



VULCAN

INTERIM REPORT FY24

Appendix 4D – Half Year Report

Details of the company and reporting periods

Name of entity	Vulcan Steel Limited ("Vulcan")
ARBN	652 996 015 (incorporated in New Zealand)
Current reporting period	Half year ended 31 December 2023 ("1H FY24")
Previous corresponding reporting period	Half year ended 31 December 2022 ("1H FY23")
Release date	13 February 2024

Result for announcement to the market

Financial Performance (NZ\$ million, unless stated)			1H FY24	1H FY23
Revenue from ordinary activities	Down	-12% to	564.0	638.0
EBITDA ¹ before significant items ⁵	Down	-30% to	81.8	116.6
EBIT ² before significant items ⁵	Down	-38% to	59.1	95.6
Net financing costs	Up	+18% to	-20.6	-17.4
Profit before tax and significant items ⁵	Down	-51% to	38.5	78.2
Income tax	Down	-46% to	-12.4	-22.8
NPAT ³ from ordinary activities before significant items ⁵	Down	-53% to	26.1	55.4
Significant items ⁴	-	-	0.0	1.0
NPAT from ordinary activities after significant items	Down	-52% to	26.1	54.4
Earnings per share after significant items (cents)	Down	-52% to	199	41.4

Net Tangible Assets (NTA, NZ\$ per share)

As at	31 Dec 23	31 Dec 22
NTA per share attributable to Vulcan shareholders	1.18	1.21

Dividends (NZ cents per share)

	FY24			FY23		
	Amount	Imputation*	Franking**	Amount	Imputation*	Franking**
Interim ordinary	12.0	100%	100%	24.5	100%	100%
Final ordinary dividend	-	-	-	30.5	44%	100%

Record date for determining entitlements to 1H FY24 interim dividend	1 March 2024
1H FY24 Interim dividend payment date	21 March 2024

* At 28% corporate tax rate in New Zealand.

** At 30% corporate tax rate in Australia.

Commentary on the results for the period

Additional disclosure requirements and supporting information for the Appendix 4D are contained within Vulcan's FY24 Half Year Report. This Appendix should be read in conjunction with Vulcan's Half Year Financial Report and other related releases.

This announcement was approved for release by Vulcan Board of Directors.

1. EBITDA – Earnings Before Interest, Tax, Depreciation and Amortisation.

2. EBIT – Earnings Before Interest and Tax.

3. NPAT – Net Profit After Tax attributable to shareholders.

4. Significant items in FY23 – Ullrich integration costs.

5. Profit before significant items is a non-IFRS measure reported to provide a greater understanding of the underlying business performance of Vulcan. The above disclosures are extracted or derived from the financial report for the period ended 31 December 2023, which has been reviewed by Deloitte. The Independent Auditor's Review Report provided by Deloitte is included in Vulcan's Half Year Report for the period ended 31 December 2023.

Inside

It has been a busy first half of FY24 at Vulcan, as our team continues to diligently integrate our aluminium business, concurrently enhancing many facets of our operations in the Group.

Despite the challenging business landscape, we still delivered 18% return on capital employed in 1H FY24. The substantial growth in customer accounts, robust operating cashflow, successful reduction in costs, and ongoing implementation of hybrid sites have been encouraging.

We are well-positioned to capitalise on an economic recovery and are excited by the opportunities to create long-term value for all of our stakeholders.

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01

OVERVIEW



**We are
well-positioned**

Performance highlights

REVENUE¹

NZ\$564m²

-12% on NZ\$638m in 1H FY23

GROSS PROFIT \$/TONNE¹

-6.8%

1H FY24 on 1H FY23

GROSS MARGIN

35.4%

-0.5% vs 35.9% in 1H FY23

ADJUSTED EBITDA^{1,3} (EXCLUDING SIGNIFICANT ITEMS⁴)

NZ\$82m

-30% on NZ\$117m in 1H FY23

ADJUSTED NPAT⁵ (EXCLUDING SIGNIFICANT ITEMS)

NZ\$26m

-53% on NZ\$55m in 1H FY23

OPERATING CASH FLOW¹

NZ\$105m

+ NZ\$89m vs NZ\$16m in 1H FY23

CUSTOMERS TRANSACTED WITH VULCAN⁶

12,646

+4% on 12,108 in 2H FY23

SALES VOLUME¹

119,122t

-6% on 127,354 tonnes in 1H FY23

INTERIM DIVIDEND (TOTALLING NZ\$16m)

NZ 12.0c

vs NZ24.5c in 1H FY23

1. Included five months of aluminium contribution in 1H FY23. 2. m - millions. 3. Earnings before interest, tax, depreciation and amortisation. 4. 1H FY23; Statutory report included NZ\$15m integration costs. 5. Net profit after tax. 6. Based on customers that transacted with Vulcan at least once in the relevant period. Aluminium customers have been excluded due to system transition to provide like-for-like comparison.

Half year operating and financial review *continued*

Vulcan, an Australasian industrial product distributor and value added processor recorded a sound performance under difficult economic conditions for the six months ended 31 December 2023 (1H FY24, the first half of the 2024 financial year).

Overview

Statutory basis

- Revenue of NZ\$564.0 million, down 11.6% from NZ\$638.0 million in 1H FY23
- EBITDA of NZ\$81.8 million, down 28.9% from NZ\$115.1 million in 1H FY23
- NPAT of NZ\$26.1 million, down 52.0% on NZ\$54.4 million 1H FY23
- EPS of 19.9 NZ cents, down 21.5 NZ cents from 41.4 NZ cents in 1H FY23
- Net cash inflows from operating activities of NZ\$105.3 million, up NZ\$89.3 million from NZ\$16.0 million 1H FY23

In August 2022, Vulcan expanded its metals segment product offering with the acquisition of Ullrich Aluminium. Therefore, the 1H FY24 includes one additional month of trading compared to 1H FY23.

