

20 May 2014

ASX/MEDIA RELEASE

Bisalloy Issues Business Update

The Directors of Bisalloy Steel Group Limited (ASX:BIS) (**Bisalloy** or the **Group**) have today advised that the difficult market conditions discussed at the Annual General Meeting in November 2013, and reiterated in the media release issued in February 2014, have continued throughout the second half of the financial year.

The challenges facing businesses that provide services and materials to the resources industry have continued throughout FY2014 as resource companies have curtailed spending on new projects and minimised spending on repairs and maintenance. This has resulted in a significant decline in the available market for quench and tempered steel plate ("Q&T plate"), which Bisalloy believes has been exacerbated by overseas suppliers unfairly pricing exported Q&T plate in the Australian market resulting in downward pressure on pricing for Q&T plate, a claim which is currently under investigation by the Australian Anti-Dumping Commission. In the current market environment, the Board expects for FY2014 a normalised Earnings before Interest, Tax and Depreciation (EBITDA), including a contribution from the Chinese Joint Venture before finance costs and local taxes, of between \$2.1m and \$2.4m, compared to \$8.4m in FY2013.

In light of the expected market conditions over the medium term, the Group is undertaking a restructuring of its Australian operations to more closely align its capabilities with the forecast market requirements. This will unfortunately result in a reduction in the current workforce by around 20% across the Australian manufacturing and support functions and incur a one-off restructure cost of between \$0.95m and \$1.1m to be charged to the results in FY2014, which is excluded from the normalised EBITDA guidance. Bisalloy is working closely with those affected in an attempt to mitigate the impact of these job losses. The Board considers these changes essential to maintain the competitiveness and sustainability of the business and to generate appropriate shareholder returns going forward.

The restructure and cost saving measures will deliver savings of around \$2.5m.

The Board advises that no dividend will be paid in respect of the FY2014 year.

The Board is confident that Bisalloy is well placed to maximise the benefits from any recovery in demand across its key domestic and regional markets for Q&T plate and remains optimistic on the growth prospects for the Chinese Joint Venture.

-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**