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ASX/MEDIA RELEASE

Bisalloy's Earnings in Line with Guidance

- EBITDA of \$0.9m in line with guidance
- Loss after tax of \$0.5m, down 116% from prior year profit of \$3.0m.
- Chinese Joint Venture increased profitability - maiden dividend of US\$400,000 received.
- Net debt of \$11.8m.
- Group well placed to benefit from recovery in demand as newly completed resource projects move into production phase.

Bisalloy Steel Group Limited (ASX:BIS) (**Bisalloy** or the **Group**) today reported EBITDA (including a contribution from the Chinese Joint Venture before local taxes and finance charges), of \$0.9m for the six months (HY2012 \$5.4m). The reduction in earnings is in line with Bisalloy's guidance as presented at the 2013 Annual General Meeting and is attributable to the macro-economic conditions in the markets in which the Group operates.

Results Summary	December 2013 \$m	December 2012 \$m	Change %
Revenue	28.3	45.5	(38%)
EBITDA ⁽¹⁾	0.9	5.4	(83%)
(Loss)/Profit after tax	(0.5)	3.0	(116%)
(Loss)/Profit attributable to members	(0.6)	2.8	(120%)
Earnings per share – diluted (cents)	(1.3)	6.4c	(120%)

(1) EBITDA includes gross contribution from the CJV before local taxes and finance charges

Trading Overview

Businesses providing services and materials to the resources industry faced increased challenges throughout the first six months of FY2014 as resource companies cut-back spending on new projects and minimised spending on repairs and maintenance. However, resource projects undertaken in recent years are moving into their operational phase, leading to increases in production being reported across many areas of the resource sector. This increased production is expected in due course to lead to increased demand for Q&T plate for on-going repairs and maintenance, although to date the increased demand for plate for repairs and maintenance has not matched the loss of demand due to the completion, deferral or cancellation of other resource projects.

Demand for steel is expected to rise in line with the continued production increases being achieved by the Australian resources industry, but the timing for this remains unclear. However, 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. This will



maintain pressure on our sales volumes and prices over the coming months.

Overseas steel producers have continued to target the Australian Q&T market for their surplus production capacity during a period of weak demand in their own domestic markets. Competition intensified with rapidly declining demand in the Australian market, leaving them with surplus inventory. In this environment, Bisalloy believe that some overseas suppliers have unfairly priced Q&T plate into the Australian market. Following an application by Bisalloy, the Australian Anti-Dumping Commission has initiated an investigation into alleged dumping of Q&T steel plate exported from Finland, Japan and Sweden. This investigation is in progress.

Bisalloy's distribution operations in Indonesia and Thailand continued to operate profitably during the period, although the resources and manufacturing industries in those countries were also affected by the same commodity price volatility and market uncertainty experienced in Australia.

Chinese Joint Venture (CJV)

The CJV remains profitable, but has taken longer than originally anticipated to establish itself as a premium supplier into the Chinese Q&T market. Bisalloy has supported the development of the local CJV marketing team with skilled personnel from Australia, and additional Chinese sales professionals have now been recruited, bringing with them extensive knowledge of Q&T markets and associated marketing skills. We believe these additional resources will help accelerate the growth in the CJV's share of the Chinese Q&T market.

The underlying profitability of the CJV has allowed for a maiden dividend to be received by the Group of US\$400,000. The Board remains confident the CJV provides significant earnings opportunities with an increased contribution expected in FY2014, subject to market conditions. This growth opportunity remains attractive as it is low risk and has scope for significant upside.

Funding

The Group's net debt increased to \$11.8m at 31 December 2013 (June 2013: \$10.4m) and the gearing ratio increased to 35%. Inventory levels have fallen by \$5.5m to \$16.2m at 31 December 2013, but this reduction has been at a slower rate than the decrease in turnover as Bisalloy determined to maintain minimum levels of inventory across the product range to take advantage of potential spot sales. A cash outflow of \$1.1m occurred when the final FY13 dividend was paid in November 2013.

Outlook

The Managing Director, Mr Robert Terpening commented: "The increasing output from Australia's mining sector provides grounds to expect a recovery in steel demand over the course of FY2014 and FY2015, but the timing for this recovery is uncertain given the volatility in domestic and international demand and so no credible earnings guidance can be given at this time for the FY2014 year. Despite the subdued market conditions faced by the Group, the Board remains confident that Bisalloy has the products, strategies and management team to take advantage of the eventual market recovery."

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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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