



Welcome to  **SKELLERUP**



Skellerup Annual Meeting

31 October 2012

Presentation agenda

- Performance
- 2012 financials
- Management focus
- Outlook for 2013
- Q&A

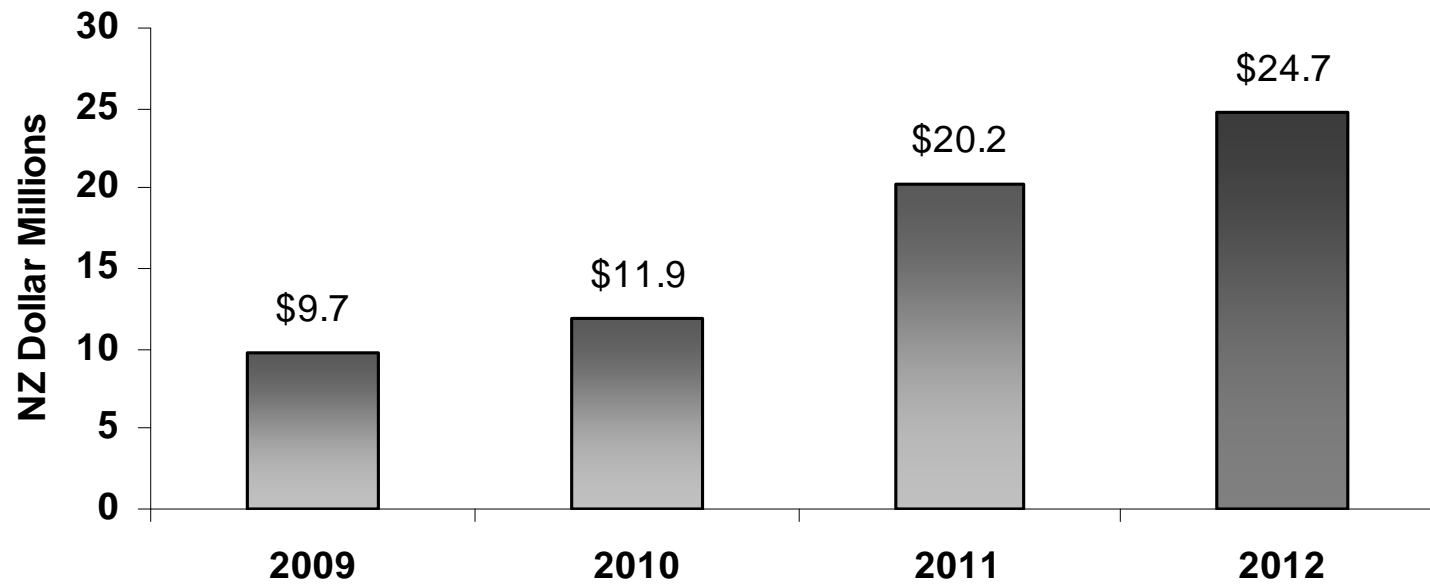


Chairman's Address

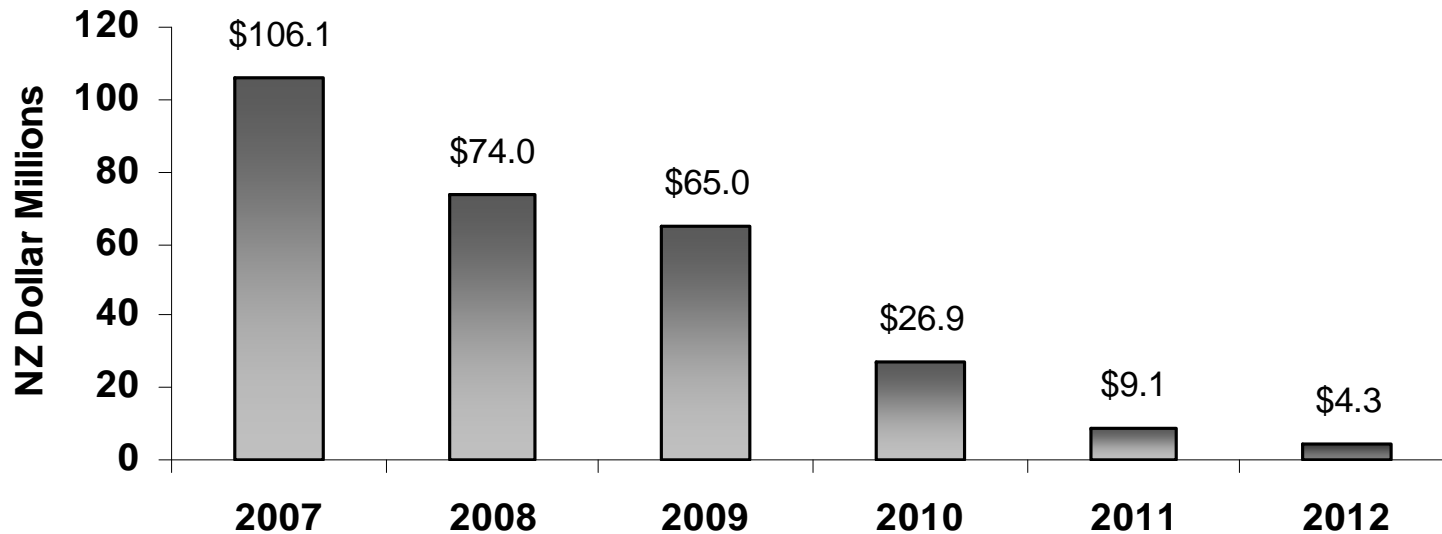
Sir Selwyn Cushing



NPAT



Net Debt at 30 June 2012



Chief Executive's Address

David Mair

Presentation agenda

- 2012 financials
- Management focus
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A faint, circular logo in the background depicts a ship with a single sail on a wavy sea. The ship is positioned in the center of the circle, with the sea below it. The entire logo is rendered in a lighter shade of blue than the background.

2012 financials

FY2012 financial results

CONTINUING OPERATIONS \$000's	2012	2011	Variance	
			\$	%
Revenue	207,313	193,593	13,720	7.1%
EBITDA	43,660	39,518	4,142	10.5%
Depreciation and amortisation	7,066	7,291	225	3.1%
EBIT	36,594	32,227	4,367	13.6%
Interest	2,101	2,667	566	21.2%
Tax expense	10,229	9,360	(869)	9.3%
NPAT from trading	24,264	20,200	4,064	20.1%
Canterbury earthquake insurance income	401	-	401	-
NPAT	24,665	20,200	4,465	22.1%

Balance sheet as at 30 June 2012

\$000's	2012	2011	Variance
Current assets	78,610	70,872	(7,738)
Current liabilities	39,769	38,914	855
Working capital	38,841	31,958	6,883
Non current assets/liabilities	86,784	87,447	(663)
