



Full Year Results - FY 06

August 2006

Competency, consistency, and growth





Business Transformation

“This year we went back to the basics, focusing on asset management, distribution efficiency, inventory control, and systems. Our operating cashflow of \$36.7m (-\$8.5m prior year) and reduction of debt by \$24.6m evidence our success.”

“We are working towards a substantial improvement in our safety performance.”

“The Group Supply Chain function has brought new competency and a system-based approach to inventory management (Distribution inventories down \$18.1m with improved inventory balance).”

“The underperforming Southwards Automotive business has been closed.”

“Sales from our expanded Asian product portfolio are being realised and our Project Services area has made good progress with a growing portfolio of new business.”

“A further 30% expansion to Bisalloy is on track for start-up in Oct. 06”

“Whilst it has been a difficult and disappointing result from an earnings perspective the changes we have made are fundamental to building a platform for the future sustainable success of the company.”

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 reflects this view.”

Martin Foreman – MD/CEO



Headline Results

- EBIT \$14.1m, underlying EBIT \$18.1m
- NPAT \$4.4m (loss), underlying NPAT \$6.3m
- Strong operating cash flows \$36.7m
- Net borrowings reduced by \$24.6m (to \$84.4m)
- Group inventory reduced by \$15.2m (to \$89.9m)
- Underlying EPS 6.0c
- Final dividend 3.9 cps (fully franked)
- Full year dividend 7.8 cps (fully franked)



Highlights FY 06

- New management team has driven business transformation
- Centralised Supply Chain function fully implemented
- Distribution network re-structured
 - National Distribution Centres
 - Consolidation / rationalisation of New Zealand facilities
- Improvement in financial leading indicators
 - Funds employed down \$27m (to \$144.5m)
 - Embedded cost savings (\$8.5mpa)
- Bisalloy 30% expansion announced (on track at reduced capex)
- Asian product range diversified (engineering steels)
- Project Services Group resourced and new business secured



Group Profit

We acknowledge that our earnings have been affected as we have transformed the business in testing market conditions ...

(\$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)

* before discontinued operations and one-off costs.

** 05/06 – restructuring expenses & inventory discontinuance provision. 04/05 – discount on asset acquisition & systems implementation costs

Restructuring & Discontinued Operations

Business restructuring was made against clear financial objectives that have been realised in full ...

	(\$m)	2006
One-off Costs	Distribution re-structuring expenses	(3.0)
	Inventory discontinuance provisions	(1.0)
	Tax	1.2
	Total Restructuring Costs	(2.8)

	(\$m)	2006
Discontinued Operations	Revenue	12.4
	Pre-tax Profit / (Loss)	(5.8)
	Tax	(0.1)
	Re-assessment of fair value	(1.8)
	Loss from Discontinued Operations	(7.5)

Segment Analysis

*Manufacturing performance reflects the ongoing strength of resource sector demand.
Distribution sales have been impacted by difficult markets ...*

(\$m)	2006	2005	Chg%
Sales Revenue*			
Distribution	313.6	333.2	(6%)
Manufacturing	104.1	80.7	29%
Eliminations	(25.0)	(27.6)	
	392.7	386.3	2%
EBIT*			
Distribution	5.5	18.4	(70%)
Manufacturing	18.6	13.0	43%
Unallocated	(6.0)	(5.3)	
	18.1	26.2	(31%)

* Underlying (excludes discontinued operations and restructuring costs).



Balance Sheet

Notwithstanding our equity adjustments taken for restructuring our balance sheet is now much stronger with net borrowings down by 23% and gearing at 58% ...

(\$m)	2006	2005	Var.
Receivables	65.8	91.4	(25.6)
Inventory	89.9	109.5	(19.6)
Property Plant Equipment	33.3	36.9	(3.6)
Other Assets	8.5	7.4	1.1
Payables & Provisions	(59.9)	(66.9)	7.0
Net Discontinued	6.8		6.8
Funds Employed	144.5	178.3	(33.9)
Net Borrowings	84.4	109.0	(24.6)
Equity	60.0	69.3	(9.3)
Gearing (NB / NB+Eq.)	58%	61%	(3%)

Cash Flow

Restructuring has released cash from the business reflected in a strong turnaround in operating cash flows ...

