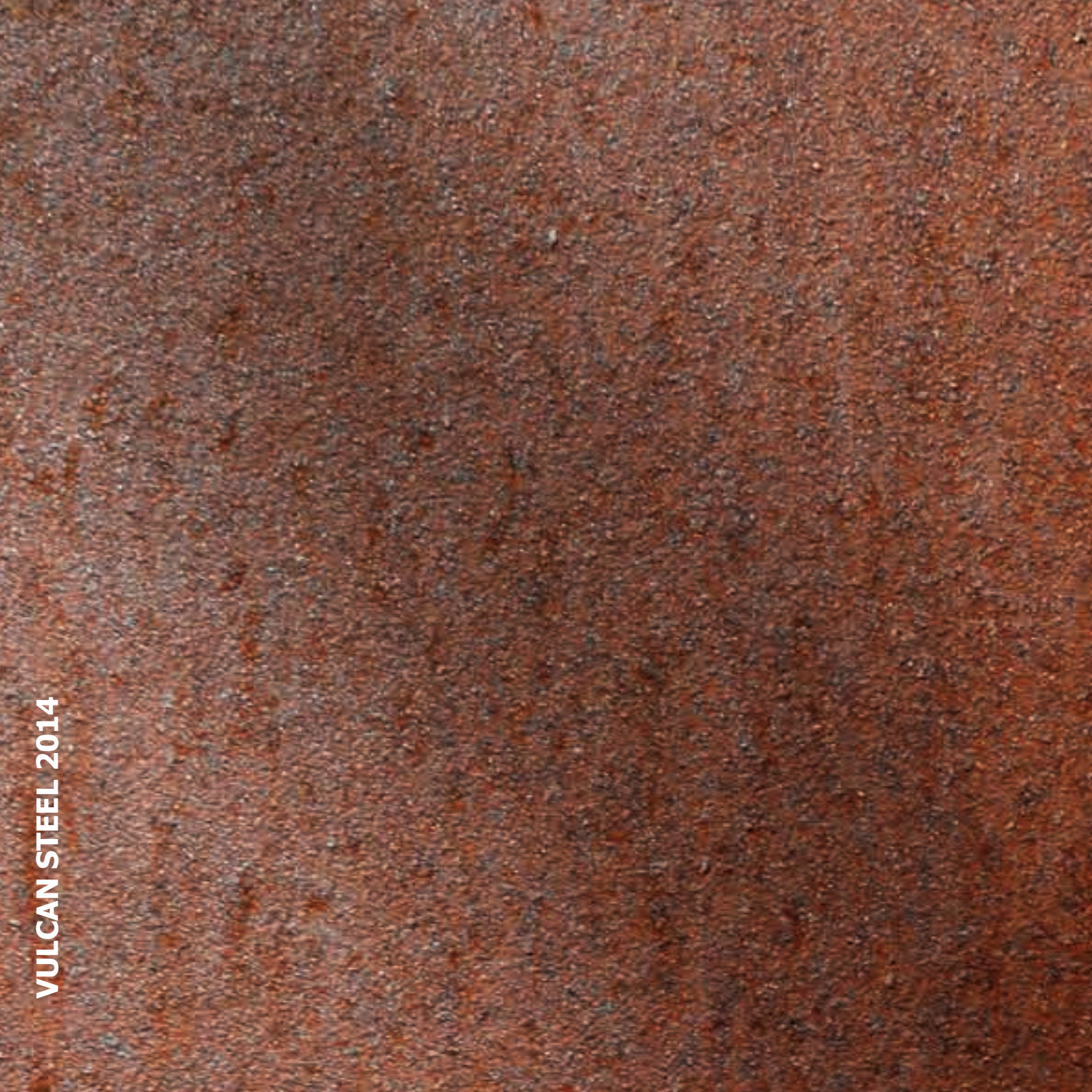


VULCAN STEEL 2014





“ To be a cost efficient steel distributor”

December 1995



Board of directors



Wayne Boyd



Adrian Casey



Jon Gousmett



Rhys Jones



Warwick Jones



Peter Wells

Introduction

In January 1996 Vulcan Steel began trading, using private investment and based on proven steel distribution experience.

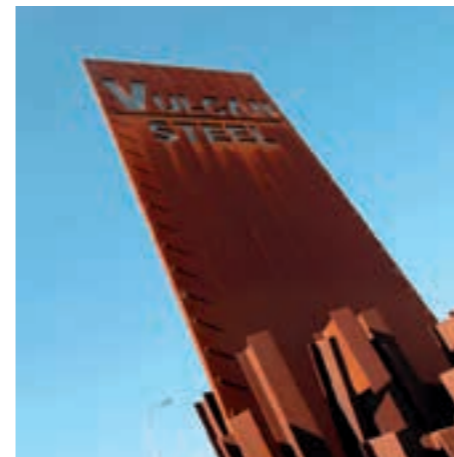
Selling steel demands economy of scale if you are going to compete realistically.

The company has grown to be one of the largest privately owned steel distributors in Australasia. We occupy around a million square feet of buildings on more than 20 different sites.

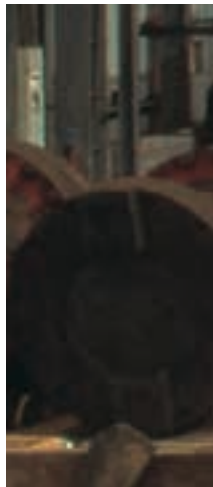
Employees are encouraged to be personally responsible and, with a return on equity focus, have managed balanced financial growth.

