

Shareholder Update

STORIES OF STRENGTH



Dear Shareholder

Steel & Tube recently made an announcement regarding its expected result for the 2018 financial year, with a reduced outlook for this year's operating profit to \$16 million, and up to \$54 million in non-trading costs and impairments. This will result in an EBIT loss of approximately \$(38) million.

Read the full guidance announcement at www.nzx.com/announcements/318333

FROM THE CHAIR

The lower forecast follows an extensive company-wide review of the business by the refreshed Board and Management team, in conjunction with the previously announced change programme.

As part of this review, a number of legacy issues were identified and are now being resolved. The impact of these are reflected in the guidance including exit from and associated impairment of the S&T Plastics business; a further write down of inventory values; a likely impairment of intangible assets; rationalisation of Distribution and Reinforcing operations; and completion of further organisational restructuring.

In addition, the company has been significantly impacted by further issues related to the implementation of a new group-wide IT system that went live on 2 October 2017, although these issues are now being rectified.

Pleasingly, we are already starting to see improvements from actions taken in recent months.

The Board and Management are very disappointed with the write-downs and forecast for this financial year, however, with our new IT system now operational and with restructuring underway, we are confident our actions will create a stronger platform for our business to move forward.

We remain deeply committed to rebuilding Steel & Tube as a leading provider of steel products and solutions in New Zealand, and look forward to entering the 2019 financial year with renewed focus and in a stronger position.

Susan Paterson, Chair

COMMITTED TO QUALITY

Underlying everything we do at Steel & Tube is our continued commitment to quality. For us, quality is key in everything, from the sourcing and production of products, through to customer service and delivery.

Our products are used in projects that last for decades. They hold up the buildings people live and work in, they hold together the roads they drive on, and the machines they work with.

We go to great lengths to ensure the steel products we source are of the highest quality and made with the best processes. We source only from preferred suppliers and, where required, products are tested to confirm compliance with a relevant New Zealand standard.

We are focused on creating a culture where quality is at the heart of all we do, and we strive to deliver quality products in a way that meets and exceeds our customers' expectations.

Our quality function is led by a highly experienced team, which was established in 2016. You can read about them on our website at www.steelandtube.co.nz/corporate/quality-management-team. This team is leading our programme to upgrade our quality certification to ISO 9001: 2015 across our company and we expect this to be completed by the end of 2018.



UPCOMING KEY DATES

Financial Year End:
30 June 2018

Results Announced:
18 August 2018

Annual Report:
By end-September 2018

Annual Meeting:
25 October 2018 (Auckland)



EXECUTIVE UPDATE

I joined Steel & Tube as CEO in September 2017 and there is no denying that it has been a challenging eight months. While we have had to make some tough decisions, we firmly believe that these are the right moves to ensure we are well positioned to rebuild our company.

The impact of resolving legacy issues and resetting the company has been greater than anticipated. However, with the IT system now operational, and alongside the restructuring carried out over the last six months, we are turning the corner.

We have identified the following four cornerstone strategies that we believe will enable us to be the leader in buying, selling, processing and installing steel products, and which provide a roadmap for our businesses:

- › Commitment to safety and quality
- › Operational and supply chain excellence
- › Putting the customer at the heart of our business
- › Supporting a winning team.

We have established robust quality management systems and stand by the integrity of all our products. Historical issues around testing certification for steel mesh have been rectified and our seismic mesh is externally tested in New Zealand by IANZ-accredited laboratories.

Every Steel & Tube person has a role to play in the company's success and every voice is important.

We have established Project Strive, an internal, group wide programme, to support our 'Strive for Excellence'. More than 20 business-led initiatives are currently underway and employees are encouraged to identify other initiatives and opportunities to achieve our company's goals.

As we move forward, we were pleased to announce on 2 July 2018 that we have renewed funding arrangements with our banking partners.

We have great bones to build on. We already provide products and services in more areas of the steel market than any other provider in New Zealand and we have a large and loyal customer base.

We have strong businesses and brands; a great mix of people and experience; and a well established supply chain.

We are New Zealand based, New Zealand focused and mostly owned by New Zealand shareholders. We haven't been distracted by trying to break into overseas markets, and we are a key player in the economy, whether it's a major government infrastructure project, housing or large commercial project.

The Board has been refreshed and we have a new leadership team and organisational structure in place. We are all committed to delivering on Steel & Tube's potential and delivering value to our more than 8,000 shareholders.

