

MEDIA RELEASE



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Atlas' business restructured and transformed for the future. Strong cash flow applied to debt reduction.

- Strong operating cash flows of \$36.7 million and net borrowings reduced by \$24.6 million
- Distribution inventories reduced by \$18.1 million
- Strong earnings from Bisalloy supported by robust resources sector
- Growth of Asian businesses and Project Services on track
- Southward automotive business closed
- Final dividend of 3.9c fully franked to give full-year dividend of 7.8c
- With the business transformation substantially complete and improving sales performance, underlying profit for FY07 is expected to exceed that achieved by the Group in FY05.

“This year we went back to the basics, focusing on asset management, distribution efficiency, inventory control, and systems. Our operating cash flow of \$36.7m [-\$8.5m prior year] and reduction of debt by \$24.6m is evidence of our success” said Dr Martin Foreman today at the release of the Atlas Group's Full-year results. ***“Whilst it has been a disappointing result from an earnings perspective we have made fundamental changes to build a platform for the future sustainable success of the company.”***

“The Group Supply Chain function has brought new competency and a system-based approach to inventory management. Distribution inventories reduced \$18.1m with improved balance. Sales in Asia from our expanded product portfolio are being realised and our Project Services area has made good progress with a growing portfolio of new business.”

The Atlas Group is Australasia's leading distributor of specialty metals with a growing presence in Asia-Pacific. Its 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

Full Year Results

The year was one of substantial change. Following an extensive review of its financial performance, operations and strategic direction, Atlas acknowledged unsatisfactory performance in areas of the Group but also identified significant opportunities for operational improvements and growth. By mid-year, major initiatives had been actioned with the intent to transform Atlas into a business more capable of consistently meeting the reasonable expectations of shareholders.

Today, Atlas is a fitter and more competitive organisation. Management is confident of improved Group performance in FY07 and beyond as a result of the transformed Distribution business and growth of Bisalloy, Project Services and the Asian businesses.

The FY06 results were substantially impacted by the restructuring costs associated with the distribution businesses, together with losses related to the discontinuance and closure of the Southwards automotive business. These one-off expenses were necessary in order to eliminate loss making parts of the Group, reduce cost structures and reduce working capital to become efficient and fit for growth across all operations.

Business transformation took place in a trading environment of continuing strong demand from the resources sector, off-set by weaker demand in other markets, and volatile stainless steel prices. In addition to the direct expenses of the restructuring, the process of change undoubtedly had a negative impact on the general trading performance of the distribution businesses. The underlying consolidated earnings for the year declined 31% when compared to the previous year.

Atlas delivered a strong turnaround in operating cash flow performance at \$36.7 million compared to an outflow of \$8.4million in FY05. Group inventories were reduced by \$15.2million and receivables reduced by \$21.0million.

Net consolidated operating assets were reduced in the year by \$40.6 million to \$137.7million at year end. Atlas repaid \$24.6million of net borrowings in the year. Closure costs of the Southward automotive businesses reduced total equity by \$7.5 million to obscure a more significant improvement in the gearing of Atlas' operations during the period. The debt / debt + equity ratio at 30 June 2006 was 58% compared to 61% at 30 June 2005.

(\$m)	2006	2005	Chg %
EBIT (Underlying)	18.1	26.2	(31%)
- Net Financing Costs	(9.5)	(10.2)	
- Taxation	(2.3)	(3.7)	
NPAT (Underlying)	6.3	12.3	(49%)
- One-off Costs	(2.8)	2.0	
- Discontinued Operations	(7.5)	(1.1)	
- Minority Interests	(0.4)	(0.5)	
Net Profit After Tax	(4.4)	12.7	
EPS – Underlying	6.0c	13.8c	(7.8c)
EPS – Basic	(4.4c)	13.9c	(18.3c)
Dividend per share (fully franked)	7.8c	9.0c	(1.2c)

Distribution

The need to reduce cost structures, improve operating efficiency and reduce funds employed within the business was absolute and was addressed by the transformation to the new centralised business model. There was, however, undoubtedly a short-term negative impact on sales. Underlying earnings of Atlas distribution decreased by 70% when compared to the previous year with volatile stainless steel prices and weaker general market demand in Australia and New Zealand also contributing to reduced margins.

Atlas distribution is now a more competitive customer and sales-driven organisation supported by a central best-practice Group Supply Chain function. The Australian and New Zealand distribution inventories were reduced by \$18.1 million to \$75.1million by year end as the benefits of the new supply chain systems and disciplines took effect. These results are well ahead of the targets announced in Atlas' half year release.

The Indonesian and Thai distribution businesses performed strongly and will be expanded to supply a broader product portfolio to their rapidly growing domestic markets. Recognising the scalability of the new business model, Atlas is exploring new markets in the region.

Having taken the major actions to transform the distribution businesses, management expect to see substantial improvements in the overall financial performance in FY07.

Manufacturing

Bisalloy quenched and tempered plate manufacturing and NZ Tube making, increased their earnings by 43% in the year. This increase was principally driven by the expanded production capacity at Bisalloy that was commissioned in FY05 and continuing strong resources demand for plate. A further 30% capacity upgrade at Bisalloy, due to be commissioned on-time in October, 2006 will support increased sales to strong domestic and regional markets.

Projects Services

Project Services, which was identified as having significant growth potential in a multi-\$billion market, has made good progress in marketing its material supply and logistics services to selected global blue-chip clients. Recent successes are very encouraging.

Outlook

With the business transformation substantially complete and improving sales performance, underlying profit for FY07 is expected to exceed that achieved by the Group in FY05. Continuing the dividend payment at 3.9cps (fully franked and bringing the full-year payment to 7.8cps) reflects this view.

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