Our goal is to satisfy the needs of; employees, customers, suppliers and investors, in a business which is enjoyable.

In reading this profile you already have a relationship with Vulcan Steel. We trust it is a valued one and we look forward to continuing this into the future.



A handwritten signature in black ink, appearing to read 'Peter Wells'.



Industry



Steel distribution has four distinct disciplines. These operate alongside — steel mill suppliers, a diverse customer base, and within a dynamic global market.

We would like to explain the four functions:

- Distribution
- Plate Service Centre
- Long Product Cutting
- Coil Processing

Steel-making basics

Whilst not directly relevant to Vulcan Steel, other than in supply terms, a brief explanation of the primary means of steel manufacture might be helpful.

Steel is made via two basic routes. Either raw materials, such as iron ore, limestone and coke, by a blast furnace and basic oxygen furnace route, or from scrap via the electric arc furnace (EAF) method. The raw material approach is known as the integrated route (blast furnace), and about 60% of steel produced today is made by this method. The second technique is much easier and faster, since it only requires scrap steel. Recycled steel is introduced to a furnace and re-melted along with some other additions to produce the end product.

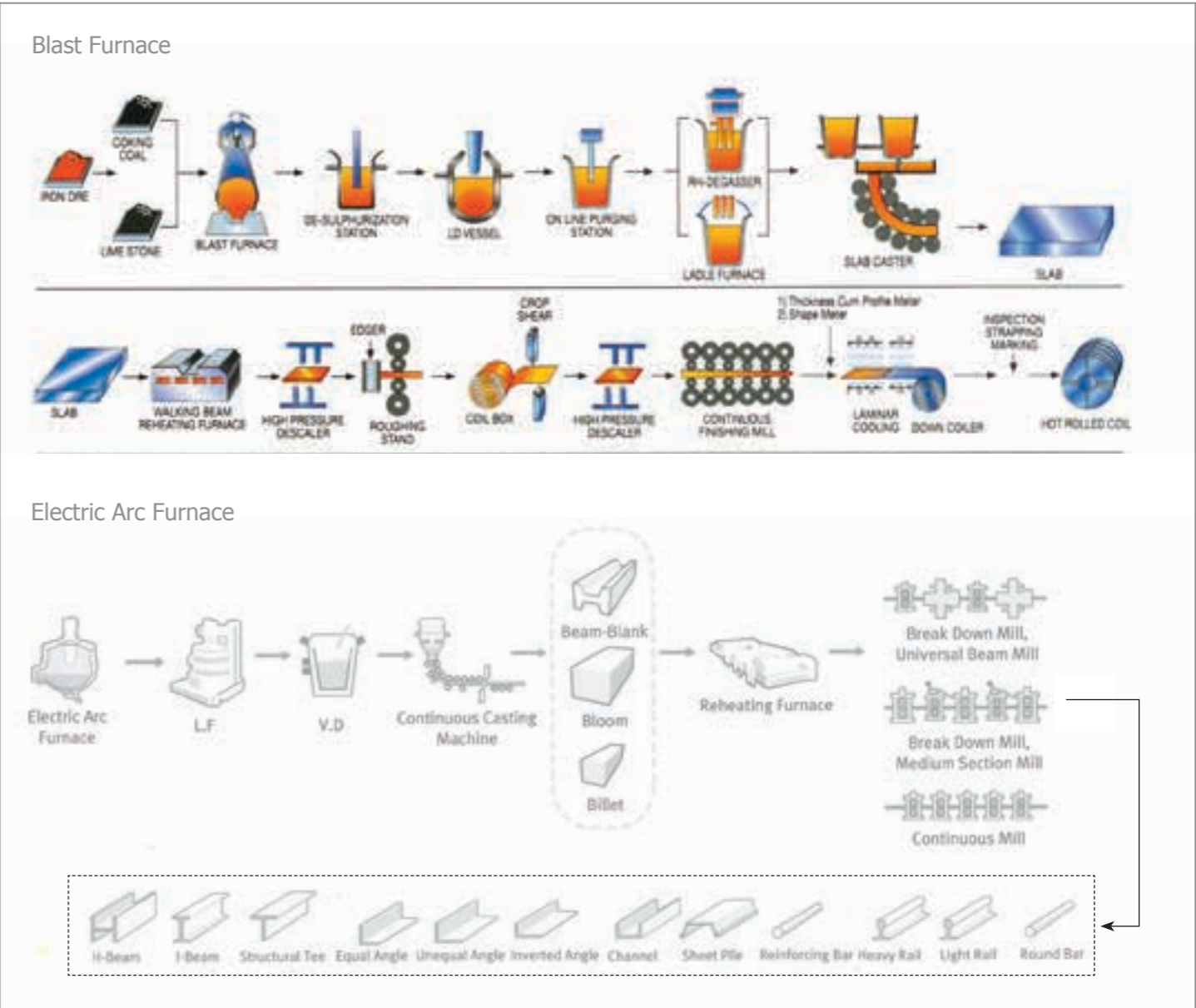
Flat Steel Products (normally integrated)

A flat steel product is a plate or a (hot or cold) rolled coil. Typically flat steel is rolled between sets of rollers to produce the final thickness. Plate describes products varying between 3mm and 200mm whilst coil/sheet is a standard description for 3mm and below.