Less net bank borrowings	4,253	9,080	4,827
Total equity	121,372	110,325	11,047

Statement of cash flows as at 30 June 2012

\$000's	2012	2011	Variance
Net trading cash flow	30,532	37,477	(6,945)
Insurance receipts	8,300	1,626	6,674
Income tax (paid)/refunded	(11,580)	(5,695)	(5,885)
Net interest paid	(1,922)	(2,386)	464
Net operating cash flow	25,330	31,022	(5,692)
Net purchase of fixed assets	(7,631)	(7,657)	26
Net funds generated	17,699	23,365	(5,666)
Proceeds from debenture, loans & advances	965	2,000	(1,035)
Dividends paid	(13,491)	(7,095)	(6,396)
Repayment of term debt	(11,422)	(14,649)	3,227
Change in cash held	6,249	(3,621)	9,870
Net financing cash flow	(17,699)	(23,365)	5,666

Divisional trading result

\$000's	REVENUE			EBIT		
	2012	2011	Variance	2012	2011	Variance
Agri	74,116	68,990	5,126	19,002	17,106	1,896
% of total	35.8%	35.6%		51.9%	53.1%	
Industrial	133,075	124,453	8,622	22,865	20,040	2,825
% of total	64.2%	64.3%		62.5%	62.2%	
Corporate	122	150	(28)	(5,273)	(4,919)	(354)
% of total	0.1%	0.1%		(14.4%)	(15.3%)	
TOTAL	207,313	193,593	13,720	36,594	32,227	4,367

Well-positioned financially

- Strong cash flows
- Substantially reduced net debt down to \$4.3m
- New banking facilities through to August 2014
- Banking covenants comfortably met

Key banking covenants	2012	2011
Net debt to EBITDA < 3.00 : 1	0.10	0.22
EBITDA to net interest > 4.00 : 1	20.97	18.83

