

Chairman's Address

The financial year to 31st August 2017 produced an after tax profit of \$10.2 million on revenue of \$133 million.

This result was made possible by the diversification in our geographic markets and the range of industries the company applies its expertise and skills to.

I must also make mention of the highly skilled and motivated workforce employed by Scott.

As has been the custom, I am able to announce today the successful procurement of multiple appliance systems orders totalling \$17.5 million to be manufactured in our German, China and New Zealand sites. We have also secured a \$3.5 million order from the United States for an X-Ray Pork Primal Cutting system.

These orders, along with other recent orders for mining systems and robotic welding cells, maintains a very full order book across our business units.

Scott Technology is committed to a strong health and safety culture and management systems. The Board of Directors' Health & Safety Sub Committee met six times during the year.

As the principal duty holder and Person Conducting a Business or Undertaking (PCBU) Scott Technology has adopted a risk based approach. Key areas of focus include operating standards, contractor management risk based reviews, employee engagement and enhancing employee capabilities.

Due to the increased sales in the meat sector, the Directors have endorsed the almost doubling in size of the Dunedin manufacturing facility. The plans are at an advanced stage with a start planned early in the new

year. This will be a great confidence boost for Dunedin with the recent loss of manufacturing jobs in city.

This is on top of the recent employment of the DC Ross staff by Scott.

Our contribution to the New Zealand economy was \$124 million of export earnings, which is 93.7% of our revenues. The majority of our New Zealand sales are to export generating companies, further increasing the foreign currency earned for the country.

I commented last year on the change of leadership in the United States and the hope this new administration would continue to liberalise trade flows around the world for the benefit of all nations and their citizens.

Unfortunately, we have now witnessed a withdrawal by the United States from this leadership position allowing China to now take this lead. Overhanging this are the

dark clouds of a trade war initiated by the United States threatening to invoke tariffs against their trading partners. Due to Scott's geographic diversification with manufacturing facilities in China, the United States and Europe we are well placed if this plays out in the future.

Due to the ageing of the world's population and the accelerating reduction in the number of workers available to participate in the workforce, the enquiries being received by Scott for our automation solutions is at an all time high.

In order for Scott to keep ahead of its competitors we are always looking at new technologies around the globe.

As a consequence of JBS investing in Scott we have surplus cash of approximately \$26 million. The management team has been focussed on finding acquisitions that will add to the capability of the various

technologies currently offered by Scott. The Directors have set very strict criteria around this and to date there have been in excess of thirty opportunities looked at, with most not meeting the threshold. The opportunities that are still being considered are either technologies that will enhance, or be disruptive.

Chris Staynes, who has served as a Director of the company for ten years has decided to retire and has not offered himself for reappointment.

I would like to thank Chris for his contribution to the company which has coincided with a period of great change and growth. I have always valued Chris' input at Directors meetings, especially his considerable engineering background.

I would like to thank Chris Hopkins and all of the Scott employees for another very exciting year which has seen substantial growth in the performance of the

company. The number of employees now exceeds 430 around the globe, all dedicated and hard working.

To my fellow Directors, thank you once again for your support and guidance during the year. We have enjoyed and value the contribution from our new Directors – Andre, Brent, Edison and John, who bring their skill sets to the Board table.

Finally, to our owners, I would like to thank you all for your continued support which has again been rewarded with an increased dividend of 10.0 cents per share. This shows the confidence of your Directors in the future growth and delivery of increased shareholder value from the strategies that are being implemented by our management team.

I now formally move the Annual Report, including the Directors Report, Financial Statements and the Audit Report of Scott Technology for the year ending 31st

August 2017, be adopted and I invite our Managing Director, Chris Hopkins, to address you and to second the motion.

Thank you.