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Skellerup Holdings Limited

Annual Shareholders' Meeting 2022

CEO's Address

Thank you, Liz

Skellerup has delivered another record year: the latest in an unbroken chain of performance excellence by our people across all parts of Skellerup's global businesses.

Trust & Loyalty

I have been reflecting on our sustained success, so I'd like to begin by talking about **trust**.

The essence of building trust is in valuing long-term relationships. It is about being consistent. It takes a lot of effort and can be easily destroyed by one slip. Over time, a reciprocal trusting relationship that brings benefits to both parties is built. **Loyalty** is developed.

Our **purpose** consists of five long-term relationships: our customers, our suppliers, our people, our shareholders and the wider community involving those people.

Working closely with customers to define and solve their problems has been an unwavering focus of Skellerup's, our chief purpose. Without customers, there is no business. It is a dynamic interaction that takes place between our deep material expertise, strong product and tool design capability, and proven manufacturing process knowledge.

But it is that dynamic interaction that has been the enduring key to building trust and loyalty with our customers, as has our ability to solve difficult supply problems for them, accentuated during the disruptions of the past two years.

In the same way we strive to be the best supplier to our customers, we also seek to be the best customer for our suppliers. We are demanding but fair, and over time we have established high performing networks with suppliers.

Trust also underpins the relationships with our people. Skellerup has since its very inception treated its workforce as an extension of family. Over time, this has built a reservoir of trust, or reputational capital.

I see loyalty as a reciprocal process, so we work hard to develop our people, broaden their skills, and provide opportunities for their career development.

Allied to developing our people and their sharing in our successes, Skellerup is deeply committed to keeping them safe. The protection and safety of our people and others from accidental harm in our workplaces is our highest priority. We are proud that once again this year there have been no serious harm injuries.

Safety is also reinforced through our commitment to maintaining a high standard of ethics in how we operate and do business. We ensure Skellerup's leaders work closely with their team to review and discuss the behaviours outlined in our Code of Ethics, including ensuring our suppliers and partners operate in accordance with our standards.

Taken together, being a good employer engenders reciprocal trust and loyalty and helps to create the stable workforce necessary to ensure consistency of performance.

A final word on trust. I believe building reputational capital with our customers, suppliers, workforce, and out in the community underpins our value proposition to shareholders. We have an effective Board that gets to the essence of business decisions quickly, enabling management to execute our strategy quickly. This is key to improving our performance and enables shareholders to have confidence in us.

I can see a lot of loyal shareholders in the audience today – thank you.

Industrial Division

Skellerup's Industrial Division designs and manufactures products that often combine multiple materials such as rubber, plastic and metals to perform in a wide range of applications.

Our Industrial Division develops products for predominantly Original Equipment Manufacturing customers, with 85 per cent of its revenue generated from international markets. From our technical salespeople to our engineers and chemists, we work closely with our customers, and their customers, to develop and deliver reliable products that meet their needs.

Interacting dynamically in collaboration with our customers to help define and solve their problems and designing products that perform is a consistent thread across the Division's businesses.

Results from our Industrial Division reached another record, with sales of $206.4 million, up 16 per cent from 2021, and earnings before interest and tax (EBIT) of $39.1 million, also a record, and up 20 per cent on FY21.

Revenue growth was driven by strong demand for gaskets, seals and vacuum systems into potable water and wastewater applications, most particularly in the US market. Our acquisition of Talbot Technologies at the end of August 2021 is bearing fruit, with expanded technical and production capability enabling future revenue growth.

We also saw strong sales of high-performance foam products across most of our market geographies. While sales growth has driven strong performance, we have also made efficiency gains, such as the consolidation of three of our businesses into a foam group, located on one site at Savill Link in South Auckland. Operational efficiencies have been gained, along with improved storage and distribution from a single site.

Additionally, the consolidation also saw a reduction of intercompany freight costs and time, as well as health and safety and sustainability gains through better social distancing space, LED lights and solar panelling on the roof of this facility.

Agri Division

Skellerup's Agri Division is focused on, and a global leader in, dairy rubberware design and manufacture. We also design and manufacture rubber footwear for farming and specialty applications including fire, forestry and electricity sectors.

Agri Division's sales were a record $110.5 million, up eight per cent on FY21. EBIT was $33.6 million, also a record and up 10 per cent on the prior year. Fifty-eight per cent of Agri Division's revenue was generated from international markets.

Sales revenue was fuelled by increased sales of food grade dairy rubberware in the US and NZ markets, and increased sales of rubber footwear, most notably in NZ.

Skellerup is the second largest manufacturer of food-grade dairy rubberware in the world. Our products are critical to the supply of fresh milk and milk products. While dairy faced a challenging period in getting products to international markets, our adaptive capability, in sourcing different materials, and finding ways to get products to customers underscores the skill and diligence of our people. FY22 reinforced the value of our customer focus as in challenging conditions we've continued to innovate new products and embed strong relationship that will help fuel future growth.

Agri Division continued to see improved operating performance, with greater process standardisation to meet increased demands and revenue from the same capability. Productivity gains at our large New Zealand and China manufacturing facilities helped to offset some of the significant impact of raw material prices and freight costs.

Skellerup is committed to continuous process improvement which improves processes and offers training to selected employees.

Solution-focused and Future Oriented

While we are proud of Skellerup's performance this year, we are always focused on the future. We learn from our successes but are continually seeking the next process improvement, the next quality acquisition, and looking to develop new products and expand markets.

The business environment will remain challenging in the short-to-medium term, so we are also turning our minds to pricing strategy and structures to ensure we have a good understanding of costs and that products are priced fairly for market conditions so as to continue to provide value for our customers.

Staying close to our customers and providing them with solutions remains the main driver of our performance going forward.

We will strive to ensure Skellerup's consistency of performance, and continually seek to standardize processes to deliver on our promise of continuous improvement and building resilience across our businesses.

We will also continue to build trust capital with our people and support them, focussing on retaining, developing, and attracting the quality staff Skellerup needs as labour markets stay competitive. Building an adaptable, highly skilled and resilient workforce is central to our future growth ambitions.

I'd like to end by thanking you, our shareholders, for your loyalty. It fuels our drive to keep Skellerup performing to reward your trust in us.

To close, I noted that earlier today we provided guidance on our expected result for FY23. Our Q1 results are in line with a very strong comparative period. Markets are uncertain but we expect to report another record year with FY23 net profit after tax in the range of $48 million to $52 million.