The first half results represent the continuation of the softness in both the Australian and New Zealand markets. High inflation and high interest rates in both countries and an election in New Zealand contributed to a weaker first half result. This is reflected in a NZ\$74.0 million or 11.6% drop in revenue for the Group, with Australia down 7.6% and New Zealand down 18.3% despite the additional month of Aluminium sales compared to 1H FY23. The drop in sales reflected the drop in sales value per tonne and total tonnes sold which was down 6.5% to 119,122 tonnes from 1H FY23 of 127,354 tonnes.

Overall, gross profit per tonne decreased 6.8% in 1H FY24 compared to 1H FY23. This reflected the weaker trading conditions especially in the steel sector.

Despite the adverse economic impact on both sides of the Tasman, the Group's strategy of maintaining inventory levels of essential lines and providing a high level of service to customers continues to provide good outcomes for our customers and the Group. This is demonstrated by the continued high level of active trading accounts as the Group continues to strengthen its customer base, which is particularly encouraging for the future. Active trading accounts¹ excluding aluminium in 1H FY24 increased 4% compared with 2H FY23.

NZ\$m (unless stated)	EBITDA		EBIT		NPAT		EPS (NZ cents)	
	1H FY24	1H FY23	1H FY24	1H FY23	1H FY24	1H FY23	1H FY24	1H FY23
Statutory basis	81.8	115.1	59.1	94.1	26.1	54.4	19.9	41.4
+ Integration costs	-	1.5	-	1.5	-	1.0	-	0.8
Before significant items	81.8	116.6	59.1	95.6	26.1	55.4	19.9	42.2
- Operating leases	-19.8	-18.3	-5.0	-4.0	2.4	2.8	1.8	2.2
Adjusted pre-IFRS 16² basis	62.0	98.3	54.2	91.6	28.5	58.2	21.7	44.3

2. NZ International Financial Reporting Standard NZ IFRS 16 – accounting recognition of right of use assets and corresponding liabilities on leases.

Half year operating and financial review *continued*

Steel

Steel revenue fell NZ\$64.2 million (20.3%) to NZ\$252.3 million in 1H FY24, down from NZ\$316.5 million. Sales tonnes decreased to 84,486 tonnes in 1H FY24, down 10.5% from 94,450 tonnes in 1H FY23. Average revenue per tonne also declined NZ\$365 (10.9%) to NZ\$2,986 in 1H FY24 from NZ\$3,351 in 1H FY23.

Gross profit per tonne in 1H FY24 was down approximately 15% compared with 1H FY23 and 4% compared with 2H FY23. Gross profit dollar per tonne remains at levels above FY21.

In 1H FY24 corporate cost allocations to business units were reviewed, resulting in an additional NZ\$1 million being allocated to the Steel segment. On a comparable basis operating expenditure (OPEX) excluding depreciation for the Steel segment declined by approximately NZ\$1 million in 1H FY24 compared to 1H FY23 despite the inflationary pressure on the company's cost base.

Overall, Steel EBITDA margin declined 4.6% to 15.0% in 1H FY24 from 19.6% in 1H FY23. As a result, Steel EBITDA decreased by NZ\$24.3 million to NZ\$37.8 million in 1H FY24.

Steel, NZ\$m	1H FY24	1H FY23	% change
Revenue	252.3	316.5	-20.3%
EBITDA ^{1,2}	37.8	62.1	-39.2%
Sales volume (000 tonnes)	84.5	94.5	-10.6%
Revenue/tonne (\$)	2,986	3,351	-10.9%
EBITDA margin ^{1,2}	15.0%	19.6%	-4.6%

1. Post NZ IFRS 16 basis.

2. Statutory 1H FY23 has been realigned for consistency with internal practice of corporate costs allocation.

Metals

Metals had a full six-month trading from the Aluminium Division in 1H FY24, an additional month trading on 1H FY23. Despite this additional month of aluminium trading, overall metals revenue decreased NZ\$9.7 million (3.0%) to NZ\$311.7 million in 1H FY24 from NZ\$321.4 million in 1H FY23. Sales tonnes increased to 34,636 tonnes in 1H FY24, up 5.3% from 32,890 tonnes in 1H FY23. Adjusted for the one extra month of trading in 1H FY24 compared to 1H FY23, overall Metals volume was steady year-on-year. Average revenue per tonne decreased NZ\$772 (7.9%) to NZ\$9,000 in 1H FY24 from NZ\$9,772 in 1H FY23.

Gross margin percentage was steady in 1H FY24 compared with 1H FY23.

In 1H FY24 corporate cost allocations to business units were reviewed resulting in an additional NZ\$3 million being allocated to the Metals segment. Overall OPEX excluding depreciation for the Metals segment increased by approximately NZ\$6 million in 1H FY24 compared to 1H FY23 reflecting six months of OPEX in 1H FY24 compared with five months in the previous corresponding period relating to the aluminium division. On a like-for-like⁴ basis, OPEX excluding depreciation for the Metals segment declined by approximately NZ\$1 million despite the inflationary pressure on the company's cost base including significantly higher unit cost for power and third party freight providers. Overall, Metals EBITDA margin declined 3.2% to 17.0% in 1H FY24 from 20.2% in 1H FY23. As a result, the Metals EBITDA decreased by NZ\$12.0 million to NZ\$53.0 million in 1H FY24.

Metals, NZ\$m	1H FY24	1H FY23	% change
Revenue	311.7	321.4	-3.0%
EBITDA ^{1,2,3}	53.0	65.0	-18.5%
Sales volume (000 tonnes)	34.6	32.9	5.3%
Revenue/tonne (\$)	9,000	9,772	-7.9%
EBITDA margin ^{1,2,3}	17.0%	20.2%	-3.2%

1. Post NZ IFRS 16.

2. Before significant items (integration costs of NZ\$1.5m in 1H FY23).

3. Statutory 1H FY23 has been realigned for consistency with internal practice of corporate costs allocation.

Half year operating and financial review *continued*

Operating expenditure (OPEX)

OPEX (excluding Aluminium integration costs, depreciation, and amortisation) increased NZ\$5.3 million (4.8%) to NZ\$117.9 million in 1H FY24 from NZ\$112.6 million in 1H FY23. This includes the full six-month impact of the Aluminium business of approximately NZ\$6.0 million additional costs and the continued inflation impact across all cost areas.

