



Shareholder Update

STORIES OF STRENGTH

DECEMBER 2018



FROM THE CHAIR

Dear Shareholder

As we close in on the end of 2018 and what has been a challenging year, it provides an opportunity to look back at our progress.

We are very conscious that some of the decisions we have had to make this year have been disappointing, not just for us, but also for our shareholders. As we said at our Annual Meeting, the impact of historical issues turned out to be greater than we anticipated.

However, the work that management has been doing this year is now starting to show results. We have a more efficient organisational structure, a stronger financial platform, an experienced leadership team and an engaged workforce.

An enormous amount of work has gone into business transformation initiatives and I would like to acknowledge all the people at Steel & Tube for their exceptional efforts and for continually delivering their best. Their hard work is the reason for the positive turnaround we are now seeing in our company.

The steel mesh case is ongoing. Steel & Tube was one of a number of companies investigated by the Commerce Commission under the Fair Trading Act (we note the prosecution did not relate to the performance of steel mesh). While Steel & Tube pleaded guilty in August 2017, we are appealing the level of the recent fine which we believe is excessive. The Commerce

Commission is also appealing the fine. We hope to have this resolved as quickly as possible.

We are now looking to the future and we are confident we are on the right path to achieve our goal of being New Zealand's leading provider of steel products and solutions.

I would like to thank our shareholders who have continued to support us this year. Our focus remains firmly on delivering value for you.

Susan Paterson, Chair



EXECUTIVE UPDATE

It has been just over a year since I took up the role as CEO with Steel & Tube.

When I first started, I went on a nationwide tour of our business, to visit all our sites and meet as many of our people as possible.

I was struck by the passion and loyalty our staff have for our business – in fact, in our staff engagement survey, 76% of the participants said they would go the extra mile to support the business. I doubt there's many businesses in New Zealand that have that same sort of commitment from their people.

We are now starting to see momentum building across our two divisions – Distribution and Infrastructure – as the benefits of Project Strive initiatives start to be seen.

Launched as part of our Striving for Excellence strategy, Project Strive encourages all people within our business to identify areas for improvement. The results of this have been positive and we recently recognised the best of our people and initiatives at our inaugural Steel & Tube Excellence Awards.

Daily volume and sales trends continue to trend upwards and we are regaining market share. Once again, our customers are recognising the quality of the products and services we offer, and benefiting from our broad product range and innovative approach to meeting our customers' needs.

As part of our first Strive pillar, Commitment to Safety and Quality, we've invested significantly in people, ISO systems and processes, and steel mill testing and audits by Lloyd's Register. The integrity of the products we sell is absolutely critical, particularly those used in construction.

We have a more efficient and streamlined organisation and an improved supply chain – technology is playing a big part in this. The new ERP information technology system is now performing well and, as well as providing us with a platform to deliver better customer service, it has enabled a new sales and operations planning process to help us progress towards our goal of supply chain excellence.

We've been pleased to introduce two new members to our Leadership team in recent weeks. Anna Morris has been appointed General Manager People & Culture and will start in the new year. She is an experienced HR executive and will further develop and support a culture and environment that inspires and rewards our people.

In addition, we have also appointed Claire Radley to the new role of General Manager Strategy. With a PhD from Princeton University, Claire has most recently been working with McKinsey & Company, where she has been involved in a number of business transformation programmes.

Demand for steel in New Zealand remains high and Steel & Tube is well positioned to meet this demand. The first half of the year is heading on the right track and we expect a stronger second half as the benefits of Project Strive initiatives come into play.

The summer break is just around the corner. On behalf of all of us here at Steel & Tube, we wish you a safe and happy festive season. Thank you for your ongoing support and our best wishes for 2019.

Mark Malpass,
Chief Executive Officer

STEEL & TUBE ACHIEVES ISO 9001:2015 CERTIFICATION

Steel & Tube recently received its ISO 9001:2015 quality management certification. This is an internationally recognised standard on which Quality Management Systems (QMS) are built. It is designed to help organisations ensure they meet the needs of customers and other stakeholders while meeting legal and regulatory requirements.

Certification is done by independent experts in quality management systems. It requires monitoring and continual improvement of quality practices across all Steel & Tube's operations.

Because of the nature and importance of the products sold by Steel & Tube, outstanding quality products and practices are essential. Having quality practices delivers improved processes, better efficiency, cost savings, increased profit and increased customer satisfaction. It is a key part of Steel & Tube's strategic pillar Commitment to Safety & Quality.

