



# Business Presentation

February 2010

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- STAR Safety Program continues to focus on zero harm
- Following on from the safety statistics improvement in the last financial year, Bisalloy Group can report another six month period Lost Time Injury (LTI) free
- As well as the aim of a safe workplace, Bisalloy Group actively pursues opportunities to achieve environmentally friendly process improvements that reduce waste and minimise energy consumption.

# 1HY10 Results - Overview

## FINANCIAL RESULTS (Half Year to 31 Dec 2009)

Group Statutory Reporting Basis	1HY10 \$'m	2HY09 \$'m	1HY09 \$'m
<b>Continuing operations</b>			
Revenues	39.7	29.3	79.7
Earnings before interest and taxes (EBIT)	(0.9)	1.3	31.1
Net financing costs	(1.8)	(1.6)	(0.8)
Earnings before tax (PBT)	(2.6)	(0.3)	30.3
Income tax expense	0.7	2.4	(10.2)
Net profit/(loss) after tax (NPAT) <i>from continuing operations</i>	(2.0)	2.1	20.1
Loss from discontinued operations	-	(5.8)	(20.3)
Net loss after tax	(2.0)	(3.7)	(0.2)
Minority interests	(0.1)	-	(0.4)
Net loss after tax <i>attributable to members</i>	(2.1)	(3.7)	(0.6)

## HIGHLIGHTS

- Revenues in the half year were \$39.7m, \$10.4m or 35% higher than the previous six month period and reflecting a gradual improvement in Bisalloy's markets. Armour plate revenues exceed budget in the half year.
- Normalised EBIT was a loss of \$0.5m in the half year, compared to an EBIT loss of \$1.0m in the previous six month period.
- During the half year period, working capital was reduced by \$9.7m and borrowings were reduced by \$11.5m.
- Bisalloy's Asian operations in Indonesia and Thailand remained profitable in 1HY10 recording NPAT of \$0.3m compared to NPAT of \$1.4m in the previous corresponding period.
- The gradual improvement evident in Bisalloy's markets during the first half has so far continued into the second half.
- It is expected that the company will deliver an operating profit for the full financial year.

# 1HY10 Results – Half on Half

## Results Summary - Bisalloy Steel Group Limited results for the half year ended 31 December 2009 (1HY10)

Normalised Reporting Basis	1HY10	2HY09	1HY09
	\$'m	\$'m	\$'m
<b>Continuing operations only</b>			
Revenues	<u>39.7</u>	<u>29.3</u>	<u>79.7</u>
Earnings before interest and taxes (EBIT)	(0.9)	1.3	31.1
FX (gains)/losses	0.4	1.4	(17.8)
(gain)/loss on sale of the Distribution Business	-	(3.7)	3.7
Normalised EBIT from continuing operations	<u>(0.5)</u>	<u>(1.0)</u>	<u>17.0</u>

- Normalised EBIT loss of \$0.5m in the period compared an EBIT loss of \$1.0m in 2HY09.

- FX losses of \$0.4m in the period.

# Balance Sheet

	31-Dec-09	30-Jun-09	Chg
	\$'m	\$'m	\$'m
Property, plant and equipment	12.2	12.2	0.0
Trade debtors & other assets	16.9	11.3	5.7
Inventories	15.0	27.9	(12.9)
Trade creditors & other liabilities	(11.6)	(9.8)	(1.9)
<b>Net Operating Assets</b>	<b>32.5</b>	<b>41.6</b>	<b>(9.1)</b>
Borrowings	(24.7)	(36.2)	11.5
Cash	1.2	1.8	(0.6)
Net other assets/(liabilities)	(0.6)	(0.9)	0.3
<b>Net Assets</b>	<b>8.4</b>	<b>6.3</b>	<b>2.1</b>
Share capital	65.5	60.6	4.9
Retained losses	(59.2)	(57.1)	(2.1)
Other reserves	2.1	2.8	(0.7)
<b>Total Equity</b>	<b>8.4</b>	<b>6.3</b>	<b>2.1</b>