This new Shareholder Newsletter is part of our commitment to keeping you informed about our businesses and the contribution we make to New Zealand's economic development and prosperity. We hope you enjoy reading it and welcome any feedback.

Mark Malpass,
Chief Executive Officer

STRIVING FOR EXCELLENCE

- › SAFE AND HEALTHY WORK ENVIRONMENT
- › QUALITY PROCESSES
- › QUALITY PRODUCTS
- › CONTINUAL IMPROVEMENT

**COMMITMENT
TO SAFETY
AND QUALITY**

**OPERATIONAL
AND SUPPLY
CHAIN
EXCELLENCE**

- › LEVERAGE OUR PROCUREMENT AND SUPPLY CHAIN SCALE
- › EXCELLENT INVENTORY MANAGEMENT
- › EMPLOY DATA ANALYTICS TO BETTER SERVICE OUR CUSTOMERS
- › DRIVE EFFICIENCIES

- › PRODUCTS AND SERVICES TO MEET CUSTOMER NEEDS
- › LEVERAGE OUR TECHNICAL EXPERTISE
- › DELIVERY ON TIME AND ON SPEC

**PUTTING THE
CUSTOMER AT
THE HEART OF
OUR BUSINESS**

**SUPPORTING
A WINNING
TEAM**

- › DEVELOP LEADERS
- › EVERYONE MATTERS
- › RECOGNISE PERSONAL AND TEAM CONTRIBUTIONS
- › PROVIDE A REWARDING WORKPLACE

OUR GOAL

To be the leader in buying, selling, processing and installing steel products in New Zealand



INTRODUCING: DAMIAN MILLER, QUALITY MANAGER

Damian Miller joined Steel & Tube in 2016 and is leading the company's drive towards creating a culture where 'quality is at the heart of all we do'.

His past experience provides him with the ideal credentials for the job – he has more than 20 years' experience working in Quality, Health & Safety and Environment roles, in North/ South America, South East Asia, Africa and Europe.

Having worked mainly in the oil and gas sector, Damian believes the very high quality and safety standards required in those industries set a benchmark that all companies should strive to attain. He has responsibility for the implementation of Steel & Tube's quality strategy and initiatives, and development of a company-wide quality culture and reports directly to Steel & Tube's CEO.

Returning from Houston to New Zealand, Damian says that the challenge of creating a new quality management team and implementing the ISO quality programme were two things that attracted him to the role. And being originally from Christchurch, it was a chance to return back to family and friends.

Outside of work, his three young sons help to keep him busy and on his toes with any spare time spent surfing and keeping fit.

DISTRIBUTION

Products are sourced from preferred steel mills and distributed 'as-is' through our national network of branches to customers. Businesses and product lines include piping systems, chain & rigging, rural products, fastenings and stainless and engineering steels.



OPENING OF NEW DISTRIBUTION HUB IN CHRISTCHURCH

Steel & Tube recently celebrated the re-opening of its Blenheim Road property in Christchurch, representing a key stage in a major renewal programme for the company in the Canterbury region.

Two facilities have now been consolidated onto the one site, creating a new distribution hub and forming an essential part of Steel & Tube's South Island distribution network.

The company also recently opened a processing hub at Seymour St in Hornby.

The Blenheim Road opening was officiated by Member of Parliament for Wigram, the Hon. Dr Megan Woods, alongside Steel & Tube chair, Susan Paterson.

In her remarks, Susan said: "Steel is the material of choice for construction in Christchurch post the earthquakes and Steel & Tube is playing a vital role in the redevelopment of the Canterbury region."

"We are extremely proud to be doing our bit to support Canterbury's economic growth and development."



Artist's impression of the new Okahu viaduct

BUILDING BRIDGES TO GET NEW ZEALAND MOVING

Over the past 60 years, Steel & Tube has been a part of large infrastructure projects across New Zealand, and that continues today.

SH1 between Pūhoi and Warkworth is a key transport link connecting the upper North Island to the freight triangle of Auckland, Waikato and Tauranga. The project will extend the four-lane Northern Motorway (SH1) 18.5km from the Johnstone's Hill Tunnels to just north of Warkworth, improving both safety and efficiency.

Eastbridge Ltd, a Napier-based company specialising in the supply of steel bridges, towers, poles, and heavy steel fabrication, has been awarded the contract for the fabrication and erection of three bridges on this section of road – Moir Hill overpass, Ōkahu and Pūhoi.

Steel & Tube has been sub-contracted to Eastbridge to supply approximately 4000 tonne of steel plate and sections to be used in the construction of these bridges, to be supplied over three shipments before the end of 2018.