With the increase in costs and the reduction of sales volume, the OPEX costs per tonne increased to NZ\$990 up 12.0%. While this substantially reflects the negative impact of lower volume and cost-to-serve associated with product-mix, management continues to look for opportunities to improve efficiencies to reduce the impact of inflationary pressures. Employee numbers decreased 157 to 1,283.

OPEX, NZ\$m	1H FY24	1H FY23	% change
Employee benefits	71.5	70.4	1.6%
Selling & distribution (S&D)	15.0	13.3	12.6%
Occupancy costs	7.0	4.9	41.9%
General & admin. (G&A)	24.5	24.0	2.0%
Operating expenses^{1,2}	117.9	112.6	4.8%
Staff numbers (at period end)	1283	1440	-10.9%
Sales volume (000 tonnes)	119.1	127.4	-6.5%
Total OPEX/tonne (\$000)	990	884	12.0%

1. Exclude Depreciation & Amortisation.
2. Before significant items (integration costs of NZ\$1.5m in 1H FY23).

Cash flows

OPERATING CASH FLOWS

Cash generated from operations recorded a net NZ\$105.3 million inflow in 1H FY24 compared to NZ\$16.0 million achieved in 1H FY23. Operating cash flows included a reduction of working capital (excluding currency translation impact) primarily due to a NZ\$53.7 million drop in inventory, lower tax payments due to a reduction of Group NPBT, and higher interest payments due to increased interest rates. 1H FY23 included a NZ\$59.3 million adverse movement in working capital.

The net cash flows from operating activities of NZ\$105.3 million was used for capital expenditure of NZ\$14.4 million, up NZ\$3.7 million on 1H FY23 due to the development of several hybrid sites, a dividend payment of NZ\$40.1 million with the remainder used to reduce bank debt which dropped by NZ\$58.4 million.

NZ\$m	1H FY24	1H FY23	% change
Receipts from customers	591.1	681.6	-13.3%
Payments to suppliers & employees	-442.0	-600.0	-26.3%
Net interest paid	-12.1	-7.6	59.2%
Tax paid	-23.4	-50.0	-53.2%
Lease interest paid	-8.3	-8.0	3.5%
Net cash flows from operating activities	105.3	16.0	560.4%
Capital expenditure	-14.4	-10.7	34.8%
Acquisition (incl debt assumed)	0.0	-149.2	n.m.
Lease liability payments	-11.5	-10.3	11.5%
Dividends	-40.1	-49.3	-18.7%

Half year operating and financial review *continued*

Balance sheet

WORKING CAPITAL

Net working capital excluding tax payable decreased to NZ\$375.4 million on 31 December 2023 down from NZ\$441.5 million on 30 June 2023, primarily due to a NZ\$59.0 million drop (including currency movement) in inventory. The inventory reduction was achieved whilst ensuring essential key stock lines are fully stocked. The Group continues to maintain a delivery in full on time (DIFOT) of 98% for key stock lines. Both receivables and payables declined in line with lower trading activities at this time of the calendar year.

NET BANK DEBT

Since 30 June 2023, net bank debt dropped NZ\$42.1 million to NZ\$297.6 million. The reduction in net bank debt was due to the decrease in working capital, primarily due to reduced inventory levels and continued positive operating cash flows, partially off-set by a NZ\$40.1 million dividend payment.

During the period, the Group did not renew a NZ\$40.0 million working capital facility that expired on 1 November 2023, reducing the Group's term debt facilities to NZ\$400 million. In addition, in December 2023, the Group extended a NZ\$75 million tranche of its bank debt that was due to expire in 2024 out to 2027.

FUNDS EMPLOYED

Including NZ\$169.3 million shareholders' funds, and NZ\$290.1 million in lease liabilities, and NZ\$297.6 million in net bank debt, the Group's funds employed were NZ\$757.0 million on 31 December 2023. The decline from NZ\$815.3 million on 30 June 2023 primarily reflected a disciplined approach to managing Vulcan's inventory relative to prevailing conditions, hybrid site opportunities and potential recovery in the business cycle.

Dividends

The Board has declared a 12.0 NZ cents per share interim dividend. This dividend will be fully franked at 30% tax rate for Australia resident shareholders, and fully imputed at 28% tax rate for New Zealand resident shareholders. Australian-domiciled shareholders may benefit from their entitlement to receive an amount in supplementary dividend payment as an offset against New Zealand non-resident withholding tax payable on this imputed interim dividend.

NZ\$m	31 Dec 23	30 Jun 23	% change
Trade and other receivables	141.3	170.7	-17.2%
Inventories	378.7	437.7	-13.5%
Less trade and other payables	-144.6	-166.9	-13.4%
Working capital excluding tax items	375.4	441.5	-15.0%
Property, plant and equipment	91.3	86.8	5.1%
Intangibles	14.1	15.0	-5.9%
Right-of-use assets	257.5	260.4	-1.1%
Other assets and liabilities	18.7	11.6	61.4%
Lease liabilities	-290.1	-289.7	0.1%
Net bank debt	-297.6	-339.7	-12.4%
Net assets/shareholders funds	169.3	185.9	-9.0%

Half year operating and financial review *continued*

Environmental, social and governance (ESG)

Vulcan continues its ESG journey. During the last six months, we have formalised our internal governance structure to ensure that the risks and opportunities to the business are identified and managed. We continue to lower our carbon emissions with increased use of electric vehicles and solar power, where appropriate. We are currently implementing new software to manage our carbon emissions enabling us to further identify opportunities. We are also formulating our carbon emission targets and completing scenario analysis as required under the new New Zealand Climate Standards.

‘We continue to lower our carbon emissions with increased use of EV and solar power.’



