

23 November 2015

ASX Market Announcements
Australian Stock Exchange Limited
Level 4, 20 Bridge Street
Sydney NSW 2000

AGM Presentations

In accordance with the ASX Listing Rules and the *Corporations Act 2001*, attached are the presentations to be given at today's Annual General Meeting.

Regards



Robert Terpening
Managing Director



Chairman's Address

Before moving to the formal business of today's meeting, the Managing Director and I will first provide you with an update on the Group's operational highlights and successes achieved in the past year. These presentations were lodged with the ASX prior to the commencement of this meeting.

The Group has been operating in a tough trading environment having to deal with the realignment of the resources sector in Australia, the slowdown in activity in Asia particularly the People's Republic of China and the impact of dumping by international steel manufacturers into the Australia Q&T market.

The Australian domestic market for Q&T steel has, by our estimation, seen a reduction in volume of circa 20% over the past twelve months. As has been widely reported, miners and mining services companies have had to adapt to the new market paradigms. Some have been swift with their responses while others have been slower to react.

I am pleased to report that the Group is in the former category having locked in its Australian business structure leading into FY15. While the Group's highly automated and efficient process capabilities at Unanderra have been in place for some time, a lower cost base was necessary to ensure appropriate financial returns were delivered at all stages through the cyclical nature of resource demands.

As reported at last year's AGM, the restructuring completed in May 2014 has delivered a more resilient and agile business which has been illustrated by the financial results delivered in FY15. Notwithstanding this positive positioning of the business, to increase the returns demanded by shareholders it is vital the Group seeks to maximise the volume of Q&T plate processed through the Unanderra facility. Toward achieving this goal, the Group has been highly successful in challenging the activities of overseas steel producers who were targeting the Australian Q&T market with their surplus production at dumped prices.

An increase in Bisalloy Steels domestic market share was delivered through the impact of the determination of the Australian Anti-Dumping Commission's investigation into imports of Q&T plate from Sweden, Finland and Japan. The Commission found significant dumping margins in the Australian Q&T plate market and imposed anti-dumping duties on Q&T plate exported to Australia from the nominated countries. While these duties were between 9.6% and 26.1%, the true dumping margins verified by the Anti-Dumping Commission were between 21.7% and 34.0%.

The Group's distribution subsidiaries in Indonesia and Thailand continued to operate profitably over FY2015 despite difficult business conditions in both markets. Improvement plans implemented in FY2015 aim to deliver increased profits from these businesses in FY2016.

The Group's Cooperative Joint Venture (CJV) for the production and sale of Q&T steel plate into the People's Republic of China and other North Asian markets continues its steady sales and profit growth in a highly competitive market with sales revenue increasing by 119% to \$12.3m in FY2015. The CJV generated a total operating profit before tax of \$1.6m, which after local taxes resulted in a 50% contribution to the Group of \$0.5m for FY2015. Dividends received from the CJV during the year amounted to \$0.3m. The Group's original US\$1.0m investment in the CJV has now been fully recouped.



The 10.6% increase in the Group's turnover over the prior year, when combined with a lower cost base, delivered a Normalised EBITDA, including the contribution from the CJV, of \$6.8m compared to a Normalised EBITDA of \$2.5m in FY2014.

The Group's net debt decreased to \$3.6m at 30 June 2015, down from \$10.1m at 30 June 2014, supported by free cash flow and tight control over working capital. The significant reduction in Group net debt achieved in FY2015, in combination with earnings growth, provided the Board a positive environment in which to consider the reintroduction of dividends. The Board declared a final dividend for the FY2015 year of 4.0 cps, fully franked. The Group's finance facility was renewed on 30 June 2015 and is in place through to 30 June 2018. Inventory levels increased by \$0.6m or 4.1% to \$16.4m at 30 June 2015 to support a 10.6% increase in sales revenue. The Group's Gearing is now at 12% (FY2014 - 32%).

Shareholders will be aware of recent news reports dealing with BlueScope Steel's review of its steelmaking operations at Port Kembla, NSW. While that review has now resulted in a decision to continue steelmaking at Port Kembla, I would like to reassure shareholders that the diversification of input steel sourcing undertaken by the Group from 2006 onwards effectively minimises the risk to its Australian business. If circumstances changed, and BlueScope Steel were to close its last blast furnace in the Illawarra, it would be highly likely that BlueScope Steel would import the slab steel necessary to continue its plate rolling operations. Such a scenario would see the Group continue to multi-source its raw materials on a commercially competitive basis.