- Gearing ratio improved from 7.6% to 3.4%

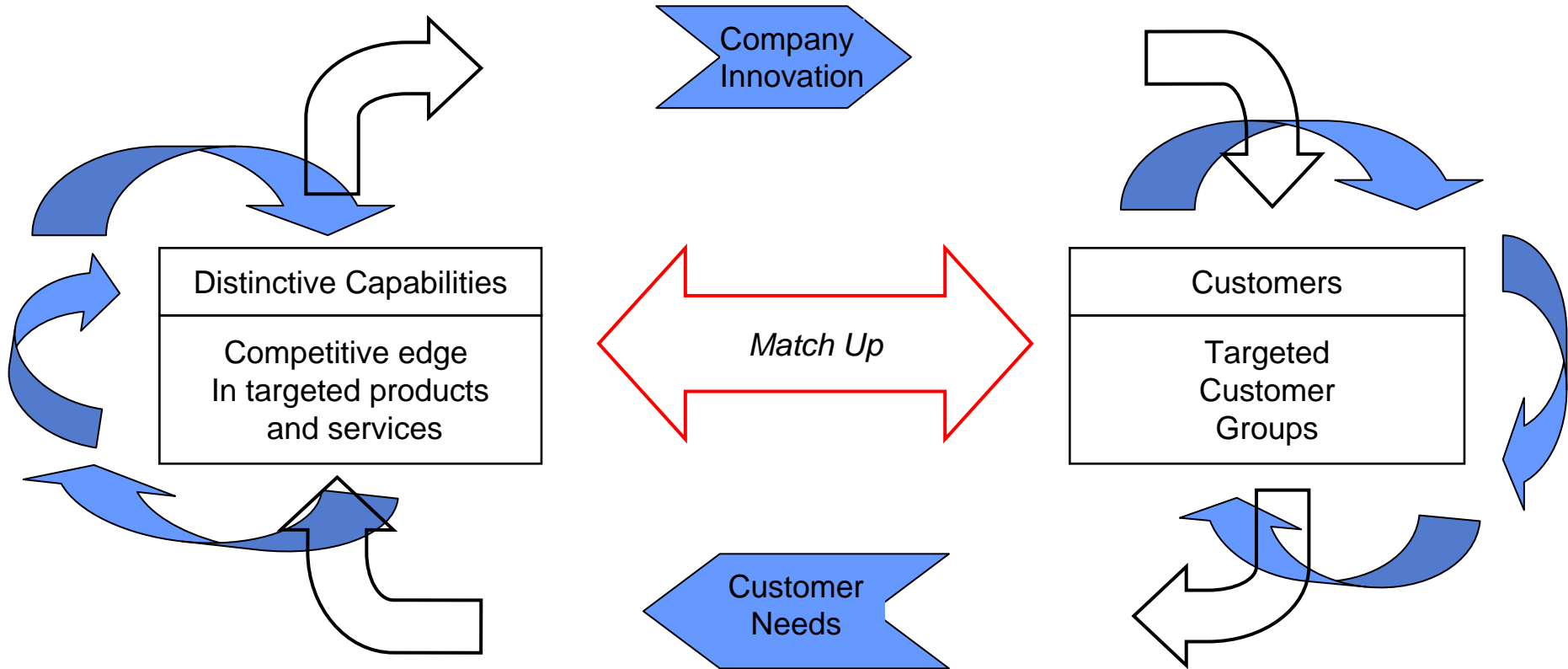
Management focus



Management focus

- Customer focus – better for customers
 - Effective innovation in product & process
- Simpler for our people
 - Align information flows
- Reduce lead time and costs

Customer focus



Effective innovation

- Define a problem.
 - Prove it's a real problem.
- Customer-defined value.
- Minimum product to solve that problem.



Example 1

Vacuum Pumps



Effective innovation or rationalisation?

- 151 pumps to 72
- HXL 400 Family
 - 38% of sales; 28% of volume
 - 47 Customer driven changes fully implemented
- HXL 75 Family
 - 32% of sales; 26% of volume
 - 39 Customer driven changes fully implemented



Example 2

Flexiflo

Mike Christmas



What's the problem?

