



Investor Update  
March 2011

## Who we are

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- ✓ Australia's only manufacturer of quenched and tempered ("Q&T") steel plate
- ✓ 'Bisplate' Q&T steel brand has premier market recognition in Australia and many parts of Asia
- ✓ Extensive distribution network across Australia, Indonesia and Thailand
- ✓ Customer base diversified across the mining, construction, general fabrication and defence sectors
- ✓ Highly efficient manufacturer with growth potential domestically, regionally and in niche products, such as armour and structural applications.

## How we are structured

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### Bisalloy Steel Group

#### Bisalloy Steels

#### Bisalloy Asia

#### Bisalloy Steels

- Australia's only manufacturer of high strength structural and wear resistant Q&T steel plate (Bisplate®) for Australian and international markets
- Purpose built facility at Unanderra, NSW

#### Bisalloy Asia

- Distribution in Thailand and Indonesia via majority ownership in local companies.
- Representative office in Vietnam

## What we do

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- World class, continuous flow processing plant in Unanderra, New South Wales with a theoretical capacity of around 65,000 tonnes per annum.
- Raw material, in the form of steel plate (i.e. “greenfeed”), sourced from multiple steel mills located both domestically and overseas.
- Greenfeed heated and rapidly cooled so as to alter grain structure of the steel plate to achieve desired physical properties.
- Product quality and cost competitive output highly dependent on:
  - IP associated with greenfeed and production processes
  - Reliability and suitability of the continuous processing equipment
  - Quality and experience of the management and workforce
- Q&T products sold under the Bisplate® brand through network of distributors across Australia and New Zealand, subsidiaries in Indonesia (60% ownership) and Thailand (85% ownership) and agents elsewhere in the world.

## Financial performance

|                     |            | <u>FY09*</u> | <u>FY10</u> |           | <u>FY11</u> |
|---------------------|------------|--------------|-------------|-----------|-------------|
|                     |            | <u>H2</u>    | <u>H1</u>   | <u>H2</u> | <u>H1</u>   |
| Revenue             | <b>\$m</b> | 29.3         | 39.6        | 48.0      | 40.4        |
| EBITDA              | <b>\$m</b> | 1.9          | -0.4        | 5.7       | 5.0         |
| NPAT                | <b>\$m</b> | 0.2          | -2.0        | 2.4       | 2.0         |
| EPS (diluted)       | <b>cps</b> | 0.0          | -1.0        | 1.0       | 0.8         |
| Operating cash flow | <b>\$m</b> | -7.2         | 6.7         | 7.3       | -1.1        |

\*FY09 excludes losses from disposal of Distribution business which was sold in November 2008.

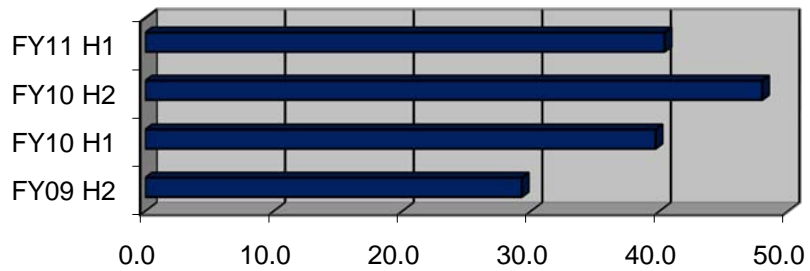
## Financial performance - cont

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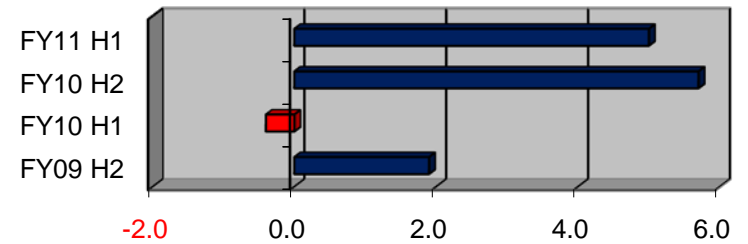
- Strong margin recovery from first half of FY2010:
  - high priced inventory cleared from the system.
  - strategy to diversify suppliers delivered competitively priced greenfeed.
  - tonnes produced increased by 33% and sales tonnes up 16%.
  
