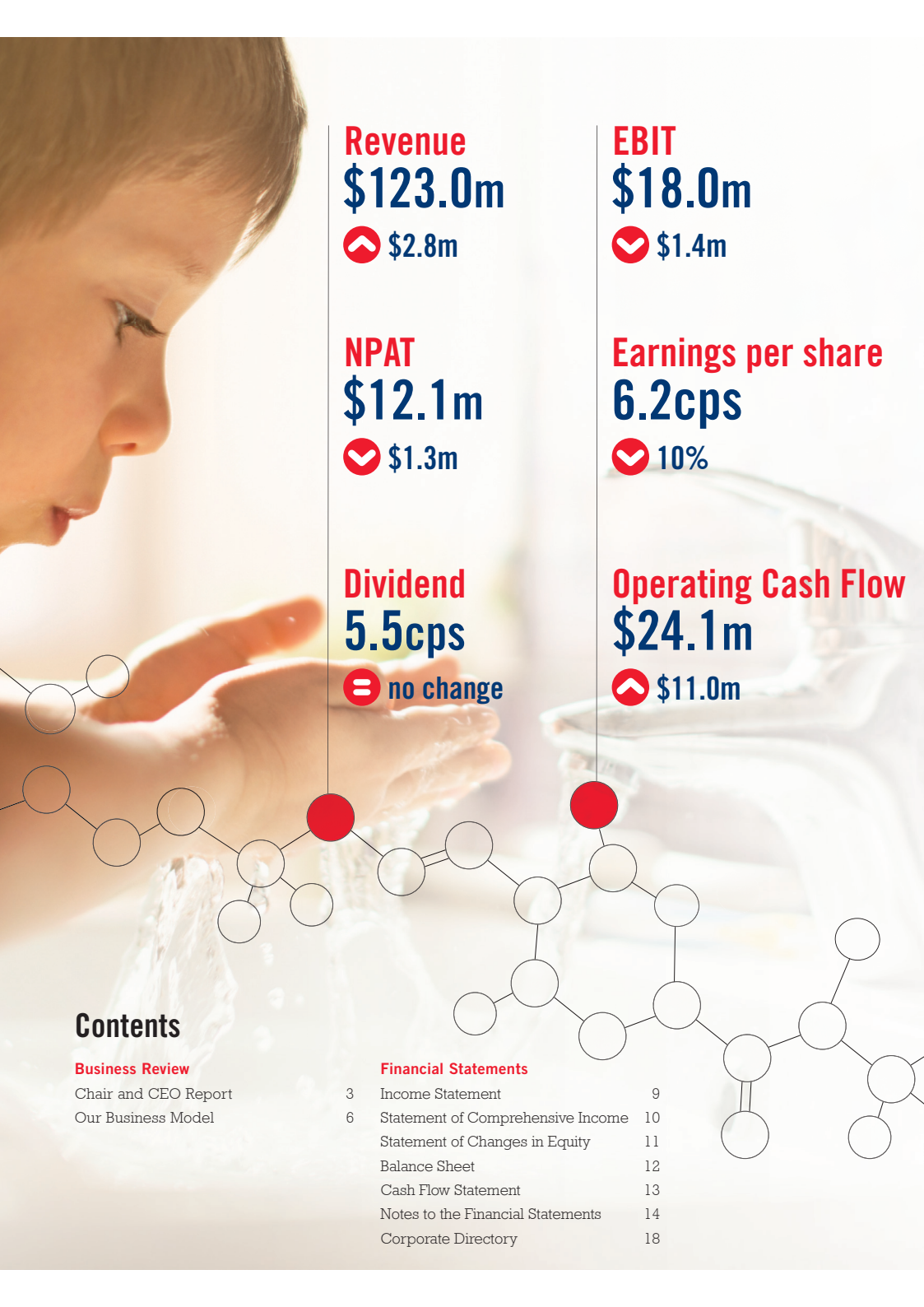




FY20

**HALF
YEAR
REPORT**



Revenue
\$123.0m

↗ \$2.8m

NPAT
\$12.1m

↘ \$1.3m

Dividend
5.5cps

= no change

EBIT
\$18.0m

↘ \$1.4m

Earnings per share
6.2cps

↘ 10%

Operating Cash Flow
\$24.1m

↗ \$11.0m

Contents

Business Review

Chair and CEO Report
Our Business Model

Financial Statements

3	Income Statement	9
6	Statement of Comprehensive Income	10
	Statement of Changes in Equity	11
	Balance Sheet	12
	Cash Flow Statement	13
	Notes to the Financial Statements	14
	Corporate Directory	18

