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ASX/MEDIA RELEASE

Bisalloy's Earnings in Line with Guidance

- Normalised EBITDA (before restructure costs) of \$2.5m - in line with guidance
- One off restructure costs of \$1.2m before tax incurred during the year.
- Chinese Joint Venture behind expectations, however remains profitable and second dividend received.
- Net debt of \$10.1m.
- Group positioned to benefit from recovery in demand as newly completed resource projects increase production output.

Bisalloy Steel Group Limited (ASX:BIS) (**Bisalloy** or the **Group**) today reported Normalised EBITDA (including a contribution from the Chinese Joint Venture before local taxes and finance charges), of \$2.5m (FY2013 \$8.4m), in line with guidance. This normalised result is before a one-off restructure cost of \$1.2m in relation to the Australian operations. The reduction in earnings is in line with Bisalloy's guidance to the market and is attributable to the macro-economic conditions and the impact of dumping by overseas exporters in the markets in which the Group operates, especially Australia.

Results Summary	FY2014 \$m	FY2013 \$m	Change %
Revenue	55.1	80.6	(32%)
Normalised EBITDA ⁽¹⁾	2.5	8.4	(70%)
(Loss)/Profit after tax	(1.4)	3.8	(137%)
(Loss)/Profit attributable to members	(1.7)	3.5	(149%)
Earnings per share – diluted (cents)	(3.7)	7.9c	(147%)

(1) Normalised EBITDA includes gross contribution from the CJV before local taxes and finance charges and is before restructure costs of \$1.2m.

Trading Overview

The challenges confronting businesses providing services and materials to the resources sector have continued through FY2014 with sharply reduced spending on new projects and minimised spending on repairs and maintenance. Decreases in global market prices for key Australian exports including iron ore and coal have contributed to the reduced willingness of resource companies to commit to anticipated levels of operating expenditure. However, the increases in production being reported across many areas of the resource sector is expected in due course to lead to increased demand for steel, including Q&T plate, for on-going repairs and maintenance. The timing for any recovery in demand for Q&T plate remains unclear and the benefits to Bisalloy from this increased demand may be delayed as the Q&T steel supply chain must first clear the significant levels of overstocking by our competitors.

Bisalloy's concern that overseas steel producers were targeting the Australian Q&T market for



their surplus production and unfairly pricing Q&T steel plate into the Australian market has been confirmed by the preliminary affirmative determination of an investigation by the Australian Anti-Dumping Commission ('ADC'). The ADC has found significant dumping margins and imposed interim anti-dumping duties ranging between 13.6% and 26.1% on exported Q&T plate from various countries to offset the injury being caused to the Australian industry. Securities are now required to be lodged in respect of these interim duties for Q&T exports to Australia from Sweden, Japan and Finland, pending finalisation of the investigation which is currently due in October 2014. The injury caused by unfair dumping practices is exacerbated in times of a declining market and this has been reflected in the decline in earnings reported by Bisalloy for FY2014.

Bisalloy's distribution operations in Indonesia and Thailand continued to operate profitably over the year and are an important gateway into these developing markets for the Group. The resources and manufacturing industries in those countries were also affected by the same commodity price volatility and market uncertainty experienced in Australia and both operations are currently diversifying their customer base to reduce the impact of this volatility.

Chinese Joint Venture (CJV)

The underlying profitability of the CJV has allowed for two dividends to be received by the Group in this financial year at a combined total of \$755,000, which after withholding taxes is equivalent to 63% of the Groups original investment. The Board remains confident the CJV provides significant earnings opportunities and with the additional marketing resources accelerating the CJV's presence in the substantial Chinese market, an increased contribution is expected in FY2015, subject to market conditions. This growth opportunity remains attractive as it is low risk with scope for significant upside.

Funding

The Group's net debt decreased to \$10.1m at 30 June 2014 (June 2013: \$10.4m) with tight control over working capital in a declining market. Inventory levels have fallen by \$5.9m to \$15.8m at 30 June 2014, and are being maintained at minimum levels of inventory across the product range to take advantage of any recovery in demand.

Outlook

The significant decline in the available Australian market for Q&T plate, along with the impact of the unfairly dumped imports, has required a restructuring of the Australian operations to more closely align the capabilities with the forecast market requirements. This unfortunately resulted in redundancies across the Australian workforce and incurred a one-off restructure cost of \$1.2m in FY2014. The Board believe these changes will maintain the competitiveness and sustainability of the business and will enable the Group to generate appropriate shareholder returns going forward.

The Managing Director, Mr Robert Terpening commented: "The FY2014 year was challenging for all businesses providing materials to the resources industry and Bisalloy has had to make appropriate changes to its business structure.

While the timing remains uncertain, the increasing output from Australia's mining sector should result in a recovery in steel demand over the course of FY2015, and Bisalloy expect that



the finalisation of the investigation by the Anti-Dumping Commission will see a more level playing field established between Bisalloy and the competing importers. The Board believe that Bisalloy has the products, strategies and management team to take advantage of the eventual market recovery.”

-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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