- Trading conditions not as strong as the second half of FY2010:
  - 20% appreciation of Australian dollar increases attractiveness of quench & tempered steel market to overseas producers who are facing weak demand in their domestic economies.
  - Strong Australian dollar restricts development of export markets during the period.
  - Subdued global armour demand.
  - Domestic steel market held back by significant competition from off-shore manufacturers of mining equipment and components.
  
- Build up in inventory generates negative cash flow in FY11 H1.

# Financial summary

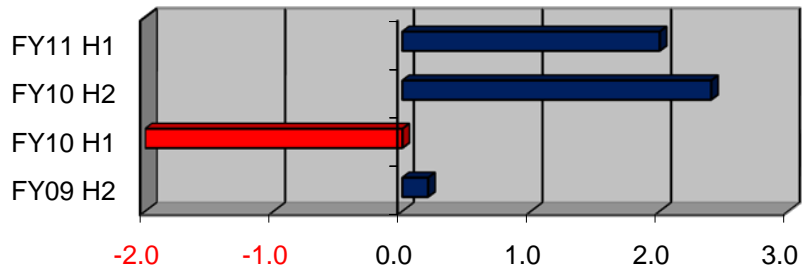
Revenue



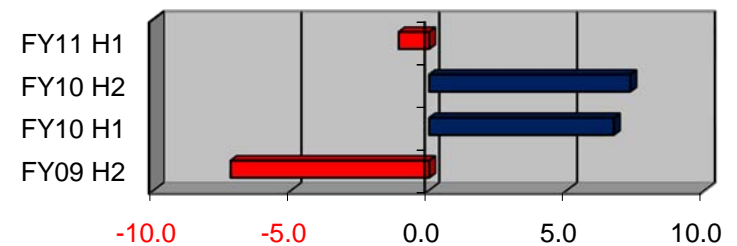
EBITDA



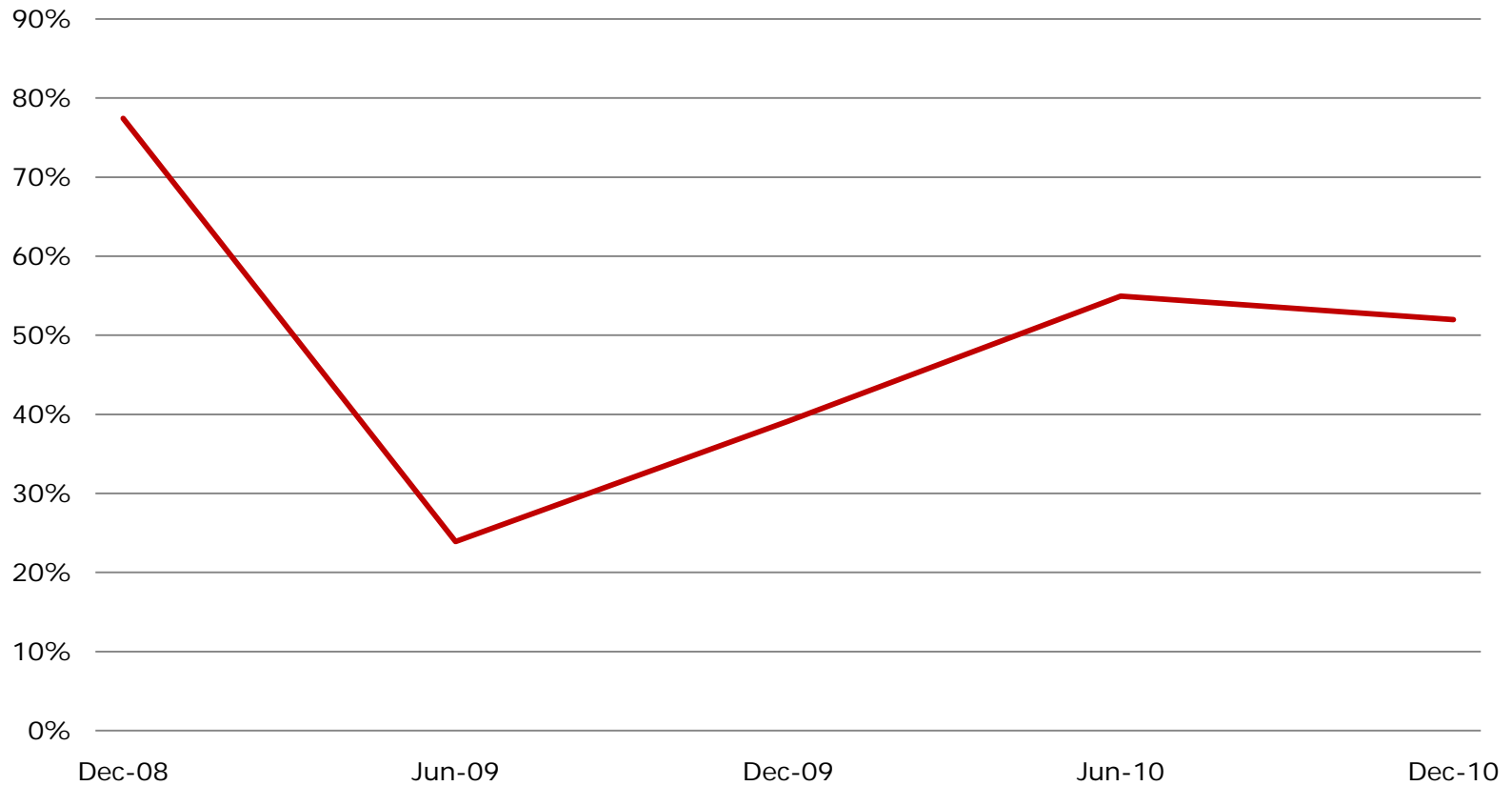
NPAT



Operating Cash Flow



## 6 month average capacity utilisation



**6 Month Average Production as percentage of plant capacity**



## Balance sheet performance

|                                     |            | <u>June-09</u> | <u>Dec-09</u> | <u>June-10</u> | <u>Dec-10</u> |
|-------------------------------------|------------|----------------|---------------|----------------|---------------|
| <b>Total equity</b>                 | <b>\$m</b> | 6.3            | 8.4           | 11.9           | 11.9          |
| <b>Total borrowings</b>             | <b>\$m</b> | 34.5           | 24.7          | 18.1           | 19.6          |
| <b>Gearing (debt/debt + equity)</b> | <b>%</b>   | 85%            | 75%           | 60%            | 62%           |
| <b>Working Capital</b>              | <b>\$m</b> | 27.2           | 17.9          | 14.3           | 16.9          |