(\$m)	2006	2005	Var.
Net Operating Cash Flow	36.7	(8.4)	45.1
Net Investing Activities	(6.4)	(7.1)	0.7
- Share Issues (net)	-	13.4	(13.4)
- Dividends (net)	(6.0)	(3.6)	(2.4)
- Debt Proceeds / (Repayments)	(23.9)	2.3	(26.2)
- Other	(1.4)	(1.4)	-
Net Financing Activities	(31.2)	10.8	(42.0)
Net Cash Flow	(0.9)	(4.7)	3.8



The Atlas Group

We will move forward with a reconfigured asset base that provides the platform for the sustainable success of the company ...

Distribution

Aust. / NZ

- Metals distribution
 - 18 branches
- Metals processing
 - sheet & coil facility
 - wire & bar mills
 - Durinox
 - plasma cutting
- Technical support

Asia

- Metals distribution
 - Thailand
 - Indonesia

Manufacturing

- Bisalloy (NSW)
 - Q&T plate facility
- NZ Tube Mills
 - stainless & mild steel tube mills

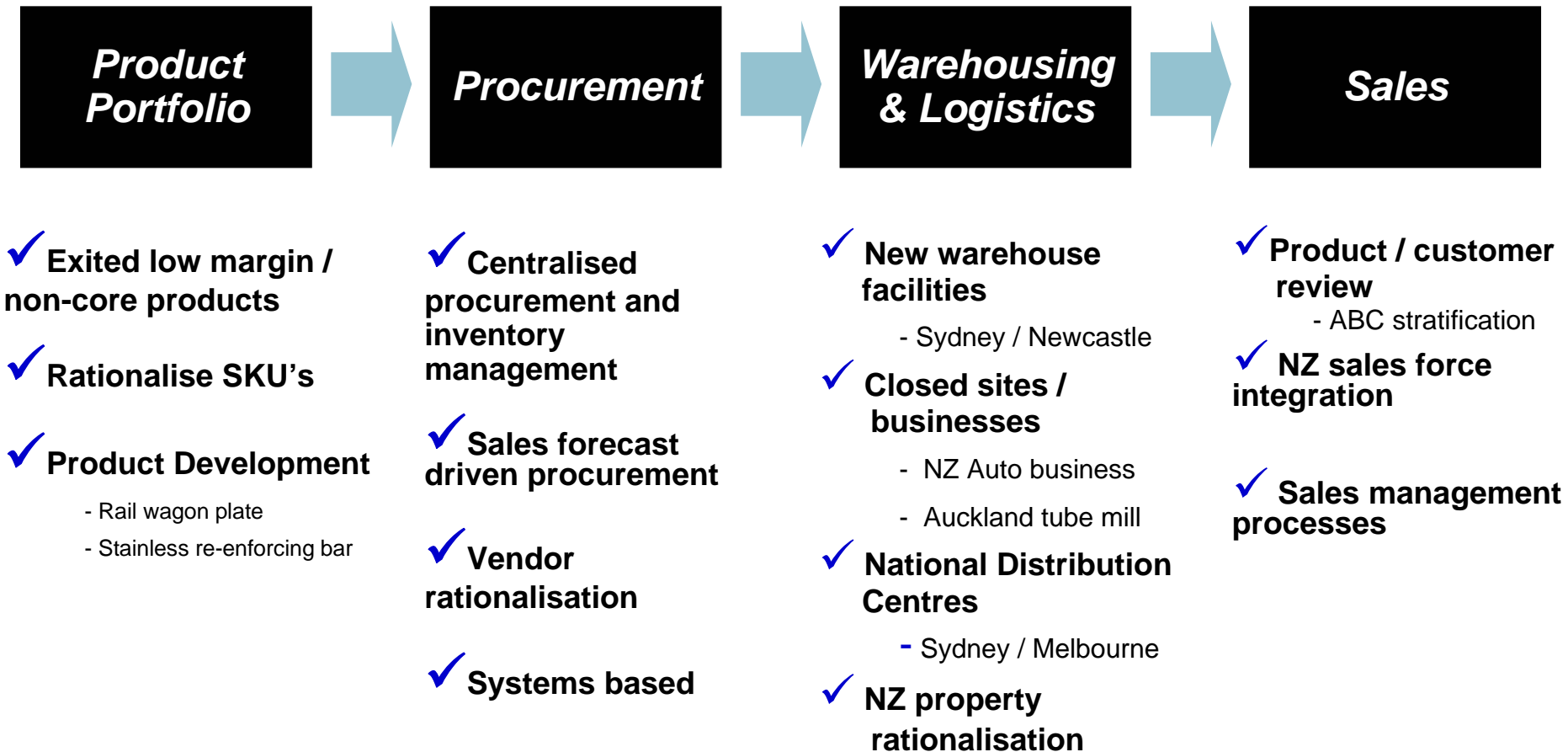
Project Services

- Project-specific distribution business
- Global customer base
- Services
 - sourcing
 - procurement
 - logistics
 - warehousing
 - materials mgmt

Competency, Consistency and Growth

Distribution Business Re-structuring

