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Strong performance by Industrial Division underpins Skellerup's result

Highlights for the year ending 30 June 2016

- NPAT of \$20.5 million in line with guidance.
- Operating cash flow strong at \$30.9 million.
- Dividend maintained at 9 cents per share for the full year.
- Construction of new dairy rubberware facility at Christchurch complete. Transfer of operations proceeding well.

A strong performance by Skellerup Industrial Division has contributed to after-tax profit of \$20.5 million, in line with guidance provided earlier this year.

CEO David Mair said Skellerup's diverse range of products and markets had helped shield the company from the effect continued low commodity prices were having on its customers in the dairy, oil and gas, and mining industries.

"Using the expertise we have built up in one market to develop new opportunities elsewhere has been a big driver of the growth in earnings posted by our industrial division," said Mr Mair.

"For example, in Australia, Deks has been able to build on its reputation and its relationships with distributors to move beyond plumbing and roofing products into water and wastewater infrastructure supplies."

Earnings for Skellerup's Agri Division were as expected, particularly given the prolonged drop in the international milk price, but the dairy industry in New Zealand and abroad remained an important customer.

"Demand for our milking liners held up well as these are an essential consumable; however demand for tubing and other products was down as farmers are more able to defer expenditure on these items," said Mr Mair.

"The important role our products play in helping farmers meet milk quality and animal health requirements will ensure this business remains a core part of our company into the future."

Mr Mair said Skellerup's development of its new flagship dairy rubberware development, manufacturing and distribution facility at Wigram demonstrated Skellerup's continued commitment to innovation and to growth.

Mair noted that management remained focussed on optimising performance across the Group.

"A focus on good disciplines is important when markets get a little tougher. We improved operating cash flow to \$30.9 million in FY16. We expect to continue to generate strong cash flow which provides an excellent dividend stream for shareholders and the ability to invest in our business."

Dividend

Skellerup's Directors have maintained the final dividend at 5.5 cents per share, fully imputed. This will be paid on Thursday 13 October 2016 and brings the total dividend pay-out for the financial year ended 30 June 2016 to 9.0 cents per share. This decision reflects the company's strong cash flow and confidence in its ability to deliver earnings growth.

Concluding comments

Skellerup Chairman Sir Selwyn Cushing said: "We expect continued improvement in earnings from our Industrial Division. We have established a stronger and more cost-competitive platform, our investment in innovative new products is delivering revenue growth, and we have a solid pipeline of new business ahead.

Sir Selwyn is also delighted with the new Wigram facility. "Completing the move to Wigram after 77 years at Woolston will be a significant moment in the history of Skellerup. Our focus continues to be on concluding this project safely and efficiently, with no disruption to customer supply or product quality.

"The international markets in which Skellerup operate continue to provide challenges but also opportunities. The Board is confident that we will deliver an improvement in earnings in FY17."

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