| <b>Bank Facilities (secured)</b>    | <b>\$m</b> | 52.0           | 52.0          | 32.0           | 32.0          |
| <b>FX facilities (unsecured)</b>    | <b>\$m</b> | 0.0            | 6.0           | 17.75          | 19.75         |

## Balance sheet performance - cont

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- Increase in inventory from:
  - set up of distribution centre in West Australia and stock build in New South Wales to improve delivery times to customers.
  - slowing domestic demand. This inventory has been acquired at competitive rates and surplus inventory will clear during H2.

The increase in inventory generated increased borrowings of \$1.5m to \$19.6m at 31 December 2010.
  
- Working capital control remains key focus of management.
  
- Strengthening Australian dollar has reduced value of investments in Asian subsidiaries which has impacted equity by \$1.5m over the period.
  
- Capital expenditure in first half of FY11 held at \$1.1m. Based on current outlook, management expects capital expenditure to be between \$1.5m and \$1.8m for the full year, with focus on further improving quality and continuous improvement in plant reliability.

## Safety performance

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- STAR Safety Program is focused on risk assessment and preventative measures.
- Lost Time Injury Frequency Rate (LTIFR) at 4.0 for the Group (FY09 - 3.9; FY08 – 15.5).
- One LTI recorded in the Australian operations in FY10.
- Asian operations remain LTI free for the sixth consecutive year.

