

20 August 2015

Listed Company Relations  
New Zealand Exchange Limited  
PO Box 2959  
Wellington

Dear Sir/Madam

**RE: PROPOSED INVESTMENT BY JBS AUSTRALIA PTY LIMITED**

### **Background**

Scott Technology Ltd ('Scott') has previously indicated to shareholders that the company was considering a capital raising to reduce debt following recent business acquisitions and to provide working capital to fund further growth. Having started on this journey, and after considering the company's size and level of institutional interest in Scott, the company believed our growth aspirations would be best achieved with a relevant industry based cornerstone shareholder.

Discussions with targeted potential cornerstone shareholders were positive and encouraging. Consequently, we can announce today, Scott has received an investment offer from JBS Australia Pty Ltd ('JBS') that is intended to be put to shareholders.

JBS has an existing business relationship with Scott and is considered a substantial key customer. Many of the current technology developments have been undertaken in conjunction with JBS in Australia and beyond. Further information on JBS is included in the attachment and a brief introduction to JBS is attached.

JBS's investment offer is in the form of a Scheme of Arrangement ('the Scheme') and consists of:

- a) A placement of 10 million shares at \$1.39 to JBS to provide the capital that Scott was looking to raise;
- b) An offer to purchase shares at \$1.39 from any shareholder who would like to exit or reduce their shareholding;
- c) A 1 for 8 non-renounceable rights issue at \$1.39 for shareholders who do not want to sell but would like to increase their shareholding;
- d) If required after a) through c) have been completed, a further placement at \$1.39 to give JBS a shareholding of 50.1%.

The required decisions to be taken are at the absolute discretion and control of shareholders. The Scheme requires a majority of all shareholders to gain approval and for this reason it is important that all shareholders have their say and vote on whether to approve the Scheme or not.

Firstly, shareholders collectively need to vote whether or not to approve the Scheme. When the documents are sent to shareholders it is important that all shareholders do take the time to read the

documents and vote. A vote in favour of the Scheme is not a vote to sell the company, it is a vote in favour of combining with JBS as a committed partner who will bring capital (substantial capital) to Scott.

Secondly, if the Scheme is approved, individual shareholders can decide on their own course of action. For shareholders that would like to take the opportunity to reduce, or exit their shareholding, in an otherwise illiquid market, they would be able to sell shares to JBS at a set price without any associated fees. Note, the Scheme needs to be approved before any sale to JBS can occur.

For shareholders that want to remain as a shareholder of Scott they have the option to participate further through the rights issue or can remain with their current shareholding. Again, this would only occur if the Scheme is approved.

The Directors are in the process of appointing an independent adviser and preparing the detailed documentation in conjunction with JBS. Once the independent adviser's report has been received, the Independent Directors will make a recommendation to shareholders.

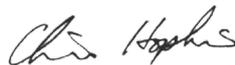
The investment is subject to a number of regulatory approvals and with a number of authorities and procedures required to be considered, the Board expects the process to take several months to complete.

At the appropriate time the company will send to all shareholders an information package, including a notice of meeting, the detailed offer documents, the independent adviser's report and the Directors' recommendation.

Yours faithfully



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Information  
supporting  
JBS Investment  
announcement

# Who is JBS?

- JBS is the largest animal protein processor in the world and the second largest food company in the world.
- Headquartered in Brazil and a presence in over 20 countries (particularly Brazil, USA and Australia).
- JBS exports to over 150 countries and has more than 300,000 clients.
- Revenue for the past 12 months totalled R\$128 billion (approx. NZ\$56bn)
- Listed on the Brazilian Stock Exchange with a market capitalisation of approx. R\$45 billion (approx. NZ\$19.5bn).
- JBS has undertaken more than 50 acquisitions in the last 10 years including major brands such as Swift, Pilgrim's and Seara. Recently announced acquisitions include UK based poultry processor Moy Park and US pork processor Cargill Pork.



# Who is JBS?

JBS employs in excess of 215,000 employees and has:

- **73 bovine** processing plants in seven countries with combined capacity in excess of 30 million head pa;
- **11 pork** plants in Brazil and the United States with combined capacity in excess of 25 million head pa; and
- **58 poultry** processing plants in the Americas with combined capacity approaching 5 billion head pa.

[Note: The figures above do not include employee or production figures from the recent Moy Park and Cargill Pork US acquisitions].

Business units:

- **JBS Foods:** Second largest producer and exporter of prepared foods and fresh poultry and pork products in Brazil;
- **JBS Mercoul:** Beef production in Brazil, Argentina, Paraguay and Uruguay;
- **JBS USA Beef:** Beef production in the USA, Canada and Australia;
- **JBS USA Pork:** Pork production in the USA.
- **JBS USA Chicken:** (Pilgrims Pride Corporation): Poultry production in the USA, Porto Rico and Mexico. Largest chicken producer in the USA and second largest in the world.