Half year operating and financial review *continued*

Outlook

Trading was variable in the first six months of the current financial year with some weakness observed in the December quarter especially in the NZ market and the Steel segment in Australia as foreshadowed at our ASM in November 2023.

Sales activity is beginning to stabilise at current levels.

Lead business activity indicators for New Zealand point to an improving outlook for 2024 although the timing and magnitude of a recovery remains uncertain. Our expectation is for New Zealand trading volume to begin to recover from 2Q or 3Q of 2024 calendar year.

In Australia, expectations are for Vulcan's Metals segment to remain steady and improve as further hybrid sites are commissioned during 2024 calendar year. The Australian Steel segment volume will likely continue to be challenging especially in Victoria in the near term.

The Aluminium systems integration has been largely completed in the last twelve months. The next period focus will be leveraging synergies to deliver positive outcomes. Vulcan is no stranger to hybrid sites and the acquisition of the Aluminium business has provided significant opportunities to leverage the new Aluminium sites, customers, and product range within the Group's existing business to develop a number of new hybrid sites. Three hybrid sites were commissioned in 1H FY24, with a further four sites expected to be commissioned around the middle of 2024 calendar year. Additional hybrid site opportunities are being evaluated. These sites are expected to be a significant driver of the Group's organic growth over the next 12 to 18 months.



Lead business activity indicators for New Zealand point to an improving outlook for 2024...

Our principles

^ We believe that by creating the right environment we inspire the delivery of amazing results. ^

Provide an enjoyable workspace

We want our employees to genuinely enjoy the work they do. Aside from having well resourced, high standard facilities, we aim to create a workplace where everyone feels listened to, valued and supported in reaching their full potential.

Promote a safe working environment

By nature, working with steel has inherent risks, therefore ensuring our employee's safety is our primary, ongoing priority. Not only do we want our employee's to return home safely to their families every night, we also want them to feel psychologically safe and supported while at work.

Be financially prosperous

This enables us the freedom to invest in our business and people to ensure we're thriving, not just surviving. It gives us the ability to determine our future success from which everyone can prosper.

Remain ambitious

Ambition is about being courageous enough to try, knowing that while we may not always succeed, we will learn, grow, adapt and ultimately find a better way. Innovation isn't without risk, and we're here to support our staff in stepping outside of the box and striving for greatness.

Balance the above

We know that balancing the above is critical to our success.

Our ethos

^ At Vulcan we hold ourselves to the highest standards in our work, how we do it and how we treat one another. ^

Team first, with respect for the individual

We've got an "everyone supports the team, and the team supports everyone" culture. No one person is more important than another, therefore we value and respect everyone's individual perspectives and ensure that all decision making reflects what's best for the team.

Each person responsible with minimum misunderstanding

We trust everyone to have complete responsibility and autonomy within their role. Our employee's don't have someone looking over their shoulder and should feel empowered and enabled to do their job to the best of their ability, in a way that works best for them.

Relaxed, professional and committed

Work should be somewhere our employee's enjoy going every day. We don't take ourselves too seriously and our relaxed, yet committed environment ensures everyone feels comfortable asking questions, receiving feedback and supporting one another.

Support our local communities

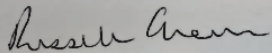
Our people's health and happiness directly depends on the health and happiness of those around them. These extended networks of friends and families across New Zealand and Australia, are our local communities. Through understanding their difficulties and helping support, uplift and improve the lives of these people, we hope to foster meaningful and lasting change.

Clear profit centre goals

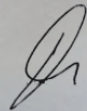
Everyone has a clear understanding of their responsibilities and goals and has the resources and decision-making authority to achieve them.

Thank you

Our culture – our principles and ethos – remains critical to delivering further successes. On behalf of the Board, we thank our team, customers, suppliers and shareholders for their ongoing commitment and support.



Russell Chenu
CHAIRMAN



Rhys Jones
CHIEF EXECUTIVE OFFICER
MANAGING DIRECTOR



03

FINANCIALS

An encouraging performance

Consolidated Condensed Interim Statement of Comprehensive Income (unaudited)

FOR THE SIX MONTHS TO 31 DECEMBER 2023

NZ\$000's	Notes	Unaudited 31 Dec 2023	Unaudited 31 Dec 2022
Revenue	5	564,002	637,960
Cost of sales		(364,290)	(408,844)
Gross profit		199,712	229,116
Other income	5	28	34
Selling and distribution expenses		(14,950)	(13,282)
General and administrative expenses		(125,647)	(121,769)
Total operating expenses	6	(140,597)	(135,051)
Operating profit before financing costs		59,143	94,099
Financing income		180	15
Financing expenses		(20,782)	(17,373)
Net financing costs		(20,602)	(17,358)
Profit before tax		38,541	76,741
Tax expense		(12,430)	(22,386)
Profit after tax		26,111	54,355
Other comprehensive Income			
<i>Items that may be reclassified to profit or loss when specific conditions are met</i>			
Exchange differences on translation of foreign operations		(2,662)	(10,139)
Fair value gain/(loss) on cash flow hedges		(1,479)	(6,789)
Tax effect of movement in cash flow hedges		430	1,915
Other comprehensive income/(loss), net of tax		(3,711)	(15,013)
Total comprehensive income		22,400	39,342
Attributable to:			
Owners of Vulcan Steel Limited		22,400	39,342
Basic earnings per share	10	\$0.20	\$0.41
Diluted earnings per share	10	\$0.20	\$0.41

Consolidated Condensed Interim Statement of Financial Position (Unaudited)