On the marketing front, I would bring to shareholder's attention the recent announcement by the Federal Government to purchase around 1,100 new Hawkei light armoured personnel carriers through the Australian Army's Project LAND 400. The Hawkei will follow the widely-praised Bushmaster Infantry Mobility Vehicle and will be manufactured in Australia by Thales in conjunction with the armour protection and cabin designer, Plasan Israel.

The Group has worked closely with Thales and Plasan Israel over many years and has been the key supplier of armour plate to the Bushmaster for more than 10 years. The Group, as the only Australian manufacturer of armour plate, are optimistic that the majority of the armour plate required for the Hawkei project will be Bisplate®.

Trading in the first quarter has been generally in line with budget expectations. The market continues to be patchy in Australia and Asia. Notwithstanding this, current expectations are that the first half will be between 15-20% up on EBITDA compared to last year. However it remains very difficult to give any accurate long term forward projections.

The Board believe that the Group has the products, strategies and management team to take advantage of any subsequent market recovery and that the restructuring of the Australian operation has underpinned the competitiveness and sustainability of the business and will enable the Group to generate appropriate shareholder returns going forward. The improved balance sheet will also allow the Group to consider new growth initiatives. Activity in this space will be a key focus of the incoming Managing Director.

We announced last week that Greg Albert has been appointed CEO Elect from 1st December 2015 and CEO from 4th January 2016 after our current Managing



Director, Robert Terpening retires. Greg is here today and we welcome him to our AGM.

On that note it is timely for the Board to express its gratitude to our retiring Managing Director, Robert Terpening, for his 16 years with the Group, the last 7 as Managing Director. The Board wishes to highlight three notable achievements delivered under Mr Terpening's leadership of the Group; the significant reduction in Group net debt, the establishment of a Co-operative Joint Venture in the People's Republic of China and the recent restructuring of the Australian business to adapt to new market paradigms.

Mr Terpening has come to an in principle agreement with the Board to act in a consultancy role for a period to ensure a smooth transition of management relationships particularly in the China Joint Venture ensuring the Group's strategic and financial objectives continue to be met in a timely manner and that Shareholder value is protected.

The Board thanks Robert for his valuable contribution to the Group and wishes Robert and his family all the very best for the future.

I would now invite Robert to provide additional commentary on the Group's outcomes and opportunities.



Managing Director's Address

Thank you Mr Chairman.

Ladies and gentlemen, welcome to Bisalloy's 2015 Annual General Meeting.

Firstly, as I do each year I would like to talk proudly about our company's impressive safety performance. Bisalloy is committed to the principle of zero harm to all employees, contractors and visitors. Again this year it is pleasing to report that due to the Group's highly developed safety programs and the diligent commitment to safety from all staff and management, the Australian operations achieved 768 days without a lost time injury as at 30 June 2015 setting a new safety record for the Australia business.

The operations in Indonesia and Thailand continued their outstanding commitment to safety and have now delivered ten years without a lost time injury. The Group's Cooperative Joint Venture in the PRC has now passed four years lost time injury free. Regular auditing of the Asian businesses ensures all processes and systems are uniform across the Group and that Group standards must be applied to the business where local standards are either lower or not specified.

The Chairman has already talked about the tough market conditions influencing the Group's trading performance over the past year but the analysis of the FY2015 highlights presents a more resilient and agile business that has adjusted to its environment and has consolidated a platform for growth.

Those FY2015 highlights were:

- ❖ Revenue up 10.6% to \$61m
- ❖ Normalised EBITDA up 172% to \$6.8m
- ❖ Net Debt down 64.4% to \$3.6m
- ❖ Gearing down 20% to 12%
- ❖ Final dividend for FY2015 of 4.0 cps, fully franked
- ❖ Ongoing cost savings from restructuring in FY2014
- ❖ Recovery in the Australian domestic market share
- ❖ Chinese Joint Venture delivering steady profit growth

I would now like to turn to the individual Group operations.

Following the restructuring in May 2014 which saw a 22% reduction in overall staff numbers, it was necessary for the Australian operation to ensure customer service levels were not only maintained but enhanced to ensure sales revenue and sales tonnes were maximised.

