

SKL FY25 ASM Chair Address

It's a pleasure to be here in Christchurch—Skellerup's spiritual home. This City has played a central role in our story, and it's great to be back after quite some time. In fact, our roots here go all the way back to 1910, when George Waldemar Skellerup, a Danish immigrant, opened a shop at 175 Manchester Street (not far from here) selling imported rubber products. So yes, rubber has always been part of our DNA.

And growing up in Christchurch in the 1970s as I did, you couldn't miss the Para Rubber brand or the foreboding factories out in Woolston.

We've come a long way since those days. Today, Skellerup is a truly global business, but it's nice to bring the annual meeting roadshow back to where it all began.

Let's turn to the present. In FY25, we delivered record results once again. Net profit after tax was \$54.5 million, revenue reached \$353.5 million, and EBIT came in at \$78 million. These are outstanding numbers—especially considering the challenging and unpredictable environment we've all been operating in. It's a credit to our team and the way we do business.

Now, let me talk a bit about our two divisions—Agri and Industrial. Their contributions shifted slightly this year. Agri found its rhythm again, with results significantly up. That came down to hard work, renewed customer relationships, and some exciting new product lines that we're optimistic about for FY26 and beyond. You'll hear more about some of that from Graham, shortly. As always, work on incremental manufacturing improvement continued steadily. I want to acknowledge the quiet, consistent work that goes on behind the scenes. It's not glamorous, but it's essential.

We have a leadership team in Agri that combines market awareness with deep technical expertise—a rare and valuable combination.

You'll hear more from Dino Kudrass a little later on.

On the Industrial side, growth continued, though not at the same pace as Agri. Some OEM projects were delayed due to market uncertainty, and geopolitical tensions caused a few customers to pause investment decisions. Still, our team pushed forward, found new opportunities, and grew the business despite the headwinds.

In both divisions, our technical expertise in product development is proving to be a real competitive advantage. We're encouraging early involvement from our development centres in customer

marketing initiatives, and that's paying off. Also and as you know, we have a significant third party manufacturing partner in Vietnam, and our technical people need to be up there regularly, monitoring production and product development. All of this adds up to a lot of travel - and that isn't glamorous either.

While we still distinguish between Agri and Industrial, collaboration between the two (and our product development centres) is increasing, and that's a healthy trend. The Board is very supportive of this trend.

Last year, I spoke about the need to build more 'in-market' capabilities—to get closer to our customers geographically. We've made progress here, developing local resources in key markets. The Board acknowledges, though, that these steps have been modest so far, which feels appropriate given the fluidity of the commercial environment in places like the United States. Our caution has been vindicated to date, but the luxury of a "Do Nothing" approach may not continue forever.

As we shared with the market in July, around 37% of our revenue comes from the US – indeed, its increased even since then. About 85% of that is from products manufactured in New Zealand, China, and Vietnam. Because we built significant inventories in the US ahead of the imposition of tariffs, Liberation Day (and subsequent variations on the theme) didn't materially affect FY25, but they will increase costs in future years.

If the current tariff rates hold, we believe we can offset most of the impact through several mitigants. Pricing (we pass some costs on - as usual, it is about who pays) , sales growth (we absorb costs where competitive pressures with US domestic competitors mean we have to, and build total revenues through sales growth - lower margins, but more of it) and manufacturing initiatives (including manufacturing and assembly in the US, with the result of course that no tariffs apply).

That said, as we all know the final outcome of the China-US negotiations is still unclear, and the situation seems to change weekly. What works this week might not work next week.

Like you, we woke up a couple of Saturday mornings ago to learn that the Trump administration had reignited trade wars with an announced intention to impose an additional 100% tariff on all goods out of China from 1 November. Within a few hours, US\$2 billion had been wiped off the value of US shares. In response, the Leader of the Free World posted on social media "Don't worry about China, it will all be fine" and that the Chinese president, who is "highly respected" had just "had a bad moment".

Like many commentators, we do believe that a reasonable compromise will emerge. We believe the tariff regime we are now operating under is unlikely to change materially, and adversely.

We'll respond appropriately once we have certainty, using the full range of tools at our disposal.

I've spoken before about our disciplined approach to investment - we invest only when there is a high conviction, backing projects where we can see a strong strategic foundation. We're conservative by nature, and that's served us well. But some of the initiatives we're considering—especially around in-market capability—will be more significant, both financially and operationally.

Also, if we do develop new in market manufacturing capability and so satisfy local demand locally, that will create capacity at existing facilities. The management team is already working on this, seeking out a presence in markets in which we do not currently have a significant presence – and should have.

In fact, in all of these ways, the next 12 to 36 months could be a watershed period for Skellerup. We're configuring the business for the future, and there's a real sense of excitement about that. And of course, we'll remain disciplined with capital deployment.

The strong balance sheet helps. Net debt at 30 June was \$12.4 million—a \$3 million reduction from FY24. That's enabled us to declare dividends totalling 25.5 cents per share for FY25, another record. That represents a distribution of 92% of NPAT and reflects the Board's confidence in our future.

Now, I want to be clear: while these record results are outstanding, they won't continue indefinitely. I've counselled shareholders against expectations of growth every year (particularly if and when – at the timing of our choosing - we move into the next phase of development I've mentioned earlier). So, for the record. I register that caution again.

Of course, we're not planning to fail. Skellerup doesn't stand still. Encouraging new initiatives—whether in process, product, or market—are presented to the Board almost monthly. There's a real energy in the management team, and that bodes well for the future.

You'll also notice expanded climate reporting in this year's annual report. Our investments have led to a reduction in greenhouse gas emissions intensity. We've completed our first transition plan and an emissions reduction plan for our Wigram facility. Implementing these actions will bring both environmental and commercial benefits, for Skellerup.

A quick mention of your board.

I believe, by the way, that we have an excellent board (although this sounds a bit self-congratulatory). Certainly, we all work together very constructively in an environment encouraging an uninhibited exchange of views - which I think is essential to a board's proper functioning. It's fair to say that several of us are long in the tooth in tenure terms. In some quarters that has traditionally been viewed as an issue. Our friends at the proxy solicitation firms continue to take this stance. But we are also now receiving feedback from institutional shareholders and representatives of shareholder groups that value some longevity. They recognise that with tenure comes a depth of knowledge about the business.

Surely it is about common sense. In this regard, I hope that my colleague David Mair who has served on this board for almost 19 years and has provided such outstanding service to Skellerup over that period, gets re-elected today. I am quietly confident.

But it's not just about leadership. Success comes from the collective efforts of all our people. On behalf of the Board, I want to sincerely thank every member of the Skellerup team for their contribution to the FY25 result.

And to our shareholders—thank you for your continued support. We're proud of what we've achieved, and we're excited about what's ahead.

Thank you.