AS AT 31 DECEMBER 2023

NZ\$000's	Notes	Unaudited 31 Dec 2023	Unaudited 31 Dec 2022	Audited 30 Jun 2023
ASSETS				
Current Assets				
Cash and cash equivalents		4,016	-	20,318
Trade and other receivables		141,329	154,787	170,662
Inventories		378,661	492,525	437,746
Tax receivable		13,200	-	2,902
Derivative financial instruments		-	-	1,710
Total current assets		537,206	647,312	633,338
Non-current Assets				
Property, plant and equipment		91,264	79,884	86,846
Right-of-use assets		257,462	261,749	260,366
Intangible assets		14,133	16,821	15,018
Deferred tax assets		7,664	11,004	8,643
Total non-current assets		370,523	369,458	370,873
TOTAL ASSETS		907,729	1,016,770	1,004,211
LIABILITIES				
Current Liabilities				
Bank overdraft		-	2,849	-
Trade and other payables		144,563	154,082	166,869
Derivative financial instruments		2,198	1,761	-
Lease liabilities		23,802	21,486	22,665
Tax payable		-	7,734	1,692
Total current liabilities		170,563	187,912	191,226
Non-current Liabilities				
Lease liabilities		266,265	265,349	267,067
Interest-bearing liabilities		301,648	387,558	360,000
Total non-current liabilities		567,913	652,907	627,067
TOTAL LIABILITIES		738,476	840,819	818,293
EQUITY				
Share capital	9	11,988	11,988	11,988
Retained earnings		149,674	162,307	163,643
Reserves		7,591	1,656	10,287
TOTAL EQUITY		169,253	175,951	185,918
TOTAL LIABILITIES AND EQUITY		907,729	1,016,770	1,004,211

Consolidated Condensed Interim Statement of Changes in Equity (unaudited)

FOR THE SIX MONTHS TO 31 DECEMBER 2023

NZ\$000's	Share capital	Retained earnings	Share based payment reserve	Other reserves	Attributable to owners of Vulcan Steel Ltd
Balance as at 1 July 2022	11,988	157,230	2,683	13,364	185,265
Comprehensive income					
Profit after tax	-	54,355	-	-	54,355
Other comprehensive (loss) / income					
Foreign currency translation reserve	-	-	-	(10,139)	(10,139)
Cash flow hedge reserve	-	-	-	(4,874)	(4,874)
Total comprehensive income	-	54,355	-	(15,013)	39,342
Transactions with owners					
Share based payments reserve	-	-	622	-	622
Dividends paid	-	(49,278)	-	-	(49,278)
Balance as at 31 December 2022	11,988	162,307	3,305	(1,649)	175,951
Balance as at 1 July 2023	11,988	163,643	3,926	6,361	185,918
Comprehensive income					
Profit after tax	-	26,111	-	-	26,111
Other comprehensive (loss)/income					
Foreign currency translation reserve	-	-	-	(2,662)	(2,662)
Cash flow hedge reserve	-	-	-	(1,049)	(1,049)
Total comprehensive income	-	26,111	-	(3,711)	22,400
Transactions with owners					
Share based payments reserve	-	-	1,015	-	1,015
Dividends paid	-	(40,080)	-	-	(40,080)
Balance as at 31 December 2023	11,988	149,674	4,941	2,650	169,253

Consolidated Condensed Interim Statement of Cash Flows (unaudited)

FOR THE SIX MONTHS TO 31 DECEMBER 2023

NZ\$000's	Unaudited 31 Dec 2023	Unaudited 31 Dec 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers ¹	591,117	681,584
Interest received	180	15
Payments to suppliers and employees ¹	(441,953)	(599,961)
Tax paid	(23,414)	(50,041)
Interest paid	(12,274)	(7,598)
Lease interest paid	(8,311)	(8,033)
Net cash flows from operating activities	105,345	15,966
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for business acquisition	-	(107,750)
Net debt acquired	-	(42,793)
Sale of property, plant and equipment and intangibles	2,449	255
Purchase of property, plant and equipment and intangibles	(14,407)	(10,687)
Net cash flows used in investing activities	(11,958)	(160,975)
CASH FLOWS FROM FINANCING ACTIVITIES		
Lease liability payments	(11,509)	(10,271)
(Repayment)/Drawdown of borrowings	(58,352)	177,799
Dividends paid	(40,080)	(49,278)
Net cash flows (used in)/from financing activities	(109,941)	118,250
Net decrease in cash	(16,554)	(26,759)
Effect of foreign exchange rates	252	(1,488)
Cash acquired on acquisition	-	1,365
Opening cash	20,318	24,033
Closing cash/(overdraft)	4,016	(2,849)
RECONCILIATION OF CLOSING CASH		
Cash and cash equivalents	4,016	(2,849)
Closing cash	4,016	(2,849)
CASH FLOW RECONCILIATION		
Profit after tax	26,111	54,355
Add/(deduct) non cash items:		
Amortisation of right of use assets	14,920	14,284
Depreciation, amortisation and impairment of other assets	8,637	6,730
Net gain on disposal of assets	(884)	(61)
Other non-cash items	1,612	99
	24,285	21,052
Net working capital movements		
Trade and other receivables	27,088	44,061
Inventories	53,673	(18,848)
Trade and other payables	(15,227)	(56,983)
Taxation payable	(11,950)	(25,778)
Deferred tax asset	1,365	(1,893)
	54,949	(59,441)
Net Cash flows from Operating Activities	105,345	15,966

1. This statement is prepared exclusive of GST for 1H FY24, the 1H FY23 comparatives have been adjusted by \$81.5 million to reflect this change. Net cash flow from operating activities for 1H FY23 remains unchanged.

Condensed Notes to the Interim Consolidated Financial Statements (unaudited)

AS AT AND FOR THE SIX MONTHS TO 31 DECEMBER 2023

1. REPORTING ENTITY

Vulcan Steel Limited (the "Company") together with its subsidiaries (the "Group") is primarily involved in the sale and distribution of steel and metal products, with operations in New Zealand and Australia. There have been no changes to the nature of the business during the current period.

The Company is a profit-oriented entity, domiciled in New Zealand, registered under the Companies Act 1993 and the financial statements comply with this Act. The Company is listed on the Australian Securities Exchange ("ASX") with a dual listing on the NZX main board (under the code "VSL"). The Company is an FMC Reporting Entity under the Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013.

