

10 October 2018

## Dear Steel & Tube shareholder

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This letter is to keep you informed about your Board's decision to turn down a low value non-binding indicative offer (NBIO) to acquire your company by one of our largest competitors, Fletcher Building Limited.

I would also like to outline the positive progress we are making under our turn-around strategy. We have recently confirmed our earnings guidance of \$25 million in earnings before interest and tax for the financial year ending 30 June 2019, and our intention is to resume payment of dividends in this financial year.

On 10 September 2018, the Board received a NBIO from Fletcher Building and sought expert legal and commercial advice from lawyers Chapman Tripp and financial advisers First NZ Capital. After careful consideration, the Board determined that it did not support the indicative offer for a number of reasons, including:

- The NBIO of \$1.70 per share significantly undervalues your Board's view of the company's value.
- The proposed acquisition would face challenging issues for clearance under the Commerce Act that would take some time to work through, due to Fletcher's vertical presence and significant size in several steel product markets. A chart detailing estimated market shares can be viewed on our website at the link above.

The approach by Fletcher Building was unsolicited and unwelcome. The fact that Fletcher made this indicative offer speaks to our reputation and the strength of our business. Obviously Fletcher see a lot of value in our business and its future potential, as do we, with both Board and Management personally investing further in the company through the recent capital raising.

This approach does not prevent higher value approaches from other interested parties and your Board will continue to evaluate strategies and actions that deliver the best value to shareholders.

Our priority is the turn-around of the company and we continue to make positive progress under our 'Striving for Excellence' strategy. You can read more about some of our initiatives on our website.

Steel & Tube has a well balanced exposure across the manufacturing, construction and rural sectors and is the only NZX-listed opportunity for shareholders to invest in the New Zealand steel sector without the additional risks of a conglomerate operating in multiple high-risk sectors.

Our goal is to be the leader in buying, selling, processing and placing steel in New Zealand and we believe we have the right strategy and the right team in place to achieve this.

Your Board remains very confident in the company's improving performance as Steel & Tube continues to win new customers, sign large contracts, increase efficiencies and reduce costs. We remain focused on achieving our goals and delivering value for our employees, customers and shareholders.

You should have received notice of our annual meeting of shareholders to be held in the Guineas 3 Room, Ellerslie Event Centre, 80-100 Ascot Avenue, Ellerslie, Auckland, on Thursday 25 October 2018, commencing at 2.00pm. The Board looks forward to seeing shareholders at that meeting. If you cannot make the meeting, I encourage you to appoint a proxy such as myself as chair to record your support for the company.

Yours sincerely



On behalf of the Board  
Susan Paterson, Chair

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Existing users should login, select 'My Profile' and click on the 'Update' button on the 'Communication Preferences' tile. For new users, click on 'Create Login' and follow the steps to create your User ID and password.