- Costly shutdowns at Australian iron ore sites where ore was :
 - wearing out steel chute walls
 - blocking chutes
- flat rubber sheets resolve steel abrasion issues, but not blockages
- Initial product developed 8 years ago



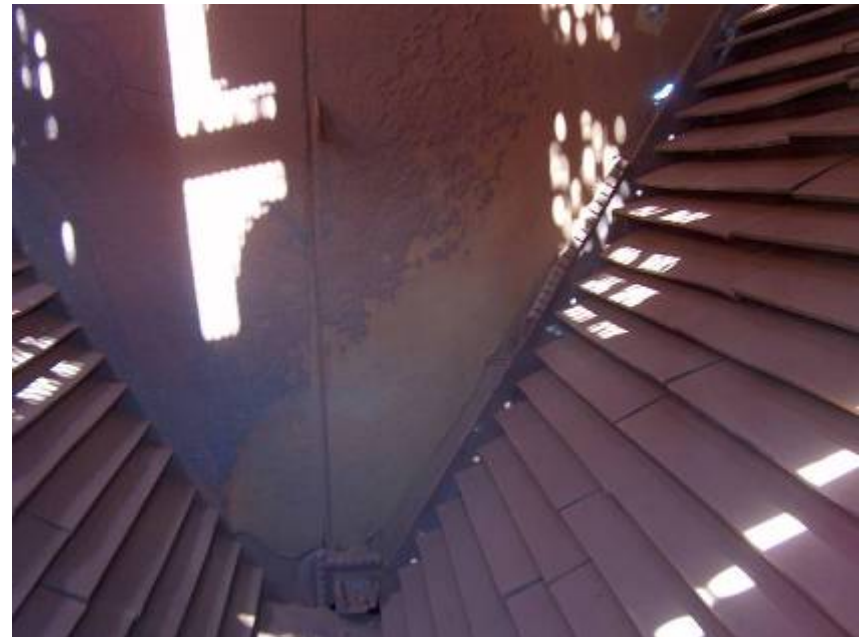
What is it?

- A patented, purpose built chute lining system
- Mostly rubber product
- Used predominantly in the iron ore industry
- Expedites movement of ore from a screen, down a chute to a conveyor, through to a stockpile



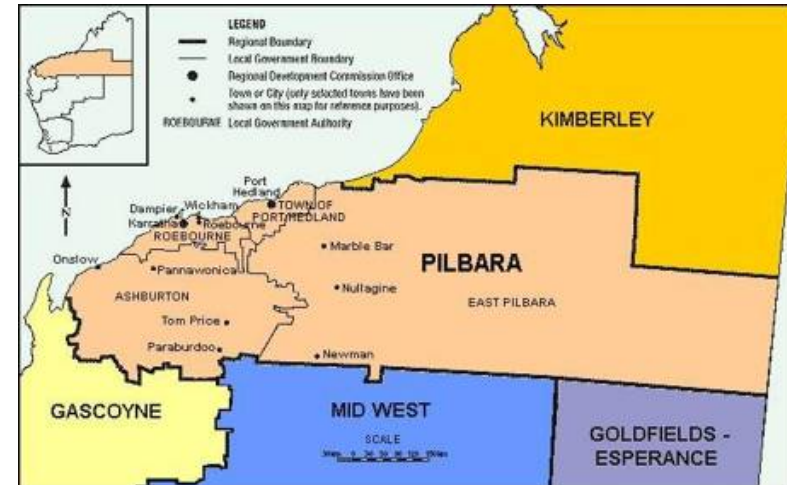
What it does

- Protects steel chutes from wearing out from the effects of highly abrasive iron ore
- Reduces blockages in ore chutes by creating a 'flexible wall'.
- Allows the ore to 'bounce' off the rubber wings as it moves downwards



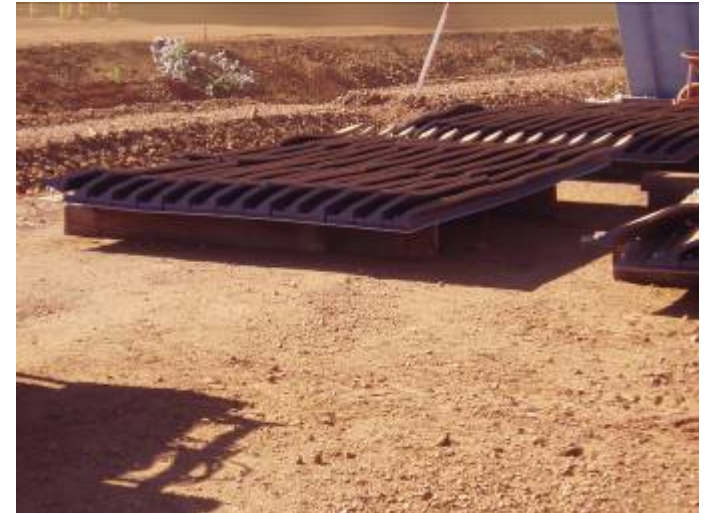
Where it is used?