The “JBS Institutional Presentation, July 2015” is available and contains further information on JBS

# JBS Australia

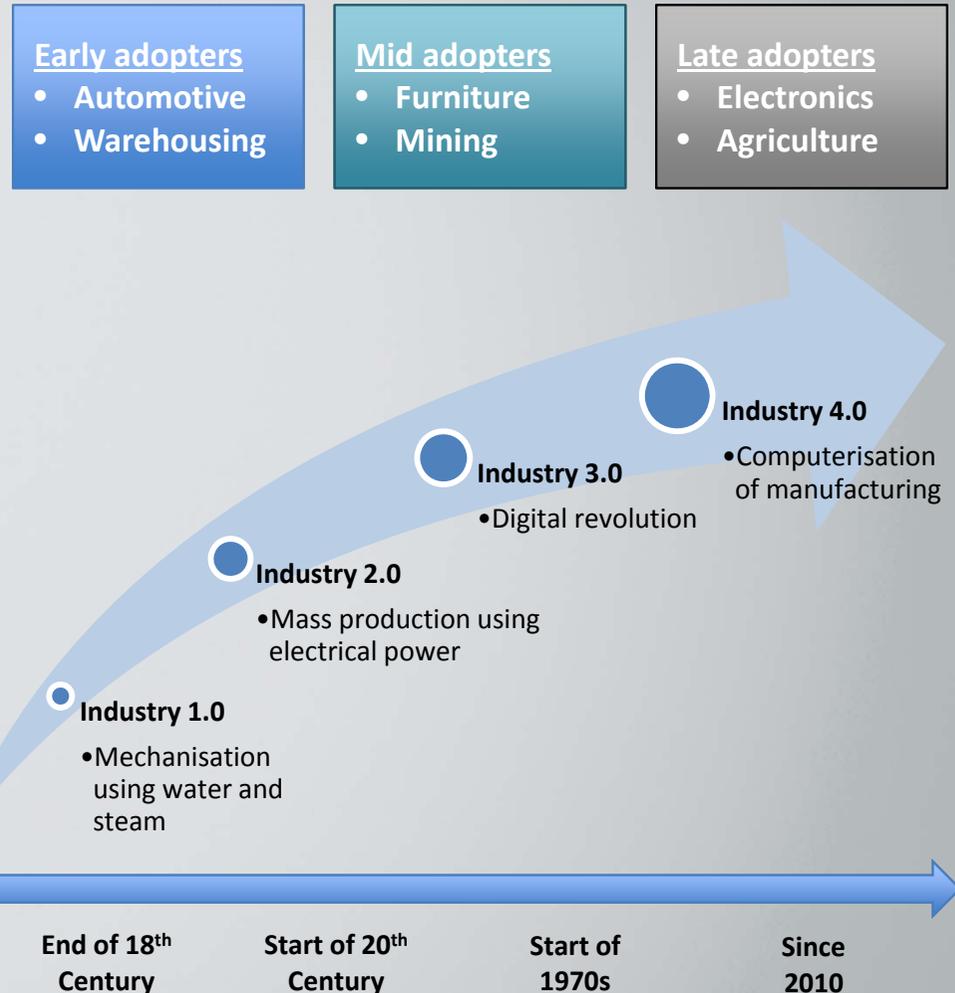
JBS Australia is one of Australia's leading prepared foods, beef and pork producers with a national foot print. JBS Australia business divisions are:

- Small goods and case ready - 3 Smallgoods and 2 case ready units.
- Pork - 1 pork abattoir.
- Beef - 9 beef processing facilities and 5 feedlots.
- Lamb - 5 lamb processing facilities.
- JBS Australia has created an integrated platform that increasingly captures maximum value across the value chain.