## Growth initiatives

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- Growth in resources demand will underpin both maintenance and new capital equipment requirements.
- Targeted initiatives to build presence and deliver market share growth in West Australia are proving successful.
- Stock holding strategy being rolled out will significantly improve delivery times to customers.
- Roll-out to market in Q3 of increased range of wear grade plate which eliminates gap in product portfolio.
- Specialist sales team set-up to develop opportunities for armour plate.
- Increase exposure to structural applications through inclusion in AS4100 - 1998 Steel Structures standard.
- Source greenfeed both domestically and internationally to maximise opportunities from global steel pricing while reducing risk from single dominant supply relationship.



- The Company operates within the steel sector, with its marketing mix indicating a strong leverage to the resource sector.
- The Australian domestic steel industry has faced subdued demand in the face of a strong Australian dollar and significant competition from off-shore manufacturers with lower cost labour. Despite these subdued trading conditions, Bisalloy has been able to secure increased margins, in part supported by increasing the proportion of steel plate sourced from overseas.

The Directors outlook is that Bisalloy's performance in the second-half of FY2011 will continue to be affected by any further upward movement in the Australian dollar, the level of confidence in the domestic manufacturing and construction sectors and the speed of recovery in mining regions adversely impacted by recent environmental extremes.

## Our business model



## Performance drivers

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### Performance drivers vary across the business.

- The Australian processing operation is volume and margin driven:
  - Largest component of cost is raw materials (approximately 80% of total cost at historical volumes)
  - Simple variable cost structure (freight, energy, overtime)
  - Modest fixed cost base. Less than 80 full-time employees.
  - Movement of the A\$ impacts both competitors pricing and greenfeed input costs
- The Asian distribution businesses also driven by volumes and margins, however:
  - Distribution cost structure, low fixed cost base
  - No processing activity, therefore minimum variable cost other than cost of product.

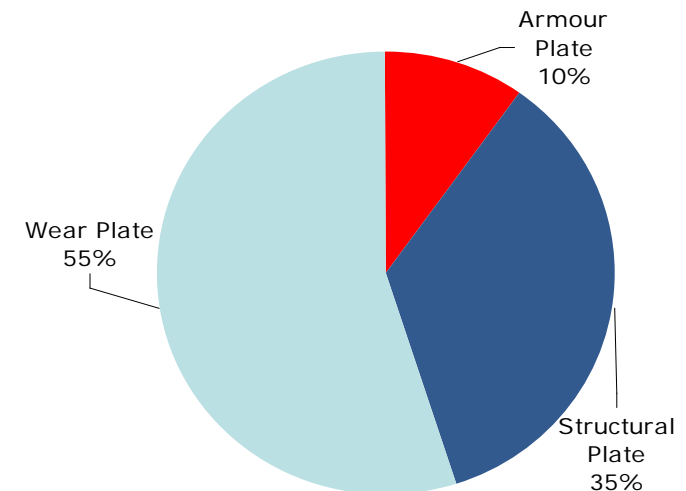
## Product mix

Products diversified across industries and applications.

### KEY PRODUCTS

- **Wear plate** – Bisplate 400, 450, 500 for mining applications such as dump trucks and dragline buckets
- **Structural plate** – Bisplate 60, 70, 80, 80PV for applications such as booms on cranes and other light weight/high strength applications
- **Armour plate** – Bisplate HHA, HTA, UHTA, HIA Class 1 & 2 for applications such as armoured personnel carriers

