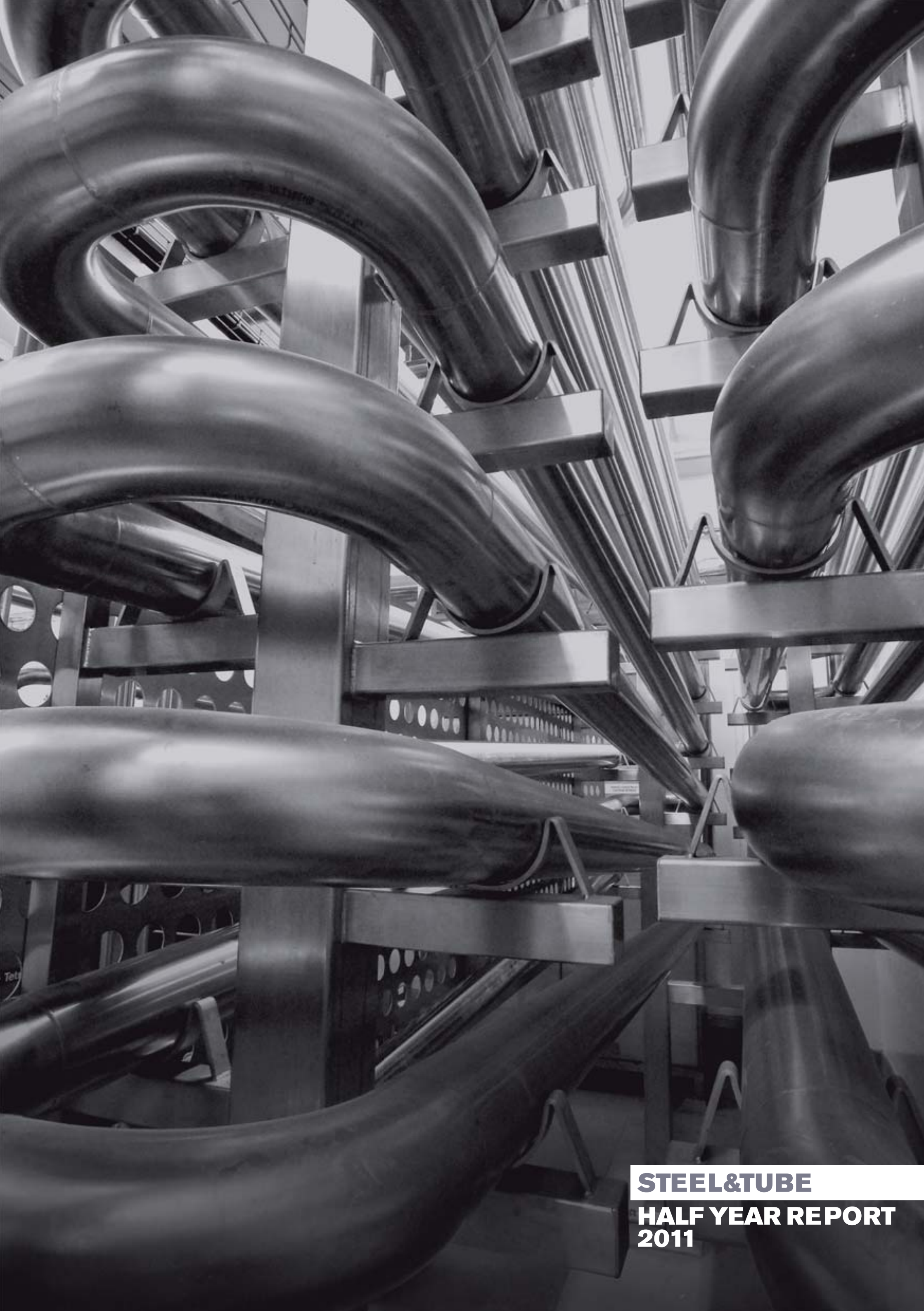

STEEL&TUBE

HALF YEAR REPORT 2011

DIRECTORS' REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2010

Results

The Directors present the unaudited consolidated financial statements for the 2011 half year that were authorised for issue on 10 February 2011.

The first-half trading result to 31 December 2010 of $8.4 million profit after tax, was an increase of $5.2 million or 165% when compared with the same period last year.

Sales at $190.5 million are similar to the corresponding period last year, with increased volumes being offset by lower global steel prices.

The net tangible assets per share at 31 December 2010 were $1.45 compared to $1.43 at 31 December 2009.

Dividend

Directors have declared a fully-imputed interim dividend of 6 cents per share to be paid on 31 March 2011 to holders of fully-paid ordinary shares registered at 11 March 2011. The amount payable is $5.30 million and a supplementary dividend of 1.06 cents will be paid to non-resident shareholders.