For those that are interested, a flyover of the Pūhoi to Warkworth project can be seen here youtu.be/3Q7yTsepuQY.

ICONIC AUCKLAND BUILDING UTILISES STEEL & TUBE'S BESPOKE SERVICE

Steel & Tube has a dedicated and globally knowledgeable team of product specialists, who work closely with specifiers and project managers to offer a wide array of solutions that add value for customers.

For the past six years, the team has been working closely with the architects on the redesign of the Aotea Centre in Auckland. In particular, Steel & Tube has been advocating for the use of premium paladin cladding on the outside of the building and believes the colour, texture and style of this cladding will help make the Aotea Centre a unique architectural Auckland show piece.

This solution has now been approved and 1,892 sheets of paladin, equating to approximately 41 tonnes of cladding, will be installed over the next 12 months.



Before

Artist's impression of Aotea Centre after the refurbishment with paladin



EXPANSION OF CHAIN & RIGGING TESTING AND COMPLIANCE SERVICE

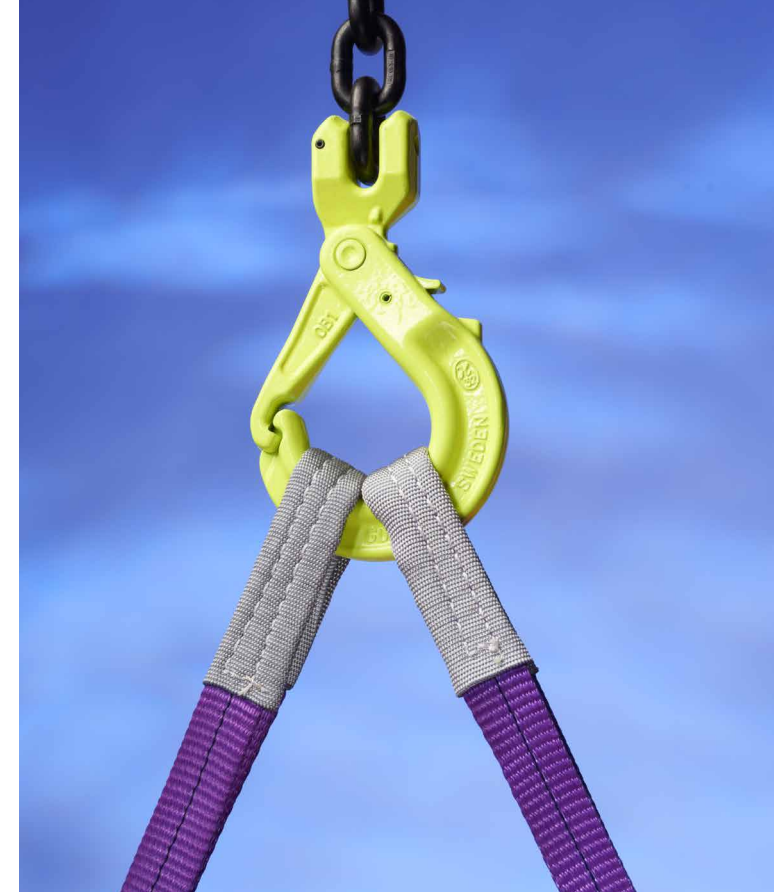
Steel & Tube has added four new Chain & Rigging mobile testing vans to its nationwide fleet, to meet demand for customers looking to ensure compliance, improve safety and reduce workplace accidents.

Current legislation requires users of Chain & Rigging lifting equipment to have their equipment inspected and/or tested on a regular basis – either six monthly or annually, dependent on equipment type. This is to ensure the item is fully compliant and suitable for the lifting application intended.

Steel & Tube offers a comprehensive Chain & Rigging testing and compliance service, with a nationwide fleet of mobile testing vans and qualified technicians who travel to customers premises to test and tag the equipment before any test expiry date.

The service is fully computerised, with online customer testing registers and a portal for customers to view their own records.

This service also identifies opportunities to provide products when older equipment does not pass testing or to meet new customer requirements.



INFRASTRUCTURE

Products are processed by Steel & Tube before sale and typically are sold on a contract or project basis, including onsite installation services. Businesses and product lines include reinforcing and wire, coil processing including roofing and purlins, Comflor and Composite Floor Decks Limited.