Chair and CEO Review

\$'000 Unaudited	Half-year Ended 31 December 2019	Half-year Ended 31 December 2018	Percentage Change
Revenue	122,976	120,188	2%
Earnings before interest and taxation	17,998	19,412	-7%
Net profit after taxation	12,073	13,413	-10%
Earnings per share (cents)	6.20	6.89	-10%
Dividend per share (cents)	5.50	5.50	0%
Cash (net debt)	(34,654)	(32,387)	7%

Overview

At Skellerup we are continuing to focus on our customers and delivering productivity and efficiency gains across our operations to ensure secure, sustainable growth throughout the business. External factors can impact our ability to deliver and this was the case in the first half of FY20. Our Agri Division's earnings grew by 5 percent due to international sales growth and operational gains, but our Industrial Division's earnings were lower due to the impact of trade tariffs and slower demand for products we sell within the water infrastructure and oil and gas industries. As a result, Group earnings before interest and tax (EBIT) was down 7 percent to \$18.0 million, and net profit after tax was down 10 percent to \$12.1 million.

We have maintained a strong balance sheet which of course is a key prerequisite for growth. Operating cash flow was a record \$24.1 million in the first half of the year. Our strong cash flows have enabled us to consistently increase dividends over recent years and fund several acquisitions including Nexus and Silclear which were acquired in 2019. At the end of December net debt stood at \$34.7 million funding 14 percent of the total capital employed in our business and up only fractionally on prior comparative period (pcp).



At Skellerup we are continuing to focus on our customers and delivering productivity and efficiency gains across our operations to ensure secure, sustainable growth throughout the business.

Agri Division

Growth in international markets and operational gains pushed the Agri Division's EBIT up 5 percent on pcp to a record \$10.1 million. Growth was particularly strong in the US market where farmers returns improved after a difficult period of high feed costs and low milk prices. We have made process improvements in our operating facilities, particularly at Wigram and we expect to make further gains in this regard.

Our products continue to play a crucial role in maintaining milk quality and protecting animal health. We recently strengthened our offering with the acquisition of Silclear, which design and manufacture silicone components. We are working on opportunities to win new business with these products.

Industrial Division

Trade tariffs, a reduction in oil and gas exploration activity and a slowdown in infrastructure markets in the US caused the Industrial Division's EBIT to reduce by 15 percent to \$9.9 million from the pcp. We were able to partially mitigate the impact of trade tariffs with cost reduction initiatives, earnings growth from new roofing and marine foam products and from the Nexus business acquired in April 2019.

Our Industrial Division has delivered sustained earnings growth over the past four years and this is a trend we expect to continue. With our capability to design and deliver consistent, high-quality products, our strategy to grow by focusing on key original equipment manufacturers (OEM) customers in international markets is generating new business and will continue to do so.

Agri \$000 Unaudited	Half-year Ended 31 December 2019	Half-year Ended 31 December 2018	Percentage Change
Revenue	44,214	42,292	5%
Earnings before interest and taxation	10,092	9,626	5%

Industrial \$000 Unaudited	Half-year Ended 31 December 2019	Half-year Ended 31 December 2018	Percentage Change
Revenue	78,850	77,970	1%
Earnings before interest and taxation	9,919	11,673	-15%

Skellerup has a strong and broad platform to overcome market, trade and environmental challenges and sustainably grow earnings.

Dividend

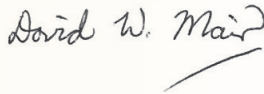
The Directors have declared an interim dividend of 5.5 cents per share (imputed 50 percent) the same as the pcp. This will be distributed on 19 March 2020 to shareholders on the register at 5:00 pm on 6 March 2020.

