital Expenditure	-121	-143	-161	-149	-64	-95	-109	-44	-68
Free Cash Flow¹	-168	16	129	148	146	203	22	95	46
NOPAT	165	198	86	47	83	99	41	-3	54
Total Capital	3,259	3,038	2,576	2,083	1,792	1,799	1,590	1,523	1,583
ROC² (%)	5.0%	6.5%	3.3%	2.3%	4.6%	5.5%	2.6%	-0.4%	6.8%

1) Free Cash Flow = Operating Cash Flow - Capex
 2) Return on Capital = Underlying NOPAT / (BV of Equity + Net Debt)

Financial summary – Segment



A\$m	FY10	FY11	FY12	FY13	FY14	FY15	FY16	1H FY16	1H FY17
Sales Revenue									
North America Metals	4,834	5,782	5,773	4,256	3,996	3,417	2,353	1,236	1,111
ANZ Metals	1,126	1,300	1,190	1,047	1,188	1,053	744	377	492
Europe Metals	783	954	1,056	935	1,063	1,037	759	372	415
Global E-Recycling	622	750	982	937	868	795	793	427	354
Unallocated	88	61	35	18	14	9	3	0	13
Total	7,453	8,847	9,036	7,193	7,129	6,311	4,652	2,412	2,385
Underlying EBITDA									
North America Metals	182	175	51	94	75	81	76	16	62
ANZ Metals	83	107	80	72	107	87	67	28	40
Europe Metals	25	28	15	-2	29	37	32	9	22
Global E-Recycling	87	112	92	24	20	55	19	6	15
Unallocated	2	-8	15	2	11	3	-10	2	-6
Total	379	414	253	190	242	263	184	61	133
Underlying EBITDA Margin (%)									
North America Metals	3.8%	3.0%	0.9%	2.2%	1.9%	2.4%	3.2%	1.3%	5.6%
ANZ Metals	7.4%	8.2%	6.7%	6.9%	9.0%	8.3%	9.0%	7.4%	8.1%
Europe Metals	3.2%	2.9%	1.4%	-0.2%	2.7%	3.6%	4.3%	2.4%	5.3%
Global E-Recycling	14.0%	14.9%	9.4%	2.6%	2.3%	6.9%	2.4%	1.4%	4.2%
Total	5.1%	4.7%	2.8%	2.7%	3.4%	4.2%	4.2%	2.5%	5.6%

Financial summary – Segment (cont.)