### PRODUCT BY TONNES\*



\* Historically





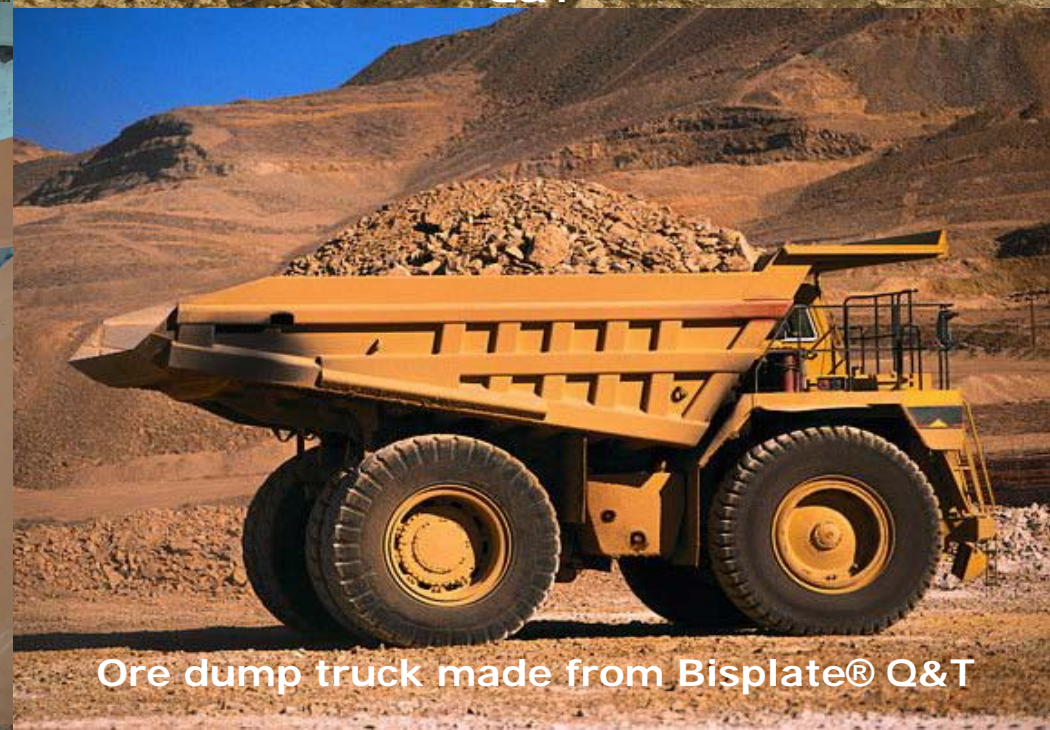
Side Loader made from Bisplate® Q&T



"Bushmaster IMV" made from Bisplate® Q&T



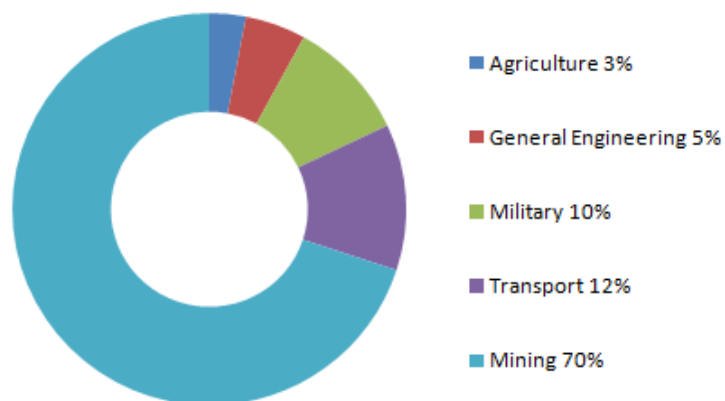
Lining plates made from Bisplate® Q&T



Ore dump truck made from Bisplate® Q&T

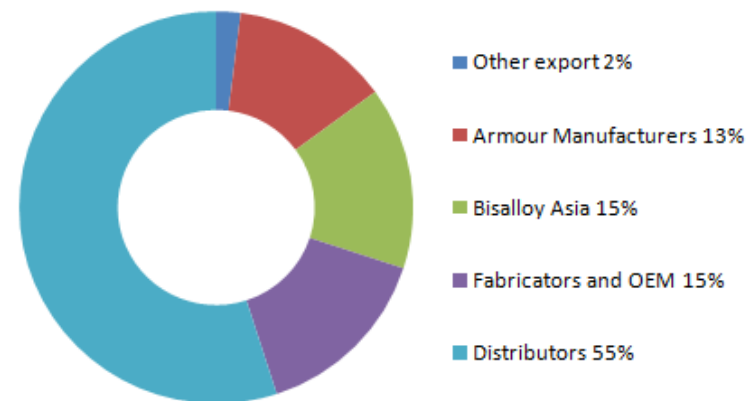
# Marketing mix

## Industry Sectors



- \* Leveraged to the resource sector
- \* Armour plate for military applications
- \* Exposure to high growth Asian markets including Indonesia and Thailand.