2. BASIS OF PREPARATION

Statement of compliance

These consolidated condensed interim financial statements for the six months ended 31 December 2023 have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP) as appropriate for Tier 1 for-profit entities' interim financial statements. The Group financial statements have been prepared in accordance with the New Zealand equivalent to International Accounting Standard 34 - Interim Financial reporting (NZ IAS 34). In complying with NZ IAS 34, these statements comply with International Accounting Standard 34 - Interim Financial Reporting.

These consolidated condensed interim financial statements have not been audited. The financial statements have been the subject of review by the auditor, pursuant to NZ SRE 2410 (Revised) Review of Financial Statements Performed by the Independent Auditor of the Entity, issued by the External Reporting Board. They do not include all of the notes normally included in an annual financial report, and should be read in conjunction with the audited financial statements for the year ended 30 June 2023.

Basis of measurement

The consolidated condensed interim financial statements have been prepared on the basis of historical cost with the exception of the revaluation of certain financial assets and liabilities (including derivative instruments) at fair value through profit or loss and other comprehensive income.

The Consolidated Statement of Comprehensive Income has been prepared so that all components are stated exclusive of GST. All items in the Consolidated Statement of Financial Position are stated net of GST, with the exception of receivables and payables, which include GST invoiced. The cash flows from operating activities are presented exclusive of GST.

Functional currency

The consolidated condensed interim financial statements are presented in NZD which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise stated.

Material accounting policies

The accounting policies and computation methods used in the preparation of the consolidated condensed interim financial statements are consistent with those used as at 30 June 2023 and 31 December 2022.

Changes to accounting policies

There are no new standards or amendments to standards applicable to the Group for the six months ended 31 December 2023 that have materially impacted the financial statements. No changes to accounting policies have been made during the period and policies have been consistently applied to all periods presented.

Management is currently assessing the following standard that is not yet effective.

On 14 December 2022, the External Reporting Board (XRB) published its climate-related disclosure standards. The mandatory reporting regime for disclosure of risk in the annual report is for reporting periods beginning on or after 1 January 2023.

The Group currently prepares disclosure related information as part of its Environmental and Sustainability section in the annual report. Disclosures aligned to the new standard will form part of the 30 June 2024 annual report.

3. SIGNIFICANT TRANSACTIONS AND EVENTS FOR THE CURRENT PERIOD

Dividend

On 29 August 2023, the Directors approved a final dividend of 30.5 cents per share totalling \$40.1 million. The dividend record date was 28 September 2023 and payment occurred on 12 October 2023. The dividend was fully franked and 44% imputed.

Debt facility

On 19 December 2023 the Group extended a \$75 million tranche of its debt facilities that were expiring on 16 July 2024 until 16 July 2027.

4. OPERATING SEGMENTS

Vulcan comprises the following operating segments based on internal reports that are reviewed and used by the chief operating decision maker (CODM - comprising the CEO and Managing Director, CFO, and COO) in assessing performance and in determining the allocation of resources:

Steel business across Australia and New Zealand

Steel distribution – the sale of hollows, merchant products including bars, beams, angles, channels, unprocessed coil and plate;

Plate processing – cutting, drilling, tapping, countersinking and folding of plates to customer requirements;

Coil processing – sheeting & slitting to customer specifications.

Metals business across Australia and New Zealand

Stainless steel – the sale of stainless steel products including hollows, bars, fittings and sheets, and processing services including cutting, drilling, tapping, countersinking and folding of plates to customer requirements, as well as sheeting & slitting of stainless coil;

Engineering steel – the sale of high-performance steel and metal products, and cutting service to specification;

Aluminium – distributes internally extruded standardised and customised products and third party products including sheet, plate and coil products.

Reporting is received on at least a monthly basis, and performance is measured based on underlying segment earnings before interest, tax, depreciation and amortisation (EBITDA). EBITDA is used to measure performance as the CODM believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within this industry.

The Group has a diverse range of customers from various industries, with no single customer contributing more than 10% of the Group's revenue.

Interest income and expenses are not allocated to segments, as decisions are made on a pre-NZ IFRS16 Leases basis and other interest income and expense related activities are driven by the central corporate function, which manages the cash position of the Group.

Assets and liabilities are provided to the CODM on a Group basis, and are separately reported with respect to the individual operating segments.

Sales between segments are eliminated on consolidation. The amounts provided to the CODM with respect to segment revenue are measured in a manner consistent with that of the financial statements.

The following is an analysis of the Group's results by reportable segment:

NZ\$000's	Unaudited 31 Dec 2023				Unaudited 31 Dec 2022			
	Steel	Metals	Corporate	Total	Steel	Metals	Corporate	Total
Total operating revenue	252,277	311,725	-	564,002	316,535	321,425	-	637,960
EBITDA (post NZ IFRS 16 and pre significant items)¹	37,772	52,979	(8,934)	81,817	62,108	65,046	(10,566)	116,588
Significant items ²				-			(1,475)	(1,475)
EBITDA (post NZ IFRS 16 and significant items)				81,817				115,113
Depreciation & amortisation ³				(22,674)				(21,014)
EBIT				59,143				94,099
Net finance costs				(20,602)				(17,358)
Profit before tax				38,541				76,741
Tax expense				(12,430)				(22,386)
Reported NPAT attributable to shareholders				26,111				54,355
Depreciation & amortisation of PPE & intangibles ³				(7,754)				(6,730)
Amortisation of right of use assets				(14,920)				(14,284)
Total depreciation & amortisation				(22,674)				(21,014)
Finance income				180				15
Finance charges - interest, line fees & other				(12,472)				(9,340)
Finance charges on lease liabilities				(8,310)				(8,033)
Finance charges				(20,602)				(17,358)
Principal lease payments	(8,436)	(11,359)	(25)	(19,820)	(7,205)	(10,968)	(131)	(18,304)
Underlying EBITDA (pre-NZ IFRS 16)	29,336	41,620	(8,959)	61,997	54,903	54,078	(10,697)	98,284
Significant items ²								
Ullrich integration costs	-	-	-	-	-	-	(1,475)	(1,475)
Total significant items	-	-	-	-	-	-	(1,475)	(1,475)
TOTAL ASSETS	344,453	507,448	55,828	907,729	383,983	605,879	26,908	1,016,770
TOTAL LIABILITIES	183,677	221,947	332,852	738,476	165,501	240,367	434,951	840,819
Geographical Information	NZ	Australia	Corporate	Total	NZ	Australia	Corporate	Total
TOTAL OPERATING REVENUE	195,522	368,480	-	564,002	239,240	398,720	-	637,960
EBITDA (post NZ IFRS 16 and significant items)	38,860	51,891	(8,934)	81,817	55,645	71,509	12,041	115,113
TOTAL NON CURRENT ASSETS²	109,844	232,751	279,28	370,523	107,599	230,937	30,922	369,458

