

**Minutes of the Annual Meeting of Shareholders of  
Skellerup Holdings Limited  
held at Eden Park, Reimers Avenue, Auckland  
on Thursday, 29 October 2020 at 14:30.**

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<b>Present:</b>	Elizabeth Coutts	(EMC)	Independent Chair
	John Strowger	(WJS)	Independent Director
	Alan Isaac	(ARI)	Independent Director
	David Cushing	(BDC)	Independent Director
	Paul Shearer	(PNS)	Independent Director
	David Mair	(DWM)	Director & Chief Executive Officer

**In Attendance:** Graham Leaming (GRL) Chief Financial Officer

**Introduction**

EMC began by welcoming shareholders, noting that a quorum was present and therefore declared the meeting open.

EMC introduced the Directors and CFO to the shareholders and also noted the presence of representatives of Ernst & Young (Company Auditor) and Chapman Tripp (Legal Advisor).

EMC explained she and DWM would each provide an address to shareholders to be followed by consideration of the resolutions outlined in the Notice of Meeting. She noted these resolutions would be voted on by poll as required by the NZX Listing Rules. She noted there would be opportunities for shareholders to address questions on the Chair and CEO presentations immediately following them. She also noted shareholders would be offered the chance to raise questions specific to each resolution after they were put to the meeting and finally a chance for general questions in general business towards the end of the meeting.

**Chair's Address**

A full copy of the Chair's address is appended to these Minutes. EMC opened by noting the Board were very pleased to deliver a record equalling NPAT in FY20. She noted that FY20 had tested and proven the resilience of Skellerup's business model and strategy. EMC also highlighted the record cash flow achieved and maintenance of dividends in line with pcp. EMC then discussed the Company's disciplined approach to capital management and the success of the Silclear acquisition reflecting on its fit with the Skellerup Group and swift action to complete the acquisition. She then spoke about how Skellerup had managed its business activities across the world in the face of Covid-19 and the fact that many of Skellerup's products were essential meaning that Skellerup's facilities have continued to operate throughout the pandemic with only minor and short interruptions for a few. EMC acknowledged the contribution of the Skellerup team to sustaining the business. EMC then discussed the wealth of commercial and governance experience on Skellerup's Board and their strong and relentless engagement for oversight and governance of Skellerup. She also commented that despite the position taken by proxy advisers who asserted that herself, BDC and WJS were not independent, the Board's assessment was made in accordance with the NZX Listing Rules and the NZX Corporate Governance Code and that the Board determined that BDC, WJS and herself were in fact independent. To close EMC noted Skellerup was in robust shape and this was reflected in the guidance provided earlier in the day for FY21 NPAT to be within the range of \$30 to \$35 million.

## **CEO's Address**

A full copy of the CEO's address is appended to these Minutes. DWM started by introducing the Skellerup team members present and then highlighted that the FY20 results not only reflected on the many essential products supplied by Skellerup but also the strength and resilience of Skellerup's customer base. He then discussed the changes Skellerup made to its business in response to Covid-19 and the fact that businesses across the Group had been able to learn from each other to adopt the best ideas and that many of the changes were now the new norm for working at Skellerup. He noted how proud he was of the leaders across the Group who had stepped up in very challenging circumstances. DWM then discussed the salient points of Skellerup's business model, highlighting that a large part of its customer base was Original Equipment Manufacturers (OEMs), to whom Skellerup designed and developed essential components that form part of their final product. He talked about Skellerup's model of engagement involving technical salespeople communicating to expert Skellerup internal resources who had the tools and ability to deliver prototype samples in a short timeframe providing a point of differentiation from competitors. DWM highlighted a focus on improving productivity, eliminating waste and disciplined capital allocation as being key elements of the overall Skellerup model. DWM then summarised the financial results of the Agri and Industrial Divisions in FY20. He noted the record Agri result was driven by growth in sales of essential dairy rubberwear particularly into the US and operational improvements particularly at Wigram. He noted the Industrial Division suffered from the impacts of Covid-19 but the pipeline of opportunities was very strong. DWM closed by thanking the Board for their support and guidance, the Skellerup team for their dedication and hard work and the shareholders for their investment in Skellerup.

The shareholders applauded the presentations and EMC asked for questions. A shareholder asked if communications were more difficult due to Covid-19 and EMC noted this was overcome by technology using video calling. A shareholder offered his congratulations to the Company for their achievements. A shareholder asked if the wide range given on the earnings guidance reflected Covid-19 impacts and EMC responded affirmatively.

