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ASX/MEDIA RELEASE

Bisalloy well placed for growth with 37% increase in Full Year earnings

- Net profit after tax of \$3.0m (\$0.4m in FY2010) – a \$2.6m YoY improvement
- EBITDA (before FX) for the full year of \$7.8m – up 37% for same period last year
- Operations in Thailand and Indonesia continued to make meaningful profit contributions
- Debt reduced from \$18.1m at June 2010 to \$15.8m at June 2011
- Well placed for significant earnings growth in FY2012
- Joint Venture with Jinan presents significant profit opportunities in FY2013

Bisalloy Steel Group Limited (ASX:BIS) (**Bisalloy** or the **Group**) today reported net profit after tax (NPAT) of \$3.0m (FY2010: \$417,000). EBITDA before the impact of foreign exchange movements for the full year to 30 June 2011 was \$7.8m, which is at the upper range of the guidance of \$7.5m - \$7.9m provided to the market in May 2011. This represents earnings growth of 37%, an encouraging result in what has been a challenging year for the steel industry.

The Directors have taken the decision not to pay a dividend at this time. Bisalloy has continued to focus on strengthening its balance sheet, reducing net debt by \$2.3 million to \$15.8 million (FY2010: \$18.1 million). Gearing is now at 51%.

An improvement in margins between FY2010 and FY2011 has delivered strong earnings growth, despite the continued pressure on selling prices being generated by the stronger Australian dollar.

Results Summary	FY2010 \$m	FY2011 \$m	Change %
Revenue	87.6	78.3	(10.6%)
EBITDA (before FX)	5.7	7.8	36.8%
Profit after tax	0.4	3.0	>100%
Profit attributable to members	0.0	2.4	>100%
Earnings per share – diluted (cents)	0.0c	1.1c	>100%
Final dividends per share	0.0c	0.0c	0%

The Australian quenched and tempered steel market during FY2011 proved highly competitive as the strengthening of the Australian dollar increased the attractiveness of the local market to overseas producers, who were often dealing with weaker demand in their own economies. The domestic market has also been impacted by the leakage to off-shore manufacturing of mining equipment and components required within Australia for the current mining boom. In



the past, many of these components had been manufactured within Australia but the high Australian dollar has encouraged the transfer of this manufacturing activity overseas. Bisalloy has however been successful in using the stronger Australian dollar to reduce input costs by sourcing a significant proportion of steel plate from its overseas suppliers.

Bisalloy's operations in Indonesia and Thailand both made meaningful profit contributions in FY2011. In particular, the Indonesian market continued to leverage off the strong resource based activity in the archipelago.

Funding and Cash Flow

The Group remained focused on reducing its debt, and at 30 June 2011, this has reduced to \$15.8m (30 June 2010: \$18.1m). Debt reduction will be an ongoing focus for Bisalloy in FY 2012.

Net working capital (excluding cash and borrowings) had been reduced to \$14.1m at 30 June 2011 (30 June 2010: \$15.2m), as the Group rebalanced its inventory levels from a build up to 31 December 2010. Cash generated by operating activities for the year was \$3.5m.

Bisalloy's financiers remain supportive of the company and the company's financing facilities are not due for renewal until October 2012.

Joint Venture with leading Chinese steel group

Bisalloy has recently announced a joint venture with a subsidiary of one of China's top 10 steel groups, Jinan Iron & Steel Co. Ltd, providing access to at least 150,000 tonnes of quench and tempered steel processing capacity, which is more than double Bisalloy's current capacity. This joint venture will provide Bisalloy an immediate ability to penetrate new markets utilising a cost effective manufacturing base with only a modest capital investment of US\$1 million. The combination of the Bisalloy intellectual property and brand name with Jinan's new German designed plant and their manufacturing capabilities has presented Bisalloy with a unique growth opportunity to transform the Company.

Outlook

The Directors believe that the underlying strength of the Australian dollar will see the domestic quench and tempered steel market remain attractive to overseas producers and will provide challenges in maintaining Bisalloy's export markets. The proven strategy of sourcing an appropriate proportion of greenfeed from overseas suppliers will however give Bisalloy the ability to compete effectively in this environment. As such, Bisalloy can further significantly improve earnings in FY2012.

The Directors expect the joint venture to be producing commercial volumes by the second quarter of FY2012 and make a substantial contribution to Group profits from FY2013. A further update on the progress of the joint venture will be provided at our Annual General Meeting in November 2011



The Managing Director, Mr Terpening, commented: "Profit for the year has been pleasing, and in a challenging environment for the steel industry, 35% earnings growth is particularly encouraging. Also pleasing is the continued reduction of our debt and the transformational joint venture deal with Jinan."

"Despite challenging market conditions, the board has sound reasons for continued optimism for growth and progress during FY2012 and we look forward to updating the market on our developments."

Strategic Review

The Directors believe that the Group's current share price does not appropriately reflect the underlying value of the Group and accordingly, intend to undertake a review of the Group's strategic options with a focus on optimising shareholder value. All options will be considered as part of this review, including consolidation opportunities.

-ENDS-

Bisalloy is Australia's only manufacturer of high-strength structural, wear-resistant and armour steel plates using quenched and tempered steel. Bisplate is used in the mining, construction, general fabrication and defence sectors. Bisalloy has an extensive distribution network across Australasia Indonesia, Thailand and the People's Republic of China. See our website at www.bisalloy.com.au.

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