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ASX/MEDIA RELEASE

Bisalloy Profit increases 129% in Challenging Market

- NPAT of \$6.8m - up 129% - despite challenging markets in Australia and regionally
- EBITDA (before CJV contribution) for the full year of \$12.1m – up 58%
- Debt reduced from \$15.8m at June 2011 to \$12.3m at June 2012
- Proposed reintroduction of dividends in FY2013
- Well placed for continued earnings growth in FY2013
- Chinese Joint Venture on track and provides significant profit opportunities in FY2013 and beyond

Bisalloy Steel Group Limited (ASX:BIS) (**Bisalloy** or the **Group**) today reported net profit after tax (NPAT) of \$6.8m (FY2011: \$3.0m). EBITDA before a contribution from the Chinese Joint Venture (CJV) was \$12.1m, representing earnings growth of 58%. The CJV generated a total operating profit before tax of \$1.2m as its market development commenced in the second half of FY2012, and this resulted in a net contribution to the Group profit after tax of \$0.4m.

Results Summary	FY2011 \$m	FY2012 \$m	Change %
Revenue	78.3	104.0	32.8%
EBITDA (before CJV contribution)	7.7	12.1	57.8%
Profit after tax	3.0	6.8	129.3%
Profit attributable to members	2.4	6.2	157.8%
Earnings per share – diluted (cents)	5.5c	14.2	158.2%
Final dividends per share	0.0c	0.0c	0%

The Directors have decided not to pay a final dividend for FY2012, but are pleased to announce that they intend to re-introduce dividends for the FY2013 year, subject to the Group continuing to perform. The board's current intention is to adopt a policy of distributing 50% of net profit after tax (excluding any contribution from the CJV) as fully franked dividends each year. The board intends to review this policy again when total interest bearing debt is reduced below \$10m (currently \$12.3m).

Intense competition continued in the Australian market to supply quenched and tempered steel during FY2012. This was driven by the strong Australian dollar as well as by weak demand in the domestic markets of overseas competitors. Despite this growing competition, Bisalloy successfully regained market share in the Australian domestic market and achieved an increase of 40% in tonnes supplied into this market.

Bisalloy's distribution operations in Indonesia and Thailand both remained profitable during FY2012. The Indonesian market continued to benefit from a strong local resources industry.



The market in Thailand has been more subdued with the on-going turmoil in European markets and the severe flooding experienced earlier in the year.

Funding

The Directors have maintained their focus on strengthening the balance sheet. This year Bisalloy reduced net debt by \$3.5 million (approx 22%) to \$12.3 million (FY2011: \$15.8 million), despite the pressures on working capital from increased activity levels. Gearing is now at 36% (FY2011: 51%). This year's reduction to \$12.3m continues the company's strong performance in reducing debt, which was some 3x higher (at \$36.2m) just three years ago.

In June 2012, Bisalloy renewed its finance facility with GE Capital after a competitive tender process. The \$25m facility has been extended to October 2015 and has lower annual costs whilst evolving to match Bisalloy's changing business requirements.

Chinese Joint Venture (CJV)

The CJV commenced operations in December 2011 and generated an initial operating profit before tax of \$1.2m. After local taxes, our 50% share delivered a net contribution to the Group of \$0.4m for FY2012. The process of establishing the CJV as a premium provider of quenched & tempered steel plate for the Chinese domestic market is underway.

Whilst an increasing profit contribution next year is expected, specific guidance on the CJV's financial contribution to the Group is difficult at this time due to world market conditions.

Further guidance will be provided at the AGM in November 2012.

Outlook

The Board and management continue to focus on addressing the challenges for local steel industry presented by the strong Australian dollar. The Board believes Bisalloy has the product mix and appropriate strategies to continue to be successful in this intensely competitive market. Bisalloy is well placed for double digit growth in FY2013, subject to the current global economic environment remaining stable.

Bisalloy Managing Director, Mr Robert Terpening, commented: "The strong revenue and profit growth for the year was achieved in a challenging environment. The solid platform we have developed will continue to support growth opportunities for Bisalloy in Australia and in our region in future years. We are also very pleased with a further significant reduction in our debt level and we are on track to reintroduce dividends for FY2013"

"Our CJV provides an outstanding opportunity to build our regional presence and provide a significant contribution to Group profits over time."



Strategic Review

The Directors continue to believe that the current Bisalloy share price does not appropriately reflect the underlying value of the Group. Accordingly, they will continue to review the Group's strategic options with a focus on optimising shareholder value.

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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.

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