

MEDIA RELEASE



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Business transformation well underway led by new Management Team

- FY06 underlying profit likely to remain at FY05 level as future growth base is formed
- Dividend maintained
- Strong operating performance from Bisalloy – expansion on time, on budget
- Restructure of distribution businesses on track to deliver early benefits
- Atlas to exit from the Southward automotive business

“Manufacturing (Bisalloy) is performing well, but the distribution businesses have not produced adequate returns, suffering from high cost structures, an over-extended and inefficient supply chain and excessive funds employed. We are addressing these issues face-on to re-establish Atlas as the leading distributor of specialty metals and provide shareholders with attractive returns.”

“The transformation of the distribution businesses is well underway with the initial restructuring already completed and rationalisation around a Group Supply Chain starting to deliver results” said Dr Martin Foreman today at the release of the Atlas Group’s Half-Year Results.

Strategic Review

With the appointment of Dr Martin Foreman as the new Managing Director in July 2005, the Company undertook an extensive review of its financial performance, operations and strategic direction. That review acknowledged unacceptable returns from the distribution businesses but also identified significant opportunities for operational improvements and growth. The Bisalloy manufacturing business was confirmed to be a strong contributor to the Group with clear growth opportunities.

The Atlas Group is Australasia’s leading distributor of specialty metals with a growing presence in Asia-Pacific. It’s Australian Bisalloy operation is the only local producer of wear resistant, structural and armour plate, supplying the resources, transport, construction and defence sectors.

Competency, Consistency and Growth

Half Year Financial Results

\$'m	HY06	HY05	Chg%
Sales			
Distribution	162.0	163.5	-0.9%
Manufacturing	57.3	39.4	+45.4%
Eliminations	(11.0)	(14.3)	
Sales from continuing operations	208.3	188.6	+10.4%
Discontinued operations	7.1	6.9	
Total Sales	215.4	195.5	+10.2%
Underlying EBIT (earnings before interest and tax)			
Distribution	3.7	10.5	-64.7%
Manufacturing	11.4	6.1	+87.3%
Unallocated	(3.0)	(2.9)	
Total Underlying EBIT from continuing operations	12.0	13.7	-12.0%
Interest	(4.8)	(5.1)	
Underlying net profit before tax	7.3	8.6	-15.7%
Taxation	(1.9)	(2.5)	
Underlying net profit after tax	5.4	6.1	-12.2%
Significant items (after tax)	(2.0)	1.4	
Discontinued operations	(6.9)	(0.4)	
Reported profit	(3.5)	7.1	
Underlying earnings per share	5.1c	6.9c	-26.5%
Reported earnings per share from continuing operations	3.2c	8.6c	-62.6%
Dividend per share	3.9c	3.9c	+0.0%

Distribution

As of 31 December our distribution businesses had over 450 staff across 25 locations in Australia and New Zealand, with \$121million funds employed and earning an annualised EBIT of \$7.4million. This represents an annualised pre-tax return of 6.1% which is clearly unacceptable.

Management has restructured the businesses to re-establish shareholder value.

With the January restructuring, 80 positions were removed from across Australian and New Zealand distribution and Head Office with cost savings and benefits estimated at pre-tax \$8.5million annually. One time restructuring pre-tax costs have amounted to \$3million of which \$1.8million was incurred in the period, with the balance to be expensed in the second half of the year.

In the period Atlas' Australian & New Zealand distribution businesses reduced inventory holdings by over \$4million to \$90million at 31 December 2005. Notwithstanding this result, newly implemented supply chain and inventory strategies target distribution inventory reductions of a further \$10million before 30 June 2006 and an additional \$15million in FY07.

Further efficiency initiatives together with optimisation of the distribution network will take place through 2006.

With this transformation the distribution businesses will earn an adequate return in FY07.

Manufacturing

Atlas' manufacturing, which comprises Bisalloy quenched and tempered plate manufacturing and Southward tube making, increased earnings by 87% when compared to the previous corresponding period. This increase was principally driven by the additional 25% production capacity at Bisalloy that was commissioned in the second half of FY05 and continuing strong resources demand for plate.

A further 30% capacity upgrade at Bisalloy, announced in November 05, is in progress, on-time and on-budget for commissioning in October 2006. This investment is in response to continuing and robust demand from the resource sector and defence industries for specialised hardened plate.

Outlook

We anticipate underlying full year profit to be in line with the previous financial year.

Looking beyond to FY07, management expects improved Group performance underpinned by increased sales, EBIT, ROCE, and cash flow. The Board expects dividends per share to increase in line with EPS growth.

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Competent, Consistent and Growing