Performance

Slow improvements in the economy have seen volumes increase by 6% compared to the same period last year, although remaining well below historical levels. Strong competition continues and despite increasing prices from the prior 6 months, prices were still below those of the same period last year.

Most market sectors saw marginal improvements through a period of significant volatility from month on month, with October particularly slow. As indicated at the annual meeting, commercial construction continues to decline with little improvement expected for the foreseeable future.

In line with the revised strategy and plans, we successfully implemented the new operating model aimed at advancing the strengths of the Company's product range and geographic coverage with customers. The significant internal change programme continues to be very positively received both internally and externally.

Facility rationalisation continued with a further seven business operations consolidated into existing facilities, supporting the new "One Company" operating model.

Focus on costs, debtors and inventory management all continue, whilst our ongoing initiatives reposition the organisation for the environment ahead.

The Company came through the Christchurch earthquake remarkably well with only very minor damage to facilities and stock, reflecting the standards we employ at our facilities. As reported at the time, some of our people fared less well and we continue to support them. Accordingly our focus is now on the rebuild as we continue to work with those organisations leading the rebuild activity.

Focus has continued on health and safety, and the performance, which now includes contractors, again continued to improve with zero lost time incidents and three medical treatment injuries sustained during the half year.

Outlook

So far the economic recovery has been slower than expected, primarily due to lower household expenditure as many remain cautious about the outlook. The GDP data for the September quarter, released in December, was disappointing with both manufacturing and construction declining.

From the Company's perspective, both the residential and non-residential sectors, with the exception of infrastructure, remain soft and any improvements will be from low bases. The Christchurch rebuild will offer some upside. However, indications are that although the final cost of the reconstruction activity may be higher than initial estimates, the duration will be longer.

We note that despite no fundamental or material changes to the economy, business and consumer confidence is starting to increase as it did last year.

In the rural sector, export prices for both dairy and meat look encouraging although, due to a number of weather related issues, volumes remain subdued.

Global steel pricing volatility is likely to continue. However, in the immediate future, prices are likely to increase as the industry tries to recover escalating raw material costs, compounded recently by the floods in Australia with many coal mines unable to produce. This, combined with a volatile New Zealand Dollar, means domestic steel prices will most likely continue to experience considerable variations.

We expect to see a slow and gradual improvement in activity across most sectors with the exception of commercial construction, where we expect further contraction in the short term. Our internal initiatives are starting to gather momentum and we expect to see some uplift in performance as a consequence. Overall, we expect the second half of the year results will be similar to those of the first six months.

Dean Pritchard
Chairman

Dave Taylor
Chief Executive Officer

10 February 2011

Consolidated Interim Statement of Comprehensive Income

FOR THE HALF YEAR ENDED 31 DECEMBER 2010

	Unaudited 2010 $000	Unaudited 2009 $000
Sales revenue	190,453	190,638
Cost of sales	(146,586)	(155,330)
Gross profit	43,867	35,308
Other operating income	164	223
Selling expenses	(13,762)	(13,511)
Administration expenses	(7,701)	(6,691)
Other operating expenses	(9,771)	(9,647)
Operating earnings before financing costs	12,797	5,682
Interest income	19	105
Interest expense	(734)	(1,237)
Profit before tax	12,082	4,550
Tax expense – operating income	(3,684)	(1,377)
Profit after tax	8,398	3,173
Other comprehensive income – hedging reserve	(398)	409
Total comprehensive income	8,000	3,582
Basic earnings per share (cents)	9.5	3.6
Diluted earnings per share (cents)	9.5	3.6

The accompanying notes form part of these financial statements.

Consolidated Interim Statement of Changes in Equity

FOR THE HALF YEAR ENDED 31 DECEMBER 2010

	Share capital $000	Retained earnings $000	Hedging reserve $000	Treasury shares $000	Total equity $000
Balance at 1 July 2009	71,252	80,249	(444)	(914)	150,143
Comprehensive income					
Profit after tax	–	3,173	–	–	3,173
Other comprehensive income – hedging reserve	–	–	409	–	409
Transactions with owners					
Dividends paid	–	(7,932)	–	–	(7,932)
(Purchase)/withdrawal of own shares	–	–	–	(12)	(12)
Unaudited balance at 31 December 2009	71,252	75,490	(35)	(926)	145,781
Balance at 1 January 2010	71,252	75,490	(35)	(926)	145,781
Comprehensive income					
Profit after tax	–	2,541	–	–	2,541
Other comprehensive income – hedging reserve	–	–	259	–	259
Transactions with owners					
Dividends paid	–	(3,086)	–	–	(3,086)
(Purchase)/withdrawal of own shares	–	–	–	54	54
Audited balance at 30 June 2010	71,252	74,945	224	(872)	145,549
Balance at 1 July 2010	71,252	74,945	224	(872)	145,549
Comprehensive income					
Profit after tax	–	8,398	–	–	8,398
Other comprehensive income – hedging reserve	–	–	(398)	–	(398)
Transactions with owners					
Dividends paid	–	(4,398)	–	–	(4,398)
(Purchase)/withdrawal of own shares	–	–	–	(463)	(463)
Unaudited balance at 31 December 2010	71,252	78,945	(174)	(1,335)	148,688

The accompanying notes form part of these financial statements.

