



CHIEF EXECUTIVE OFFICER'S ADDRESS

20 OCTOBER 2004

Before commenting on the performance of each business I would firstly like to give a brief summary on the economic conditions that prevailed during the period under review.

The economy has been very strong with growth as measured by GDP increasing by about 5% over the previous year. This is the third year in a row that the economy has grown by over 4%. The last time that the country had similar strong and sustained growth was during the period between 1993 to 1996.

The economy benefited from an increase in net migrants, which peaked at 42,000 people this last year. This assisted demand for housing and contributed to the rise in consumer spending and the consequential flow on to other parts of the economy.

Solid demand and better prices from growth in world trade assisted our export sector with increased volume compensating for the strong New Zealand currency, resulting in an overall gain of \$580 million dollars to the economy compared with the previous year.

The key sectors that provide the trading opportunities for the Company to conduct and grow our business have all been positive.

The construction and building sector grew by \$1.8 billion dollars during the year to total \$10.2 billion dollars.

Of this, the construction of new dwellings increased year on year by 24% or \$1.3 billion dollars and follows similar growth reached in the previous year. Commercial construction which had been relatively flat and not shown any growth for the last three years increased by \$460 million dollars, an increase of 17%.

In spite of the strong dollar, the Primary export sector with the exception of fishing also enjoyed higher returns than last year as commodity prices recovered and volumes increased, fuelling the economic growth in the provincial centres.

Non primary manufacturing volumes also remained reasonably buoyant in spite of the strong New Zealand currency squeezing margins for both the export and domestic sectors.

I will now briefly give an overview of each operation.

Steel Distribution and Processing

The demand for the Company's goods and services remained strong. There was however a weakening in some parts of the country but this was offset by growth in the Auckland region.

Energy and infrastructure projects assisted the Piping Systems operations to increase earnings compared with last year, while our Fastening Systems business which is more reliant on the manufacturing sector ended the year with similar results to the previous period.

Although the volume of steel sold increased slightly compared with last year, total sales revenue was adversely affected in the first half as the average selling price of steel products reduced. This was due to the New Zealand currency appreciating faster than the increases in steel prices, which are traded on the world markets in US dollars.

In the second half of the year however, this trend reversed as prices for replacement stock, increased substantially. The catalyst for this was strong growth in world demand for steel products led by China.

This sudden increase in world demand coupled with substantial increases for scrap steel and other input costs resulted in prices for reinforcing steel and structural sections increasing by about 50% in the space of a few months. The magnitude of these price increases however, need to be put into perspective as in many cases this brings them to similar levels prevalent in 1996.

Due to a lift in volume and margins in the second half of the year, earnings improved substantially when compared with the previous year.

Roofing Operations

Increased sales for roofing, cladding and rainwater products brought about by record demand for new housing and a buoyant re-roof market continued to benefit the roofing operations. In addition to this, increased requirements for products from the construction sector to build light commercial structures, factories and farm buildings, helped this division to post improved results.

Reinforcing and Fabrication

A buoyant construction sector, led by a growing demand from infrastructure spending and a favourable mix of large contracts similar to those featured in the annual report which were spread throughout the country assisted the reinforcing operations to post substantially improved results.

Hurricane Wire Products

Hurricane Wire Products as many of you are aware, was acquired in April 2003 as part of our core business growth strategy.

I am pleased to be able to report that the Company was successfully integrated within the Group and that the profitability in the first year of ownership including obtaining the synergy benefits has been in line with expectation.

Health and Safety

I am pleased that the strong focus on making the work environment safer to reduce the potential for work related injuries has enabled the Company to achieve and maintain world class safety results these past few years.

This is only possible due to the commitment of our employees who participate in training, identification of hazards, auditing and the development of safe work procedures.

Management and Staff

Before reporting on the first quarter's result and outlook, I would like at this point to publicly acknowledge and thank our staff who have worked diligently throughout the year to provide excellent service during a period of record demand from our customers against a background of disrupted supply channels and rapid price increases.

First Quarter Trading Result

I am pleased to be able to report that the strong trading conditions encountered by all business units in the second half of last financial year has continued throughout the first quarter of this year.

This trading environment together with a better sales mix, cost saving initiatives and production efficiencies has resulted in a profit result considerably ahead of the same period last year.

The rate of earnings is a little better than the earnings obtained in the second half of our last financial year.

Outlook

The New Zealand economy has out performed most other OECD countries these past few years and is continuing to exceed consensus economic forecasts.

There is the expectation that due to the declining growth in net migrants and higher interest rates which have been important factors of the economy these past few years will adversely affect demand for housing and consumer spending. Commercial construction and spending on infrastructure projects however, are expected to compensate for this along with growth from the rural sector, which is benefiting from improved commodity prices.

Taking the above factors into consideration it is our view that the economy is likely to remain strong throughout the year.

Because of the volatility in world steel markets it is very difficult to give guidance for the full year's outcome at this stage and we will therefore update this at the time of our half year announcement in February 2005.