

28 August 2008

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

ATLAS GROUP ANNOUNCES IMPROVED OPERATING PROFIT AND CONFIRMS INTENTION TO SELL DISTRIBUTION BUSINESS

Atlas Group Holdings Limited (**Atlas** or the **Company**) announces that the Company generated an operating profit (**EBIT**) of \$10.2m for the 6 months ended 30 June 2008. This represents a \$5.5m improvement on the EBIT generated in the same period last year and a \$14.2m improvement on the \$4.0m EBIT loss incurred in the first half of this year. As a result, the Company's EBIT for the year ended 30 June 2008 was \$6.2m (compared with the most recent guidance of \$5.0m provided on 24 June 2008).

Bisalloy, the Company's continuing operation, and Distribution, the business the Company intends to sell, both contributed to the improved result in the second half of this year. Bisalloy's EBIT for the full year was \$28.5m and reflected excellent market conditions and record operating results in Australia and at the Company's two distribution joint ventures in Thailand and Indonesia. The outlook for this business remains very positive. As previously advised, Distribution generated an operating loss of \$17m for the full year. This business achieved improved margins and planned operating and administrative cost reductions in the second half and by year end, was operating at a break-even level.

Atlas announced on 24 June 2008 that an offer to acquire the Distribution business for approximately \$90.0m had been received from Balron Nominees Pty Limited on behalf of a consortium of investors (Balron). The Company expects to finalize formal documentation to sell the Distribution business to Balron shortly and will send to shareholders an explanatory memorandum and independent expert's report in relation to the sale ahead of a meeting to seek shareholder approval for the sale. As a result, the Distribution business has been reported as a discontinued operation in the financial results and the Company has incurred a \$54.9 impairment charge to reflect the difference between the capital employed in the business and the expected sale price and transaction costs.

Atlas intends to apply the proceeds from the sale initially to reduce net debt and subsequently facilitate the growth of Bisalloy, the Company's



continuing operation. As announced previously, Bisalloy has recently signed a letter of intent with a Chinese steel mill to develop a major quenched and tempered steel operation in China. The relationship has already proved beneficial to Bisalloy to mitigate increased prices for domestic greenfeed supply.

Given the operating loss and impairment charge incurred in relation to the Distribution business, the Company has not declared a final dividend for this year. However, after the sale of the Distribution business and the consequent improvement in the Company's reported profit and financial position, Atlas expects to resume dividend payments to shareholders.

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