Re-structuring has impacted across all levels of the Distribution business to drive for consistent attractive returns ...



Network Optimisation

Network optimisation has built the foundation for a best practice supply chain ...

- National Distribution Centres established

We have reduced the no. of entry ports, reconfigured warehouses based on market demand, and, reduced our overall inventory position.

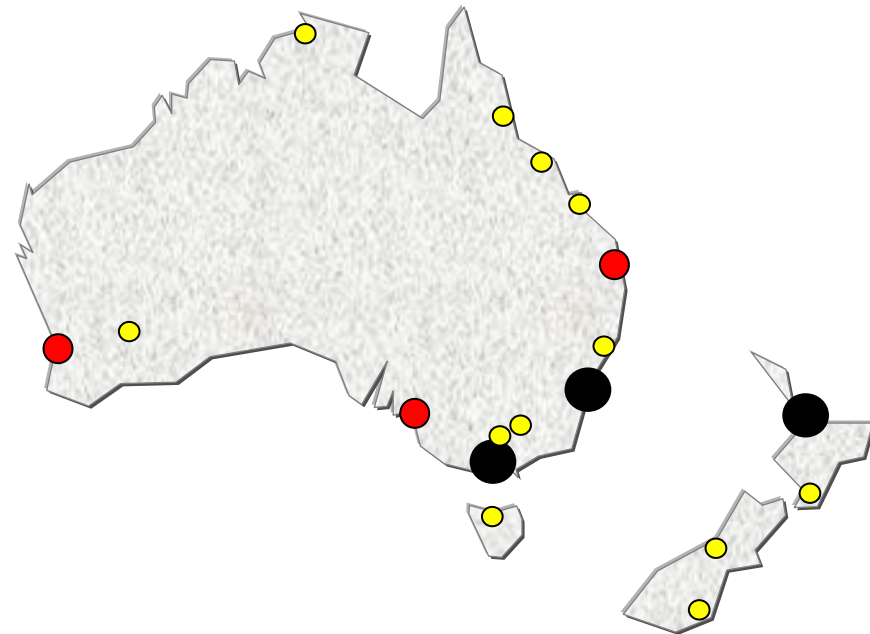
- Distribution requirement planning drives replenishment to RDC's

Our logistics operations have been reviewed to reduced the no. of transport providers, establish fixed scheduled transport services and improve customer service levels.

- Cost reduction opportunities

- Inbound shipping
- Port charges
- Group freight charges
- Warehouse operations
- Product procurement / sourcing

Australia-New Zealand Distribution Network



- National Distribution Centres (NDC's)
- Regional Distribution Centres (RDC's)
- Branches



Inventory Optimisation

Our inventory reduction has exceeded guidance and released cash from the business. We are well on track to reach the June 07 inventory target set in Feb-06 ...

