Bisalloy Steel Group Limited

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ASX/MEDIA RELEASE

Bisalloy Delivers Profit and Reintroduces Dividend in Challenging Market

- **EBITDA of $8.1m before Chinese Joint Venture contribution and $8.4m after contribution – in line with guidance**
- **Chinese Joint Venture remaining profitable but behind expectations**
- **Net debt reduced by a further $0.7m to $10.4m – down from $36.5m four years ago**
- **NTA backing per share increased by 21% to 52.3cps**
- **Reintroduction of dividends for FY2013 with 4cps dividend announced, fully franked – in line with guidance.**

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), was $8.4m (FY2012 12.4m), in line with its guidance. Net Profit After Tax (NPAT) for FY2013 of $3.8m (FY2012: $6.8m). The reduction in profit is in line with the Company's guidance to the market and is attributable to the significant deterioration in market conditions during the second half of FY2013 in the markets in which the Group operates.

Results Summary	**FY2012 $m**	**FY2013 $m**	**Change %**
Revenue	104.0	80.6	(22%)
EBITDA(1)	12.4	8.4	(32%)
Profit after tax	6.8	3.8	(44%)
Profit attributable to members	6.3	3.5	(44%)
Earnings per share – diluted (cents)	14.2c	7.9c	(44%)
Final dividend per share (cents)	0.0c	4.0c	-

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

The Directors remain confident in the Group's ability, supported by the weakening of the Australian dollar since April 2013, to take advantage of any improvement in market conditions. The Board's confidence is reflected in their announcement of a final dividend for the FY2013 year of 4.0 cents per share, payable on 25 November 2013 to shareholders on the register at 7 November 2013. The Bisalloy dividend reinvestment plan (**DRP**) will be activated, enabling shareholders to reinvest their dividends at a discount of 5 per cent to the volume weighted average price in the DRP pricing period.

Trading Overview

Trading conditions were challenging for Bisalloy over FY2013 as the resources sector faced deteriorating conditions. While performance during the first quarter of the year was in line with expectations, a fall in prices for Australia's major commodities, specifically iron ore and coal, lead to widely publicised deferrals or cancellations of a number of planned resource projects, which quickly lead to a rapid decline in forecast demand and prices for steel, including Bisalloy's products. Demand for steel in repairs and maintenance is gradually rising as various newly completed resource projects move into production phase, but this rise has not outweighed the impact of lost demand from deferred or cancelled projects

Supported by the strong Australian dollar, overseas steel producers have sought markets for their surplus production capacity during a period when they are driven by weak demand in their own domestic markets. This competition intensified as they dealt with rapidly declining demand in the Australian domestic market leaving them with surplus inventory. Despite these competitive pressures, Bisalloy is pleased to report it has maintained its market share for FY2013 while continuing to reduce its debt through managing its costs and inventory, and is well placed to take advantage of any upturn in domestic demand

Bisalloy's distribution operations in Indonesia and Thailand continued to operate profitably over the year, although the resources and manufacturing industries in those countries were also affected by the same commodity price volatility and market uncertainty experienced in Australia. The Group remains focussed on increasing revenue from these operations in the short term.

Chinese Joint Venture (CJV)

The CJV remains profitable, but it is taking longer than originally expected to establish it as a premium supplier into the Chinese Q&T market. A significant factor in this delay is the change in the pace of China's economic transformation and the decline in its domestic manufacturing index. The Board strongly supports the efforts of our own management and our CJV partner in addressing these challenges. Significant work has recently been undertaken to build a more focused marketing capability with additional resources being implemented. The Board expect these initiatives will position the CJV to be able to accelerate its market share development in the substantial Chinese Q&T market, with the benefits reflecting in the results during the FY14 year.

The underlying profitability of the CJV has allowed for a maiden dividend to be received by the Group in August 2013 of US$400,000. The Board remains confident in the prospects for the CJV, but cannot give specific guidance on the CJV's potential profitability until the benefits of these recent initiatives are able to be more fully assessed.

Funding

The Group's financial position strengthened over the year. Net assets increased to $26m (from $22m) and net tangible assets per share rose to 52.3 cps (from 43.2 cps). The rapid decline in sales during the second half of the year reduced the rate of reduction in inventory levels, however the Group still achieved a reduction in net debt to $10.4m (from $11.1m). The Group's gearing ratio at 30 June 2013 fell to 29%, (30 June 2012 - 34%).

Dividend

In 2012 the Board announced its intention to consider a dividend of 50% of Bisalloy's NPAT for FY2013. The Board is encouraged by the Group's performance over this period despite challenging markets, and is therefore announcing a 4cps dividend payable on 20 November

2013. As before, the Board remains committed to reviewing its dividend policy when the Group's net debt is reduced below $10m.

The Directors note that this is Bisalloy's first dividend since FY2007. The Group has faced a number of challenges in the intervening years, and the Directors are pleased that it is now able to reward shareholders' patience by returning to the payment of fully franked dividends. Like all Australian manufacturers and resource-sector participants, the Group still faces a number of headwinds in maximising returns to shareholders, but the Board is encouraged by the prospects of an improvement in Bisalloy's markets.

<u>Outlook</u>
The continuing strength in output from Australia's resource sector provides grounds to expect a recovery in steel demand over the course of FY2014, but the timing for this is uncertain due to the volatility in domestic and international demand. The Board is confident that Bisalloy is well positioned to benefit from any improvement in the demand in its key domestic and regional markets for Q&T steel, particularly if the Australian dollar remains materially below the high levels seen in FY2013.

Bisalloy's Managing Director, Mr. Robert Terpening, commented: "We are pleased to report a profit of $3.8m for FY2013 despite very challenging market conditions. Bisalloy continues to maintain its market share and reduce debt. With this stronger financial platform, we are pleased to be able to deliver on our stated objective of reintroducing dividends for FY2013

"Despite challenging market conditions, the Board remains optimistic for continued progress and is well placed to take advantage of any upside in demand. We look forward to updating the market on our developments."

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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

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