

STEEL&TUBE

■ ■ HALF YEAR REPORT 2007



DIRECTORS' REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

→ RESULTS

Your Directors present the unaudited consolidated financial statements for the 2007 half-year that were authorised for issue on 15 February 2007.

The result for the six months ended 31 December 2006 was an after tax profit of \$14.75 million. This is a decrease of \$2.93 million when compared with the same period last year.

→ DIVIDEND

The Directors have declared a fully imputed interim dividend of 15 cents per share which will be paid on 9 March 2007 to holders of fully-paid ordinary shares registered at 2 March 2007. The amount payable is \$13.2 million and a supplementary dividend of 2.6471 cents will be paid to non-resident shareholders.

→ PERFORMANCE

Although sales during this period increased by \$6.69 million to \$229.49 million, \$16.9 million of this total is attributed to the new Stainless Steel business acquired in April 2006. The result represents an annualised EBIT return on average funds employed of 25%, and 20.9% after tax return on average shareholders' funds.

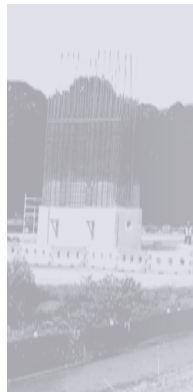
Overall, the trading conditions experienced in the first half of our trading year were not unexpected. The slowing economy, a strong New Zealand currency, and high interest rates were expected to combine and create a volatile trading environment for our goods and services.

STEEL & TUBE HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

CONTINUED . . .



The value of commercial construction reduced by approximately 6% compared to the comparable previous period, while the value of the New Zealand dollar relative to the US dollar went from 0.60 in June to 0.66 in October and 0.70 by December. This caused considerable price volatility with the replacement cost of inventory and the high exchange rate impacted adversely on the export and manufacturing sectors.

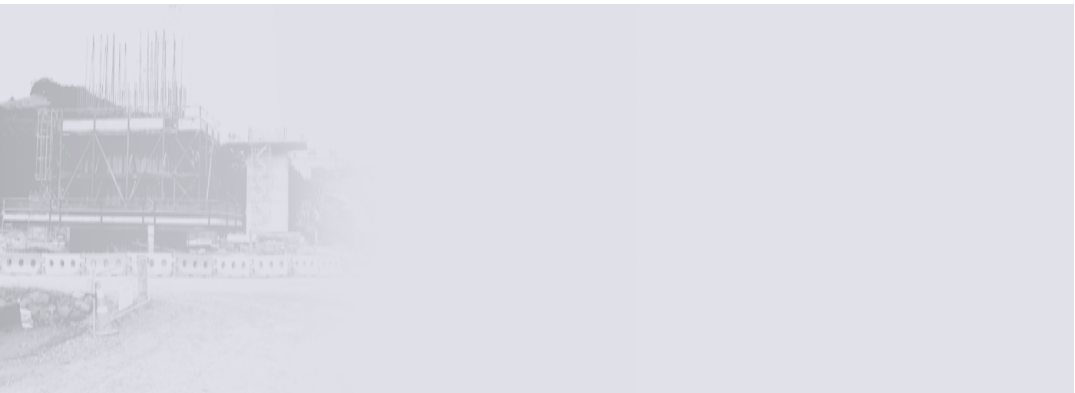
The volume of steel sold in the first half is behind the same period last year reflecting the softer economy, however, our selling prices and margins are slightly higher.

Overall demand for the Steel Distribution & Industrial Products business was soft across the board when compared with the same period last year. Volume of structural sections was affected with the downturn in the construction sector, while demand from the manufacturing and rural sectors also suffered, due to the persistently high exchange rate.

Roofing Products continued its strong performance on the back of strong demand for roofing and cladding products from both the light commercial construction and new residential property sectors. Subdued demand from the commercial construction sector however placed extra pressure on margins affecting the performance of the Reinforcing operations.

Reduction in both margins and volume from the commercial construction and rural sectors affected Hurricane Wire Products.

The Stainless Steel business acquired in April 2006 has performed ahead of expectations and is now contributing positively to the Group profit, although not yet up to the average group returns.



→ **OUTLOOK**

Although the outlook for commercial construction is expected to remain soft near term, and then to pick up towards the end of the year, the rural and manufacturing sectors will continue to be under pressure for the foreseeable future.

International steel prices have firmed to a degree, however the strong New Zealand Dollar continues to create volatility with inventory values.

The overall trading conditions for the second half of the financial year will continue to be similar to that encountered in the first half, with a pick up in activity expected late in calendar 2007.

Dean Pritchard

Chairman

15 February 2007

Nick Calavrias

Chief Executive Officer

■ CONSOLIDATED INTERIM INCOME STATEMENT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	Unaudited 2006 \$000	Unaudited 2005 \$000
Sales revenue	229,487	222,802
Cost of sales	(172,476)	(165,680)
Gross profit	57,011	57,122
Other operating income	168	191
Distribution and selling expenses	(15,800)	(13,828)
Administration expenses	(8,772)	(7,566)
Other operating expenses	(8,491)	(7,871)
Operating earnings before financing costs	24,116	28,048
Interest income	97	34
Interest expense	(2,125)	(1,648)
Profit before tax	22,088	26,434
Tax expense	(7,336)	(8,754)
Profit after tax	14,752	17,680
Basic earnings per share (cents)	16.7	20.1
Diluted earnings per share (cents)	16.7	20.0

■ CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	2006 \$000	2005 \$000
Equity at beginning of period	139,136	136,454
Net profit for the period	14,752	17,680
Transactions with equity holders:		
Share capital	251	116
Treasury shares	(73)	(193)
Dividends paid	(14,947)	(14,944)
Equity at end of period	139,119	139,113

■ CONSOLIDATED INTERIM BALANCE SHEET

AT 31 DECEMBER 2006

	Unaudited 2006 \$000	Unaudited 2005 \$000	Audited Jun 2006 \$000
Current assets			
Inventories	90,405	71,904	79,492
Trade and other receivables	72,669	70,007	77,342
Income tax refund	–	–	311
	<u>163,074</u>	<u>141,911</u>	<u>157,145</u>
Non-current assets			
Property, plant and equipment	44,401	41,686	42,994
Intangibles	20,201	20,270	20,227
Deferred tax assets	3,688	3,343	3,428
	<u>68,290</u>	<u>65,299</u>	<u>66,649</u>
Total assets	<u>231,364</u>	<u>207,210</u>	<u>223,794</u>
Current liabilities			
Borrowings	38,858	24,449	29,994
Trade and other payables	34,782	30,612	37,854
Provisions	415	724	564
Income tax payable	1,647	1,410	–
	<u>75,702</u>	<u>57,195</u>	<u>68,412</u>
Non-current liabilities			
Borrowings	15,000	10,000	15,000
Provisions	1,543	902	1,246
	<u>16,543</u>	<u>10,902</u>	<u>16,246</u>
Equity			
Share capital	70,300	70,049	70,049
Treasury shares	(779)	(684)	(706)
Retained earnings	69,598	69,748	69,793
	<u>139,119</u>	<u>139,113</u>	<u>139,136</u>
Total equity and liabilities	<u>231,364</u>	<u>207,210</u>	<u>223,794</u>

■ CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	Unaudited 2006 \$000	Unaudited 2005 \$000
Operating activities		
Customers receipts	233,389	230,540
Interest receipts	97	34
Payments to suppliers and employees	(215,461)	(191,666)
Income tax payments	(5,638)	(7,087)
Interest payments	(2,125)	(1,648)
	<u>10,262</u>	<u>30,173</u>
Investing activities		
Property, plant and equipment disposals	166	96
Business assets purchases	-	(1,338)
Property, plant and equipment purchases	(4,523)	(4,469)
	<u>(4,357)</u>	<u>(5,711)</u>
Financing activities		
Share capital	251	116
Treasury shares	(73)	(193)
Dividends	(14,947)	(14,944)
	<u>(14,769)</u>	<u>(15,021)</u>
Net movement in cash and cash equivalents	(8,864)	9,441
Cash and cash equivalents at beginning of period	(29,994)	(28,890)
Cash and cash equivalents at end of period	<u>(38,858)</u>	<u>(19,449)</u>

■ CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS CONTINUED

	Unaudited 2006 \$000	Unaudited 2005 \$000
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Reconciliation of profit after tax to operating cash flows		
Profit after tax	14,752	17,680
Classified as investing/financing activities:		
Gain on property, plant and equipment disposals	(83)	(20)
Non-cash items:		
Depreciation/Amortisation	3,059	2,747
Long-term employee benefits	297	60
Deferred tax	(260)	242
	<hr/> 3,013	<hr/> 3,029
Working capital movements:		
Income tax payable	1,958	1,425
Trade and other receivables	4,673	7,084
Trade and other payables	(3,221)	(4,864)
Inventories	(10,913)	5,819
	<hr/> (7,503)	<hr/> 9,464
Cash flows from operating activities	<hr/> 10,262	<hr/> 30,173

■ ■ NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

Steel & Tube Holdings Limited is registered under the Companies Act 1993 and is an issuer on the New Zealand Stock Exchange for the purposes of the Financial Reporting Act 1993. The Group comprises Steel & Tube Holdings Limited and its subsidiaries.

The consolidated interim financial statements were authorised by the Board of Directors on 15 February 2007.

Statement of compliance

The Group is a profit-oriented entity and its consolidated interim financial statements have been prepared in accordance, and comply, with both the New Zealand Equivalents to International Financial Reporting Standards (NZIFRS) and NZIAS 34 Interim Financial Reporting.

Accounting policies

The accounting policies have been applied to all periods presented in the interim financial statements and are consistent with those used in the annual report for the year ended 30 June 2006. There were no changes to the accounting policies.

	2006	2005
	\$000	\$000
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1. Contingent liabilities		
Performance guarantees on contracts not recognised on the balance sheet	515	325

2. Subsequent event

On 15 February 2007 the Board declared a fully-imputed dividend of 15 cents per share (\$13.2 million) and a supplementary dividend to non-resident shareholders of 2.6 cents per share. Dividends will be paid to shareholders on 9 March 2007.

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Steel & Tube Piping Systems
Steel & Tube Chain & Rigging
Steel & Tube Reinforcing & Fabrication
Steel & Tube Stainless
Steel & Tube Roofing Products
Hurricane Wire Products

Share Registry

Computershare Investor
Services Limited
Private Bag 92-119 Auckland 1142
Ph: 09 488 8777 Fx: 09 488 8787
Email: enquiry@computershare.co.nz
Website: www.computershare.com

Auditors

PricewaterhouseCoopers

Bankers

ANZ National Bank Limited
Bank of New Zealand Limited



Steel & Tube Holdings Limited