- Inventories reduced to \$15.0m from \$27.9m at 30 June 09 and \$37.6m at 31 Dec 2008
- Trade debtors increased by \$5.7m as sales volumes start to improve
- Borrowings reduced by 32% to \$24.7m
- Share placement raises \$4.9m

# Cash Flow

	1HY10	2HY09	1HY09
	\$'m	\$'m	\$'m
Net trading receipts/(payments)	8.4	(6.8)	16.4
Finance costs	(1.7)	(2.0)	(4.5)
Taxes paid/(refunded)	0.0	1.6	(1.3)
<b>Net Operating Cash Flow</b>	<b>6.7</b>	<b>(7.2)</b>	<b>10.6</b>
Business disposal proceeds	0.0	(6.9)	80.0
Capital expenditure	(0.5)	(0.0)	(2.3)
<b>Net Investing Cash Flow</b>	<b>(0.5)</b>	<b>(6.9)</b>	<b>77.7</b>
Repayment of borrowings (net)	(11.5)	(7.1)	(87.4)
Share issue	4.9	19.7	0.0
Minority dividends	(0.2)	0.0	0.0
<b>Net Financing Cash Flow</b>	<b>(6.8)</b>	<b>12.6</b>	<b>(87.4)</b>
Net increase/(decrease) in cash	(0.6)	(1.5)	0.9
Cash b/f	1.8	3.3	2.4
Cash c/f	<u>1.2</u>	<u>1.8</u>	<u>3.3</u>

- Net operating cash inflow of \$6.7m
- Capital expenditure of \$0.5m, mostly attributable to replacement of shot blaster
- Borrowing repaid by \$11.5m
- Share issue proceeds of \$4.9m received.
- Minority dividend paid of \$180k

## Growth Strategy

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### **Domestic volume, new geographic markets and production capabilities.**

- Resources demand growth will underpin both maintenance and new capital equipment requirements
- Increase exposure to structural applications through AS 4100 - 1998 Steel Structures standard inclusion
- New product developments into higher strength steels and range extension
- Armour plate growth domestically and internationally
- Implement sales strategies into other Asian Q&T markets
- 24/7 production at Unanderra as required, without additional capital expenditure
- Dual sourced greenfeed supply based on technical competency and value proposition
- Intellectual property provides opportunity for second Q&T production facility



## Outlook

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- The Company operates within the steel sector which is recovering from the GFC and its marketing mix indicates a strong leverage to the resource sector which has a long term growth potential (i.e. emerging market industrialisation and urbanisation expected to underpin demand for commodities)
- Market analysis indicates the steel sector implemented aggressive production cuts and accelerate inventory reductions during 2HY09. During 1HY10 production volumes increased and pricing appears to have stabilised
- Despite potential steel input cost increases, the Company believes margin recovery can be achieved.

With market conditions having stabilised and resources recovering, the steel sector has experienced some tentative improvement. With these factors continuing, along with the improvements in debt and equity markets, the Company believes a general recovery is underway. Accordingly, the Company expects to deliver an operating profit for the full year.

## Summary

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- ✓ Australia's only manufacturer of quenched and tempered ("Q & T") steel plate
- ✓ Leading 'Bisplate' brand the generic name for Q & T steel in Australia and many parts of Asia
- ✓ Extensive distribution network across Australia, New Zealand, Indonesia and Thailand
- ✓ Customer base diversified across the mining, construction, general fabrication and defence sectors
- ✓ High barriers to entry and leverage to resource sector recovery and infrastructure led growth



**Delivering against expectation...**

# Business Overview

## 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 joint venture agreements
- Representative office in Vietnam

## Operations Overview

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- Bisalloy Steels Australia is the primary processing operation – Q&T plate produced south of Sydney at the Unanderra facility
- Raw material / steel plate (“greenfeed”) sourced from several steel mills located in Australia and China
- Greenfeed heated and rapidly cooled so as to alter grain structure of the steel plate to achieve desired physical properties
- Significant barriers to entry – 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, JVs in Indonesia and Thailand and agents elsewhere in the world

