

18 May 2016

EARNINGS GUIDANCE FY2016

In February, Steel & Tube indicated the current financial year's (FY16) full year underlying profit was expected to be consistent to the prior full year's net profit after tax (NPAT) of \$21.4m.

The current second half of financial year FY16 is proving more challenging than anticipated and as a consequence, the FY16 full year underlying profit is expected to fall short of last year's NPAT by between 10 and 15%.

The previously reported \$6m gain on sale from the Bowden Road property completed in December 2015 is in addition to these underlying earnings.

While global raw material and finished steel prices remain volatile, they have increased dramatically in many parts of the world from the 13 year lows in late 2015. Conversely, New Zealand steel distribution prices have continued to decline since January, due to intense competition as some competitors vie for market share, impacting margins. However, whilst we expect minimal impact on trading during the remainder of this half, we do anticipate some uplift in New Zealand steel prices in the early part of the new financial year commencing 1 July 2016.

Recent issues around product quality, and in particular seismic mesh have also impacted short term earnings.

The Company will provide its next outlook as part of the full year's results announcement in August 2016.

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