



Atlas Group Holdings Limited
ABN 22 098 674 545

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8 March 2007

Company Announcements Office
Level 4, 20 Bridge Street
Sydney NSW 2000

Letter to shareholders

Attached is a letter to shareholders from the Chairman which is being mailed to all shareholders today.

Yours faithfully

A handwritten signature in black ink, appearing to read 'David Cleland', written over a white background.

David Cleland
Company Secretary

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 and construction sectors.

Competency, Consistency and Growth



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2 March 2007

Dear Shareholder

Atlas Group's results for the six months ended 31 December 2006, which were released on 28 February 2007, showed that the Company's underlying EBIT and NPAT for the period were \$8.7m and \$3.6m, respectively. These figures do represent an improvement on the results for the second half of last year. However, they remain below the levels achieved in the same period both last year and in 2005. For this reason, the Board decided to reduce the interim dividend for this year to 1.5 cents per share.

Bisalloy achieved record production in the first half this year albeit at slightly reduced margins than those realized in the same period last year (which benefited from particularly good market conditions). Overall, the Australian distribution business performed to expectations. However, Distribution's profitability was impacted by underperformance in New Zealand and Project Services and delays in the anticipated benefits from the new centralized supply chain business model.

The company has taken decisive actions to improve the performance in these areas. Mr Kym Godson, who has an in-depth knowledge of both the company and the specialty metals industry, has been re-appointed as CEO on an interim basis to allow the Board time to find a suitable replacement for Dr Martin Foreman who resigned as CEO in January 2007.

We have also made new appointments to Group Manager – Sales (a newly created position) and to lead the company's Project Services and Western Australian distribution businesses. We also anticipate new appointments in the near term to the company's New Zealand operations and centralized supply chain function.

Importantly, these remedial actions do not represent a change to the strategic direction of the company. Rather, they indicate that there is still work to do to ensure that the new processes and procedures recently introduced to the business are optimized and further refined.

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The ongoing demand from the resources sector means that the trading environment for the company's quenched and tempered steel and other specialty metal products remains positive.

Your Board remains committed to deliver growth and shareholder value to you. To this end, together with the actions taken to remedy the underperformance in some areas in the first half of this year, the company will continue to focus on:

- further capacity expansions at Bisalloy;
- increased market share in the Australian/New Zealand distribution markets;
- expanded geographic coverage in Asia; and
- opportunities for Project Services in international markets.

For the second half of this year, we expect the distribution businesses to deliver a substantially improved operating performance and Bisalloy to generate another robust result. However, as a result of the issues in the first half, we now expect underlying EBIT for the full year of \$19 – 21m.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Phil Cave'.

Phil Cave
Chairman