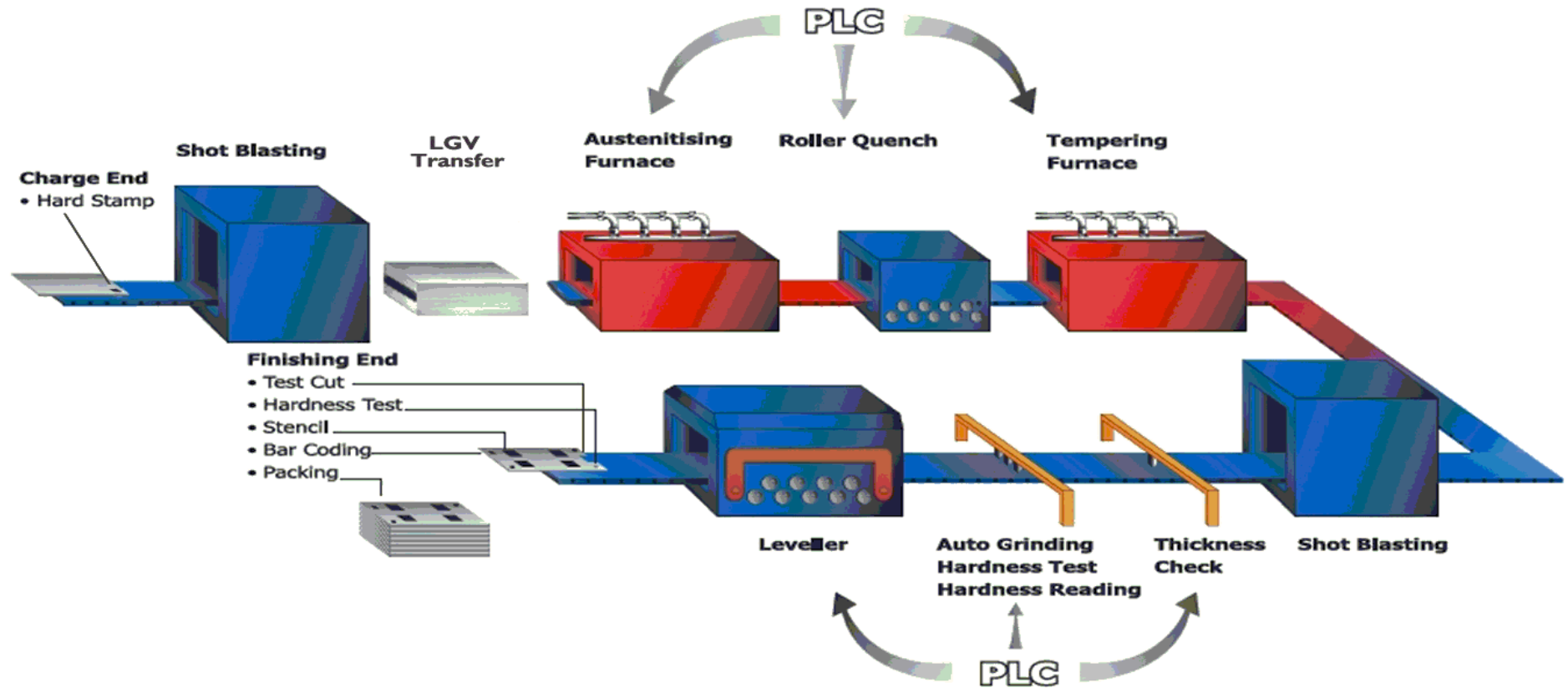
## Customer Groups



- \* Domestic customers 70%
- \* Exports 30% - including Bisalloy Asia and international armour manufacturers

- historical average

# Bisplate® Process Flow



## Information

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Further information can be obtained from our web site:

[www.bisalloy.com.au](http://www.bisalloy.com.au)

or by contacting:

David MacLaughlin

Company Secretary/CFO

[david.maclaughlin@bisalloy.com.au](mailto:david.maclaughlin@bisalloy.com.au)

Robert Terpening

Managing Director

[robert.terpening@bisalloy.com.au](mailto:robert.terpening@bisalloy.com.au)

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