Consolidated Interim Balance Sheet

AS AT 31 DECEMBER 2010

	Unaudited 2010 $000	Unaudited 2009 $000	Audited June 2010 $000
Current assets			
Trade and other receivables	**53,340**	53,618	61,686
Inventories	**87,386**	74,847	84,227
Assets held for sale	**508**	–	508
Derivative financial instruments	**–**	–	319
Income tax receivable	**8**	1,151	–
	141,242	129,616	146,740
Non–current assets			
Property, plant and equipment	**52,136**	52,753	51,458
Intangibles	**19,923**	20,014	19,961
Deferred tax	**–**	2,744	–
	72,059	75,511	71,419
Total assets	**213,301**	205,127	218,159
Current liabilities			
Trade and other payables	**28,430**	27,718	33,501
Borrowings	**1,869**	5,117	6,942
Borrowings – term loans	**31,000**	25,000	29,000
Provisions	**512**	379	445
Derivative financial instruments	**248**	50	–
Income tax payable	**–**	–	696
	62,059	58,264	70,584
Non–current liabilities			
Provisions	**1,200**	1,082	972
Deferred tax	**1,354**	–	1,054
	2,554	1,082	2,026
Equity			
Share capital	**71,252**	71,252	71,252
Retained earnings	**78,945**	75,490	74,945
Hedging reserve	**(174)**	(35)	224
Treasury shares	**(1,335)**	(926)	(872)
	148,688	145,781	145,549
Total equity and liabilities	**213,301**	205,127	218,159

The consolidated interim financial statements and accompanying notes were authorised by the Board on 10 February 2011.

For the Board

Dean Pritchard
Chairman

Dave Taylor
Chief Executive Officer

The accompanying notes form part of these financial statements.

Consolidated Interim Statement of Cash Flows

FOR THE HALF YEAR ENDED 31 DECEMBER 2010

	Unaudited 2010 $000	Unaudited 2009 $000
Cash flows from operating activities		
Customers receipts	198,851	203,933
Interest receipts	19	105
Payments to suppliers and employees	(182,447)	(172,205)
Income tax payments	(3,918)	(3,267)
Interest payments	(734)	(1,237)
Net cash inflow from operating activities	11,771	27,329
Cash flows from investing activities		
Property, plant and equipment disposals	200	164
Property, plant and equipment purchases	(4,037)	(2,164)
Net cash outflow from investing activities	(3,837)	(2,000)
Cash flows from financing activities		
Treasury shares	(463)	(12)
Borrowings	2,000	(15,000)
Dividends paid	(4,398)	(7,932)
Net cash outflow from financing activities	(2,861)	(22,944)
Net increase in cash and cash equivalents	5,073	2,385
Cash and cash equivalents at beginning of the period	(6,942)	(7,502)
Cash and cash equivalents at end of the period	(1,869)	(5,117)
Represented by:		
Borrowings	(1,869)	(5,117)
Reconciliation of profit after tax to cash flows from operating activities		
Profit after tax	8,398	3,173
Non–cash adjustments:		
Depreciation and amortisation	3,169	3,233
Deferred tax	300	357
(Gain)/loss items classified as investing activity:		
Loss/(gain) on property, plant and equipment disposals	28	(47)
Movement working capital:		
Income tax	(704)	(2,247)
Inventories	(3,159)	15,990
Trade and other receivables	8,665	13,616
Trade and other payables including derivatives	(4,926)	(6,746)
Net cash inflow from operating activities	11,771	27,329

The accompanying notes form part of these financial statements.

Notes to the Consolidated Interim Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2010

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 Company is a limited liability company incorporated and domiciled in New Zealand, and the Group comprises Steel & Tube Holdings Limited and its subsidiaries. The Group's principal activities relate to the distribution, processing and fabrication of steel and allied products.

The registered office of the Company is at 15-17 Kings Crescent, Lower Hutt, New Zealand.

Statement of compliance
The Group is a profit-oriented entity and its unaudited condensed consolidated interim financial statements have been prepared in accordance with, and comply with, New Zealand Generally Accepted Accounting Practice (NZ GAAP), New Zealand's Equivalent to International Financial Reporting Standard NZ IAS 34: Interim Financial Reporting and International Accounting Standard IAS 34: Interim Financial Reporting.