Long Steel Products (normally EAF)

A long product is a section bar or rod. Also rolled between sets of rollers but inducing shape section rather than thickness.

The opposite page contains a flow chart diagram with the key functions of both methods.



The role we play

Steel Mills have trading terms which include - long lead times, immediate payment, and large minimum orders - these ensure steel distribution is part of the "road to market".

Necessary attributes:

- Comprehensive experience, developed over a long period.
- Substantial finance base that is committed to the industry.
- Specially designed premises.
- Service capable transport fleet.
- Geographic reach able to optimise cost efficiency.
- Downstream processing facilities which provide opportunity for the customer.

Paramount to the above is a return on capital, over the cycle, which encourages on going investment.



Plate Processing

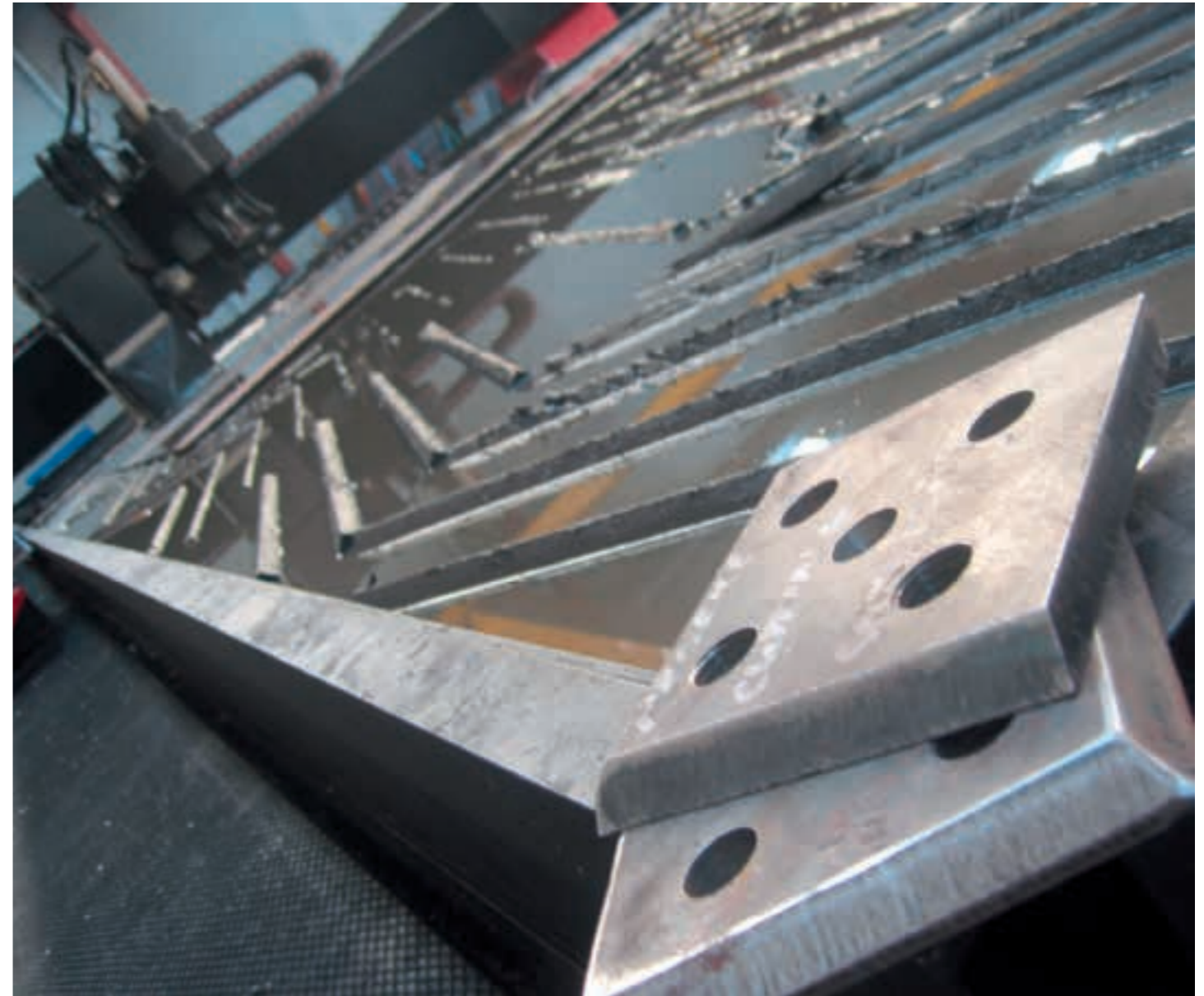
Flat products are normally produced from blast furnace mills, using iron ore as the raw material.

Plate typically refers to flat products above 3mm thick (maximum 250mm). Today, due to ever increasing processing costs, our customers order the majority of these pieces already cut to size.

Requirements:

- Modern Plasma/Oxy cutting machines.
- CAD facilities to nest, draw and download files.
- Cutting beds to facilitate all day production.
- Materials handling to enable efficient through put.
- Computer library for product management.
- Complementary plate processing equipment.

A service culture that follows the progress — order receipt, through drawing and cutting, to delivery — is the critical ingredient.



Coil Processing

Coil generally refers to flat steel under 3mm. In earlier times the steel mills provided processing, but as service demands have increased, this function has moved into distribution - where there is a "just in time" mind set.