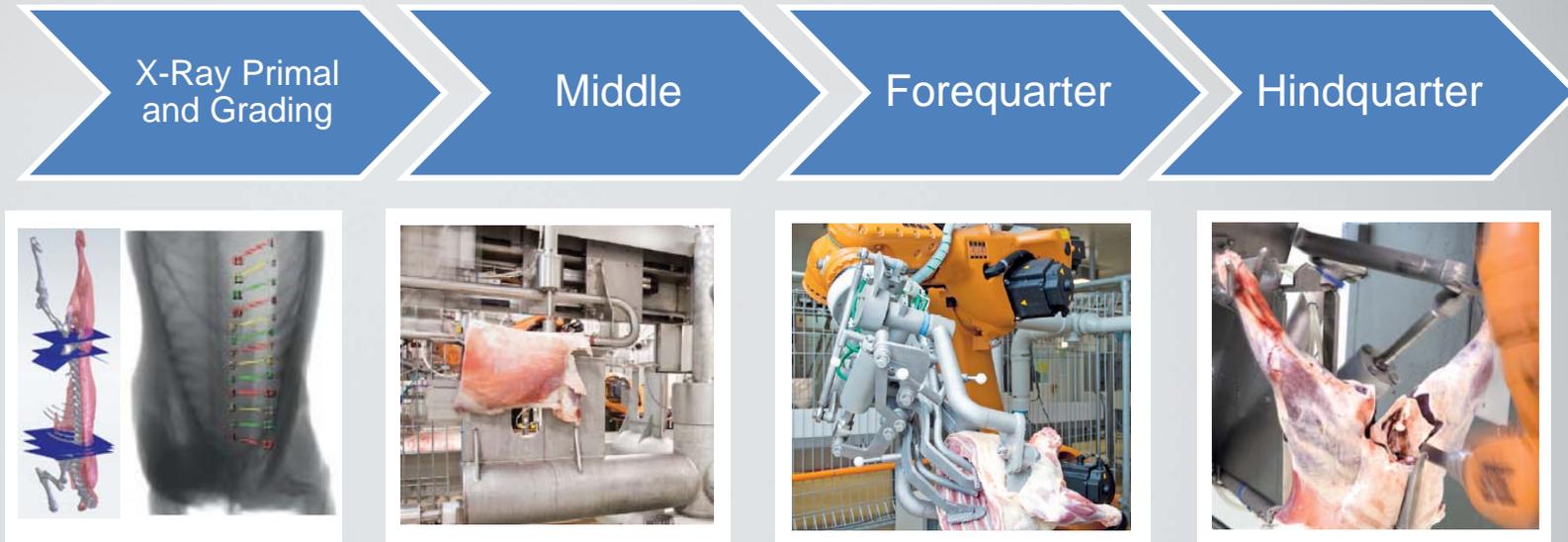


# Why does JBS want to take a shareholding in Scott?

- ❑ JBS is already a customer of Scott and is interested in further possible applications of Scott's automation and robotic technology across its operations.
- ❑ Industry 4.0 (ie the computerisation and automation of manufacturing activities) is still at an early stages in the meat processing sector. This automation could provide JBS with important productivity gains.
- ❑ JBS wishes as part of the Scheme of Arrangement to provide Scott with additional capital which will allow Scott to reduce debt and support additional growth.



# Scott's involvement in automating the meat processing sector



<b>Goal</b>	<ul style="list-style-type: none"> <li>▲ To apply Scott's automation technology to revolutionise the meat processing sector</li> </ul>
<b>How</b>	<ul style="list-style-type: none"> <li>▲ Scott uses advanced imaging and sensing to measure and determine the composition of each carcass. The yield of each carcass is optimised by using robotic equipment for precision cutting and processing.</li> </ul>
<b>Key benefits</b>	<ul style="list-style-type: none"> <li>▲ Higher yield, reduced waste, labour efficiency, health and safety improvements</li> </ul>
<b>Scott's achievements</b>	<ul style="list-style-type: none"> <li>▲ 23 patents secured across different processes and in different geographical regions</li> <li>▲ First and only company (to date) to handle extreme carcass variation within automation process</li> <li>▲ X-ray is key patented enabling technology</li> </ul>
<b>Growth drivers</b>	<ul style="list-style-type: none"> <li>▲ Further automation and expansion into other meat processing lines (e.g. beef and pork)</li> <li>▲ New technologies (automation of different cuts, downstream processing and packing)</li> <li>▲ Expansion into new geographies (e.g. Asia, USA, South America)</li> </ul>

# Why would Scott want a cornerstone shareholder?

- ❑ At the time of the acquisition of Machinery Automation & Robotics, Scott announced it would undertake a capital raising to repay the bank borrowings undertaken for that acquisition and for the earlier acquisition of RobotWorx.
- ❑ As part of the pre-rights issue analysis, the Board and management of Scott concluded the best outcome would be to gain a substantial cornerstone investment from a strategically aligned investor, as well as a rights issue to existing shareholders.
- ❑ Scott identified a number of potential cornerstone shareholders involved in industries which Scott supplies equipment to, including JBS, who could benefit from better access to Scott equipment and skills and who would also provide better channels to market for Scott.
- ❑ With over 150 processing plants worldwide, JBS provides significant potential scale/backing in Scott's ambition to supply advanced automation equipment into the meat processing industry.