



ATLAS GROUP HOLDING LIMITED
A.C.N. 098 674 545
Appendix 4E – Preliminary Final Report
Year ended 30 June 2003

Results for announcement to the market.

	Year ended 30 June 2003 \$'000	7 November 2001 to 30 June 2002 \$'000
Revenues from ordinary activities	281,624	138,828
Profit from ordinary activities after tax attributable to members	7,247²⁾	13,833²⁾
Net profit attributable to members	7,247²⁾	13,833²⁾
Basic earnings per share (cents)	12.8	N/A

NOTES:

- 1) Percentage change from the previous period has not been calculated because the previous period does not correspond to the current reported year.
- 2) Includes net significant credit items relating to the accounting treatment of the acquisition of the Atlas businesses, of \$390k in the year (\$10,946k in the period to 30 June 2002).

Dividends

The Directors do not recommend that a dividend be paid for the year ending 30 June 2003.



ATLAS GROUP HOLDING LIMITED (“Atlas”)

HIGHLIGHTS YEAR ENDED 30 JUNE 2003

	Year ended 30 June 2003 \$'m	Adjusted results for 15 months ended 30 June 2002 ¹⁾ \$'m
Sales revenues	279.2	300.2
Earnings before interest, tax depreciation and amortisation (“EBITDA”)	18.5	18.3
Earnings before interest and tax (“EBIT”)	16.8	15.8
Earnings before interest and tax margin	6.0%	5.3%
Net profit attributable to members	7.2	N/A

1) *The comparative figures reflect the adjusted results for the period included in the Prospectus dated 15 May 2003 issued by the company.*

- On 23 June 2003 Atlas listed on the Australian Stock Exchange after the successfully completing of an initial public offering which raised \$64.6million.
- Atlas achieved good sales revenue growth, estimated to have exceeded 15% in aggregate year-on-year, across its major product groups.
- Atlas increased its EBIT margin from 5.3% to 6.0% in the year.



Business Profile

With a history dating back to the 1930's, Atlas is today the leading importer and distributor of specialty metals in Australia and New Zealand. Atlas offers a comprehensive product range to a diverse customer base, which is serviced through an extensive branch network. Atlas maintains well established and strategic supply relationships with mills around the world.

Atlas offers its customers value added services by processing the metal products that are distributed through its supply chain. Currently the value added services offered are heat treating, cutting, slitting, polishing, blanking, profiling and drawing.

Atlas employs the most experienced group of managers and staff in the specialty metals distribution industry. Atlas staff's experience and expertise allows the company to offer strong technical and application support services to meet customer needs and thereby support the sales and marketing of its products.

Business Strategy

Atlas seeks to improve and steadily develop its established core products businesses (Q&T plate, SS flat products and SS sections) through market leadership, value adding processes, flexibility and customer service. Atlas seeks to build its market share of its "growth" products (tubular products, engineering steels and aluminium) and focuses resources on achieving this strategy.

Atlas seeks to support the growth of and derive greater profit levels from the metal products it distributes, by building upon and extending its value adding processes and services. Atlas looks to grow its businesses by extending its geographic coverage through opening new distribution branches in Australia, New Zealand and Asia. Atlas seeks to differentiate itself from its competitors through the value adding processes it offers, technical support, wide geographic coverage, comprehensive product offering and good stock availability.

FY2003 Strategy Update

Stainless steel flat products – Atlas' strategy during the year has been to capitalise on its leading market position and its superior processing capabilities. The result has been strong revenue growth, in particular supported by increased sales to wine tank and rail car manufacturers, along with improved margins.

Stainless steel sections – Atlas' strategy for sections is to maintain its strong market position through service and to improve its profitability by developing its processing



capabilities. In early 2002 Atlas extended its sections processing by commissioning a bar drawing machine, which made a notable contribution to the result for the year.

Quenched and tempered steel plate – Atlas achieved good growth in Bisalloy Q&T plate during the year, driven principally by strong demand from the Australian mining sector, offset by weaker export sales. In addition to the overall growth in sales, continuing productivity improvements at the Unanderra processing plant has supported increased contribution margins for the product.