Requirements:

- Slitting lines including mini slitting capacity.
- Ability to prepare slitting arbors off-line.
- Correction levelling machinery with production cut-to-length.
- Efficient materials handling for coil product.
- Computerised systems for tracking material.
- Well-developed supply lines with quality and price competitiveness.

Customers of this service are typically major manufacturers and the need to perform as an integrated part of their business is essential. Vulcan Steel is able to slit coil to width, or flatten sheets to pre-determined size.



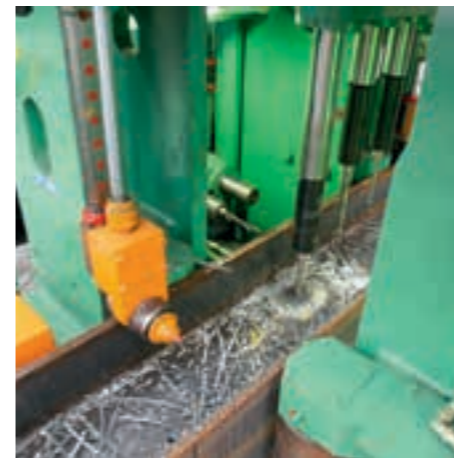
Long Products Processing

Long products are typically from electric arc furnaces and use scrap as the raw material.

Primary long products include:

- Structural beams channels and columns (often referred to as I & C sections) - used in commercial and domestic construction.
- Merchant bar (flat, round, square, angle) used in construction and the majority of other steel applications.
- Hollow Sections (pipe plus square and rectangular hollows) also used in the majority of steel applications.

Vulcan Steel is able to provide sawing, drilling and other value added processing, with computer-aided machinery



Where the Players Live

Often described as a “tin shed” steel warehouses are unique in their need for optimum dimensions. Eventually they will define the business size and style.

A “green-field site” provides a one off opportunity to take advantage of this peculiarity. (Many other alternatives exist, however compromise is always associated)

Difficulties of stocking steel over time:

- Infinite and ever changing sizes and lengths.
- Positioning of driveways for long term efficiency.
- Need for correct overhead crane travel distances.
- Accuracy of original plans, with regard to the warehouse size, into the future.

Vulcan Steel has been fortunate to purpose build the majority of its facilities. The recent timeframe has also allowed an opportunity for modern technology. Planned and regular re-investment is critical.



Diverse Customer Base

Where we Play

From the car we drive to the computer we use, steel is a constant companion.

Construction — Structural steel for commercial & domestic buildings. Steel sheet piling and reinforcing steel

Manufacturing — Household appliances incl. heaters, barbecues, and white goods. Garden accessories incl. lawnmowers, clotheslines, shovels. Energy related activities such as; wind farms, geothermal, coal fired, etc. Automotive.

Agriculture — Tractor trailers, ploughs, rollers, tillers, feed out boxes. Animal management incl. fencing, corrals, gates. Dairy equipment incl. high production milking sheds. Wine production with grape growing, harvesting and wine making.

Transport — Truck trailers, Container side lifters, Boat trailers, Refuse collection equipment. Ships, barges etc.

Materials Handling — Coal mining, Bottling plants, Bakeries, Manufacturing and Bulk facilities.

Engineering — Wrought iron, Spare parts, Street wear - incl. light poles, road signs, trashcans, guard rails, and all other welding applications.

These are examples of some sectors and applications.



Image courtesy of Steel Bros

Competition

Who we Play Against

The Australasian steel distribution industry can be considered as a 3-5 billion dollar business.

(Comment on competition is of a general nature.)

Australia

One Steel - public company, (maker/distributor)

Bluescope Steel - public company, (maker/distributor)

Private Companies.

Southern Steel, CMC Steel and other smaller private businesses.

New Zealand

Steel & Tube - public company on the NZX.

Fletcher Steel - subsidiary Fletcher Building Ltd.

Private Company.

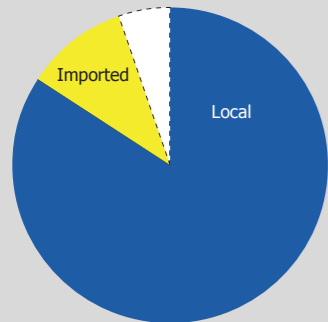
H.J. Asmuss, and other smaller private businesses.

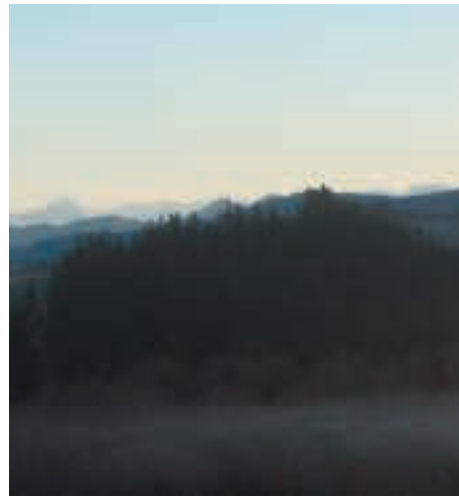
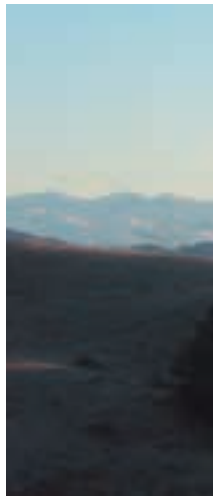


Who we play with

- Local steel manufacture is dominated by two large public companies: Bluescope for flat rolled, with mills in Australia and New Zealand. OneSteel for long products, with structural and merchant mills. (Pacific Steel is a NZ reinforcing mill in NZ, owned by Bluescope)
- All production is to international specifications and would be considered best practice by world standards. Considerable money and effort is spent promoting increasing steel usage by these manufacturers. As a distributor we look to support these efforts.
- No country is fully self sufficient in steel supply. The reasons are complex but can be summarised as - capacity, timing, price, product mix, and history.
- For these reasons imports provide a valuable security in various ways. Their quantity is always a point of debate, but this in itself is healthy.
- Overseas supply has many learning experiences and therefore a long history in the business is essential. The global nature means it is dynamic.
- Primarily Australasia's imports are from Asia — Japan, Korea, Thailand, Malaysia, Taiwan, China and India are some key countries.