FURTHER INVESTMENTS INTO SUPERIOR ROOFING OFFER

Steel & Tube is a major manufacturer and supplier of profile metal roofing, cladding and rainwater products, with processing sites around the country. Roofing products come in a range of shapes, thicknesses, materials and finishes to satisfy every requirement and preference. Our high-strength galvanised cold-formed steel purlins (roof framing members) also provide a complete system suitable for supporting a wide range of roofing and cladding materials.

We offer a comprehensive range of services to accompany and support our product portfolio. These include product specialists and technical experts who are trained to assist with technical enquiries, design specifications and product selection, and are available to all our customers through our local branch network.

With the high demand for roofing in the residential and commercial construction sectors, alongside our drive and commitment to meet our customers' needs, Steel & Tube recently invested in two new ridging machines as well as three new SWI flashing folders. These investments support our strategy of growth through operational and service excellence.

SWI folder takes safety to a whole new level

Two new SWI folders have recently been installed in Steel & Tube's facilities in Tauranga and at the recently opened mega roll-forming site in Hornby, Christchurch, with a third folder bound for Auckland in July. This modern and efficient piece of equipment replaces old folders that require manual marking and loading of flashing material. Now the flashing angles are computer set, providing excellent repetition of folding for larger contracts with consequent improvements in productivity. The new folders also improve product quality and take safety to a whole new level with a built-in laser hand guard system.

Folders are used to fold flashings, which are custom made accessories used to deflect water from any seams and joints to keep roofs watertight. Flashings are a crucial component of long run roofing solutions. SWI is an international leader in sheet metal machinery and its products are used by multi-national customers around the world.

