

SDI Limited
Chairman's Address
30th Annual General Meeting
November 20, 2015

The 2015 financial year has demonstrated that the strategic decisions implemented by the Board and management in recent years have placed SDI in a strong financial position to enhance future growth.

The external environment is now starting to favour exporters and this along with the continued investment in infrastructure and R & D will ensure that SDI will be well placed in the future to further expand its global sales presence with market leading new products.

One of the most important recent events is that SDI's fully owned Brazilian subsidiary has been issued a licence by the Brazilian regulator, ANVISA, to manufacture in Brazil. This licence will allow SDI to further develop its Latin American markets by becoming more competitive with local manufacturers and importers. Initially SDI will use the manufacturing facility for packaging of bulk product which is made in Australia. By packing its bulk product in the Company's Brazilian facility, SDI will benefit from reduced labour costs and savings on freight and duty costs. It is also expected that the Brazilian operations will reduce its inventory levels as it will be able to implement a 'just in time' inventory management system. The Company expects to commence packing in early 2016.

Brazil is part of the Mercosur group, a trade group that consists of Argentina, Bolivia, Brazil, Paraguay, Uruguay, and Venezuela, including associate members, Peru, Chile, Ecuador and Columbia. SDI's products are becoming more competitive with local manufacturers and other importers in these markets. The manufacturing licence complements the other improvements that we have made to the Brazilian company where we have invested in additional experienced managers and a new national sales team. Whilst the licence has taken over 4 years to obtain, we will be able to grow the business by becoming more price competitive. It is exciting to see that this will also be beneficial to our large customer base throughout Latin America. SDI sees this market as strategically vital to SDI in the future.

SDI's global manufacturing is centralised at its Bayswater facility in Victoria. The Company's products are highly technical and sophisticated which involve complex manufacturing processes. The facility is vertically integrated and consists of chemical and material manufacturing, injection moulding, filling and packing departments as well as inwards goods and despatch warehouses. The ongoing challenge for SDI is to fully automate the manufacturing processes. There is sufficient manufacturing space available to increase sales volume to approximately \$120m per annum. However, to

achieve this there needs to be additional investment in machinery to continue to automate processes and introduce machinery for new products.

R & D in the past 15 years have been fully focused on non-Amalgam products. The Company's strategy of moving away from being known as an Amalgam branded company is beginning to take traction in the market place. The Company is starting to become less reliant on Amalgam products with the majority of the increase in sales coming from Glass Ionomer, Composite and Whitening products. SDI's new Composite product, Aura, is continuing to gain positive market acceptance with good evaluations from Key Opinion Leaders. Aura restorations are very natural in appearance utilising an innovative shade system. The introduction of Aura into the Company's product range will assist the Company to increase its market share in a very large and competitive global composite market. Aura was developed in SDI's Bayswater R&D laboratories using new technology from the development of unique glass powder fillers and co-polymer reaction liquids which have produced a very low contraction material with extraordinary tooth colour matching abilities.

Another exciting new product is Riva Star, an innovative desensitising agent that supports the practise of minimal intervention dentistry. Minimal intervention dentistry is the new frontier in clinical dentistry that adopts the philosophy of integrating prevention, remineralisation and minimal intervention. This is a growing market and researchers around the world will continue to expand knowledge in this area.

In Latin America, Riva Star is also indicated as an anti-caries agent, critical in the prevention and management of tooth decay. Riva Star, when placed in a tooth cavity, has antimicrobial and re-mineralising properties to assist the preservation of the tooth structure. This product gives the dentists an opportunity to desensitise the tooth and at the same time control decay. Riva Star is getting considerable academic and key opinion leader interest worldwide and we are continuing to work with regulatory authorities around the world to expand its usage. Riva Star has recently gained regulatory approval in Brazil.

At the 2014 AGM, I foreshadowed my retirement from the position of CEO/MD on June 30, 2016 with Ms Samantha Cheetham who previously held the position of Director of Sales and Marketing, taking on this position. The Board decided that to ensure a smooth transition, Ms Cheetham should assume the role of Joint CEO/MD together with me. On July 1, 2016, I will assume the role of Executive Chairman and will continue to provide the Company with the benefit of my experience as Founder of the Company and my 55 years in the dental industry.

The Board wants to ensure that a sustainable management structure is in place for the future to reflect the global nature of the Company's operations which will support its future strategic international growth. Ms Cheetham continues to have global responsibility for all sales and marketing activities and now assumes the additional responsibility of having the Australian headquarters reporting to her. Mr. Slaviero, who

holds the position of Director of Finance, will now also assume the position of Chief Operating Officer (COO) for the Australian operations and consequently, all cost centres in Australia and all global financial personnel report to him. Mr Slaviero will report to Ms Cheetham.

Strong cash flow has enabled the Company to continue to reduce debt while at the same time increase its investment in the business. In addition the Board of Directors have doubled the Company's fully franked dividend for the current financial year.

I wish to acknowledge the contribution of the Board of Directors who have advised, encouraged and assisted the management of the Company throughout the year. Additionally, I wish to express my appreciation to the Management and all staff for their efforts. I am confident that the Company is strategically structured and positioned to continue to improve in the foreseeable future.

Jeffery James Cheetham

Executive Chairman