This was achieved by supporting the efforts of the Bisplate distribution network around Australia with marketing intelligence, marketing support, stock availability and technical backup at a time when Bisalloy Steels was vigorously pursuing importers with an Anti-Dumping action. It was essential that any customer that needed to look for a change of supplier due to the impact of Anti-Dumping duties would move their choice of Q&T plate to Bisplate.



During the latter part of the year Bisalloy Steels identified the need for permanent representation in South Australia and has subsequently located a sales resource in Adelaide with positive results. This now positions Bisalloy Steels with sales engineers located in New South Wales, Queensland, Victoria, Western Australia and South Australia.

The maintenance of targeted stock holdings of Bisplate is also a key requirement to accommodate short lead time purchases, which is an extremely common occurrence in today's cost conscious mining industry.

We believe the value proposition we provide to our customers remains compelling and our competitors find it difficult to offer an equivalent combination of product quality, product placement, design approval and technical support.

The fall in the Australia dollar during FY2015 has presented Bisalloy Steels with increased opportunities for export sales and several regions that had seen low volume sales in the recent past have reverted back to Bisplate in recent times. While this is a positive for the business there are regional customers in South East Asia where freight and delivery lead-times necessitate switching supply from the Australian operations to the Chinese Joint Venture. This is a key element of Bisplate's regional supply strategy.

The Australian business has the ability to rapidly ramp up production to 24hr production over a maximum 300+ days per calendar year without any significant additional capital expenditure, which provides a base for future growth and increased profitability.

The Group continues to invest in research and development and during FY2015 the Group's involvement with the Australian Government sponsored Australian Research Council Research Hub for Australian Steel Manufacturing, a partnership between 6 Australian universities and a number of leading steel industry organisations, saw a research program initiated toward the next generation of Q&T plate. The 'Steel Research Hub' is currently researching new technologies that can be applied in the Group's product development program. Such developments, in combination with technical associations, will form the base for a range of 'high wear' solutions in the year ahead.

While the Chairman has referenced the recent announcement by the Federal Government to purchase new Hawkei light armoured personnel carriers, work is also progressing on other military hardware projects for the Australia Defence Forces. These include the proposed 'SEA 1000 Future Submarine Program' and 'SEA 5000 Future Frigate Program'. Bisplate's strengths in such projects is a combination of past experience, technical capability and local content supply.

Increased spending on infrastructure projects has led to more enquires for Bisplate since its inclusion in the Australian Steel Structures Standard AS4100-1998. While still gaining traction from designers and specifiers, a strategy to promote 'Bisbeam' is currently being deployed and this growth opportunity should be significant in the years ahead.

The Group's distribution subsidiaries in Indonesia and Thailand have both implemented improvement plans during FY2015 which acknowledge the lower levels of mining and resource activity regionally and globally in the medium term. The addition of new products and services has been a priority where the business has the existing capability and infrastructure to support such activities without



significant additional capital cost. These initiatives have already delivered revenue growth.

While the Chairman has dealt with the financial performance of the Group's Cooperative Joint Venture (CJV) in the PRC, I would like to make some comments on the operational performance of the business.

Notwithstanding Chinese equipment manufacturing is suffering from soft global demand with some reports of up to a 50% decline year on year, the CJV's sales tonnes continue to improve quarter on quarter. Additional sales resources are being added in line with the CJV's strategic growth plan and an expansion of the product portfolio will also benefit sales in the year ahead. This growth opportunity remains attractive as it is low risk with scope for significant upside.

While the rate of growth of our CJV is slower than we originally anticipated, it has maintained an increasing profitability during a downturn in both global mining and the slowing Chinese economy.

I would like to reiterate that market conditions across the regions in which the Group operates remain challenging and the long anticipated increase in mining equipment maintenance has not yet compensated for the reduction in capital expenditure associated with new mining projects. Yet in the face of these challenges the Group has moved swiftly, with the support of the Board, to meet the challenges it faced in FY2015 and I believe the Group is well positioned to deliver improved shareholder returns in the years ahead.

In conclusion, and as this is my last presentation to shareholders, I would like to publically thank the Board for their counsel and the opportunity to lead the Group, acknowledge all Group employees for their individual contributions and friendship, and recognise those many stakeholders who have supported me in my efforts to deliver returns commensurate with their investments in, or involvement with, Bisalloy Steel Group Limited.