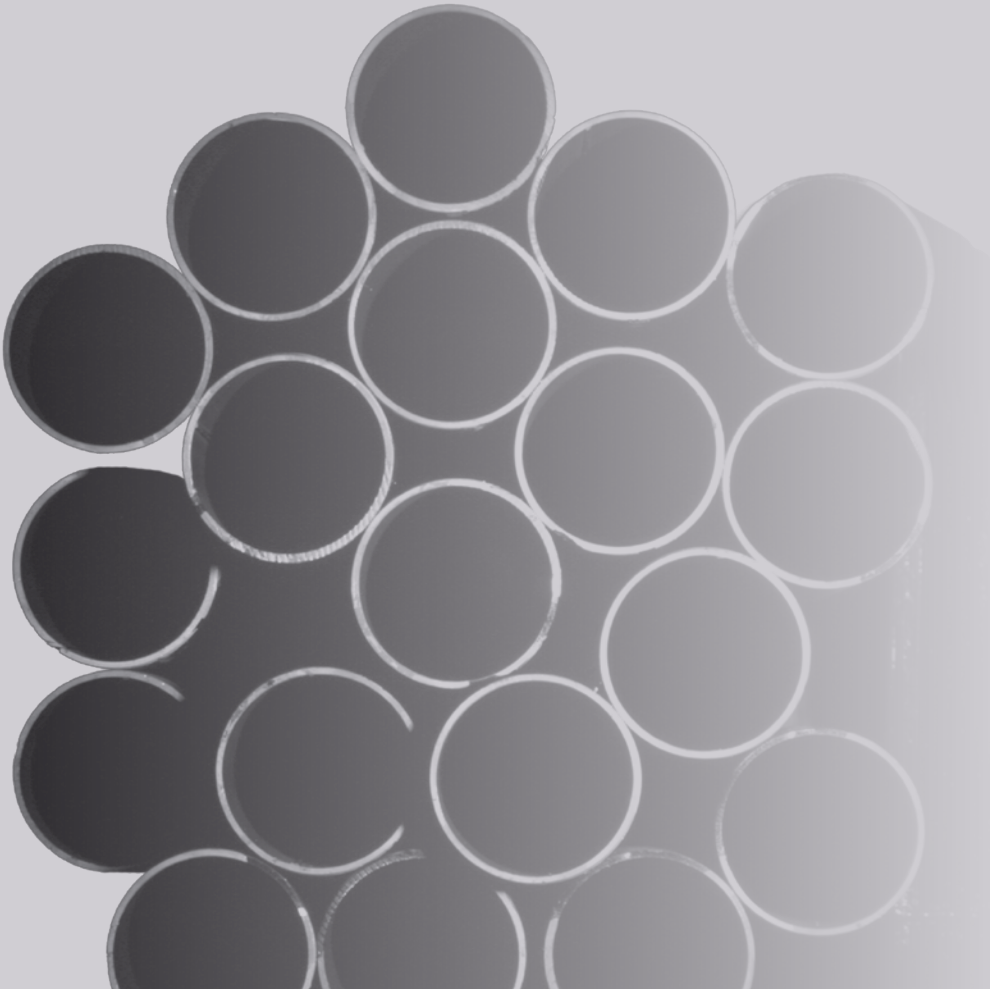
STEEL&TUBE

HALF YEAR REPORT 2009



Steel & Tube Holdings Limited

Directors' Report

FOR THE HALF YEAR ENDED 31 DECEMBER 2008

Results

The Directors present the unaudited consolidated financial statements for the 2009 half year that were authorised for issue on 12 February 2009. The first-half trading result to 31 December 2008 of $20.79 million after tax was an increase of $12.23 million when compared with the same period last year, and was consistent with the first quarter earnings announced in October 2008.

Sales increased by $28.23 million to $273.79 million due to the effect of higher steel prices. A provision for impairment of trade receivables totalling $3.18 million after tax was made, reflecting the difficult trading conditions being encountered. In the same period last year, a restructuring provision of $1.57 million after tax was made for the Hurricane Wire business.

