



10 December 2004

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

**Atlas raises \$11.5 million to acquire remaining 50% of Pacific Stainless Processors Pty Ltd (“PSP”).**

Atlas Steels (Australia) Pty Ltd (“Atlas”), a wholly owned subsidiary of Atlas Group Holdings Limited, and Arcelor Stainless International (“Arcelor”) have reached an agreement whereby Atlas will acquire the 50% of PSP which is currently owned by Arcelor. The agreement is subject to formal approval by the Arcelor Board, which is expected to be forthcoming.

The acquisition cost of \$4 million is being funded through a placement to institutional, professional and sophisticated investor clients of Bell Potter Securities Limited. The placement will raise approximately \$11.5 million by the issue of 10.5 million shares each at an issue price of \$1.10. Of the remaining funds raised \$3 million will be used for investment in new capital equipment at PSP and the balance will be used for working capital and debt reduction.

**About PSP**

PSP operates a coil processing and service centre at Warragamba, NSW where the large majority of its business is committed to servicing Atlas’ coil processing requirements. PSP is an integral component of Atlas’ overall business, whose capabilities give Atlas a strategic advantage in the market place. Up until now PSP has operated as a 50:50 joint venture between Atlas and Arcelor.

The acquisition of the PSP shares Atlas does not own has benefits for Atlas including:

- improving operating performance as PSP will now fall under direct Atlas management control;
- position Atlas to expand and add value to its processing capabilities in line with its broader business strategies; and
- trading terms with Arcelor will remain unchanged.

The purchase by Atlas of the PSP shares held by Arcelor and shareholder loans advanced to PSP by Arcelor will be at a net cost of approximately \$4 million. In addition, Atlas intends to invest a further \$3 million in new capital equipment at PSP, bringing the total outlay by Atlas to \$7 million. The purchase is expected to be completed prior to 31 December 2004.



### **Update on Trading and Operations**

As indicated at our recent Annual General Meeting, Atlas has seen a continuation of generally good trading conditions, with stainless steel prices having remained strong. This has, in the first few months of the year, supported the maintaining of the strong earnings levels with which we ended the 2004 financial year. As a result, we are confident of delivering a significant improvement in our first half profit and expect to maintain the underlying earnings growth of the Company for the year as a whole. Atlas is comfortable with consensus estimates of \$11.5 million - \$12.1 million reported net profit after tax for the current financial year.

The integration of the Southward Engineering businesses with Atlas' distribution operations has continued to plan. On 1<sup>st</sup> November 2004 Atlas successfully "cut-over" its distribution operations onto a new SAP computer system. The successful implementation of SAP, has given Atlas a resource that will allow it to develop and improve its business in countless aspects, covering processing efficiency, business control, management information, communication, working capital management, customer relationships and many more. Most importantly, Atlas now has a computer platform to properly support the future strategic development and growth of its business.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Kym Godson'.

**Kym Godson**  
**Managing Director**