1. The EBITDA (post NZ IFRS 16 and pre significant items) 1H FY23 comparison has been restated to reflect an allocation of corporate costs of \$3.7 million which is consistent with the 1H FY24 presentation. The total EBITDA (post NZ IFRS 16 and pre significant items) for 1H FY23 is unchanged.

2. Significant item means any income or expense of such size, nature or incidence that is relevant to the user's understanding of the performance of the entity and is disclosed as a "Significant Item" in the financial statements. The Ullrich integration costs of \$1.5 million in 1H FY23 were not shown separately in the December 2022 accounts. The comparative has been corrected to reflect the disclosure used in the June 2023 accounts.

3. Includes \$0.9 million net gain on disposal of assets.

5. REVENUE

NZ\$000's	Unaudited 31 Dec 2023	Unaudited 31 Dec 2022
Total operating revenue	564,002	637,960
Other income	28	34

6. EXPENSES

NZ\$000's	Unaudited 31 Dec 2023	Unaudited 31 Dec 2022
Profit before tax includes the following expenses:		
Employee benefit expenses	65,692	65,240
Defined contribution plans	5,824	5,120
Depreciation, amortisation and net gain on disposal of assets	22,674	21,014
Selling and distribution	14,950	13,282
Occupancy costs	7,008	4,940
Ullrich integration costs	-	1,475
Other expenses	24,449	23,980
Total selling, general and administrative expenses	140,597	135,051

7. EMPLOYEE SHARE BASED COMPENSATION**Performance Share Rights Plan**

The Company has established a Long-Term Incentive Plan (LTIP), effective 1 July 2021, to assist in the motivation, retention and reward of eligible employees. The LTIP is designed to align the interests of employees with the interests of Shareholders by providing an opportunity for certain employees to receive an equity interest in the Company.

The Board may determine the individual employees who are eligible to participate in the LTIP from time to time. Determination of eligibility is at the Board's sole and absolute discretion.

Under the LTIP, the Company may grant Performance Share Rights (PSR) to a Participant. Each PSR unit entitles the holder (at no cost to the Participant) to one ordinary share in the Company. Unless otherwise stated, PSR grants are to be made annually on 1 July.

All incentives have a 3-year vesting period. The LTIs are split into 2 components ("Tranche 1" and "Tranche 2"). The vesting criteria for Tranche 1 is based on Return on Capital Employed ("ROCE") thresholds while Tranche 2 is based on the Company's total shareholder return ("TSR") ranking relative to a "Benchmark Group". For both tranches the individual must remain employed by the Company.

The Benchmark Group comprise all companies in the ASX 300 index (excluding mining, energy and financial companies). The measurement of both the Company's and benchmark TSRs will be the gross return based upon any capital gains (losses) and the cash component of dividends only (i.e., excluding returns attributable to franking credits). The share price returns of the Company and/or the Benchmark Group will also be adjusted for:

- The impact of bonus issues and /or capital reconstructions; and
- Referenced to the 20-day Volume Weighted Average Price ("VWAP") of the Company's share price prior to the testing date.

The fair value of PSRs are recognised as an expense in the Statement of Profit or Loss over the vesting period of the rights with a corresponding entry to the share based payments reserve.

An additional 478,261 PSR's (FY24 Grant) were granted in the current period with a combined face value of \$2,357,961. Grants previously issued were the FY22 grant of 391,622 PSR's with a combined face value of \$2,103,010 and FY23 grant of 332,417 PSR's with a combined face value of \$1,627,181.

The total expense recognised in the period to 31 December 2023 in relation to equity settled share based payments was \$1,015,000 (2022: \$621,683). No rights were exercised during the year.

8. IMPAIRMENT TESTING AND INTANGIBLES

The annual impairment test is performed as at 30 June each year. Goodwill is considered to be impaired if the carrying amount of the relevant cash generating units ("CGUs") exceeds its recoverable amount. The recoverable amount of a CGU is the higher of its fair value less costs of disposal ("FVLCD") and its value-in-use ("VIU"). A VIU approach is used to estimate the recoverable amount of the CGU to which each goodwill component is allocated.

There are no indicators of impairment at 31 December 2023.

9. SHARE CAPITAL

Fully paid ordinary shares	Unaudited 31 Dec 2023		Audited 30 Jun 2023	
	Number of shares	Share capital \$000	Number of shares	Share capital \$000
Opening balance	131,408,572	11,988	131,408,572	11,988
Number of shares on issue	131,408,572	11,988	131,408,572	11,988
Closing balance	131,408,572	11,988	131,408,572	11,988

10. EARNINGS PER SHARE

NZ\$000's	Unaudited 31 Dec 2023	Unaudited 31 Dec 2022
Profit after tax	26,111	54,355
Weighted average ordinary shares outstanding (number of shares)	131,408,572	131,408,572
Basic earnings per share (cents per share)	\$0.20	\$0.41
Diluted earnings per share (cents per share)	\$0.20	\$0.41

11. FINANCIAL INSTRUMENTS

NZ IFRS 13 for financial assets and liabilities measured at fair value requires disclosure of the fair value measurements by level from the fair value hierarchy, described as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities; or

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices); or

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All the Group's financial instruments held at fair value have been measured at the fair value measurement hierarchy of level 2 (2022: level 2).