Outlook

Skellerup has a strong and broad platform to overcome market, trade and environmental challenges and sustainably grow earnings. We have not seen any immediate impact of the coronavirus outbreak on our business, but we expect a temporary impact on our supply chain. We are carefully monitoring and taking actions to ensure we are best placed to respond to any challenges this might present. We have made a strong start to the second half of the year, raising year-to-date NPAT ahead of pcp. We expect full-year NPAT to be consistent with the record \$29.1 million result achieved in the pcp.



Elizabeth (Liz) Coutts
Chair and Director



David Mair
Chief Executive Officer and Director



Our Business Model

Our Business Enablers



Our people

A diverse, experienced, vibrant, international team delivering solutions for customers in over 80 countries.



Our economic performance

A strong balance sheet, low debt, a very good dividend yield and relatively low levels of capital expenditure required to maintain and grow the business.



Our customer commitment

Customer-centric development, partnering to deliver both OEM and branded product innovations.



Our intellectual property and innovation

Vast expertise and capability in polymers and elastomers, coupled with world-leading tooling design to deliver innovative, dependable solutions for our customers.



Our operational capability and capacity

World-class manufacturing and distribution facilities and partners in New Zealand, Australia, China, Vietnam, UK, Italy and the US.



Our environment

Reducing our impact on the environment through decreasing usage of important resources and waste.

Industrial Division



Agri Division



Keeping potable water separate from grey water for industrial applications. Leveraging our innovative intellectual property across adjacent sectors



World-leading in essential dairy consumables, safeguarding milk quality, animal health and welfare. Delivering specialist footwear for the farming, fire, forestry and electricity markets

VACPLUS

Conewango
Serving the Dairyman since 1931

QUATRO

Our Approach

1 Developing strong and deep customer relationships

We work closely with customers, particularly with OEMs as part of their product innovation teams.

2 Manufacturing critical components that are often only a small part of a more complex system

Our products are usually only a small part of the total solution, but they are critical. The risk of failure means OEM customers prefer the trusted Skellerup brand.

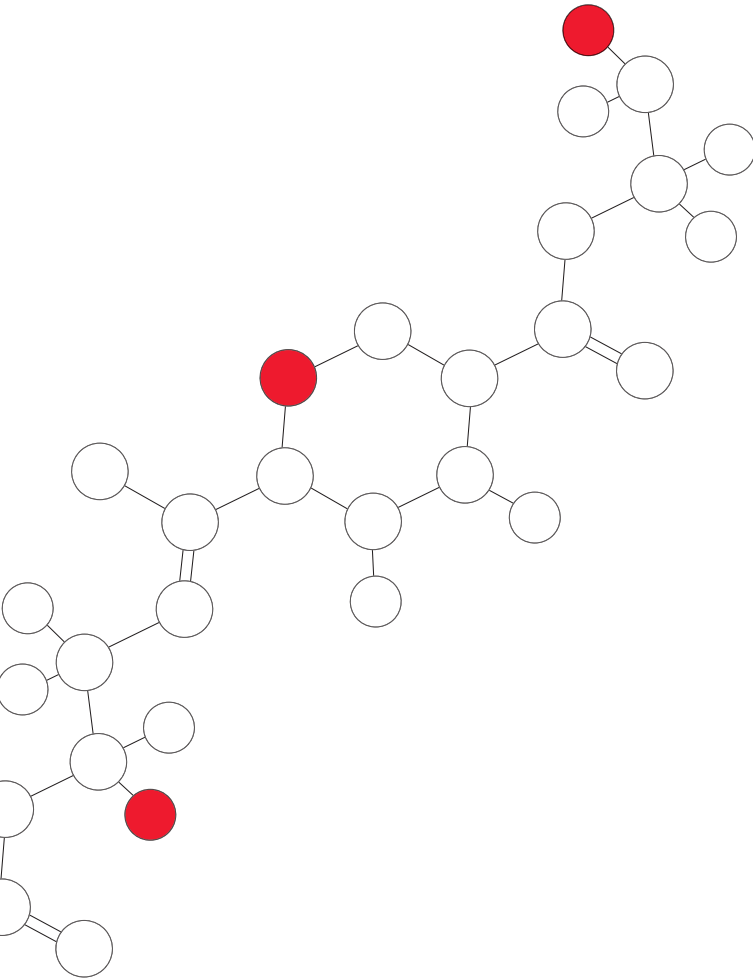
3 Applying our intellectual know-how to new applications

We are applying our expertise across new industrial and agricultural markets. From design to manufacture, our expertise in polymer and elastomer technologies covers the materials, the tooling and development, and the process for manufacture.