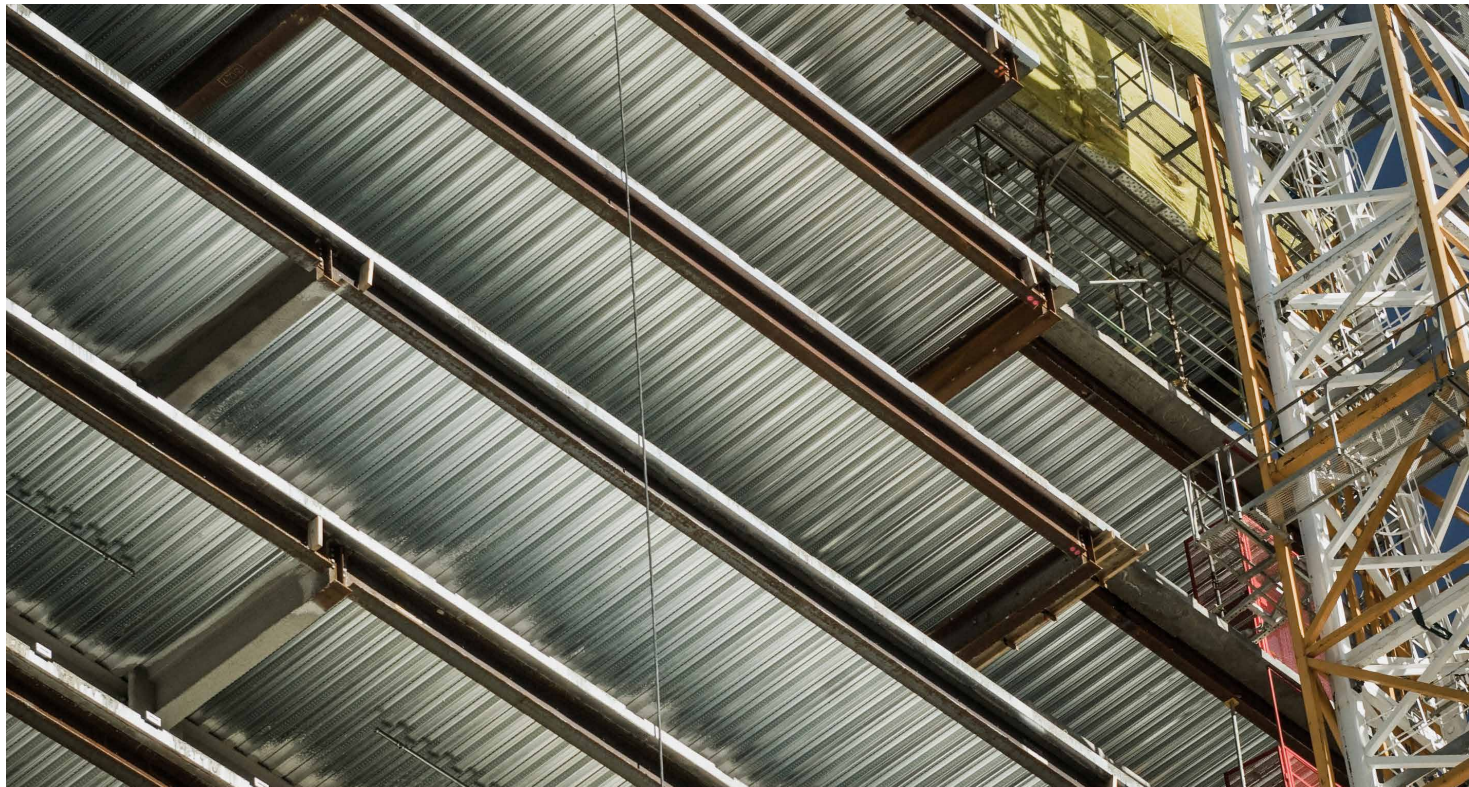


The SWI folder in use at Steel & Tube's Hornby facility

New Ridging Roll Former

Previously all ridging was manufactured and shipped from Steel & Tube's Auckland facility to the Bay of Plenty and Waikato. Now, with the addition of two new ridging machines in Hamilton and Tauranga, ridging can be tailored locally, as needed, allowing the company to respond to short lead time requests and removing the necessity to stock standard lengths which generated significant waste. A reduction in transport costs out of Auckland is also a key benefit.

Ridging is the capping that runs along the top seam of a long run iron roof to keep out the weather and is supplied with every long run roof installation. Ridging machines are used to manufacture 'cut to order' ridging profiles as well as stock lengths.



SIGNIFICANT AUCKLAND CONSTRUCTION PROJECTS DRIVING DEMAND FOR COMFLOR

Composite Floor Decks Limited (CFDL) is a market leader in the installation of steel floor decking systems, and carries out the supply and installation of ComFlor steel floor decking systems in multi-level commercial construction projects.

CFDL is currently involved in a number of significant commercial construction projects in Auckland, including:

- Completion of the New Zealand International Conference Centre.
- The Commercial Bay project in downtown Auckland – a 42 storey building. CFDL's excellent service delivery along with high Health & Safety standards led to the business recently being recognised by the client as Health & Safety "Contractor of the Month".
- The Westfield Newmarket re-development, which will be the largest commercial construction project in New Zealand. This project is split into two stages - Westfield 309 and Westfield 277.



NEW WEBSITE COMING SOON

In line with our strategy to put the customer at the heart of our business, we are updating our website to make it easier for customers to search, view and find the products and services best suited to their needs. In addition, the Investor Centre is being refreshed to provide easy access to shareholder information and news.

SHAREHOLDER COMMUNICATIONS: GO ELECTRONIC

We encourage our shareholders to receive communications from us by email. This may include the annual report, share transaction statements, dividend payment advice, shareholder meeting notices and other company related material.

It's simple to sign up.
Email enquiry@computershare.co.nz, provide your CSN/shareholder number and confirm you want to receive Steel & Tube communications by email.

Alternatively, you can log in to www.investorcentre.com/nz and update your details. For first time users, you will need your CSN/shareholder number and FIN to access the Investor Centre and register your account. Going forward, you will access this service with your own User ID and Password. While there, you can also update other details including change of address, banking instructions and IRD number.

FUTURE NEWSLETTERS WILL BE ONLINE ONLY – SIGN UP NOW:

Steel & Tube will be issuing Shareholder Newsletters twice a year. To receive future newsletters, please sign up for email communications with Computershare or subscribe to the Steel & Tube eNews service.



CONTACT US:

Steel & Tube Holdings Ltd

IBM Building, 25 Victoria Street, Petone, NZ

PO Box 30543, Lower Hutt 5040

Tel: +64 4 570 5000 **Email:** investor.relations@steelandtube.co.nz

www.steelandtube.co.nz

Steel & Tube offers New Zealand's most comprehensive range of steel and allied products through a nationwide product distribution and processing network, so no matter where you are in the country we can deliver product to you. Our National Support Centre in Wellington provides corporate, management and support functions.

11 GEOGRAPHIC AREAS

43 LOCATIONS

>15,000 CUSTOMERS

~1,000 STAFF



STAY UP TO DATE WITH ENEWS:

You can also register to receive news and updates from Steel & Tube as we release them to the market. Please note, this is a separate service to receiving shareholder communications by email. To sign up, scan the QR code here or go to:

www.steelandtube.co.nz/enews