The carrying value of the Group's financial assets and liabilities approximate the fair values.

12. CAPITAL COMMITMENTS

Total capital expenditure contracted as at balance date but not provided for in the accounts was \$2.1 million (30 June 2023: \$1.2 million).

13. CONTINGENT LIABILITIES

There is a bank guarantee with National Australia Bank Limited of \$14.0 million (30 June 2023: \$13.3 million) over property in Australia.

14. RELATED PARTY TRANSACTIONS

The Company has related party relationships with its controlled entities and with key management personnel.

Related party transactions continue to include key executive remuneration, lease payments on the buildings and dividends paid by the Group to its directors and shareholders. In addition to this, a long term incentive plan has been entered into by the Group for its key management personnel which includes the managing director. Refer to note 7 for details on this arrangement.

15. EVENTS OCCURRING AFTER BALANCE DATE

On 13 February 2024, the Directors approved an interim dividend of 12.0 cents per share totalling \$15.8 million. The dividend record date is 1 March 2024 and payment will occur on 21 March 2024. The dividend will be fully franked and fully imputed.

No other matters or circumstances have arisen since the end of the financial period which significantly affect the company, the results of those operations, or the state of affairs of the company in future financial years.



INDEPENDENT AUDITORS REVIEW REPORT TO THE SHAREHOLDERS OF VULCAN STEEL LIMITED

Conclusion

We have reviewed the consolidated condensed interim financial report ('interim financial statements') of Vulcan Steel Limited ('the Company') and its subsidiaries ('the Group') on pages 16 to 23 which comprise the consolidated condensed interim balance sheet as at 31 December 2023, and the consolidated condensed interim statement of comprehensive income, consolidated condensed interim statement of changes in equity and consolidated condensed interim statement of cash flows for the six months ended on 31 December 2023, and notes to the condensed interim consolidated financial statements, including material accounting policy information.

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 31 December 2023 and its financial performance and cash flows for the 6 months ended on that date in accordance with NZ IAS 34 Interim Financial Reporting and IAS 34 Interim Financial Reporting.

Basis for Conclusion

We conducted our review in accordance with NZ SRE 2410 (Revised) Review of Financial Statements Performed by the Independent Auditor of the Entity ('NZ SRE 2410 (Revised)'). Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Interim Financial Statements section of our report.

We are independent of the Group in accordance with the relevant ethical requirements in New Zealand relating to the audit of the annual financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor, we have no relationship with or interests in Vulcan Steel Limited or its subsidiaries.

Directors' responsibilities for the interim financial statements

The directors are responsible on behalf of the Company for the preparation and fair presentation of the interim financial statements in accordance with NZ IAS 34 Interim Financial Reporting and IAS 34 Interim Financial Reporting and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the interim financial statements

Our responsibility is to express a conclusion on the interim financial statements based on our review. NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements, taken as a whole, are not prepared, in all material respects, in accordance with NZ IAS 34 Interim Financial Reporting and IAS 34 Interim Financial Reporting.

A review of the interim financial statements in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and consequently do not enable us to obtain assurance that we might identify in an audit. Accordingly we do not express an audit opinion on the interim financial statements.

Restriction on use

This report is made solely to the company's shareholders, as a body. Our review has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company's shareholders as a body, for our engagement, for this report, or for the conclusions we have formed.

Andrew Boivin, Partner
for Deloitte Limited
Auckland, New Zealand
13 February 2024

This review report relates to the unaudited interim financial statements of Vulcan Steel Limited ('the Company') for the 6 months ended 31 December 2023 included on the Company's website. The directors are responsible on behalf of the Company for the maintenance and integrity of the Company's website. We have not been engaged to report on the integrity of the Company's website. We accept no responsibility for any changes that may have occurred to the unaudited interim financial statements since they were initially presented on the website. The review report refers only to the unaudited interim financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these unaudited interim financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the unaudited interim financial statements and related review report dated 14 February 2024 to confirm the information included in the unaudited interim financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' Declaration

The unaudited interim financial statements of Vulcan Steel Limited and its subsidiaries (the Group) for the half year ended 31 December 2023 were authorised for issue on 13 February 2024 in accordance with a resolution of the directors.

In accordance with ASX Listing Rule 4.2A.2A, the directors declare that, as at that date, and in the directors' opinion:

1. There are reasonable grounds to believe the Group will be able to pay its debts as and when they become due and payable: and
2. The relevant interim financial statements and notes comply with the accepted accounting standards in New Zealand.

For and behalf of the Board



Russell Chenu
CHAIRMAN



Rhys Jones
CHIEF EXECUTIVE OFFICER
MANAGING DIRECTOR

Corporate Directory

BOARD OF DIRECTORS

Russell Chenu (Chair)

Rhys Jones

Adrian Casey

Wayne Boyd

Bart De Haan

Carolyn Steele

Nicola Greer (appointed 4 September 2023)

EXECUTIVE TEAM

Rhys Jones

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

Adrian Casey

CHIEF OPERATING OFFICER

Kar Yue Yeo

CHIEF FINANCIAL OFFICER

REGISTERED OFFICE

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East Tamaki
Auckland 2013
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Australia

72-86 Nathan Road
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VIC 3175
Telephone: +61 3 8792 9699

SHARE REGISTRY

Vulcan's register of securities is maintained by Link Market Services Limited, and is held at the following addresses:

In Australia:

Level 12, 680 George Street
Sydney, NSW 2000
Telephone: +61 1300 554 474

in New Zealand:

Level 30, PwC Tower
15 Customs Street West
Auckland 1010
Telephone: +64 9 375 5998

AUDITORS

Deloitte Limited

COMPANY NUMBERS

New Zealand company number: 68137

New Zealand business number: 9429038466052

Australian registered business number: 652 996 015

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VULCAN.CO