Damian Miller, General Manager Quality, Health, Safety, Environment and Training: "Having ISO 9001:2015 certification demonstrates to customers our unwavering commitment to quality. Certification adds real value for us and our customers and is something we are all proud of."



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.



SALES GROWING AT NEW-LOOK BRANCH

MSL began in Grey Lynn in 1980 and is one of the largest fastenings companies in New Zealand. Its iconic Fortress brand was introduced in 1997 and has become a market leader. The business was acquired by Steel & Tube in 2015, positioning Steel & Tube as New Zealand's pre-eminent fastenings company.

Four months ago, the MSL North Shore branch was revitalised, with a new Trade Shop and renovated building, all strongly branded with the Fortress logo. Since that time, sales have grown substantially.

Simon Ball, Customer Service Officer at MSL, said: "We pride ourselves on great service and our shop makes a wide range of products readily and conveniently available for our customers. Stock levels and the range of available items has greatly increased, and we have regular shop specials on items such as screws, tools, socket sets, drills and adhesives."

This new look branch and the professionalism of the sales team represents Steel & Tube's dedication to Putting the Customer at the Heart of Our Business.

In line with Steel & Tube's focus on optimising the national network, and with additional space available, the next 12 months will also see the relocation of the steel distribution business from across the road, consolidating Steel & Tube's local operations onto the one site in Albany.

In addition, a large but under-utilised branch in Timaru has been transformed into a new-look trade store. While still located in town and serving local customers with a core range of stock items, additional items are now ordered and delivered from the distribution hub in Christchurch.

Tariq Koya, from ITM Hillside: "Fortress Albany's new building is a great experience to visit and a huge step up from their last premises. The brand new trade shop has the appearance and professionalism of a retail store offering an impressive range of engineering tools, abrasives, sealants and, of course, fasteners. The staff are well educated on a wide variety of fixing applications and they offer great service with same day delivery."



Photo supplied

WHITTAKER'S CHOCOLATE OPENS FIRST EVER STORE...WITH A LITTLE HELP FROM STEEL & TUBE

Building on Steel & Tube Stainless' recent success of supplying material for the refurbishment of the Aotea Centre, the business is proud to have supplied material for another New Zealand icon – the first Whittaker's chocolate store at Auckland International Airport.

The store allows the chocolate brand to engage with their chocolate lovers as they depart the country. It needed to be high impact, engaging and reflect the brand's values. Steel & Tube worked with the designer and architect for the store front, to select the best Rimex product for the main counter and gondolas. As you can see it creates an impressive look!

STEEL & TUBE STAINLESS MOO-VING ON UP

Longveld is a New Zealand business, providing stainless steel fabrication and site installation services to the dairy sector in Australasia. While Steel & Tube has been working with Longveld for many years, a new partnership approach has led to successful collaboration on several large projects in recent months.

The first was the \$125m build of Synlait's liquid milk plant in Dunsandel in the South Island, which will give the company the foundation on which to enter the liquid milk and cream market. Longveld was responsible for providing 39 new tanks, with Steel & Tube Stainless supplying over 30 tonnes of coil and 10 tonnes of plate, as well as hygienic tube and fittings, an essential in the food supply chain.

The second project is the \$250m development of Synlait Milk's Pokeno Dairy Plant, with an even greater supply from Steel & Tube Stainless of 30 tonnes of coil and 16 tonnes of plate, making it one of a number of large projects for the business this year.

Steel & Tube Stainless also partners with Longveld for the Fonterra truck contract, which involves new builds and refurbishment of Fonterra's milk road tankers. This year alone, Longveld has worked on 93 tankers, with Steel & Tube providing more than 40 tonnes of cut-to-length stainless steel sheets.





INTRODUCING: MARC HAINEN: GENERAL MANAGER DISTRIBUTION

Marc Hainen joined Steel & Tube in November 2017, as General Manager Distribution. He is responsible for the performance of Steel & Tube's Distribution business around the country, which includes the traditional (carbon focussed and Chain & Rigging) businesses, Stainless and MSL Fortress/Fasteners.

With 30 branches around the country and more than 500 people, the Distribution division sells hundreds and thousands of steel products every year. Providing great customer service and

creating value has been a priority for Marc in the last year, and improving efficiencies across the supply and logistics chain has been a key focus.