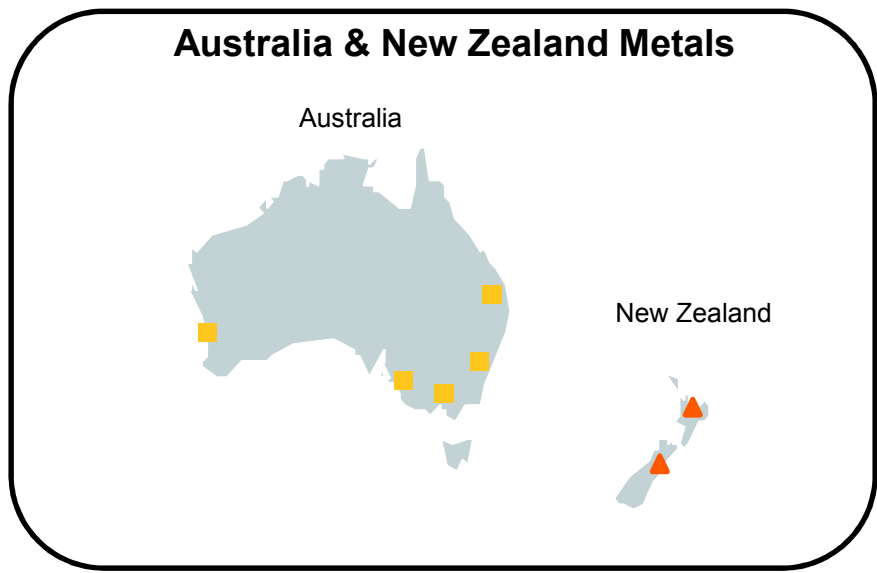
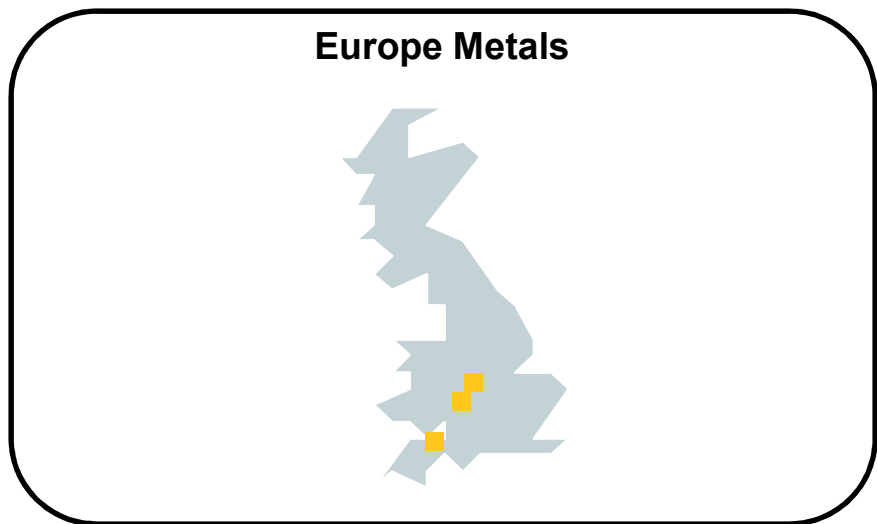
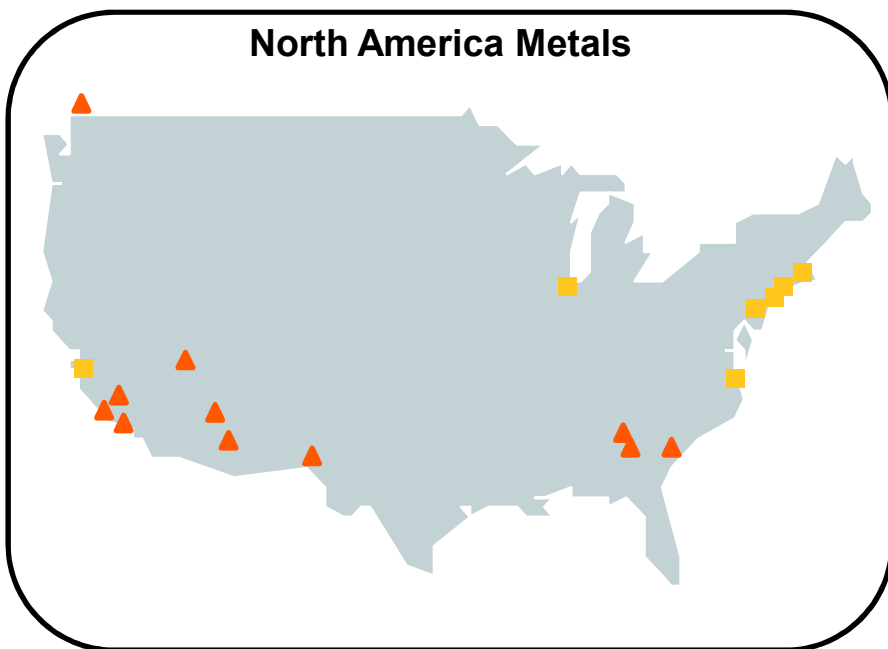
A\$m	FY10	FY11	FY12	FY13	FY14	FY15	FY16	1H FY16	1H FY17
Sales tonnes ('000)									
North America Metals	9,906	10,964	11,080	9,377	8,152	7,018	5,772	2,990	2,735
ANZ Metals	1,578	1,764	1,765	1,764	2,054	1,874	1,418	700	862
Europe Metals	1,394	1,466	1,651	1,645	1,609	1,589	1,361	609	763
Total	12,878	14,194	14,496	12,786	11,815	10,481	8,551	4,299	4,360
Underlying EBIT									
North America Metals	92.7	99.6	-18.7	32.8	11.7	11.8	2.3	-23.1	30.7
ANZ Metals	62.4	86.1	56.3	46.9	79.2	59.2	39.7	14.0	25.9
Europe Metals	15.8	18.8	4.1	-14.0	16.5	24.6	18.6	2.1	15.8
Total	170.9	204.5	41.7	65.7	107.4	95.6	60.6	-7.0	72.4
EBIT / tonne (A\$/t)									
North America Metals	9.36	9.08	-1.69	3.50	1.44	1.68	0.40	-7.73	11.22
ANZ Metals	39.54	48.81	31.90	26.59	38.56	31.59	27.93	20.00	30.05
Europe Metals	11.33	12.82	2.48	-8.51	10.25	15.48	13.74	3.45	20.71
Total	13.27	14.41	2.88	5.14	9.09	9.12	7.09	-1.63	16.61

Financial summary – Segment (cont.)



