

23 February 2011

**Trading results**  
**Six months ended 31 December 2011**

	<b>Financial summary</b>		
	<i>Half Year Ended 31 Dec 2011 \$000 (Unaudited)</i>	<i>Half Year Ended 31 Dec 2010 \$000 (Unaudited)</i>	<i>Percentage Change</i>
<b>Total Revenue</b>	<b>102,971</b>	<b>96,293</b>	<b>6.9%</b>
<b>Earnings before interest and taxation</b>	<b>17,673</b>	<b>15,472</b>	<b>14.2%</b>
Less finance costs	1,149	1,370	(16.1%)
<b>Profit for the half year before tax</b>	<b>16,524</b>	<b>14,102</b>	<b>17.2%</b>
Less taxation	5,007	4,273	17.2%
<b>Net profit after tax</b>	<b>11,517</b>	<b>9,829</b>	<b>17.2%</b>

Skellerup has today announced a record net profit after tax (NPAT) of \$11.5m for the six months ended 31 December 2011, compared with \$9.8m for the half-year to December 2010, an increase of 17.2% on the pcpc.

**Key points**

- First half trading in line with expectation and in line with the full year NPAT projection (see below).
- Revenue of \$103.0m, 6.9% ahead of the previous corresponding period (pcpc).
- EBITDA of \$21.1m, 10.0% higher than pcpc
- EBIT of \$17.7m, 14.2% ahead of pcpc.
- NPAT of \$11.5m, 17.2% ahead of pcpc.
- Interim Dividend of 3.0 cents per share, fully imputed, to be paid on 30 March 2012.
- Expectations for second half trading consistent with projected Full Year NPAT within the range of \$22m to \$23m (i.e. exceeding the record level achieved in the 2011 year), as previously provided to the market.

**Divisional Summary**

	<b>Divisional summary</b>		
	<i>Half Year Ended 31 Dec 2011 \$000 (Unaudited)</i>	<i>Half Year Ended 31 Dec 2010 \$000 (Unaudited)</i>	<i>Percentage Change</i>
<b>Industrial</b>			
<b>Total Revenue</b>	<b>65,881</b>	<b>62,749</b>	<b>5.0%</b>
<b>EBIT</b>	<b>10,984</b>	<b>9,766</b>	<b>12.5%</b>
<b>Agri</b>			
<b>Total Revenue</b>	<b>37,022</b>	<b>33,452</b>	<b>10.7%</b>
<b>EBIT</b>	<b>9,015</b>	<b>8,116</b>	<b>11.1%</b>

Both the Agri and Industrial divisions have performed well throughout the period despite some worsening market conditions, particularly in Europe and Australia. Notable gains have been achieved, particularly – Flexiflo (a specialised product for the Australian mining industry), Industrial Vacuum Pumps, and Dairy rubberware, both local and International.

### **Industrial**

The Industrial division has performed well overall and excellently in some areas, with revenue up 5.0% and earnings at the EBIT level up 12.5%.

Good progress is being made in the development of the driveshaft coupling begun in Gulf Rubber Australia with further development in Vietnam. This product is being marketed and developed with key customers mainly in the European market. Demand for other technical products, such as gas conversion kits from Tumedei, is seasonal and so we are expecting good results in the next period.

Very good growth has been achieved in revenue and earnings from the sale of vacuum pumps into the US oil and gas markets. The focus on operational gains in production in China, and also in logistics shipping to the US, has enabled consistent supply of product. This supply has meant we not only continue to meet the increased demand from existing customers, but have gained some new customers.

The development of the second generation Flexiflo mining product has led to increasing interest, with several large contracts in the process of being finalised. There has also been an increase in demand for replacement parts as mine volumes are increased to meet new China demand.

Sales of Deks roof flashings and plumbing products into the Australian market have become increasingly competitive. The opportunities for growth are in overseas markets particularly the US.

### **Agri**

The Agri division also performed well with revenue up 10.7% and earnings at the EBIT level up 11.1%.

This result came from a combination of improved factory efficiencies, growth in the international and local markets for dairy liners and filters, and some improvement in demand for products of a more capital nature. This result reflects ongoing confidence in the dairy industry worldwide.

### **Dividend**

The Directors have declared an interim dividend of three cents per share, fully imputed, which will be paid on 30 March 2012 to shareholders on the register at 5pm on 16 March 2012. The Dividend Reinvestment Plan will not be operative for this particular dividend payment.

## **Group Strategies**

The Chief Executive Officer, David Mair, said Skellerup had been repositioned so that it can grow earnings even with relatively flat sales and increasing competition.

"The Group is diversified, which is a strength in these uncertain times," Mr Mair said.

"Across the Group, we are reviewing strategic options to accelerate growth and profitability. We continue to actively pursue the development and introduction of new products, allowing not only growth from existing customers but also access to new markets and customers. We are also reassessing costs to ensure that the Group has a sustainable cost advantage."

## **Outlook**

The Chairman, Sir Selwyn Cushing, said: "Market conditions are expected to remain challenging. Nevertheless, with the strategies now entrenched, and from the record results achieved for the six months ended 31 December 2011, it is clear that Skellerup can continue to improve earnings despite these uncertain times."

The results announced today support the earnings guidance provided at the annual shareholders meeting in October 2011 – ie. NPAT for the year ending 30 June 2012 in the range of \$22.0m to \$23.0m. NPAT for the 30 June 2011 year was a record \$20.2 million.

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The Skellerup Group of companies develops, markets, manufactures and distributes technical polymer products and vacuum pumps for a variety of specialist industrial and agricultural applications.

Founded more than 100 years ago, today Skellerup is a global company headquartered in New Zealand, with operations in Asia, Europe, North America and Australasia.