Financial Statements

for the half year ended 31 December 2019



Income Statement

for the half-year ended 31 December 2019

	Note	Half-year Ended 31 Dec 2019 \$000 (Unaudited)	Half-year Ended 31 Dec 2018 \$000 (Unaudited)
Revenue	2	122,976	120,188
Cost of sales		(76,971)	(74,899)
Gross profit		46,005	45,289
Other income/(expenses)		366	(79)
Distribution expenses		(7,147)	(6,437)
Marketing expenses		(10,976)	(10,789)
Administration expenses		(10,250)	(8,572)
Profit for the period before tax, finance costs and share of net profit of associates		17,998	19,412
Finance costs		(1,268)	(859)
Share of net profit of associates accounted for using the equity method		(31)	42
Profit for the period before tax		16,699	18,595
Income tax expense		(4,626)	(5,182)
Net after-tax profit for the period, attributable to owners of the Parent		12,073	13,413
Earnings per share			
Basic earnings per share (cents)		6.20	6.89
Diluted earnings per share (cents)		6.20	6.89
Net tangible assets per share (cents)		61.37	64.93

Statement of Comprehensive Income

for the half-year ended 31 December 2019

	Half-year Ended 31 Dec 2019 \$000 (Unaudited)	Half-year Ended 31 Dec 2018 \$000 (Unaudited)
Net profit after tax for the period	12,073	13,413
Other comprehensive income		
Will be reclassified subsequently to profit or loss when specific conditions are met		
Net increase/(decrease) in cash flow hedge reserve	523	893
Income tax related to increase/(decrease) in cash flow hedge reserve	(152)	(250)
Not expected to be reclassified subsequently into profit or loss		
Foreign exchange movements on translation of overseas subsidiaries	282	(1,288)
Income tax related to gains/(losses) on foreign exchange movements of loans with overseas subsidiaries	-	21
Other comprehensive income net of tax	653	(624)
Total comprehensive income for the period attributable to equity holders of the Parent	12,726	12,789

Statement of Changes in Equity

for the half-year ended 31 December 2019

	Fully Paid Ordinary Shares	Cash Flow Hedge Reserve	Foreign Currency Translation Reserve	Employee Share Plan Reserve	Retained Earnings	Total
	\$000 (Unaudited)	\$000 (Unaudited)	\$000 (Unaudited)	\$000 (Unaudited)	\$000 (Unaudited)	\$000 (Unaudited)
Balance 1 July 2019	72,173	132	(9,771)	149	115,709	178,392
Profit for the period	-	-	-	-	12,073	12,073
Other comprehensive income	-	371	282	-	-	653
Total comprehensive income for the period	-	371	282	-	12,073	12,726
Share incentive scheme	-	-	-	113	-	113
Dividends paid	-	-	-	-	(14,607)	(14,607)
Balance 31 December 2019	72,173	503	(9,489)	262	113,175	176,624
Balance 1 July 2018	69,732	(397)	(8,059)	471	110,539	172,286
Profit for the period	-	-	-	-	13,413	13,413
Other comprehensive income	-	643	(1,267)	-	-	(624)
Total comprehensive income for the period	-	643	(1,267)	-	13,413	12,789
Share incentive scheme	2,441	-	-	(434)	452	2,459
Dividends paid	-	-	-	-	(13,633)	(13,633)
Balance 31 December 2018	72,173	246	(9,326)	37	110,771	173,901

