

16 February 2011

Trading results
Six months ended 31 December 2010

Key points

- First half trading in line with expectation.
- Continuing Operations Revenue of \$96.3m, 12.9% ahead of the previous corresponding period (pcp).
- Continuing Operations NPAT of \$9.8m, 200% ahead of pcp.
- Operating Cash Flow of \$13.3m, 5.3% ahead of pcp.
- Interim Dividend of 2 cents per share, fully imputed, to be paid on 31 March 2011.
- Expectations for second half trading consistent with projected Full Year NPAT within the range of \$18.5m to \$19.5m as provided to the market during December 2010.
- Total shareholder return for the Company's 5,000 shareholders in the 2010 calendar year was 145%.

Summary

Results for the December half-year reflect improved earnings across both the Agri and Industrial Divisions. There was a marked improvement in trading during the second half of the last financial year as the impact of the global recession abated and this improvement continued into the first six months of the current financial year. NPAT for the six months to 31 December 2010 is three times that achieved for the same period in 2009 and 53.6% above the corresponding figure for the six months ended 31 December 2008. The reduction in NPAT between the December 2008 and December 2009 half-years (see table below) reflected the severity of the recession that impacted the Company during calendar 2009.

	Financial summary		
	<i>Half Year Ended 31 Dec 2010 \$000 (Unaudited)</i>	<i>Half Year Ended 31 Dec 2009 \$000 (Unaudited)</i>	<i>Half Year Ended 31 Dec 2008 \$000 (Unaudited)</i>
Continuing operations			
Total Revenue	96,293	85,303	98,849
Earnings before interest and taxation	15,472	7,366	12,221
Less finance costs	1,370	2,430	2,973
Profit for the half year before tax	14,102	4,926	9,248
Less taxation	4,273	1,661	2,851
Net profit after tax	9,829	3,275	6,397

Skellerup has today announced a net profit after tax (NPAT) of \$9.8m for the six months ended 31 December 2010, compared with \$3.3m for the half-year to December 2009. This is three times that achieved in the previous corresponding period (pcp), and 53.6% more than that achieved during the six months to 31 December 2008.

Continuing Operations Revenue was up 12.9% against the pcp, at \$96.3m, but 2.6% down on the six months ended 31 December 2008.

Chairman, Sir Selwyn Cushing, said the improvement in revenue and NPAT during the six months under review reflects the marked improvement in trading conditions experienced, together with benefits arising from the continued focus and investment in product development across the board during the recessionary period. Cost containment had also been implemented where appropriate.

“Our Industrial division has recovered very well, with revenue up 15.6% and earnings at the EBIT level up two and a half times.”

“Increased cost recovery and improved efficiencies have influenced this result, together with increased demand over our broad range of industrial products – but particularly in the areas of industrial vacuum pumps, roof flashing and plumbing products into the North American and Australian markets.”

“In addition, our niche high performance technical polymer products performed well in the European market.”

“Due to the consumable nature of the majority of our Agri division product range, sales for the six months to 31 December 2010 were ahead of the pcp by a more modest 8.0% as the recession did not impact the Agri division to the same extent in 2009 as was felt by the Industrial Division.”

“Agri earnings for the six months were ahead of the pcp by 27.5% as a result 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 reflected the continuing improvement in milk solid prices and associated increase in confidence in the dairy industry world wide.”

Shareholder Returns

The Directors are pleased that the underlying performance of the business has been reflected in the Company’s share price. As was noted in a report on the NZX website Skellerup was referred to as a ‘standout’ performer in 2010 with a share price ‘gain of more than 130 percent’. The total shareholder return attributable to the Company’s 5,000 shareholders for the calendar year was 145 percent.

For the six months to 31 December 2010, the Directors have declared an interim dividend of two cents per share, fully imputed, which will be paid on 31 March 2011 to shareholders on the register at 5pm on 18 March 2011. The Dividend Reinvestment Plan will not be operative for this particular dividend payment.

Operations

The Acting Chief Executive Officer, David Mair, said all business units in the Agri division had performed well during the six months under review. “Nevertheless, until confidence in dairying is fully restored in offshore markets growth in sales of items of a capital nature continue to be more modest.”

With regard to the Industrial Division Mr Mair said the division had performed well above original expectations. “The introduction of new products and an expanded sales team in

Italy have increased our profile as a solution provider for technical polymer products into European markets not previously serviced (particularly Germany and France). The consequence is improved sales and profitability for this particular six months," Mr Mair said. "Good growth has been achieved in revenue and earnings from the sale of Industrial pumps into the US oil and gas exploration markets, linked with the recent rise in the price of oil. This growth is expected to continue well into the second half of the year."

"Sales of Deks roof flashings and plumbing products into the US have grown significantly after a broadening of the distributor base, and the Australian market has also continued to gain momentum."

"Gulf Rubber continues to achieve its objectives in the driveshaft coupling market, and demand for other technical products such as pipe gaskets continues to increase as our offshore markets recover from the impact of the global recession" Mr Mair said.

"Our Auckland based development team continues to be an important driver for innovative industrial technical polymer products to new and existing markets."

"Similarly our Christchurch based team provides an equally important innovation role for our range of dairy-related technical polymer products."

"Across the Group we continue to actively pursue the development and introduction of new products, thereby expanding revenue potential through access to new markets and customers. Successful product introductions during the past 12 months have included driveshaft couplings, Quatro gumboots into the US, innovative dairy liners and pipe gaskets into the US."

Outlook

"From the results achieved for the six months ended 31 December 2010 it is clear that, for almost all our markets, the impact of the recession has abated to the point that we are now seeing genuine growth opportunities in both the Agri and Industrial Divisions." Sir Selwyn said.

The results announced today support the December earnings guidance update for NPAT for the year ending 30 June 2011 to be in the range of \$18.5m to \$19.5m.

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