Inventory Optimisation:

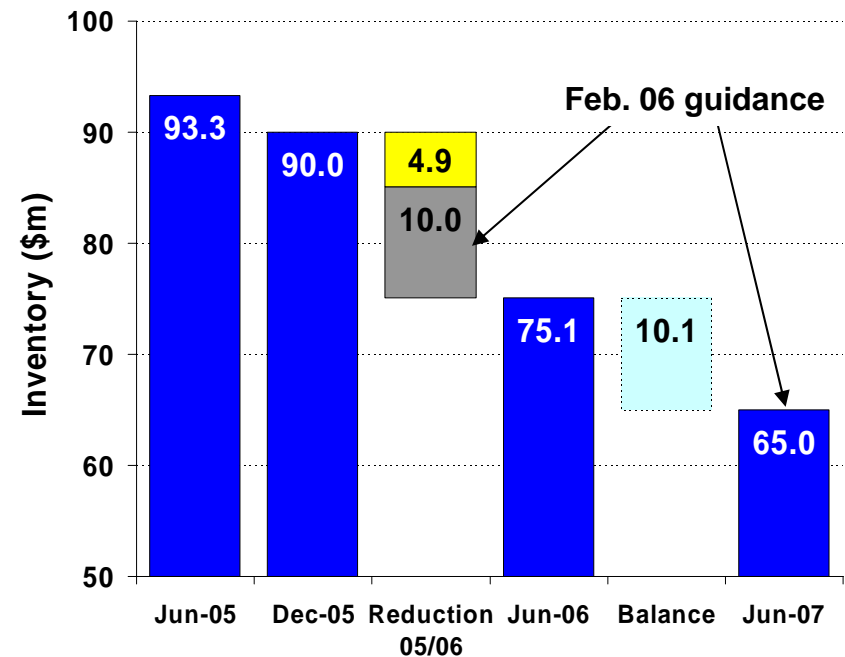
Product range has been defined by our market / customer requirements; profitability analysis; and Atlas' competitive position.

Excess stocks identified and reduced by exiting low margin products and reducing excess holdings against sales forecasts

The focus is now on balanced inventory with sales forecast driven procurement

Future inventory levels will reflect inventory balance and movement in underlying metal prices.

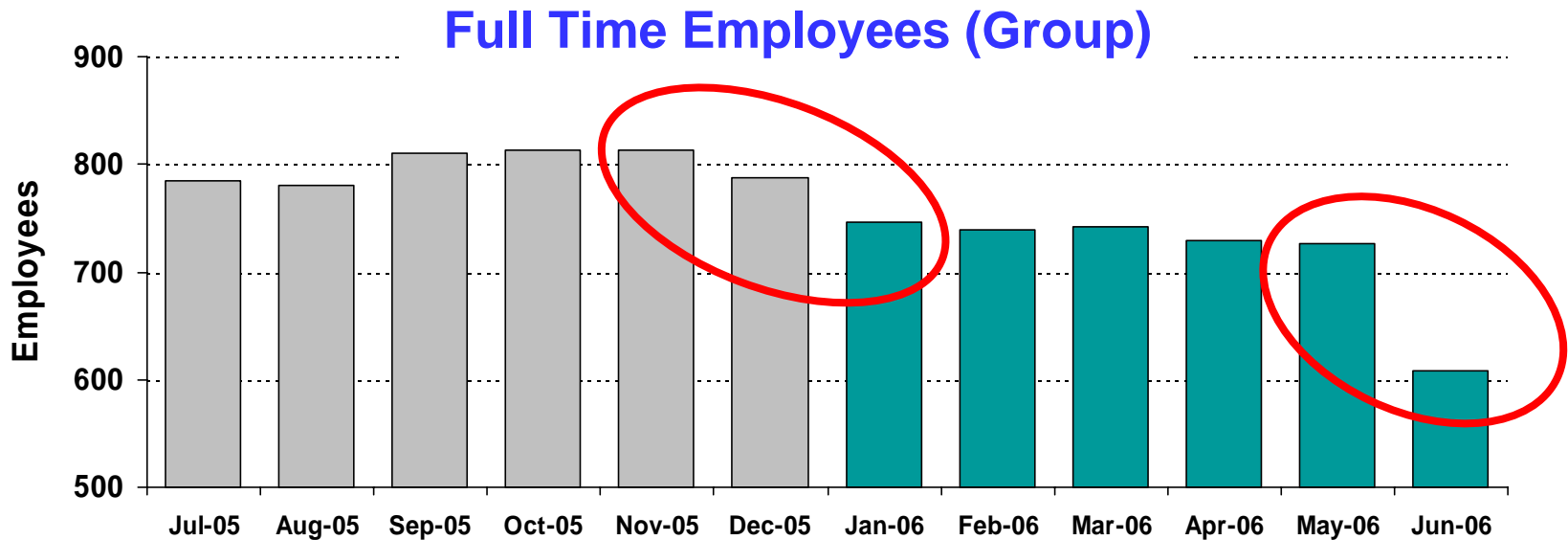
Distribution Business Inventory



Cost Reductions

Substantial embedded cost reductions have been achieved and are evidenced by the marked reduction in Group headcount ...