Balance Sheet

as at 31 December 2019

	As at 31 Dec 2019 \$000 (Unaudited)	As at 30 Jun 2019 \$000 (Audited)	As at 31 Dec 2018 \$000 (Unaudited)
Current assets			
Cash and cash equivalents	13,625	9,639	8,464
Trade and other receivables	40,215	50,759	41,124
Inventories	50,511	48,339	54,907
Income tax receivable	9	1,465	1,974
Derivative financial assets	698	310	425
Total current assets	105,058	110,512	106,894
Non-current assets			
Property, plant and equipment	90,054	91,296	91,369
Right of use assets	19,862	-	-
Deferred tax asset	2,643	2,822	3,088
Goodwill	54,511	49,476	45,363
Intangible assets	1,233	1,057	398
Investment in associate	1,702	1,723	1,758
Derivative financial assets	284	173	175
Total non-current assets	170,289	146,547	142,151
Total assets	275,347	257,059	249,045
Current liabilities			
Trade and other payables	21,246	22,995	22,712
Provisions	4,744	4,840	4,984
Income tax payable	837	960	2,901
Derivative financial liabilities	132	118	129
Lease liabilities - short term	2,947	-	-
Total current liabilities	29,906	28,913	30,726
Non-current liabilities			
Provisions	1,381	1,406	1,650
Interest-bearing loans and borrowings	48,279	46,215	40,851
Deferred tax liabilities	1,978	1,950	1,788
Derivative financial liabilities	152	183	129
Lease liabilities - long term	17,027	-	-
Total non-current liabilities	68,817	49,754	44,418
Total liabilities	98,723	78,667	75,144
Net assets	176,624	178,392	173,901
Equity			
Share capital	72,173	72,173	72,173
Reserves	(8,724)	(9,490)	(9,043)
Retained earnings	113,175	115,709	110,771
Total equity	176,624	178,392	173,901

Cash Flow Statement

for the half-year ended 31 December 2019

	Half-year Ended 31 Dec 2019 \$000 (Unaudited)	Half-year Ended 31 Dec 2018 \$000 (Unaudited)
Cash flows from operating activities		
Receipts from customers	133,881	127,972
Interest received	8	6
Dividends received	2	1
Payments to suppliers and employees	(105,855)	(111,108)
Income tax paid	(3,170)	(2,966)
Interest and bank fees paid	(811)	(859)
Net cash flows from/(used in) operating activities	24,055	13,046
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	32	169
Payments for property, plant and equipment	(2,384)	(1,900)
Payments for Intangible assets	(5,154)	(26)
Payments for investment in associate	-	(1,674)
Net cash flows from/(used in) investing activities	(7,506)	(3,431)
Cash flows from financing activities		
Proceeds from loans and advances	2,064	451
Proceeds from issue of shares	-	2,422
Dividends paid to equity holders of Parent	(14,607)	(13,633)
Net cash flows from/(used in) financing activities	(12,543)	(10,760)
Net increase/(decrease) in cash and cash equivalents	4,006	(1,145)
Cash and cash equivalents at the beginning of the period	9,639	9,681
Effect of exchange rate fluctuations	(20)	(72)
Cash and cash equivalents at the end of the period	13,625	8,464

Notes to the Financial Statements

as at 31 December 2019

1. Corporate Information

The financial statements of Skellerup Holdings Limited, for the half year ended 31 December 2019, were authorised for issue in accordance with a resolution of the Directors dated 12 February 2020.

Skellerup Holdings Limited ('the Company') is a limited liability company incorporated and domiciled in New Zealand. It is registered under the Companies Act 1993 with its registered office at Level 3, 205 Great South Road, Greenlane, Auckland. The Company is a Reporting Entity in terms of the Financial Markets Conduct Act 2013 and is listed on the New Zealand Exchange (NZX Main Board) with the ticker SKL.

Summary of Significant Accounting Policies

a) Basis of Preparation

This general-purpose condensed financial report for the half year ended 31 December 2019 has been prepared in accordance with NZ IAS 34 Interim Financial Reporting and IAS 34 Interim Financial Reporting.

The half year financial report does not include all notes of the type normally included within the annual financial report and, therefore, cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as does the full financial report.

It is recommended that the half year financial report be read in conjunction with the annual report for the year ended 30 June 2019 and considered together with any public announcements made by Skellerup Holdings Limited during the half year ended 31 December 2019 in accordance with the continuous disclosure obligations of the NZX listing rules.