Vulcan Steel Offers:





Geography



(To avoid any parochial claim our order is alphabetical!)

Australia

New South Wales



- Horan Steel was founded by Alf Horan in the 1920's. As such it is probably the oldest steel distribution business in Australia.
- The central warehouse is situated at Wetherill Park in Western Sydney. This facility has a complete range of steel products with processing for plate and long products.
- New premises have recently been built in Newcastle, providing state of the art steel handling capability and local geographic economy.
- With a significant dedicated trucking fleet, reliable service has been a cornerstone of the business.
- Vulcan Steel is a 50% operational shareholder in Horan Steel.



Australia Queensland

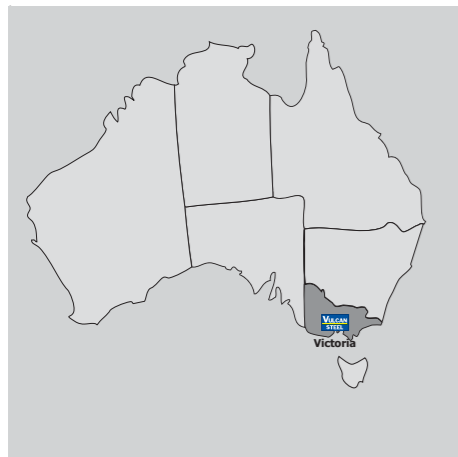
- Our distribution warehouse is in the South West at Carole Park. A comprehensive range of all steel is stocked and a committed focus to daily management ensures best availability. Long products processing is also located here providing convenient structural cutting and drilling via a modern Peddinghaus beam line.
- Coil Processing is housed in a custom designed facility at Crestmead. State of the art slitting and blanking equipment has been installed - with three such sites around Australasia we pride ourselves on a service level tailor made for each customer. Unique transport solutions are a part of this offer.
- PCD is the plate processing business site, situated at Yatala industrial estate. It is one of the largest plate service centres in Queensland including various types of machinery. Plasma cutting and drilling is a particular strength with new equipment and a number of table configurations to handle all sizes competitively.



Australia Victoria



- Vulcan steel commenced business in 2002. A large distribution warehouse is augmented by long products processing and a stand alone plate service centre.
- Our development, at Dandenong, has been interesting in a price sensitive market. We now have the base for an exceptional business.
- Steel distribution start ups of this nature require long lead in times. From a patient build up we still see ongoing opportunity in Victoria.



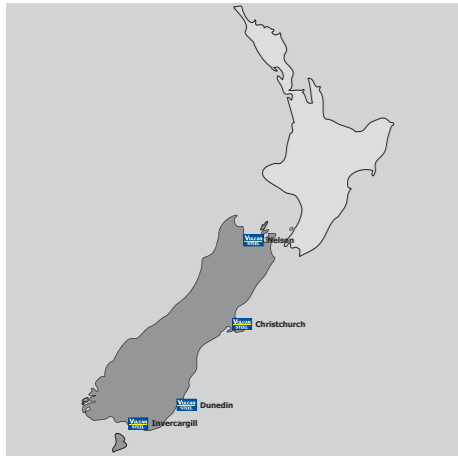
New Zealand North Island

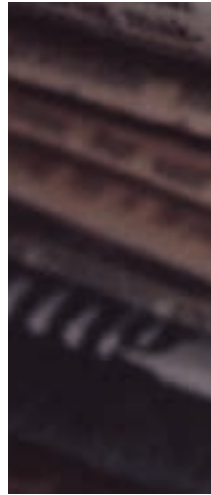
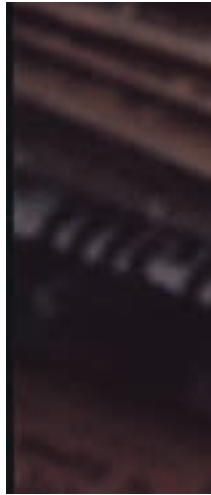
- Auckland is the North Island mother site with a large distribution warehouse playing host to separate businesses in coil processing, long product processing and plate service centre.
- Regional depots operate at Whangarei, Tauranga, and Palmerston North. The purpose is to stock common items enabling quick response at an economic price.
- N. Z. Profile is an independent Vulcan owned business, operating a plate service centre in Tauranga.