## **Resolutions**

EMC moved to the resolutions before shareholders. She noted that a number of shareholders had cast postal votes or appointed proxies to cast their votes today. EMC noted that the Board held discretionary proxies and that these would be voted in favour of all resolutions.

## **Re-election of Directors**

EMC moved to the resolution to re-elect BDC as a Director.

EMC noted that in accordance with the NZX Listing Rule 2.7.1, BDC was retiring and being eligible, offered himself for re-election.

BDC started by noting that at his election speech three years earlier, he stated he was impressed by the calibre of the people and that over the ensuing three years he had become more impressed. He commented on the performance of Skellerup's leaders particular as Covid-19 caused chaos in March. He highlighted the opportunities for Skellerup particularly in the US, the health and safety record and the acquisitions successfully integrated. He contrasted the dividend yield of Skellerup with bank deposit rates and expressed his commitment to the Company.

EMC noted the Board unanimously supported the re-election of BDC and moved that BDC be re-elected as a Director of Skellerup.

EMC called for any questions. A shareholder queried how the Board assessed BDC as independent given his shareholding exceeded 5%. WJS responded noting the assessment of independence was whether there was anything that might interfere with the capacity of the director to bring independent judgement on issues before them. WJS noted the existence of a shareholding in excess of 5% was not determinative to distinguish a director as not independent. EMC added that the Board considered a range of factors as directed by the NZX Governance code in determining the independence status of each director. EMC put the motion and invited shareholders to vote by marking the resolution on their voting cards.

EMC noted that PNS was appointed by the Board on 21 August 2020 and in accordance with NZX Listing Rule 2.7.1 and the Company's Constitution, PNS was retiring and being eligible, offered himself for election. She noted the Board unanimously supported the election of PNS. EMC then invited PNS to speak in support of his election.

PNS introduced himself and spoke of his role at FPH. He noted 99% of FPH revenue was earned offshore which was a strong parallel with Skellerup's revenue generation and strategy for further international revenue growth. He noted he understood the complexity of growing revenue in international markets, and the focus on OEM business.

EMC noted the Board unanimously supported the election of PNS and moved that PNS be elected as a Director of Skellerup.

EMC called for any questions. A shareholder asked if there was plans for any further rotation on the Board and changes in size. EMC noted there were no further planned changes. EMC put the motion and invited shareholders to vote by marking the resolution on their voting cards.

### **Appointment of Auditors**

EMC advised that Pursuant to Section 200 of the Companies Act 1993, Ernst & Young are automatically reappointed as auditors for the ensuing year.

EMC explained that the proposed ordinary resolution is required to authorise the Directors to fix the auditors' remuneration pursuant to section 197(a) of the Companies Act 1993.

EMC moved that the Directors be authorised to fix the remuneration of the auditors for the year ending 30 June 2021.

EMC called for any questions. No questions were received from shareholders in respect to the motion. EMC put the motion and invited shareholders to vote by marking the resolution on their voting cards.

### **Shareholder Questions and General Business**

The Chair called for shareholders to raise any questions on the Company including questions on financial and operational matters.

A shareholder asked if there been any uptick in sales because of Covid-19, EMC responded in some cases there had been some increases dependent on the product and use.

A shareholder observed Skellerup was a well-managed business and what was being done to guard against a takeover. EMC responded that the Board were focussed on performance and communicating clearly on Skellerup to ensure results and value were understood.

A shareholder asked about Skellerup's Takeover Policy. WJS noted that in the event of an approach Skellerup would respond in accordance with the law.

A shareholder asked about inventory turnover. DWM noted there was a strong focus on inventory, and whilst the current environment dictated it was prudent to increase holdings of key materials to mitigate supply chain risks, the focus on increasing turnover remained.

A shareholder asked a question on consideration of Key Audit Matters (KAM). Simon O'Connor of Ernst and Young responded that the KAM for Skellerup was around the complexity of the international business and that EY addressed this with a risk focus on collectability of receivables, obsolescence of inventory and strong engagement with overseas audit teams.

A shareholder queried how YTD NPAT compared to pcp. EMC responded that Skellerup had provided annual guidance earlier in the day and would not report quarterly results and guidance.

A shareholder asked if Skellerup had considered a share buyback. EMC noted they had not, they regularly reviewed dividend pay-outs and that the world remained an uncertain place.

A shareholder asked if the Board preferred Skellerup remain a NZ company. EMC responded that the Board were focussed on continuing what they were doing to grow the Skellerup business.

There being no further questions, EMC thanked the shareholders for their attendance and declared the meeting closed at 15.20.

Signed as a true and correct record



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Chair