Tubular products – Atlas has identified tubular products as an area that offers good future growth potential for the company. Atlas is moving to re-establish its former position in the stainless tubular market, which was lost between 1996 and 2001, and to extend its involvement in the broader tubular market. During the year Atlas employed the managers and staff both in the sales & marketing and project management areas to take the tubular growth strategy forward. Further, Atlas developed strategic agreements with suppliers in the market that compliment its tubular products strategy. The emerging focus on tubular products boosted growth in the segment during the year.

Engineering steels – Although engineering steels has been a part of Atlas' product portfolio for many years, from 1996 until 2001 the company did not focus its strategies on developing these products and as a consequence experienced falling revenues from engineering steels. On the east coast of Australia, this was particularly evident where Atlas substantially lost its position and new competitors were allowed to grow in certain segments of the market. It was only in New Zealand and Western Australia that the Company was able to maintain its market position in engineering steel products.

Atlas has today reaffirmed engineering steels as a strategically important core product group for the Company and has implemented strategies to develop and grow its business and to regain its former position in the market. During the year Atlas employed new management to develop the market, increased sales representation and began to restock its warehouses with product.

Aluminium flat products – Aluminium has been identified by Atlas management as a growth product. Aluminium has similar handling and processing characteristic as stainless steel flat products and is sold for similar technical applications to the types of customers who purchase stainless steel flat products from Atlas. This high degree of synergy with stainless steel flat products makes aluminium a natural adjunct to Atlas' business. From a relatively low market share, Atlas increased its aluminium sales by 50% in the year and projects continuing strong growth in FY2004.

New branches - In its Prospectus Atlas forecast opening four new branches in Australia and New Zealand. In June Atlas opened a new branch in Shepparton ahead of schedule. Construction of new branch warehouses in Nowra, Hamilton, NZ and Kalgoorlie is currently underway with the operations due to commence in October



2003, December 2003 and February 2004, respectively. There have been no further developments in extending Atlas' distribution in Asia.

Sales Revenue

Atlas sales revenues for the year were \$279.2million, compared to the Prospectus forecast of \$281.2million, and compared to Prospectus adjusted sales revenues for the 15 months ended 30 June 2002 of \$300.2million.

Sales revenue \$'millions	Actual year ended 30 June 2003	Adjusted 15 months ended 30 June 2002
Stainless steel flat products	94.1	100.4
Stainless steel sections	35.0	39.8
Quenched and tempered steel plate	54.0	56.8
Tubular products	35.6	38.1
Engineering steels	38.1	45.5
Aluminium flat products	18.6	14.7
Other products	1.1	1.2
Other income	2.7	3.7
	<hr/>	<hr/>
	\$279.2	\$300.2

Earnings Result

Atlas EBIT for the year was \$16.8million, compared to the Prospectus forecast of \$16.7million this in turn compares to Prospectus adjusted EBIT of \$15.8million for the 15 months ended 30 June 2002.

EBIT Margin was 6.0%, compared to the Prospectus forecast of 5.9% this in turn compares to Prospectus adjusted EBIT Margin for the 15 months ended 30 June 2002 of 5.3%.

Performance against FY2004 Earnings Forecast

Atlas EBIT performance in the current year to date is tracking in line with its Prospectus forecasts.

Bisalloy quenched and tempered plate processing was disrupted by work stoppages during July while enterprise bargaining agreement negotiations were underway. Those negotiations have now been completed and a new agreement has been settled covering the next three years.



Cash Flow

During the year ended 30 June 2003 Atlas invested \$14.0million in its working capital (including cash), compared to the Prospectus forecast of \$16.8million. The investment was principally in inventories in order to 1) address shortages inherited from the time of the acquisition of the Atlas businesses; 2) support the sales growth during the year; and 3) support the development of Atlas' growth products. Capital expenditure net of disposal proceeds during the year was \$3.8million, compared to the Prospectus forecast of \$3.2million.

