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MEDIA RELEASE

Strong Turnaround by Bisalloy Steel Group Limited

Bisalloy Steel Group Limited (ASX:BIS) (**Bisalloy** or the **Group**) today announced an EBITDA for the half year to December 2010 of \$5.0m, which represents a strong turnaround from an EBITDA loss of \$0.4m for the half year to December 2009. Net profit after tax for the half year was \$2.0m (FY09: loss of \$2.0m)

The directors have not declared an interim dividend.

Results Summary	December 2010	December 2009	Change
Revenue (\$m)	40.4	39.7	0.7
EBITDA (\$m)	5.0	(0.4)	5.4
Profit after tax (\$m)	2.0	(2.0)	4.0
Profit attributable to members (\$m)	1.7	(2.1)	3.8
Earnings per share – diluted (cents)	0.8c	(1.0c)	1.8c
Interim dividends per share (cents)	0.0c	0.0c	0.0c

As noted at the AGM in November 2010, a slowdown in domestic and global steel markets during the first half of FY2011 meant trading conditions for Bisalloy in the half were not as strong as those experienced during the second half of FY2010.

While revenue shows little change compared to the first half of FY2010, margins achieved by Bisalloy on its sales were lifted as older, high priced inventory was cleared from the system, and the continued development of sourcing input inventory (i.e. steel plate) from multiple suppliers proved successful.

The appreciation of the Australian dollar by over 20% against the US dollar during the period has provided challenges in maintaining our export markets. It also increased the attractiveness of the Australian quench and tempered steel market to overseas producers, given the relatively weaker demand in their own economies. As a consequence, despite strong mining activity in Australia during the period, local production of mining equipment and components was held back by significant competition from off-shore manufacturers with lower cost labour. Subdued global armour plate demand during the period also impacted sales volumes compared to the second half of FY2010. Bisalloy has however been able to secure some benefit from the stronger currency by increasing the proportion of the steel plate that is sourced from overseas suppliers.



Bisalloy's operations in Indonesia and Thailand both remain profitable and performed above expectations during the period. Indonesia continues to benefit from a growing local resources industry while the operations in Thailand developed project opportunities in the export market.

Cash Flow

The borrowings of the Group were \$19.6m at 31 December 2010, (June 2010: \$18.1m). The increase of \$1.5m was for higher working capital. Inventory levels trended higher during the period as demand slowed across the Australian steel sector. These higher inventories have been acquired at competitive prices and it is expected they will be sold at acceptable margins during the second half of FY2011.

Outlook

The Australian steel sector will benefit as the record level of approved projects in the Australian resources industry convert to capital expenditure. The timing for this is being affected by the reported shortage of skilled labour as well as by recent environmental conditions, including the severe flooding event in Queensland, which are contributing to the delays in the commencement of many of these projects

Although the Directors are pleased with the improved margins being obtained in the business, they note that Bisalloy's performance in the second half of FY2011 will continue to be affected by any further upward movement in the Australian dollar, the level of confidence in the domestic manufacturing and construction sectors and the speed of recovery in mining regions that have been adversely impacted by recent environmental extremes.

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 Australia, Indonesia and Thailand. See our website at www.bisalloy.com.au.

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