- Distribution re-structure (Jan/Feb 06)
 - Headcount reduction (80 positions / \$4.5m pre-tax savings)
 - \$4m associated pre-tax operational efficiencies
- Southward Automotive exit (Jun-06)



Distribution - Asia

We have leveraged Atlas Group capabilities to introduce new products to our Asian Distribution businesses and are actively investigating new products / new markets ...

Situation

- Atlas has established and profitable positions in both Indonesia and Thailand generating attractive ROCE

Opportunity

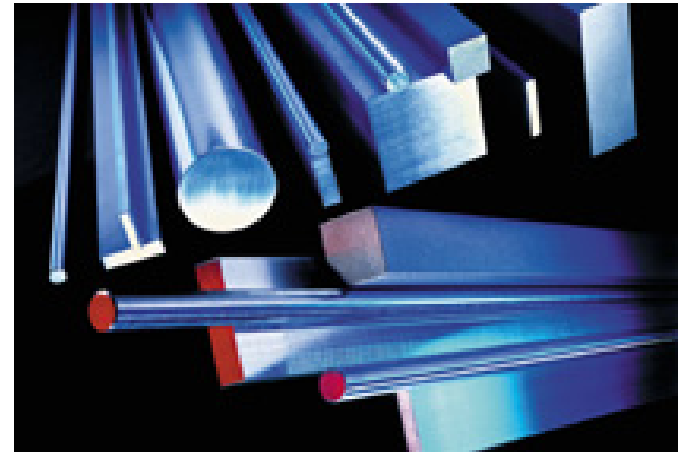
- We see low risk organic growth available in the region via continued product diversification
- Regional demand is growing in line with population growth and expanding per capita GDP's

Example

- Our entry into the Thailand tool steels market to broaden our customer base
- We have been able to lever off existing infrastructure to lower the cost of entry
- Inventory was in-place at year end and we have realised sales in Aug-06

Exploring new markets

- Recognising the potential of the regional economies and scalability of our business model we are exploring new markets such as Vietnam



Tool steels.

Manufacturing - Bisalloy

Consistent operating performance and robust resource sector demand underpin the expansion of the Bisalloy plant ...

- ROCE attractive
 - consistent results
 - resource sector exposure
 - multiple end-use applications
- Earned right to grow
- Defined growth strategy
 - furnace extension (Q4-04)
 - 2nd Shot-blaster (Oct-06)
- Longer term growth
 - additional furnace extensions
 - opportunities beyond existing assets



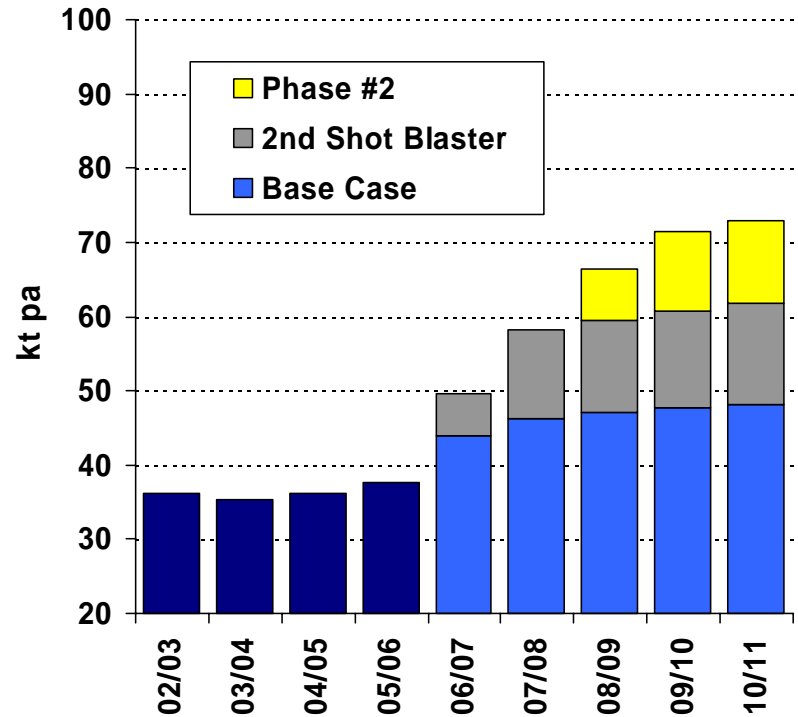
Q&T plate used for equipment maintenance