Comparative Figures

Comparative figures in the schedules attached to this Preliminary Final Report are for the period from 7 November 2001 (the date of incorporation of Atlas Group Holdings Limited) to 30 June 2002, this being the statutory comparative period. They include significant items relating to the accounting treatment of the acquisition of the Atlas businesses on 30 November 2001. The comparative figures in the schedules cover the trading of the businesses from the date of acquisition 1 December 2001, to 30 June 2002.

Earnings per share and net tangible asset backing have not been provided for the prior period as this is the first reporting period as a listed company for Atlas.

Initial Public Offer

On 23 June 2003 Atlas listed on the Australian Stock Exchange after having successfully completed of an initial public offering which raised \$64.6million. Following listing Atlas directors and staff held 21% of the shares on issue, with public and institutional investors holding the balance of the shares on issue.

Employee Share Offer

In conjunction with the initial public offer, Atlas made an offer of \$1,000 of shares to all Eligible Employees under the terms of its Employee Share Acquisition Plan. The offer was accepted by 315 employees. On legal advice at the time, the offer to employees was restricted to Australian resident employees. In August, in line with its original intention, Atlas made an offer to its New Zealand resident employees on substantially the same terms as the offer made at the time of the initial public offer. The offer was accepted by 39 New Zealand employees and as a result 39,000 new shares have been issued by the company.



MIS Systems

Atlas has completed a review of its main business systems, which was presented to the Directors in July. Following the recommendation of the review, the Board has approved that Atlas Distribution replace its ERP systems with SAP R4.7. The implementation phase of the project will be spread over the next 15 months and is budgeted to have a capital cost of \$4.5million. The business case for the capital expenditure indicates that Atlas can expect deliver an internal rate of return in excess of 50% on the investment.

Dividend Policy

No dividends are recommended for the year ended 30 June 2003.

The Directors' dividend policy going forward, is to distribute 60-65% of net profit after tax and to frank the dividends to the greatest extent possible. It is proposed to pay an interim and final dividend each year. Atlas expects to pay its first interim dividend in April 2004.

Atlas has an approved Dividend Reinvestment Plan, which it plans to activate before the payment of the 2004 interim dividend.

Annual Report and Annual General Meeting

Atlas expects to mail its Annual Report and Notice of Annual General Meeting to shareholder during the week commencing 6 October 2003.

Atlas will hold its 2003 Annual General Meeting at St. Michael's Hall, Ground Floor, 120 Collins Street, Melbourne, VIC 3000 on 12 November 2003 at 11.00am.

The Directors look forward to welcoming shareholders to Atlas' first meeting as a public company.

A handwritten signature in black ink, appearing to read 'Kym Godson'.

Kym Godson
Managing Director
1 September 2003.



**Consolidated Statement of Financial Performance
Year ended 30 June, 2003.**

	Notes	Year ending 30 June 2003 \$'000	7 Nov 2001 to 30 June 2002 \$'000
Revenues from ordinary activities	2	281,624	138,828
Changes in inventories of finished goods and work in progress		(182,080)	(79,270)
Raw material and consumables used		(30,860)	(15,466)
Depreciation and amortisation expense	3(a)	(1,702)	(1,149)
Borrowing costs expense	3(b)	(6,621)	(5,348)
Salaries and employee benefits expense		(23,383)	(12,330)
Other expenses from ordinary activities		(27,018)	(11,055)
Share of net profits of associated accounted for entities using the equity method		416	141
Profit/(loss) from ordinary activities before income tax		10,376	14,351
Income tax (charge)/benefit attributable to profit/(loss) from ordinary activities		(3,210)	(255)
Profit/(loss) from ordinary activities after income tax		7,166	14,096
Net (Profit)/loss attributable to outside equity interest		81	(263)
Net profit/(loss) attributable to members of the Company		7,247	13,833
Net exchange difference or translation of financial statements or foreign controlled entity		(379)	732
Share issue costs		(2,623)	-
Increase/(decrease) in retained profit due to revised accounting standard AASB 1028 "Employee Benefits"		(55)	-
Total changes in equity other than those resulting from transactions with owners as owners		4,190	14,565
Profit/(loss) from ordinary activities after income tax expense comprises:			
Ongoing operations		6,776	3,150
Net significant items	3(d)	390	10,946
		7,166	14,096