The net tangible assets per share at 31 December 2008 was $1.52 compared to $1.31 at 31 December 2007.

Dividend

Directors have declared a fully-imputed interim dividend of 10 cents per share to be paid on 30 March 2009 to holders of fully-paid ordinary shares registered at 13 March 2009. The amount payable is $8.82 million and a supplementary dividend of 1.76 cents will be paid to non-resident shareholders.

Performance

The Company had variable market conditions to contend with during the period under review, as construction activity over all was down, led by a substantial drop in housing starts. Commercial construction activity however did not suffer to the same extent.

The strong demand for our goods and services from the manufacturing sector that we saw in the last quarter of our 2008 financial year continued into the early part of the new financial year. However, we have experienced a noticeable slowdown since November. Demand from the rural communities however remained strong throughout.

The Distribution business, comprising Steel Distribution, Stainless Steel, Fastening Systems, Piping Systems and Industrial Products, on aggregate increased sales revenue by about 13% compared with the previous period.

Directors' Report

FOR THE HALF YEAR ENDED 31 DECEMBER 2008

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Although the value of commercial building activity and infrastructure projects was ahead of the same period last year, the volume of building products consumed by this sector was lower once the effect of price increases was taken into consideration. Volume to the manufacturing sector also reduced as the year progressed, although this was partially offset by strong demand from the rural areas.

Global demand for steel in the early part of the year led to substantial shortages, with most products being on allocation from our suppliers. The division's response to these trading conditions was to withdraw from high volume low margin indent business, and to be more focused on the higher margin mix of products.

The Manufacturing business, comprising Roofing Products, Reinforcing Fabrication and Hurricane Wire, increased its revenue by 11%. The Reinforcing operation posted improved results due to a favourable mix of commercial contracts, and strong demand from infrastructure projects. Roofing was able to replace lost revenue from the residential housing sector, with higher sales to the light commercial sector and farm shed market. The Hurricane Wire business showed significant improvement as a result of the restructuring that took place in early 2008.

Inventory

Supply volatility for replacement inventory was encountered for most of calendar 2008. In the first half, the combination of shortages and higher input costs for steel making, such as iron ore, coal and scrap metal, forced the price of steel products up.

However, the supply position improved rapidly in September at the same time as demand for steel began to stall, causing a substantial build up of inventory on hand with levels increasing by $46 million in this reporting period. We expect this to be reduced substantially by April, and to be at normal operating levels by year end.

Outlook

There is considerable uncertainty surrounding the extent and timing of the effect of the global economic slowdown on the economy of New Zealand.

The domestic economy has been in recessionary conditions for all of 2008, with the expectation that this will continue for most if not all of calendar 2009. Dairy farmers' incomes for the 2009 year in aggregate are expected to fall by around $3 billion compared with last year, as the price of milk powder retreats from its peak in July 2008.

Construction activity is expected to decline further during 2009. However, with the Official Cash Rate now at the historic low of 3.5% pa, the construction industry could recover more quickly than previously anticipated.

Although exporters will be assisted by the substantial fall of the New Zealand currency, volumes are likely to be subdued until an upturn in global demand returns.

International steel prices and exchange rate volatility have had significant impact on the Company's financial results over recent years. Global demand has stalled, causing steel producers worldwide to cut capacity to match current demand. Although global prices for steel are now in retreat in US dollar terms, the impact will be softened due to the substantial depreciation of the New Zealand dollar.

The government's current action to counter some of the effects of the global financial crises by stimulating the domestic economy through tax cuts, and an increase in infrastructure spending, is expected to lessen the impact of the global recession.

In summary, we expect market conditions in the short term to be as tough as we have seen for a very long time with a good deal of uncertainty, and the deteriorating trading conditions are expected to reduce our second half result substantially.