Basis of preparation
These financial statements are presented in New Zealand dollars and rounded to the nearest thousand. These financial statements do not include all the information required for full financial statements and consequently should be read in conjunction with the full financial statements of Steel & Tube Holdings Limited for the year ended 30 June 2010. The same accounting policies, presentation and methods of computation have been followed in these condensed financial statements as were applied in the preparation of the Group's audited financial statements for the year ended 30 June 2010.

Disclosures

1. **Operating segments**
   Operating segments of the Group as at 31 December 2010 have been determined based on separate financial information that is regularly reviewed by the chief operating decision maker. The Group's operating segments comprise steel distribution and processing, roofing products, reinforcing, hurricane wire and stainless businesses.

   NZ IFRS 8: Operating Segments permits the aggregation of operating segments into reportable segments. This has been adopted as the operating segments have similar economic characteristics, are also similar in the nature of products and services supplied, the nature of the production processes, the class of customers the products and services are sold to, and the distribution channels for these products and services. Based on this analysis, no additional disclosure is required in the interim financial statements as the Group has one reportable segment.

   The Group primarily derives its revenue from the distribution, processing and fabrication of steel and allied products, with all revenue derived in, and assets located in, New Zealand. The Group has a diverse range of customers from various industries, with no single customer contributing more than 10% of the Group's revenue.

Notes to the Consolidated Interim Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2010

2. Contingent liabilities

Guarantees on contracts at 31 December 2010 were $0.4 million (December 2009: $0.6 million, June 2010: $0.2 million) and were transacted in the ordinary course of business.

3. Related parties

The Group has related party relationships with its controlled entities, its overseas parent shareholder and with key management personnel.

	Unaudited December 2010 $000	Unaudited December 2009 $000	Audited June 2010 $000
(a) Transactions with parent company			
Purchases during the year	**12,378**	16,384	30,549
Percentage of related party purchases	**8.4%**	10.5%	10.4%

OneSteel Limited of Australia, through its subsidiary OneSteel NZ Holdings Limited, owns 50.3% (December 2009: 50.3%, June 2010: 50.3%) of the Company's issued shares. All transactions are on commercial terms. Included in trade creditors is an amount of $1.7 million (December 2009: $1.3 million, June 2010: $1.5 million) owed to OneSteel at balance date.

(b) Transactions with key management personnel			
Short-term benefits	**1,566**	1,232	2,590
Share-based benefits	**–**	18	60
	1,566	1,250	2,650

The key management personnel are the Directors and Executive Management. Included in short-term benefits are Directors' fees of $207,707 (December 2009: $185,576, June 2010: $343,076).

4. Subsequent event

On 10 February 2011 the Board declared a fully-imputed dividend of 6 cents per share ($5.30 million) and a supplementary dividend to non-resident shareholders of 1.06 cents per share. The dividends will be paid to shareholders on 31 March 2011.

Independent Accountants' Report

PRICEWATERHOUSECOOPERS

TO THE SHAREHOLDERS OF STEEL & TUBE HOLDINGS LIMITED

PricewaterhouseCoopers
113-119 The Terrace
PO Box 243
Wellington 6140
New Zealand
www.pwc.com/nz
Telephone +64 4 462 7000
Facsimile +64 4 462 7001

Report on the Interim Financial Statements

We have reviewed the interim condensed financial statements ("financial statements") of Steel & Tube Holdings Limited on pages 4 to 9, which comprise the balance sheet as at 31 December 2010, the statement of comprehensive income, statements of changes in equity and cash flow for the period then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Interim Financial Statements

The Company's Directors are responsible for the preparation and presentation of the financial statements that present fairly the financial position of the Group as at 31 December 2010 and its financial performance and cash flows for the period ended on that date.

Accountants' Responsibility

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.

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 period ended 31 December 2010 in accordance with the Review Engagement Standards issued by the New Zealand Institute of Chartered Accountants.

We have no relationship with, or interests in, Steel & Tube Holdings Limited other than in our capacities as accountants conducting this review and tax advisors. These matters have not impaired our independence as accountants of the Group.

Independent Accountants' Report

STEEL AND TUBE HOLDINGS LIMITED

PRICEWATERHOUSECOOPERS

Opinion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements which have been prepared in accordance with New Zealand Equivalent to International Accounting Standard 34: Interim Financial Reporting do not present fairly the financial position of the Group as at 31 December 2010 and its financial performance and cash flows for the period ended on that date.

Restriction on Distribution or Use

This report is made solely to the Company's shareholders, as a body. Our review work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an accountant's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our review procedures, for this report, or for the opinions we have formed.

PricewaterhouseCoopers

Chartered Accountants Wellington
10 February 2011

Registered Office

15-17 Kings Crescent, Lower Hutt 5010
PO Box 30-543, Lower Hutt 5040
Ph: 04 570 5000 Fx: 04 569 4218
Email: info@steelandtube.co.nz
Website: www.steelandtube.co.nz

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

Steel & Tube Holdings Limited