**Consolidated Statement of Financial Position
30 June, 2003**

	Notes	30 June 2003 \$'000	30 June 2002 \$'000
Current assets			
Cash	8	2,476	967
Receivables		59,054	52,711
Inventories		74,926	60,059
Other		1,443	743
Total current assets		137,899	114,480
Non-current assets			
Investments		-	-
Investments accounted for using the equity method	7	2,846	2,430
Property, plant and equipment		14,137	11,622
Deferred tax assets		2,885	2,633
Other		94	22
Total non-current assets		19,962	16,707
Total assets		157,861	131,187
Current liabilities			
Payables		49,105	39,169
Current tax liabilities		-	438
Interest bearing liabilities		1,393	-
Provisions		2,727	2,950
Total current liabilities		53,225	42,557
Non current liabilities			
Payables		-	166
Interest bearing liabilities		62,337	67,741
Provisions		2,327	2,130
Total non current liabilities		64,664	70,037
Total liabilities		117,889	112,594
NET ASSETS		39,972	18,593
Parent entity interest			
Contributed equity		17,243	3,000
Reserves		406	648
Retained profits	6	21,025	13,833
Total parent entity interest in equity		38,674	17,481
Total outside equity interest		1,298	1,112
TOTAL SHAREHOLDERS' EQUITY		39,972	18,593



Consolidated Statement of Cash Flows
Year ended 30 June, 2003

Notes	Year ending 30 June 2003 \$'000	7 Nov 2001 to 30 June 2002 \$'000
Cash flows from operating activities		
Receipts from customers	294,941	141,606
Payments to suppliers and employees	(284,424)	(135,868)
Interest received	49	49
Interest paid	(6,618)	(3,493)
Income tax paid	(1,925)	(445)
Goods and services tax paid	(7,039)	(8,192)
Net cash inflow/(outflow) from operating activities	(5,015)	(6,343)
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	89	30
Payment for controlled entities (net of cash acquired)	(52)	(58,709)
Payments for business acquisition costs	-	(2,392)
Payments for plant and equipment	(3,914)	(939)
Net cash inflow/(outflow) from investing activities	(3,877)	(62,010)
Cash flows from financing activities		
Proceeds from issue of shares	65,080	3,000
Proceeds from investment by outside equity interests	560	-
Payment for share buy-back	(48,215)	-
Payment of share issue costs	(2,623)	-
Proceeds from borrowings	3,916	69,262
Repayment of borrowings	(9,000)	(742)
Repayment of finance lease principal	(45)	-
Loan to associated entity	728	(2,200)
Net cash inflow/(outflow) from financing activities	10,401	69,320
Net increase/(decrease) in cash held	1,509	967
Cash at the beginning of the financial period	967	-
Cash at the end of the financial period	2,476	967



1. Dividends:

The Directors do not recommend that a dividend relating to the year ending 30 June, 2003 be paid.

2. Revenue from ordinary activities:

	Year ending 30 June 2003 \$'000	7 Nov 2001 to 30 June 2002 \$'000
Revenues from operating activities		
Sales of goods and services	279,169	137,535
Other revenue	2,277	1,172
Total revenues from operating activities	281,446	138,707
Revenues from non-operating activities		
Interest – other parties	49	49
Rent revenue	40	42
Proceeds from sales of fixed assets.	89	30
Total revenues from non-operating activities	178	121
Total revenues from ordinary activities	281,624	138,828
Share of net profits of associates accounted for using the equity method.	416	141

3. Expenses and losses/(gains):

(a) Expenses

Cost of goods sold	222,446	111,102
Depreciation of non current assets		
Buildings	78	55
Plant and equipment	1,624	1,094
Total depreciation and amortisation expenses	1,702	1,149
Rental – operating leases	3,967	1,998
Decrement in the value of inventories	977	711
Bad and doubtful debts – trade debtors	260	335