All accounting policies and methods of computation are the same as those adopted in the most recent annual financial report with the exception that the Group has applied NZ IFRS 16: Leases with effect from 1 July 2019. The impact of this is disclosed in Note 4. Certain prior year figures have been reclassified for comparative purposes.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000).

2. Segment Information

The Group's operating segments are Agri, Industrial and Corporate; these are the divisions reported to the executive management and Board of Directors to assess performance of the Group and allocate resources.

The principal measure of performance for each segment is EBIT (earnings before interest and tax). As a result, finance costs and taxation have not been allocated to each segment.

Agri Segment

The Agri segment manufactures and distributes dairy rubberware, which includes milking liners, tubing, filters and feeding teats, together with other related agricultural products and dairy vacuum pumps, to global agricultural markets

Industrial Segment

The Industrial segment manufactures and distributes technical polymer products across a number of industrial markets, including automotive, construction, infrastructure, mining and general industrial, together with industrial vacuum pump equipment for a variety of industrial applications worldwide.

Corporate Segment

The Corporate segment includes the Parent Company and other central administration expenses that have not been allocated to the Agri and Industrial segments.

2. Segment Information (continued)

For the half-year ended 31 December 2019	Agri \$000	Industrial \$000	Corporate/ Elimination \$000	Total \$000
Revenue	44,214	78,850	(88)	122,976
Segment EBIT	10,092	9,919	(2,013)	17,998
Profit before tax, finance costs and share of net profit of associates				17,998
Finance costs				(1,268)
Share of net profit of associates				(31)
Profit before tax				16,699
Income tax expense				(4,626)
Net after-tax profit				12,073
Assets and liabilities				
Segment assets	123,058	132,977	19,312	275,347
Segment liabilities	11,414	34,989	52,320	98,723
Net assets	111,644	97,988	(33,008)	176,624
Other segment information				
Capital expenditure	6,278	1,285	8	7,571
Cash flow				
Segment EBIT	10,092	9,919	(2,013)	17,998
Share of net profit of associates	-	(31)	-	(31)
Adjustments for:				
- Depreciation and amortisation	2,079	1,629	20	3,728
- Depreciation right of use assets	306	2,028	37	2,371
- Non-cash items			461	461
Movement in working capital	485	4,597	340	5,422
Segment cash flow	12,962	18,142	(1,155)	29,949
Finance and tax cash expense				(3,981)
Movement in finance and tax accrual				(1,913)
Net cash flow from operating activities				24,055

2. Segment Information (continued)

For the half-year ended 31 December 2018	Agri \$000	Industrial \$000	Corporate/ Elimination \$000	Total \$000
Revenue	42,292	77,970	(74)	120,188
Segment EBIT	9,626	11,673	(1,887)	19,412
Profit before tax, finance costs and share of net profit of associates				19,412
Finance costs				(859)
Share of net profit of associates				42
Profit before tax				18,595
Income tax expense				(5,182)
Net after-tax profit				13,413
Assets and liabilities				
Segment assets	115,861	115,677	17,507	249,045
Segment liabilities	8,048	18,949	48,147	75,144
Net assets	107,813	96,728	(30,640)	173,901
Other segment information				
Capital expenditure	691	1,174	66	1,931
Cash flow				
Segment EBIT	9,626	11,673	(1,887)	19,412
Share of net profit of associates	-	42	-	42
Adjustments for:				
- Depreciation and amortisation	2,082	1,474	34	3,590
- Non-cash items	-	-	560	560
Movement in working capital	1,363	(5,859)	(21)	(4,517)
Segment cash flow	13,071	7,330	(1,314)	19,087
Finance and tax cash expense				(3,825)
Movement in finance and tax accrual				(2,216)
Net cash flow from operating activities				13,046

3. Dividends Paid

	Half-year Ended 31 Dec 2019 \$000	Half-year Ended 31 Dec 2018 \$000
Declared and paid during the period		
Final dividend for June 2019 year on ordinary shares of 7.5 cents per share, imputed to 50%, paid on 17 October 2019 (2018: 7.0 cents per share imputed to 55%, paid on 11 October 2018)		
Net dividend paid	14,607	13,633

Subsequent to the six-month period, the Board of Directors resolved to pay an interim dividend of 5.5 cents per share (imputed 50%), on the 194,753,340 ordinary shares on issue for a total amount of \$10,711,434. The dividend will be paid on 19 March 2020 to shareholders on the register at 5.00pm on 6 March 2020. The Dividend Reinvestment Plan will not be operative for this dividend payment.

