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23 March 2016

Listed Company Relations
New Zealand Exchange Limited
PO Box 2959
Wellington

Dear Sir/Madam

COMMENTARY ON HALF YEAR REPORT TO 29 FEBRUARY 2016

The Directors are pleased to report the company has achieved a surplus before tax of $2.8 million for the six months ended 29 February 2016, an increase of 75% on the $1.6 million recorded for the first half of the 2015 financial year. Scott continues to operate within international markets that remain volatile and unpredictable. The company's diversification strategy, combined with strong growth from recently developed products achieving market acceptance, has provided impetus to the trading results.

Reported revenue for the first half of 2016 was $42.8 million, an increase of 46% on the $29.3 million recorded in the first half of 2015.

Around the world there is a significant trend toward automation and robotics. This is in addition to the renewed emphasis on manufacturing in our key North American market. Scott Technology, with a larger skill base and business locations within its key markets, is now well positioned to take advantage of these trends.

A strong operating cash inflow of $9.9 million recorded for the first half of 2016 resulted in cash at the bank of $7.3 million at 29 February 2016, which reflects strong project receipts, many of which are backed by payment guarantees.

The half year to 29 February 2016 includes a full six months result for Machinery Automation and Robotics Pty Ltd ("MAR") which was brought into the group in January 2015.

Review of Operations

Operating performance across the group continued in line with the increase in sales, the first half of the 2016 year producing an EBITDA to sales ratio of 9.4% compared to 9.0% in the first half of 2015. Assisted by a full six months of MAR, a lower New Zealand dollar and an uplift in projects for the meat processing sector, the company's Australasian sales were up over 70% from the previous year. The company continues to experience a significant increase in the level of enquiry for automation and robotics across a wide range of industries and geographies, driven by the increase in global interest in the need to boost productivity and to reduce costs. Industry 4.0 codifies this and strives for interconnectivity for manufacturing.

Scott's order intake and forward work is at a record high and this is in part due to the expanded operations and is also part of the usual fluctuations that the company experiences as a result of providing large scale capital works. Robot sales through our USA division, RobotWorx, have been strong and we are beginning to see wider benefits to the group with 'local presence' in the US market. Sales to the mining sector remain at similar levels to 2015 and the recent move of our Auckland manufacturing onto one consolidated site will position us well for improved growth and performance.

Following successful production trials, the company has seen significant growth in product and system sales for the meat processing sector. The appliance and mining sectors also remain strong and have provided a chance to improve productivity and throughput for our manufacturing facilities in New Zealand and China. HTS-110, our superconducting magnet manufacturing division has contributed positively as we focus on commercialisation of both NMR applications and high field strength magnets for a range of specialist industries, including the hard disk drive sector.

A wide range of Research and Development activities are ongoing.

JBS and our Capital Raising

The JBS offer, including the rights issue, was approved by shareholders late November 2015.

Despite the company's best efforts, we are still waiting for approval from the Overseas Investment Office. We expect this to complete in April.

Dividend

To clear some of our imputation credits prior to the shareholder change and to reward shareholders for their patience, the Directors have declared an interim dividend to 4.0 cents, an increase of 1.5 cents on the prior year. It is expected that this will be taken into account when the final dividend is determined as the Directors' preference is to maintain a steady annual dividend where possible. Due to the impending shareholder changes the dividend reinvestment plan will again not apply with this fully imputed dividend to be payable in cash.

Looking Ahead

Scott Technology Ltd continues to develop and implement its strategic intent. The global conditions for automation and robotics continue to improve and the signals for future growth and demand have never been stronger. The Directors believe that a strong presence within the key markets in which we operate is important to provide the service levels needed to compete and to provide future growth opportunity.

The Directors are confident of converting the company's opportunities into growth and profits that support the development of skills and technologies in demand by our customers and the results required by all stakeholders.

Yours faithfully

Stuart McLauchlan
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About Scott

At Scott we automate the future. The production line machinery we design and build deliver productivity gains and exceptional reliability to many of the world's leading manufacturers. We also go a step beyond engineering production solutions to actually revolutionising entire industries – using robotics to automate manual processes and create genuine competitive advantage.

For over 100 years Scott has looked to tomorrow and rapidly responded to shifting needs. Today, we have production bases in the United States, China, Australia and New Zealand, customers in 88 countries, and a real commitment to developing new technology and bringing it to market. Across everything we do you will discover true quality, advanced engineering and a renowned design aesthetic.

Scott. Quality that lasts. Quality that inspires.