Dean A Pritchard

Dean Pritchard	Nick Calavrias
Chairman	Chief Executive Officer

12 February 2009

CONSOLIDATED INTERIM INCOME STATEMENT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	Unaudited 2008 $000	Unaudited 2007 $000
Sales revenue	**273,787**	245,553
Cost of sales	**(202,755)**	(196,108)
Gross profit	**71,032**	49,445
Other operating income	**374**	21
Distribution and selling expenses	**(15,737)**	(13,452)
Administration expenses	**(8,699)**	(8,571)
Other operating expenses	**(13,627)**	(9,137)
Restructuring expenses	–	(2,345)
Operating earnings before financing costs	**33,343**	15,961
Interest income	**350**	168
Interest expense	**(4,073)**	(3,102)
Profit before tax	**29,620**	13,027
Tax expense	**(8,826)**	(4,462)
Profit after tax	**20,794**	8,565
Basic earnings per share (cents)	**23.6**	9.7
Diluted earnings per share (cents)	**23.5**	9.7

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	2008 $000	2007 $000
Equity at beginning of period	**141,834**	138,780
Net profit for the period	**20,794**	8,565
Hedging reserve	**(9)**	80
Total recognised income and expenses	**20,785**	8,645
Transactions with equity holders:		
Treasury shares	**(190)**	(143)
Dividends paid	**(8,796)**	(12,324)
Equity at end of period	**153,633**	134,958

CONSOLIDATED INTERIM BALANCE SHEET

AT 31 DECEMBER 2008

	Notes	Unaudited 2008 $000	Unaudited 2007 $000	Audited June 2008 $000
Current assets				
Inventories	1	**133,992**	82,912	87,841
Trade and other receivables	2	**82,928**	77,806	100,022
Income tax refund		**–**	1,169	–
		216,920	161,887	187,863
Non-current assets				
Property, plant and equipment		**55,079**	56,697	56,520
Intangibles		**20,118**	20,258	20,228
Deferred tax assets		**4,132**	2,572	2,916
		79,329	79,527	79,664
Total assets		**296,249**	241,414	267,527
Current liabilities				
Borrowings	3	**63,090**	57,368	53,828
Borrowings – term loans	3	**20,000**	–	5,000
Trade and other payables		**32,028**	30,129	40,058
Provisions		**450**	2,617	272
Income tax payable		**5,393**	–	66
		120,961	90,114	99,224
Non-current liabilities				
Borrowings	3	**20,000**	15,000	25,000
Provisions		**1,655**	1,342	1,469
		21,655	16,342	26,469
Equity				
Share capital		**70,637**	70,637	70,637
Treasury shares		**(976)**	(797)	(786)
Hedging reserve		**261**	(534)	270
Retained earnings		**83,711**	65,652	71,713
		153,633	134,958	141,834
Total equity and liabilities		**296,249**	241,414	267,527

These financial statements and the accompanying notes were authorised by the Board on 12 February 2009.
For the Board

Dean A Pritchard

Dean Pritchard
Chairman

Nick Calavrias
Chief Executive Officer

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	Unaudited 2008 $000	Unaudited 2007 $000
Operating activities		
Customers receipts	287,607	253,582
Interest receipts	350	168
Payments to suppliers and employees	(287,946)	(223,884)
Income tax payments	(4,715)	(4,138)
Interest payments	(4,073)	(3,102)
	(8,777)	22,626
Investing activities		
Property, plant and equipment disposals	1,290	102
Property, plant and equipment purchases	(2,789)	(12,958)
	(1,499)	(12,856)
Financing activities		
Borrowings	10,000	–
Treasury shares	(190)	(143)
Dividends paid	(8,796)	(12,324)
	1,014	(12,467)
Net movement in cash and cash equivalents	(9,262)	(2,697)
Cash and cash equivalents at beginning of period	(53,828)	(54,671)
Cash and cash equivalents at end of period	(63,090)	(57,368)

Reconciliation of profit after tax to cash flows from operating activities

	2008	2007
Profit after tax before adjustments for:	20,794	8,565
Property, plant and equipment	(284)	97
Depreciation and amortisation	3,334	2,987
Deferred tax	(1,216)	612
	22,628	12,261
Changes in:		
Income tax	5,327	(288)
Inventories	(46,151)	8,291
Trade and other receivables	17,094	8,606
Trade and other payables	(7,675)	(6,244)
	(8,777)	22,626

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

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.