New Zealand South Island

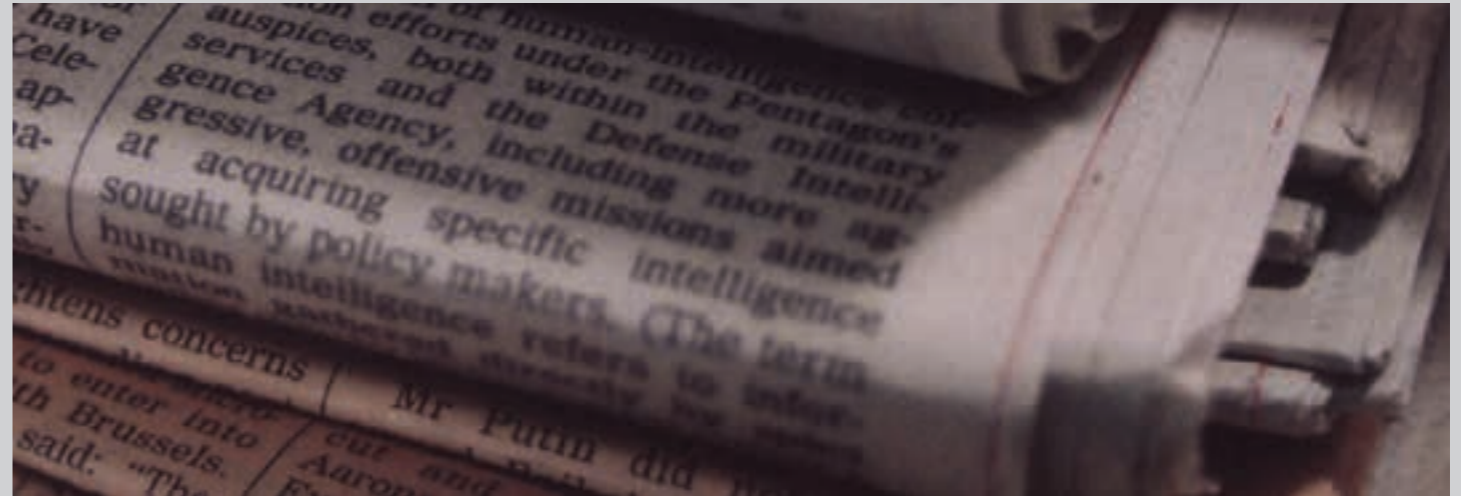
- Christchurch is the South Island mother site with a large distribution warehouse playing host to separate businesses in Coil processing, Long product processing and Plate Service centre.
- Regional depots operate at Invercargill, Dunedin and Nelson with a stockholding that offers quick delivery at an economic price.
- A population of one million, spread around a long coastline, operates an economy predominately of agriculture and tourism.
- The ability to distribute steel to all points, cost effectively, is challenging.





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What we Play for

Vulcan Steel operates in an industry with a small number of competitors, — the major market share is restricted to 2 or 3 large public companies.

Their vertically integrated nature means relationships easily blur in daily operation.

(Today in modern economies, where historical protection has eroded, vertical integration in the steel industry is outdated due to different skill set requirements.)

We have included a charted progress of our financial development on the following pages.

(Years are based on the Australian/New Zealand dollars being converted at the closing rates for the year end, currently June.)

We are justly proud of the % ratios for return on equity investment, and capital employed, which have been produced YOY – particularly in reference to the paragraph below. They compare well with the wider financial markets top performance levels.

