ATLAS GROUP HOLDING LIMITED
A.C.N. 098 674 545
Appendix 4D – Half Yearly Financial Report
Half year ended 31 December 2003

Results for announcement to the market.

				$'000
Revenues from ordinary activities	up	6.9%	to	150,083
Profit from ordinary activities after tax attributable to members	down	6.5%	to	3,895
Net profit attributable to members	down	6.5%	to	3,895

Dividends	**Amount per security**	**Franked amount per security**
Interim dividend	3.9cents	3.9cents (at 30%)
Previous corresponding period	Nil	Nil
Record date for determining entitlements to the dividend	22 March 2004	

Explanation of Results

Please refer to the attached commentary for an explanation of the results.

ATLAS GROUP HOLDINGS LIMITED

ATLAS GROUP HOLDING LIMITED ("Atlas")

HIGHLIGHTS

HALF YEAR ENDED 31 DECEMBER 2003

	Half year ended 31 December 2003 $'m	Half year ended 31 December 2002 $'m
Sales revenues	**149.1**	**138.9**
Earnings before interest, tax depreciation and amortisation ("EBITDA")	**9.1**	**10.2**
Earnings before interest and tax ("EBIT")	**8.1**	**9.4**
Earnings before interest and tax margin	**5.4%**	**6.8%**
Net profit attributable to members	**3.9**	**4.2**

- Growth strategies delivering sales volume increases as forecast.
- Generally lower market selling prices and reduced margins in the period, due to the rapid appreciation of the Australian dollar.
- Atlas announces acquisition of Southward Engineering.
- Branch & business developments continue to plan.
- Recent strong rises in stainless steel prices have greatly improved the trading outlook for the remainder of the financial year.
- Dividend of 3.9c fully franked, in line with prospectus forecast.

Overview & Outlook

Atlas' trading results for the 6 months ended 31 December 2003 were below target principally because of the flow-on effects in Atlas' markets of the rapid revaluation of the Australian dollar over the last year. We give specific details of how this affected Atlas' individual markets later in this report. In the case of stainless steel, Atlas had expected that the effects of the currency revaluation would have been offset by an appreciation in the cost of stainless steel, given that nickel prices also surged over the last year. (Nickel is a major input in the production of stainless steel, which accounts for 60-65% of worldwide demand for nickel.) Stainless steel mills however did not pass on increased nickel costs in their selling prices for stainless steel until the end of 2003. However, since October 2003 base austenitic stainless steel prices from mills around the world have risen by over 50%. The distribution market in Australia has responded to this rise with selling prices rising strongly in the first two months of 2004.

Despite the weak trading conditions experienced in the 6 month period, Atlas' growth strategies met expectations with the company generally achieving its volume and market share targets.

Undoubtedly there are especially volatile external factors currently affecting Atlas' markets. During the first half of the year those factors conspired to reduce selling prices and decrease margins. That equation has now clearly reversed and Atlas anticipates generally positive market conditions over the remainder of the current financial year.

Southward Engineering

Atlas announces that it has signed heads of agreement to acquire Southward Engineering Company Limited and its subsidiaries. Southward is being acquired by Atlas from its founding owners, the Southward family.

Southward is the leading manufacturer of steel tube and automotive exhaust systems in New Zealand and has been established for over 60 years. Southward also owns a major stainless steel distribution business in New Zealand and has additional tube and automotive distribution operations in Australia. Southward has current annual turnover of NZ$72million.

The total cost of Southward will be approximately NZ$38million and the acquisition is projected to be earnings per share positive for Atlas. In addition, Atlas expects to derive synergy benefits as the business operations are merged. Atlas intends to fund the acquisition through borrowings. The acquisition is subject to satisfactory due diligence investigations and regulatory approvals.

Sales Revenue & Earnings Analysis

Atlas' sales revenue for the period was $149.1million, compared to $138.9million in the previous corresponding period. Sales revenue was below forecast targets substantially as a result of generally lower market selling prices for Atlas' products in the period.

Atlas EBIT for the period was $8.1million, compared to $9.4million in the previous corresponding period. Atlas' forecast for the financial year was for stronger EBIT in 2nd half of year, due to the "ramping-up" of growth products throughout the year; however Atlas still fell marginally short of its 1st half EBIT targets.

EBIT Margin was 5.4%, compared to the 6.8% in the previous corresponding period.

