

CHAIRMAN'S ADDRESS 2019

I have pleasure in reporting on the 2019 financial year at this the 23rd Annual Meeting of Scott Technology Limited.

In 2019 Scott delivered revenue of \$225m and a net profit after tax of \$8.6m.

We disclosed at the half year the bottom line performance was impacted by a number of challenging projects. Fortunately we are pleased to report the nearing of completion for these projects.

Once commissioned, these projects which predominantly cover the meat and mining divisions, will add to our suite of new technologies and products which are already being taken to market.

Scott revenues have grown strongly over the past few years. The directors are mindful profitability has lagged this growth in revenue with the acceleration of our R & D program that has been in place to maximise the assistance we receive from Meat & Livestock Australia and the New Zealand and Australian Governments contributing to this. The coming year and subsequent years will see a normalisation of our R&D spend with a focus on the successful commercialisation of our current offerings.

Scott is now well into the full integration of the recent acquisitions which includes Alvey, Transbotics and the recent bolt on acquisition of Normaclass, which was completed in May of this year. This integration includes the removal of any duplication throughout the group.

Scott now has manufacturing facilities in New Zealand, Australia, Europe, China and the US which has greatly diversified our reliance away from any one geographic region.

This has always been the company's strategy, to diversify industries and geographies, as well as developing or acquiring a range of technologies to enable the provision of true end-to-end solutions for our many customers.

As mentioned in previous AGM addresses, the dark shadow of the Trump tariffs is now really having an impact on supply chains that have served most trading nations well, lifting many millions of people out of poverty.

The concern is the slowdown in Europe, China and now the US. The US economy is held out as the strongest among its peers but recent key economic indicators are all slowing down at a time when the US

internal deficit has now passed the trillion dollar mark, equating to 5% of GDP on the back of the generous tax breaks given.

We are hopeful the trade stand-off between the US and China is resolved soon before there is further fall out.

Despite this, Scott has a healthy forward order book with a number of large projects in the final stages of negotiation. This is being driven by businesses wanting to remove labour from their processes due to the sharp reduction in labour force participation in most geographies as a result of an ageing workforce. This is also a reflection of the continued focus on Health & Safety improvement now required in work places around the world.

Scott is an innovation company, at the heart of this is our great staff. If the innovation that Scott develops was easy there would be many others doing what Scott does. As we know this is not the case so we should be mindful that our people are always challenging the norm and looking where they are able to disrupt and improve processes in the work environment.

The vast majority of our staff have tertiary or higher qualifications. Our contribution to the New Zealand economy due to this innovation was \$216m of export earnings which is 96% of our revenues.

We welcomed Derek Charge as a further independent director, Derek is an experienced executive with a background in textile manufacturing, heavy manufacturing, mining and minerals processing as well as experience in supply chains and marketing throughout Asia, particularly China and Japan.

I would also like to thank my fellow Directors, Andre, Brent, Edison, John Berry and John Thorman who are always available to provide assistance and wise counsel when needed.

Our major shareholder, JBS, continues to provide resources on a global basis to facilitate and assist Scott in its dealings around the many jurisdictions we are now operating in.

I would also like to thank Chris Hopkins and all of the Scott employees for their dedication in what has been a challenging year but one that has laid the foundations for the coming years.

Finally, to our shareholders, your continued support is appreciated, the final dividend of 4 cents per share which has been paid in addition to the 4 cent interim dividend.

The directors, in setting the final dividend, took into account the increased working capital needs of the company and believe this to be a fair balance in order for the Company to reinvest in its business for the future.