This compares to the prior-year interim dividend of 5.5 cents per share, totalling \$10,711,434 which was paid on 21 March 2019.

4. Right of use Assets

The Group adopted NZ IFRS 16: Leases with effect from 1 July 2019 using the modified retrospective approach to transition. As such, comparative figures have not been restated. On transition the Group recognised a right of use asset of \$18,491,000 and a corresponding lease liability of \$18,491,000 principally related to the lease of properties. The adoption of NZ IFRS 16 had no impact on retained earnings. Overall the adoption of NZ IFRS 16 did not have a material impact on the results or financial position of the Group.

5. Interest-bearing Loans and Borrowings

Bank loans are provided under a \$60 million multi-currency facility agreement with ANZ Bank New Zealand Limited which has a review date of 30 November 2021.

6. Events after the Balance Sheet Date

There have been no subsequent events after 31 December 2019 requiring disclosure.

Corporate Directory

Directors

EM Coutts, ONZM, BMS, FCA, CFloD
Chair

BD Cushing, BCom, ACA

AR Isaac, CNZM, BCA, FCA

DW Mair, BE, MBA

WJ Strowger, LLB (Hons)

Officers

DW Mair, BE, MBA
Chief Executive Officer

GR Leaming, BCom, CA
Chief Financial Officer

Registered Office

L3, 205 Great South Road
Greenlane
Auckland 1051
New Zealand

PO Box 74526
Greenlane
Auckland 1546
New Zealand

Email: ea@skellerupgroup.com
Telephone: +64 9 523 8240
Website: www.skellerupholdings.com

Legal Advisors

Chapman Tripp
23 – 29 Albert Street
Auckland 1010
New Zealand

Bankers

ANZ Bank New Zealand Limited
23 – 29 Albert Street
Auckland 1010
New Zealand

Auditors

Ernst & Young
2 Takutai Square
Britomart
Auckland 1010
New Zealand

Share Registrar

Computershare Investor Services Limited
Private Bag 92119
Auckland 1142
New Zealand