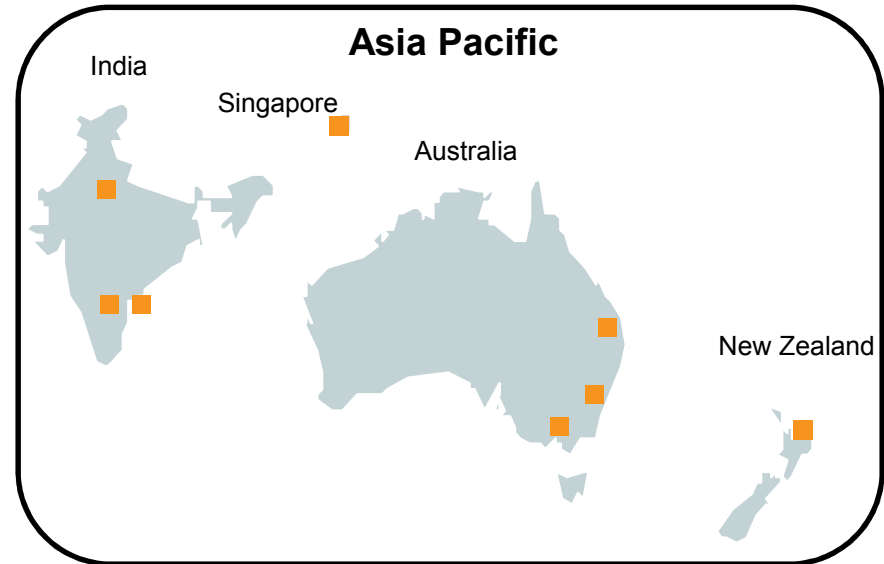
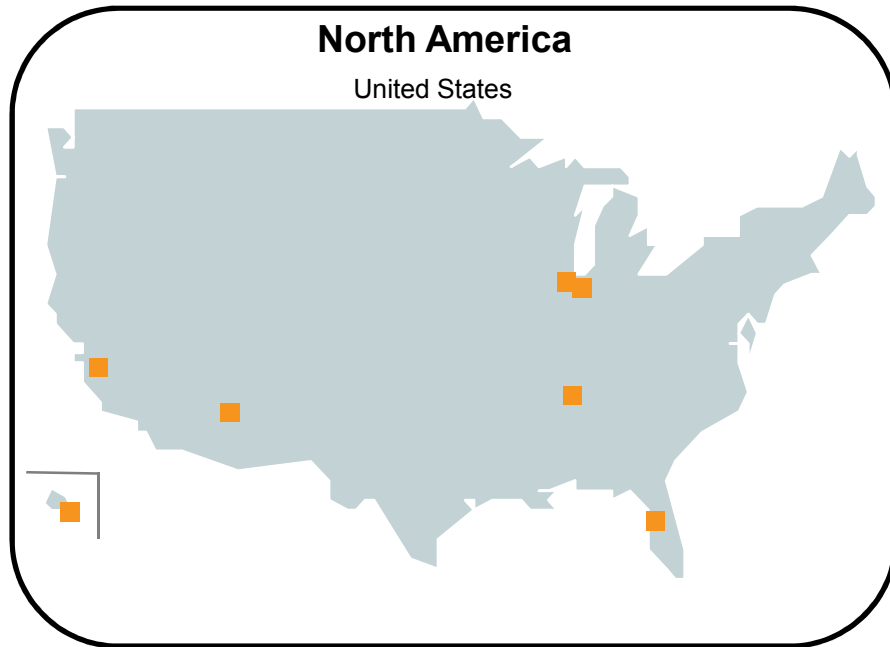
A\$m	FY10	FY11	FY12	FY13	FY14	FY15	FY16	1H FY16	1H FY17
Sales tonnes ('000)									
Ferrous Trading	9,068	10,115	10,320	9,396	9,331	8,325	6,768	3,361	3,505
Ferrous Brokerage	3,264	3,518	3,597	2,840	1,918	1,617	1,307	688	628
Non Ferrous	565	571	586	550	566	539	476	250	227
Total	12,897	14,204	14,503	12,786	11,815	10,481	8,551	4,299	4,360
Sales Revenue									
Ferrous Metals	5,071	6,144	6,259	4,817	4,801	4,068	2,703	1,354	1,462
Non Ferrous Metals	1,526	1,724	1,657	1,353	1,361	1,342	1,055	577	525
Global E-Recycling	622	750	982	937	868	795	793	427	354
Secondary processing & other	234	229	138	86	99	106	101	54	44
Total	7,453	8,847	9,036	7,193	7,129	6,311	4,652	2,412	2,385

Metals Recycling global footprint



- Metal Shredder / Key Metals Recycling facility
- ▲ Metal Shredder (50% JV owned)

Electronics Recycling global footprint



■ Electronics Recycling facility

Disclaimer



The material contained in this document is a presentation of information about the Group's activities current at the date of the presentation, 15 February 2017. It is provided in summary form and does not purport to be complete. It should be read in conjunction with the Group's periodic reporting and other announcements lodged with the Australian Securities Exchange (ASX).

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