- In chutes predominantly for the rich iron ore deposits in the Pilbara region of WA
- 1200km north of Perth
- 31.5 billion tonnes of high grade iron ore in Australia, 90% in the Pilbara
- Iron ore is mined from open pits & hills
- The material is crushed, screened & transported via chutes to conveyors & stockpiles
- Trains transport the ore from the Pilbara to the north coast ports of Port Hedland and Karratha



Shipping and installation

- Orders processed in Christchurch and sea freighted to Perth
- Flexiflo trucked from Perth to the Pilbara
- Installation carried out by contractors at planned maintenance shutdowns



Product lifecycle

- 9 – 18 months
- Replacement cycles dependent on specific mine sites
 - production tonnages vary between 800 & 1500 tonnes/hr per chute
 - different iron ore types & moisture content reflect the product life



Product evolution

- Continuous experience based development since first introduced
 - Formulation changes
 - Wear characteristics
 - Profile shape
- Flexiflo II developed in 2009
- Improved corners awaiting trials
 - Development of a novel design to stop ore sticking in chute corners
- Coating for longevity
 - Specialty wing coatings



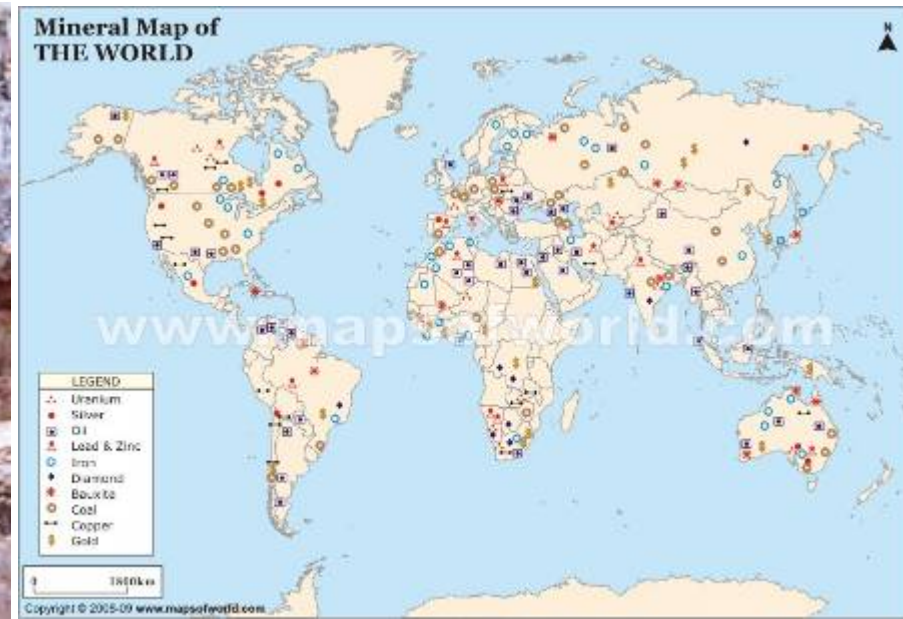
Customer focussed innovation

- To overcome blockages in mining chutes caused by sticky iron ore.
- An average chute conveys 1,300 tonnes/hr.
- This equates to a loss of AUD 136,000/hr just in iron ore value, not including other downtime costs. Non blocking chutes are critical for efficient mining of iron ore.
- With continued contact and ongoing development Flexiflo provides a customer specified product to minimise blocking of iron ore in chutes.



Potential

- Research iron ore production in other parts of the world
- Identify other metal ore types geographically, with similar processing issues.



Outlook for 2013



Solid platform for growth

- Strong financial position
- Increasing customer focus
- Organic growth through innovation
- Developments
 - Relocate Dairy manufacturing to new site – Christchurch
 - Relocate Ultralon manufacturing – Christchurch to Vietnam
 - Move MINC to new premises – Lincoln, Nebraska
 - Setting up of Gulf US

General market conditions

➤ Agri

- USA drought – improvements will come
- NZ/Australia – Fonterra payout
- Europe – no capital spend
- China – slowing down

➤ Industrial

- Flexiflo – good so far
- Europe – slow
- Australian housing market slow

NPAT Guidance June 13 - \$22m to \$24m



SKELLERUP

SKELLERUP HOLDINGS LIMITED

Q&A