## 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
  
- 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

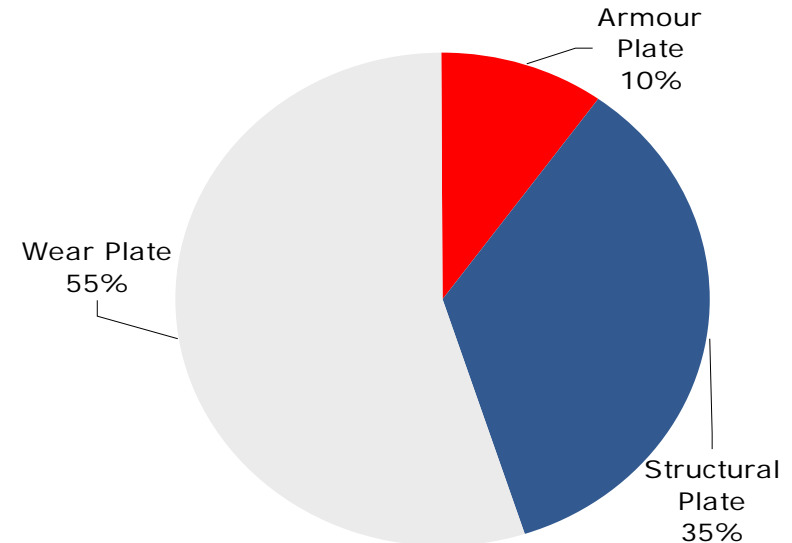
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Products diversified across industries and applications.

### 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\*



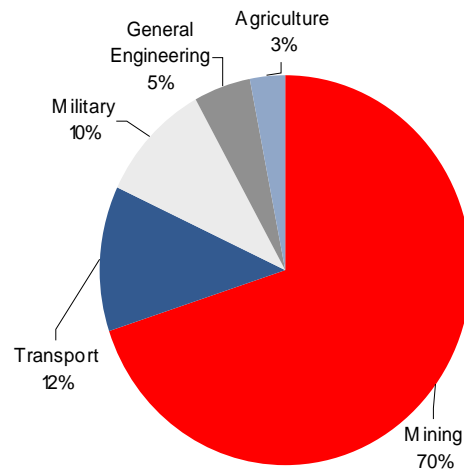
\* Historically



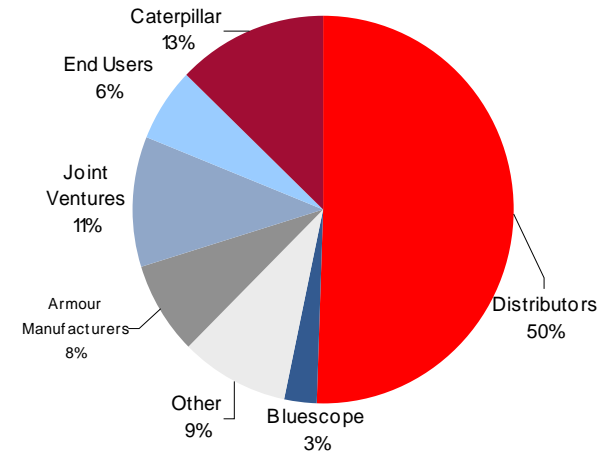
# Marketing Mix

Revenues diversified across industries and customers.

INDUSTRY SECTORS\*



CUSTOMERS\*



- Leverage to resource sector and infrastructure led growth
- Expanding military applications for armoured plate
- Exposure to high growth Asian markets including Thailand and Indonesia

- Domestic customers (~ 70%) include Caterpillar and local distributors (e.g. OneSteel, BlueScope and Southern Steel Group)
- Exports (~ 30%) include Bisalloy Asia and international armour manufacturers
- Normalised plate for BlueScope

\* Historically