Marc has primarily worked in the building industries sector for most of his career, including GM roles at Fletchers – Steel Distribution and for Tradelink in Australia. In both cases, he led major turn arounds in business performance.

He says customer interaction and helping provide solutions to New Zealand businesses is

the best part of his job...along with developing people in the business and seeing them reach their potential.

For next year, Marc's focus is on continuing the turn-around trajectory for Steel & Tube Distribution and maximising business profits while ensuring happy, satisfied customers. Before then though, he's got the summer break in mind, which will involve family time with his three children.

STEEL & TUBE ADDS ABRASIVES TO ITS EXTENSIVE PRODUCT RANGE

Steel & Tube has recently partnered with one of the most reputable abrasive brands on the market globally to bring the Lukas range of grinding, cutting and sanding products to New Zealand workshops.

Based in Germany, Lukas's motto of "Always the right tool" is a promise that the international owner-managed company has been adhering to every single day for over 80 years. Their focus is on quality, with the tools made in Germany from top quality raw material and tested in state of the art facilities.

Available through both MSL Fortress and Steel & Tube Distribution sites around the country, this new partnership extends Steel & Tube's extensive product offer even further.



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.



Steel & Tube Roofing Auckland has recently completed a number of large commercial projects in Highbrook, including the cladding and roofing of this Plytech building.



Roofing and cladding supplied by Steel & Tube Roofing on the new Hastings Hospital Endoscopy Unit.

INNOVATIVE USE OF ROOFING POPPING UP AROUND THE COUNTRY

The Steel & Tube roofing team are experts in the innovative use of metal cladding and roofing. In the past few months, they have been involved in a number of large building projects, from the roofing and cladding of the new Hastings Hospital Endoscopy Unit through to

the new NZL Warehouse in Tauranga, the biggest project undertaken by the local Steel & Tube Roofing branch this year. An increased focus on commercial business in Auckland has also seen the number of large cladding and roofing projects double in recent months.

INVESTMENT IN TECHNOLOGY DRIVING MANUFACTURING EFFICIENCY

Steel & Tube Roofing in Auckland has recently installed a new Slitting machine. Using the latest technology, this inputs the specifications for multiple jobs and then maps them out on steel sheets to optimise cutting efficiencies, much like a fabric pattern cutter. The cut sheets are barcoded, which allows job details to be scanned and uploaded to the folder, the next step in creating perfectly made to measure flashings for roofing jobs. To ensure the safety of workers, the folder is guarded by a 'laser curtain' which creates an automatic machine stop if the laser barrier is broken.



1. Multiple jobs are entered into the workstation, which sets the optimal cutting layouts. Steel coil is then fed through the slitter and cut to measure.



2. Cut sheets are scanned and job details are uploaded to the folder machine, which automatically resets to the folding dimensions required.



STEEL & TUBE STAFF PULL OUT ALL STOPS TO SUPPORT AUCKLAND'S ARMISTICE DAY CENTENARY COMMEMORATIONS

The hundreds of white crosses lining the field in front of Auckland War Memorial are a stark reminder of the New Zealanders who died in the war.

To create the enduring display, each wooden cross requires two rods to support and stake it at the correct height and orientation. Steel & Tube was approached by the Auckland RSA to manufacture the rods and was proud to play a small part in creating the poignant installation, not just for the Armistice Day centenary this year but also for the 100th anniversary of ANZAC Day in 2016.

"Of course we said we would help them out", says Steve Archer, manager of Steel & Tube North Harbour.

However, the logistics of cutting, packing and transporting that quantity of steel on a voluntary basis were challenging. The team in Auckland put their heads together and set up a drop-saw and cutting fixture on-site, and cut the rod themselves in bundles of 50 at a time. It worked very well and, over the next two months, Steve cut all 48,000 lengths of rod in his own time.

"It took a bit of lateral thinking in this case, but once we commit to a job, we make sure it gets done", says Steve.

STRIVING FOR EXCELLENCE

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



- › 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



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

OUR GOAL

TO BE THE LEADER IN BUYING, SELLING, PROCESSING AND PLACING STEEL PRODUCTS IN NEW ZEALAND

40 LOCATIONS ACROSS NEW ZEALAND
>15,000 CUSTOMERS • ~1,000 STAFF

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.



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