	Actual 6mths ended 31 Dec 2003 $'m	**Actual 6mths ended 31 Dec 2002 $'m**	**Actual 6mths ended 31 Dec 2003 t'000**	**Actual 6mths ended 31 Dec 2002 t'000**
Sales Revenue ($'m) / Volumes (t'000)				
Stainless steel flat products	48.9	46.8	12.5	11.7
Stainless steel sections	16.7	17.7	3.0	3.1
Quenched and tempered steel plate	25.6	27.9	16.5	18.6
Aluminium flat products	11.2	8.6	2.2	1.6
Tubular products	24.9	17.1	n/a	n/a
Engineering steels	20.2	19.2	10.4	10.0
Other products	0.5	0.4	n/a	n/a
Other income	1.1	1.2	n/a	n/a
	149.1	138.9		
EBIT	8.1	9.4		
EBIT Margin	5.4%	6.8%		

Stainless steel flat products & stainless steel sections – despite meeting volume targets, sales revenues were below expectations as a result of lower market selling prices, while profit margins were significantly lower than the previous corresponding period and Atlas' forecast for the period. The weak trading conditions experienced for stainless steel flat products & sections in the period were a direct result of a fall in the landed cost of imported product following the rapid rise in the Australian dollar. These conditions had the effect of driving down distributor market prices in Australia & New Zealand and causing a short-term reduction in profit margins.

In the last 3-4months mill prices for stainless steel have increased significantly, responding to the dramatic increases in nickel over the last year. This has now fed through to higher selling prices and improved margins in Atlas' stainless steel markets.

Quenched and tempered steel plate – Atlas' Q&T plate business sells its product predominantly into the resources sector both domestically and overseas. The increase in the Australian dollar over the period resulted in weakness in both areas of the business. In the domestic market import competition reduced volumes. In the export market, in addition to reduced volumes over all, margins in Atlas' Asian plate distribution businesses have fallen in response to the higher local cost of imported Australian product. The overall profit contribution from Atlas' Q&T plate business has fallen when compared to the previous corresponding period. Continuing strength in the Australian dollar is expected to prolong weaker trading conditions.

Aluminium flat products – sales volumes for aluminium increased 37% in the period when compared to the previous corresponding period, which was in line with Atlas' growth targets. However sales revenue and profit margins fell short of the targets because of the impact of the higher Australian dollar, which [as with stainless steel] reduced market selling prices and profit margins for aluminium.

Tubular products – Atlas' strategy to grow its tubular products business delivered a 45% increase in sales revenue in the period, when compared to the previous corresponding period, which is in line with forecast. Atlas' programme for the introduction of new tubular product lines is running on schedule and the development of Atlas' project capability is delivering strong performance.

Engineering steels – Progress in Atlas' strategy to grow its overall engineering steels business, was set back by weaker market demand in the period. This was particularly evident in Atlas' established engineering steels business in New Zealand, where Atlas suffered a drop in volumes in the period when compared to the previous corresponding period. In Australia, Atlas made steady progress in the period in re-establishing and growing its engineering steels business.

Branch Developments

New branches – So far this year Atlas has opened new distribution branches in Nowra and Hamilton, with building works well underway for a new branch to shortly be opened in Kalgoorlie. Atlas has also established an engineering steels distribution operation in Brisbane, having acquired certain assets from Irwin Alloy Steels in January.

Branch relocation – Over the Christmas break Atlas' Melbourne distribution operations were relocated into a new warehouse building adjoining the existing Altona site. The new building provides an additional 13,200m^2 of warehouse space, giving Atlas the opportunity to not only develop its Victorian distribution business and operations, but also to improve Atlas' Australian central warehousing operations.

Capital Expenditure

Capital expenditure in the period was $1.7million, with an additional $2.5m incurred in capital lease liabilities. This expenditure included new projects to develop and extend Atlas' bar drawing capacity and replace Atlas' MIS systems (see below), that were not anticipated in the prospectus forecast.

MIS Systems

In September 2003 Atlas announced that it would proceed with a project to replace its main distribution ERP systems with SAP R3 v4.7. The project is now well underway and to date is on running on schedule, within budget and has not encountered any significant problems. The system is expected to "go-live" at the end of September 2004.

Dividend

The directors have declared a 3.9c fully-franked (at 30%) interim dividend for the half year ended 31 December 2003. This dividend is in line with the dividend forecast in the Company's recent prospectus. The dividend will be paid on 23 April 2004 to all shareholders recorded on the Company's share register at 22 March 2004.

The interim dividend will be eligible to participate in the Company's Dividend Reinvestment Plan ("DRP"). The directors have determined that shares issued under the DRP will be issued at a 5% discount. The last date for receipt of notices for participation in the DRP in respect of the interim dividend is 19 March 2004.

Kym Godson
Managing Director
25 February 2004.