Manufacturing – Bisalloy

Expansion is on track to deliver a 30% increase in plant capability by Oct 06. Increased utilisation of current capacity will provide for a more substantial y-o-y growth in sales ...

- 30% capacity increase
 - 2nd shot blaster
- Financials
 - \$2m capex (revised down)
 - high IRR
- Low risk
 - current technology
 - operating experience
- Status
 - On track for Oct. 06 start-up

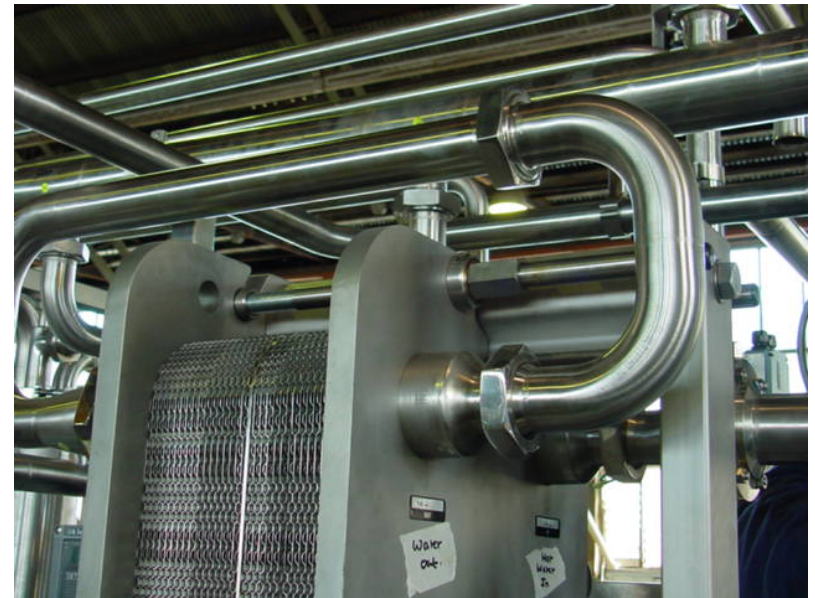
Indicative Production Profile (Unanderra)



Manufacturing - NZ Tube Mills

Our New Zealand tube manufacturing facilities have been consolidated onto a single site and we now seek to grow sales and maximise asset utilisation ...

- Tube manufacturing facilities relocated / consolidated
 - Auckland closure
 - Wellington focus
- Phase #1 cost reduction complete – more opportunity
- Focus on maximising plant utilisation
- Leverage access to Atlas distribution network
- Target markets
 - Architectural
 - Food processing



Stainless Steel Tube – Processing Application.



Project Services

Project Services is bringing new business opportunities to the Group by expanding its value proposition to include materials management services ...

- History
 - domestic focus
 - material procurement and supply
 - attractive ROCE
- New Business Model
 - supply and services to selected clients engaged in mega-projects
 - service offering extended to include supply chain and logistics management
 - resourced to understand and manage risk
- Business development
 - Marketing to a selected global blue-chip client base
 - Recent success realised
 - Materials – offshore resource sector project / domestic paper industry
 - Services – Australian chemical & energy sector
 - Project portfolio (current quotes exceed \$80m)



Summary

- New management team in place focused on shareholder returns
- Major change program implemented
 - Distribution business restructure
 - “Best practice” supply chain
- Positive change in financial leading indicators
 - Distribution inventories reduced by \$18.1m
 - Net borrowings reduced by \$24.6m
 - Embedded cost reduction (\$8.5m pa)
- Bisalloy 30% expansion on track (Oct-06) at reduced capex
- Project Services Group resourced and securing new business
- Expansion of Asian product portfolio / investigating new markets
- 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 reflects this view.



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