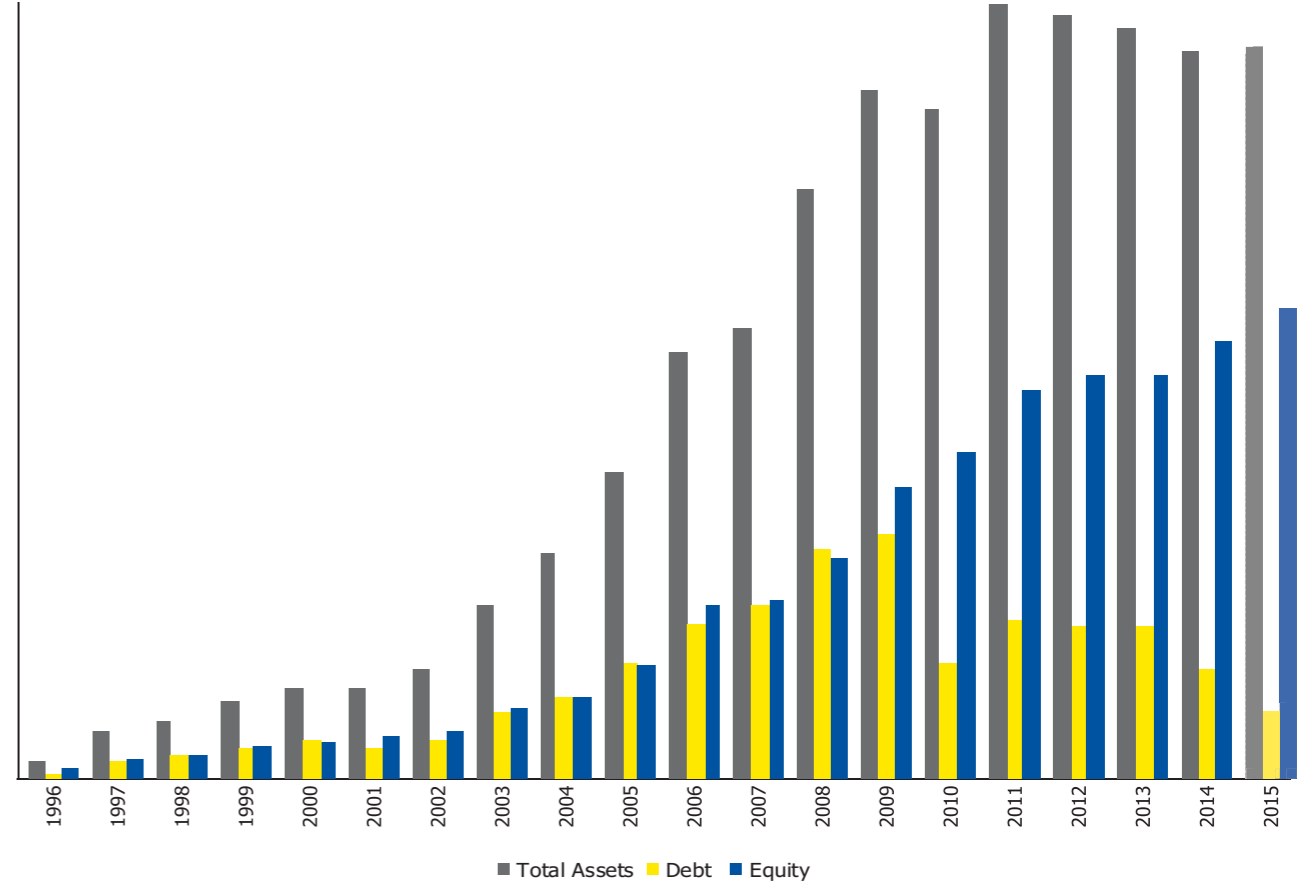
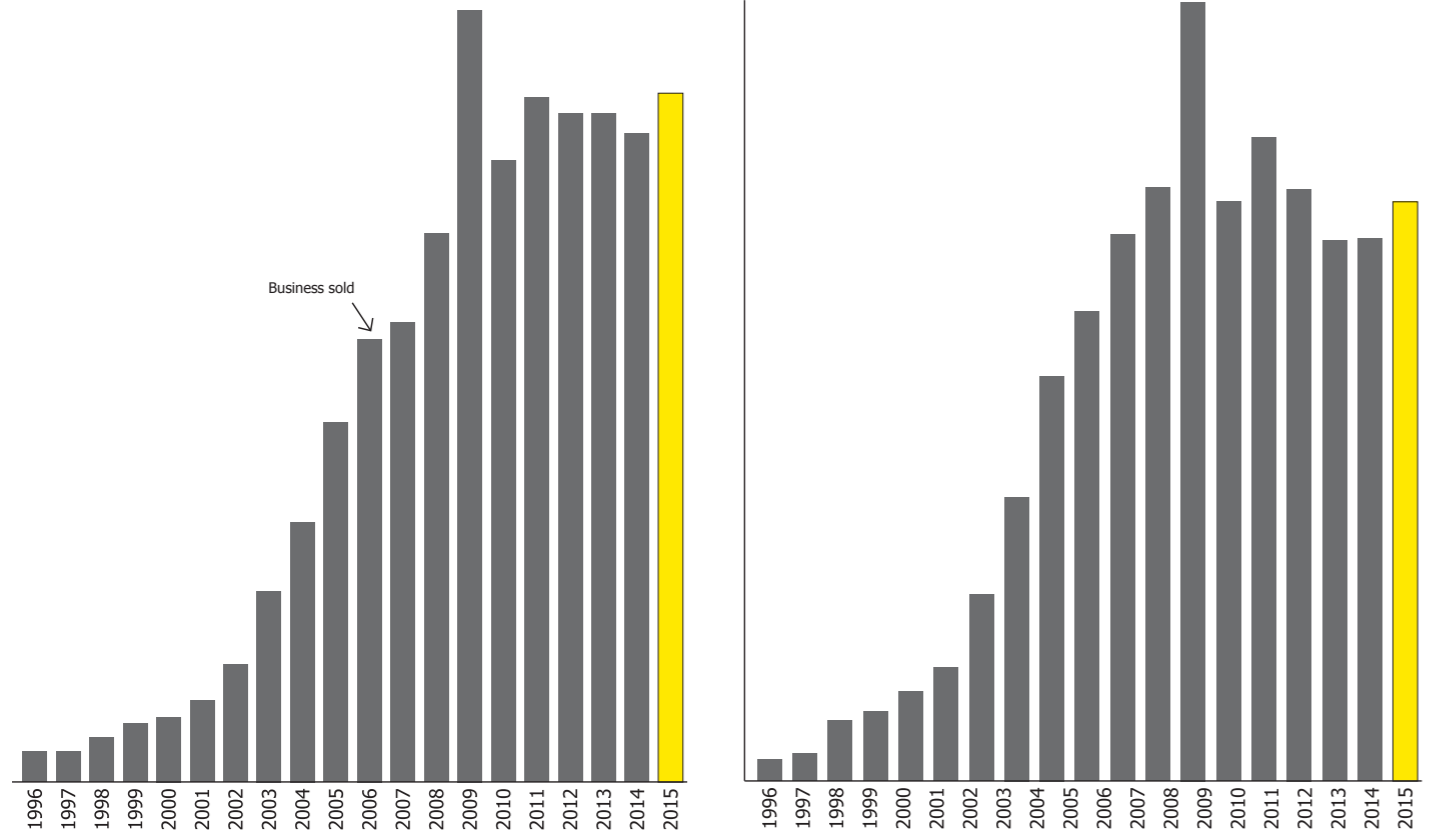
Since the global financial crisis, starting 2008, the Australasian steel industry has destroyed much of its public value today, 2014. Unfortunately, as an unfashionable sector, this has received a disproportionately low level of discussion relative to Scale. In Australia the total steel distribution industry has been loss making in the past 2-3 years. A re-balance to commercial profitability is essential for new investment.



