



SKELLERUP HOLDINGS LIMITED
L3 205 Great South Road, Greenlane, Auckland
Telephone 64 9 523 8240
Facsimile 64 9 523 8241
Email EA@skellerup.co.nz

Skellerup Holdings Limited
Annual Shareholders Meeting 28 October 2015
Chairman's Address

Once again it is nice to see so many familiar faces here today. A special welcome to those who may be here for the first time.

When I sat down to reflect on the past financial year I couldn't help but feel a sense of quiet confidence about the prospects for the future. Our profitability is trending in the right direction which has given us confidence to once more increase our dividend. Our two operating divisions are performing well. Most pleasing to me is that we are making excellent progress on our state-of-the-art world-class Dairy Rubberware Development and Manufacturing facility at Wigram – more on that shortly.

Looking back on our 2015 financial year it was a challenging one for us and there were considerable headwinds but we still managed to lift net profit after tax by 6% to \$21.9 million. Positive contributions were made from both our operating divisions.

In terms of our Agri Division our focus on international markets enabled us to record an increase in earnings and overcome the impact of a reduced contribution from a New Zealand market that was buffeted by lower dairy pay-outs.

Significant growth was achieved in the US, China and South America.

Although results in New Zealand were slightly softer than they were in the prior year, sales of dairy rubberware during the winter peak, when much of the on-farm and shed maintenance work is done, were relatively solid. Year in year out our Agri Division has performed for us.

This is testament to the value that dairy farmers place on maintaining high levels of animal health and milk quality. We are also encouraged by the continuing strong demand for dairy products in developing countries. Indeed it is this aggregate performance that underpins our exciting development at Wigram.

Now to our Industrial Division. Over the past several years we have been strategically expanding our presence in the US market, the success of which is now starting to shine through.

Gulf Rubber, which provides infrastructure and potable water applications, performed particularly well, building on strong work that has been carried out over a number of years. Our plumbing and fastener products business Deks and our foam products operation Ultralon, both grew and are now each beginning to establish a strong presence in their respective sectors. The performance of these businesses helped offset the impact of reduced sales into the Australian mining sector and flat sales of vacuum systems into the US as demand from the oil and gas sector reduced. Overall, the Industrial Division continues to show good promise.

Pleasingly our improved earnings helped contribute to the maintenance of a very healthy balance sheet, which saw us close the year with net cash of \$0.8 million.

It is this solid base that has supported our endeavours at Wigram whilst at the same time has enabled us to extend and develop products throughout the group.

Another important aspect of having a strong balance sheet is our ability to pay out healthy dividends. This has remained an underlying feature of Skellerup. Looking back over the past 12 years, for example, Skellerup has paid out \$128.5 million in dividend payments – this equates to 61% of our NPAT over the same period. I am pleased to say this trend has continued. The Board's confidence in the Company's future, meant we were able to increase the final dividend to 5.5 cents per share, fully imputed. This brings the total dividend pay-out for the financial year ending 30 June 2015 to 9.0 cents per share, an increase of six percent over the prior year. The year's distribution is 79% of NPAT.

As mentioned a highlight of the year for me is the excellent progress being made at our Wigram facility. This is by any measure a major project. I am pleased to be able to report that it is being built to plan and we are on track to begin moving into and operating the facility from early next year. We spent more than \$15 million on the project in the 2015 financial year and we have an additional \$25 million earmarked to complete the construction and fit-out.

The progress of the project to date is due to the efforts of many including local management, our contractors and our advisors. I am particularly pleased to have the wisdom and guidance provided by Sir Ron Carter, who continues his excellent work in overseeing the project on our behalf. We are fortunate to have Sir Ron here today and he is going to talk a little more about what we call Project Viking. But from the Skellerup Board perspective Sir Ron's knowledge of regional and national infrastructure planning, his experience in governance and in overseeing major infrastructure and industrial projects in New Zealand and throughout South-east Asia, and his involvement with the Royal Commission of Inquiry into the Canterbury earthquakes make him ideally suited to this task, and we are very grateful for the work he is doing.

As shareholders will appreciate, our Woolston factory has been the cornerstone of our Agri Division for some 75 years. The new facility sets us up to stay at the forefront of dairying best practice for the next 75 years and beyond. It not only confirms our commitment to the dairy industry that is such a big part of New Zealand's economy and of our Company's history, it also reaffirms our commitment to Canterbury, and will provide us with a world-class product development and production facility.

It would be remiss of me not to welcome a new Director to our Board. John Strowger has extensive experience in the business world. His commercial acumen and legal skills have been recognised by his peers with numerous awards and commendations, and he will be a great asset to Skellerup as we continue to grow and develop.

Finally, whilst the economic environment remains uncertain, I am confident that our progress and plans mean we are well placed to deliver a further improvement in earnings in the 2016 financial year. Your Board expects FY16 NPAT to be within a range of \$24 million to \$26 million. I note the bottom end of this range is \$2.1 million or 10% above the FY15 NPAT. David Mair will comment further on this guidance in his presentation.

Thank you also for being a fellow shareholder in Skellerup. On that positive note, I thank you for your time and hand over to David.