159 Hurstmere Road
Takapuna
Auckland 0622
New Zealand

Managing your shareholding

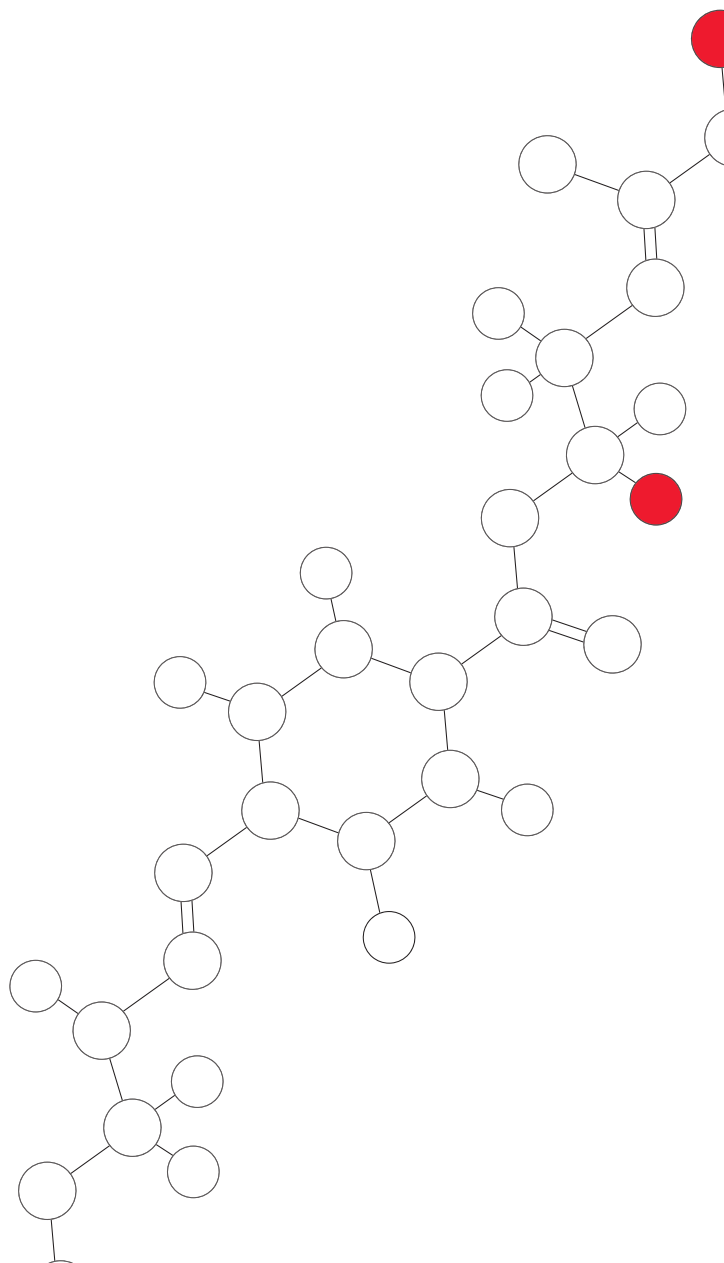
Online

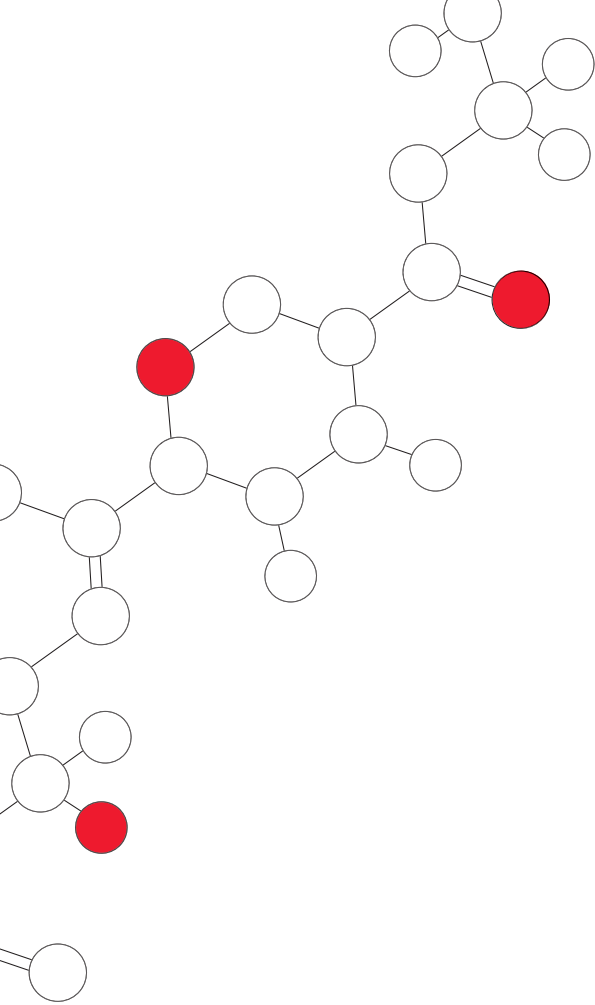
To change your address, update your payment instructions and to view your investment portfolio including transactions, please visit: www.computershare.co.nz/investorcentre

General enquiries

Email: enquiry@computershare.co.nz
Telephone: +64 9 488 8777
Facsimile: +64 9 488 8787

Please assist our registrar by quoting your Common Shareholder Number (CSN).





Skellerup Holdings Limited

L3, 205 Great South Road
Greenlane, Auckland 1051, New Zealand

PO Box 74526, Greenlane
Auckland 1546, New Zealand

E ea@skellerupgroup.com

T +64 9 523 8240

W www.skellerupholdings.com