Scoreboard

Total Sales

EBITD



2009 was "the China story" where steel demand exceeded supply - steel price doubled
 2010 rebalanced supply - steel price halved.
 NZD/AUD early 2011 was .72 early 2014 was .94, with 50% of Vulcan business in Australia the translation affect is clear
 Global steel prices have been deflationary since 2010 - Combined with NZD/AUD Vulcan's \$ sales are static in spite of considerable volume growth.

Who is in charge?

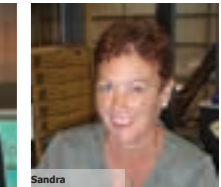
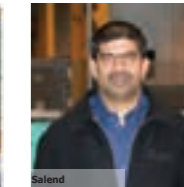
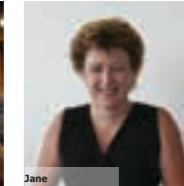
Vulcan Steel operates a flat structure. We prefer not to use the description manager, but address positions as "having responsibility for".

- The flat structure ensures senior staff, including operating directors, remain close to customers and suppliers.
- Less defined job roles mean practical involvement is possible in all aspects.
- Conventional reporting is virtually non-existent given actual responsibility is undertaken.
- Relatively complex company goals are visible to all, in a simple but highly defined manner.

To promote this concept a share purchase scheme is in place. The company lends money to critical employees on an interest free basis. Overtime the loan can grow to approximately four times the individual package. Our aim is to reach a point where Vulcan shares are their largest single investment.

Existing shareholders understand the dilution which occurs through the plan, but this only serves to provide self-discipline to the process.

We currently have more than 20 participants in the scheme.



Transport

Freight logistics of steel distribution are difficult when attempting to provide high service levels.

- Loads up to 20 metres (often over dimension).
- Invariably multi drops on individual trucks.
- Diverse customer base with different receiving circumstances.
- Distance and short notice provide a challenge to efficiency.

We see it as a critical issue and focus accordingly.

Vulcan Steel does not sub contract this service, believing an owned and operated fleet is the answer for optimum service.



Information — Communication — Technology

This area continues to grow dramatically for us today.

Originally, it was a practical support which allowed the transaction of business.

Evolution of technology and our own growth has seen it develop into a defined operation. Identifying this means we can treat it as part of our competitive package.

Current projects

- ANVIL is a bespoke software across the whole business, developed in house. The project is 8 years old and was deployed in 2011. Having a unique dedicated development group means systems are designed specifically for our industry.
- Hardware capable of handling the distant geographic spread across two countries continues to be modernised. The resulting outcome is ever improving communication.
- The ICT unit is now a separate function for the business. To ensure good commercial balance into the future ICT is preparing an operation that, to all intensive purposes, will work as an outside provider.



People

People make our business:

We are developing an identifiable culture, in a growing business.

Today we have around 600 employees, spread over 20 sites, in two countries.

Values Vulcan Steel seeks - humility, honesty, loyalty, respect for the individual, informal behaviour, combined performance that seeks excellent over average – these are key words.

A good company manages the balance between supplier, customer, investor and employee.

In search of an intrinsic relationship between the investor and employee, Vulcan Steel has an innovative shared approach to financial success. This is based on a long term ambition and commitment to include all staff. The statement is real and there is already good evidence of the attitude across the business.

Inevitably outside market conditions, and dynamics within Vulcan, necessitate a measured development that will ensure it can stand the test of time.



Players who Contribute

During our early years requests came to support worthy causes. We helped two young boys support their love of rugby. Experiences like this allowed us to define our real thoughts as to future intent and suitability.

“Young sports people who could not fund their dreams”.

We have helped more than twenty such individuals, with some becoming professional sports people. Whilst their success was important, a greater ingredient for us has been the involvement with passionate young achievers.

Subsequently we were introduced to the Victorian College of Arts (the VCA), an elite Australian residence for performing arts.

Similar to our sports experience, passion and dedication was everywhere. Vulcan Steel became involved as a major sponsor, providing an annual prize at the masters/phd. level.

*Consider the art/sport high achiever view starting out:
Ten year minimum timeframe.
Determined focus which demands considerable personal sacrifice.
Little chance of future employment resulting.
Daily financial shortfalls to make ends meet.*

Association with such non-material, goal orientated people, has been rewarding for the company in all sorts of intangible ways. We look forward to continuing the experience.



The future

Where is the next game?

A declared long term commitment from shareholders supports our having a vision.

We currently enjoy:

- A dedicated team with clear industry focus.
- Modern facilities in Australia and New Zealand.
- Meaningful market share in both countries.
- Established and respected supplier relationships.
- Up to date Machinery and Transport solutions.
- The flexibility of private ownership.

Our challenge is to take today's experience and continue to position ourselves in situations of considered risk — *then enjoy the ride!*

Thank -you



Mythology - Vulcan

Originally of thunderbolts and the sun.

Then of fire whose ravages he could arrest.

Finally a God associated with the attribute of life - giving warmth.

The Romans represented him with hammer, tongs and anvil. As God of Fire he was patron of all who worked in iron and metal. With forges under Mount Etna in Sicily he made the thunderbolts of Jupiter and amour for gods and heros.