Statement of compliance
The Group is a profit-oriented entity and its consolidated interim financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice and comply with 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 2008. There were no changes to the accounting policies.

Segment reporting is not appropriate because the Group operates in one industry in New Zealand. The Group's activities comprise the distribution, fabrication and processing of steel products.

1. Inventories
The increase in inventories was due to a combination of price increases in steel products purchased and lower than expected sales, resulting in higher volumes on hand at 31 December 2008.

2. Trade and other receivables
The provision for impairment of trade receivables has increased to $6.4 million (June 2008: $1.2 million) at 31 December 2008 as a result of the deteriorating economic climate and its effect on customers cashflow.

3. Borrowings
The Group has committed bank borrowing facilities of $125 million (June 2008: $100 million) at 31 December 2008 comprising a mix of fixed and revolving terms. Unless earlier extended, $80 million (June 2008: $80 million) has a maturity date of March 2010, $25 million (June 2008: nil) has a maturity date of March 2011, and $20 million (June 2008: $20 million) has a maturity date of March 2012. Subsequent to 31 December 2008, the Group arranged an additional $10 million bank facility with a maturity date of December 2011.

4. Contingent liabilities
Guarantees on contracts at 31 December 2008 were $0.5 million (2007: $0.5 million) and were transacted in the ordinary course of business.

5. Subsequent event
On 12 February 2009 the Board declared a fully-imputed dividend of 10 cents per share ($8.82 million) and a supplementary dividend to non-resident shareholders of 1.76 cents per share. The dividends will be paid to shareholders on 30 March 2009.

ACCOUNTANTS' REPORT

TO THE SHAREHOLDERS OF STEEL & TUBE HOLDINGS LIMITED

PRICEWATERHOUSECOOPERS

We have reviewed the financial statements on pages 4 to 7. The financial statements provide information about the past financial performance and cash flows of the Group for the six months ended 31 December 2008 and its financial position as at that date. This information is stated in accordance with the accounting policies set out on page 7.

Directors' responsibilities
The Company's Directors are responsible for the preparation and presentation of the financial statements that presents fairly the financial position of the Group as at 31 December 2008 and its financial performance and cash flows for the six months ended on that date.

Accountants' responsibilities
We are responsible for reviewing the financial statements presented by the Directors in order to report to you whether, in our opinion and on the basis of the procedures performed by us, anything has come to our attention that would indicate that the financial statements do not present fairly the matters to which they relate.

Basis of opinion
A review is limited primarily to enquiries of company personnel and analytical review procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit on the financial statements and, accordingly, we do not express an audit opinion.

We have reviewed the financial statements of the Group for the six months ended 31 December 2008 in accordance with the Review Engagement Standards issued by the New Zealand Institute of Chartered Accountants.

We have no relationship with or interests in the Group other than in our capacities as accountants conducting this review, statutory auditors and tax advisors.

Review opinion
Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly the financial position of the Group as at 31 December 2008 and its financial performance and cash flows for the six months ended on that date.

Our review was completed on 12 February 2009 and our review opinion is expressed as at that date.

PricewaterhouseCoopers

Chartered Accountants
Wellington

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Chain & Rigging

Fastening Systems

Piping Systems

Reinforcing

Stainless Steel

Roofing Products

Hurricane Wire

Hurricane Wholesale

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Auditors

PricewaterhouseCoopers

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Works Laser is 100% recycled paper, made up of 30% pre-consumer printer and converting waste and 70% post-consumer waste from old milk cartons. The recycled pulp is elemental chlorine free.

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