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ASX/MEDIA RELEASE

Bisalloy Maintains Profit in Volatile Market

- NPAT for the six months of \$3.0m is up 2% for period, despite challenging conditions.
- EPS of 6.4 cents, up 7%.
- Proposed reintroduction of dividends for FY2013, subject to the Group's performance.
- Debt increased from \$12.3m at June 2012 to \$14.6m at December on short term lift in working capital.
- Chinese Joint Venture continues to develop market presence after period of generally subdued activity across the Chinese market.
- NTA backing per share increased by 44% to 49.8cps.

Bisalloy Steel Group Limited (ASX:BIS) (**Bisalloy** or the **Group**) today reported net profit after tax (NPAT) of \$3.0m for the six months (HY2011: \$2.9m). EBITDA before FX and any contribution from the Chinese Joint Venture (CJV) for the six months to 31 December 2012 was \$5.4m, 3% below the comparative half-year. The Chinese Joint Venture (CJV) continues to develop its market opportunities but was constrained by a slow-down during the period in the Chinese Q&T steel market.

Results Summary	December 2012 \$m	December 2011 \$m	Change %
Revenue	45.4	50.2	(9%)
EBITDA (before FX & CJV contribution)	5.4	5.6	(4%)
Profit after tax	3.0	2.9	2%
Profit attributable to members	2.8	2.7	6%
Earnings per share – diluted (cents)	6.4c	6.0c	7%

The Directors have taken the decision not to pay an interim dividend but reaffirm their intention to re-introduce dividends for the FY2013 year, subject to the Group's performance and the outlook at the time. The intended policy is for the distribution of 50% of net profit after tax (excluding any contribution from the CJV) as fully franked dividends each year, always subject to performance and outlook. This policy will be reviewed once total interest bearing debt is permanently reduced below \$10m.

The Australian steel industry has faced a number of challenges as spot prices for Australia's major exports of coal and iron ore fell from historical highs, while the Australian dollar still remained strong. The falls in spot prices and uncertainty on longer term pricing led to the deferral or cancellation of a number of planned resource projects, and to a de-stocking across the Australian steel industry. Demand for Q&T steel for new projects slowed, while demand for Q&T steel for repairs and maintenance is starting to increase as a number of new resource



projects are completed and move into production.

Despite this volatility, Bisalloy maintained its volume of sales into its core domestic markets. Pleasingly, Bisalloy also increased its market share notwithstanding the intense competition from overseas producers, who are driven by weak demand in their own domestic markets as well as the sales opportunities they derive from a strong Australian dollar. The strong dollar did however dampen our exports, which resulted in a net reduction in sales revenue for the period.

Bisalloy's distribution operations in Indonesia and Thailand remained profitable during the period, although their resources and manufacturing industries were affected by the same price volatility and market uncertainty as experienced in Australia.

Chinese Joint Venture (CJV)

The transition of power in China in 2012 has delayed many corporate commitments which had some short-term impact on the performance of the CJV. China is also undergoing significant structural change at a time of economic instability in its key export markets. These factors have combined to extend the time needed for the CJV to establish itself as a premium Q&T supplier in the Chinese market. The Board remains confident in the prospects for the CJV and is pleased by the significant progress already made, but it is still too early to provide specific guidance on the CJV's potential profitability.

Funding

Uncertainty in the Australian domestic market resulted in a delay in some sales and therefore an increase in our inventory during the second half of C2012. This increased our working capital requirements. As a result, Group borrowings increased to \$14.6m at 31 December 2012 (June 2012 : \$12.3m). This inventory had all been acquired at competitive pricing and the Board expects surplus inventory will be cleared during Q3 of FY2013 at normal margins. The Board currently expects Group net debt to be below \$10m at 30 June 2013.

Outlook

The Board continues to believe that Bisalloy's strategies to meet the challenges from the volatile market conditions and strong Australian dollar are appropriate.

While Bisalloy has seen some positive signs from the markets in which it operates, the Board is however unable to give credible earnings guidance for the full year in light of ongoing market volatility.



-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.

For further information please contact:

Robert Terpening
Managing Director/CEO
Phone: +61 2 4272 0444
Mobile: +61 418 285 108

David MacLaughlin
CFO/Company Secretary
Phone: +61 2 4272 0451
Mobile: +61 400 472 421

Media enquiries:
Sam Sloane
Six Degrees Investor Relations
Phone: +61 2 9230 0661
Mobile: +61 412 845 920