(b) Borrowing costs

Interest expense	6,490	3,388
Other borrowing costs	131	1,960
Total borrowing costs	6,621	5,348

(c) Losses/(gains)

Loss/(gain) on disposal of plant and equipment	43	(15)
Foreign exchange losses/(gains)	(899)	(39)



3. Expenses and losses/(gains) continued:	Year ending 30 June 2003 \$'000	7 Nov 2001 to 30 June 2002 \$'000
(d) Material/significant Items		
Acquisition expenses (including other borrowing costs)	-	2,617
Discount on acquisition of assets realised during the period	(390)	(13,563)
4. Earnings per security (EPS):		
Calculation of the following in accordance with AASB 1027: Earnings per share.		
Basic EPS (cents)	12.8	-
Adjusted weighted average number of ordinary shares	56,531,556	-
For comparative purposes, the figures for the previous corresponding period have been adjusted for the bonus element in issues during the current period.		
Earnings reconciliation		
Net Profit	7,166	-
Net profit attributable to outside equity interests	81	-
Basic Earnings	7,247	-
5. NTA backing:		
Net tangible asset backing per ordinary security.	\$0.47	-
6. Retained profits:		
Retained profits at the beginning of the financial year	13,833	-
Net profit attributable to members	7,247	13,833
Increase/(decrease) in retained profit due to revised accounting standard AASB 1028 "Employee Benefits"	(55)	-
Total available for appropriation	21,025	13,833
Retained profits at the end of the financial year	21,025	13,833
7. Details of aggregate share of profits (losses) of associates		
Group's share of associates		
Profit (loss) from ordinary activities before income tax	416	141
Income tax on ordinary activities	0	0
Profit (loss) from ordinary activities after income tax	416	141
Extraordinary items net of tax	0	0
Net profit (loss)	416	141
Outside equity interests	0	0
Net profit (loss) attributable to members	416	141



7. Details of aggregate share of profits (losses) of associates continued	Investments carrying amount consolidated		Dividends received	
	2003 \$A'000	2002 \$A'000	2003 \$A'000	2002 \$A'000
Pacific Stainless Processors Pty Ltd (Processing of stainless steel sheet & soil products) (Interest consolidated 2003: 50% 2002:50%)	2,846	2,430	0	0
	2,846	2,430	0	0

8. Notes to the statement of cash flows

a. Reconciliation of cash

For the purposes of the statements of cash flows, cash includes cash on hand and at bank and short term deposits at call. Cash as at the end of the financial period as shown in the statement of cash flows is reconciled to the related items in the balance sheets as follows:

Cash at bank	2,447	943
Cash at hand	29	24
	2,476	967

b. Reconciliation of operating loss after income tax to net cash provided by operating activities

Net profit/(loss) from ordinary activities after income tax	7,166	14,096
Non cash items		
Depreciation	2,092	1,149
Acquisition costs	-	1,855
Share of associate's net (profits)/losses	(416)	(141)
(Profit)/loss on disposal of plant and equipment	(43)	(15)
Discount on acquisition of assets realised during the period	(390)	(13,563)
Change in operating assets and liabilities		
(Increase)/decrease in receivables & other assets	(7,004)	(3,779)
(Increase)/decrease in inventories	(14,867)	(931)
(Increase)/decrease in tax assets & liabilities	(691)	(185)
Increase/(decrease) in trade creditors	9,318	(5,187)
Increase/(decrease) in provisions	(180)	358
Net cash used in operating activities	(5,015)	(6,343)



Compliance Statement:

1. This report is based on the financial statements to which one of the following applies:

<input type="checkbox"/>	The financial statements have been audited.	<input type="checkbox"/>	The financial statements have been supplied to review.
<input checked="" type="checkbox"/>	The financial statements are in the process of being audited or subject to review.	<input type="checkbox"/>	The financial statements have not yet been audited or reviewed.

2. The entity has a formally constituted audit committee.