

24 June 2008

Company Announcements Office  
Australian Stock Exchange Limited  
Level 4, 20 Bridge Street  
Sydney NSW 2000

## **ATLAS ANNOUNCES PROFIT UPGRADE AND RECEIVES OFFER FROM BALRON TO ACQUIRE DISTRIBUTION BUSINESS FOR \$90 MILLION**

Atlas Group Holdings Limited (**Atlas** or the **Company**) announces that, consistent with previous guidance, the Company's performance has improved in the second half with the success of its cost reduction initiatives and the strong performance of Bisalloy. As previously reported, in the first half the Company made an EBIT loss of \$4 million. The Company is now expecting to produce EBIT for the second half of approximately \$9 million and thus the full year EBIT result will be approximately \$5 million.

The Company has today received an offer from Balron Nominees Pty Limited on behalf of a consortium of investors (**Balron**) to acquire its distribution businesses (**Atlas Distribution**) for approximately \$90 million payable in cash, subject to adjustment for changes to net assets at completion. Balron has notified Atlas that it has received in-principle financing approval from equity and debt participants. The Balron offer is subject to confirmatory legal due diligence, formal documentation and final financing approval.

As Balron is a substantial shareholder in Atlas, the offer will be subject to shareholder approval under ASX Listing Rules. The Company will appoint an independent expert to consider whether or not the proposed transaction is fair and reasonable to shareholders other than Balron and its associates.

Atlas intends to call a shareholders meeting and distribute an explanatory memorandum with further details of the transaction once formal documentation for the proposed sale is completed.

Atlas Distribution, which comprises the Company's Australian and New Zealand distribution businesses, Atlas Metal Processors, Durinox stainless steel reinforcing bars, Schumag wire drawing, New Zealand Tube Mills and centralised support functions, has experienced extremely difficult trading conditions in the last 2 years. Atlas Distribution is expected to generate an operating loss before interest and tax of approximately \$17 million for the year ended 30 June 2008. The proposed sale price of approximately \$90 million represents a discount to the book value of net assets of Atlas Distribution.

Atlas intends to apply the proceeds from the sale to initially reduce net debt from an anticipated \$135 million to around \$45 million and subsequently facilitate the growth of the Company's profitable Bisalloy Steels (**Bisalloy**) business. Bisalloy is Australia's



only manufacturer of high-tensile and abrasion-resistant quenched and tempered steel plate for the mining, construction and defence industries both locally and overseas.

Atlas CEO, Kym Godson, said "The proposed divestment of Atlas Distribution will enable the Company to reduce its debt and allow management to focus on Bisalloy, a business which has consistently generated quality earnings and which has a strong demand pipeline".

Bisalloy has recently signed a letter of intent with a major Chinese steel mill with a view to building a 140,000 tonne p.a. quenched and tempered operation in China in order to expand its distribution businesses further into South East Asia and China. The relationship is already proving beneficial to Bisalloy by defraying the rising cost of domestic greenfeed supply.

Bisalloy continues to benefit from strong export demand, especially for armoured plate, and is expected to generate EBIT of approximately \$27.2 million for the year ended 30 June 2008. Given the economic outlook, the Board expects these results to continue to improve in 2009.

### **Pro Forma Earnings**

Atlas (ex Distribution) would be expected to generate a pro-forma EBIT of approximately \$24.7 million for the full year ending 30 June 2008 as follows:

	<b>FY08</b> \$ million
Bisalloy EBIT	27.2
Corporate costs	(2.5)*
Pro forma EBIT	<hr/> 24.7

The above pro-forma numbers will be updated and expanded upon in the information memorandum to be sent to shareholders at the meeting to approve the proposed sale.

### **For media enquiries, please contact:**

Nicholas Rowe, ABN AMRO 02-8259-5633

Kym Godson, CEO 03-9272-9918

---

\* Represents the estimated annual costs for Atlas (ex Distribution). Actual corporate costs for Atlas in FY08 will be approximately \$5.5 million before transaction costs.