

CHAIRMAN'S ADDRESS

2018

The 2018 financial year was yet another successful year for Scott Technology. The record financial results continued the momentum of recent years and demonstrates the successful execution of our strategy.

In 2018 Scott delivered revenue of \$182m and net profit after tax of \$10.8m.

It is interesting to reflect on the growth of Scott since 2014 when we started on our current growth path with the acquisition of RobotWorx in May 2014. Our revenues and profits have more than trebled during this timeframe.

Since 2014 we have continued our strategy of growing the Scott business organically but also by way of acquisition. In the past year we have added the Europe based Alvey Group, as well as Transbotics Corporation, based in North Carolina.

These additions to our offering now make Scott a truly global organisation with our European business now a similar size as our Australasian business (at least in terms of the number of people). This fits with our aim to build one team that delivers seamless service to our customers in each of our target segments, at the same time providing local manufacturing, installation, service and support on the ground in each of our target geographies.

Unfortunately for the world trade flows, the Trump administration has continued down its path by implementing tariffs on imports from most of its trading partners. This has major implications for supply chains that have been built on the notion of the liberalisation of trade flows.

If the trade war between the US and China is not resolved in the short term, this will cause structural damage to the world economy and as Chairman Xi has rightly said, there will be no winners.

Fortunately for Scott, with our diverse manufacturing locations in China, USA and Europe, the impact of tariffs should be mitigated.

What we cannot insulate ourselves from is any economic slow down in the world's economies due to this escalation of tariffs which all nations have strived for since the great depression to avoid.

Our forward project work is at record levels. This is being driven, not only by our growth, but also due to an acceleration by businesses to find efficiencies and to eliminate labour from their processes due to the sharp reduction in labour force participation in most geographies, due to an ageing work force, but also the continued focus on Health & Safety improvement now required in work places around the world.

Scott has an outstanding work force which is always challenging the norm and looking where they are able to disrupt and improve processes in the work environment. We are fortunate to have welcomed all the great staff associated with the acquisition of the Alvey and Transbotics businesses.

Scott now employs over 770 people around the globe, the vast majority with Tertiary, or higher, qualifications. Our contribution to the New Zealand economy was \$170m of export earnings which is 93.4% of our revenues. The majority of our New Zealand sales are for export generating companies.

Mark Waller, who has served as a Director of the Company for 14 years, decided to retire at the end of May. Mark has made a large contribution to Scott with his wisdom and business experience being invaluable, especially his advice in the mergers and acquisitions area. The Company has grown considerably in the time Mark was a Director and I want to thank him for his dedicated service.

We welcomed John Thorman as a replacement for Mark Waller. John is an independent Director and brings with him strong governance credentials, including experience in international markets and global compliance. John is the Managing Director of TMF Group New Zealand.

I would also like to thank my fellow Directors – Andre, Brent, Edison and John, who have added great value to the Board discussions over the past year. The JBS team has proven to be a wonderful major shareholder, providing vast resources around the world to facilitate opportunities for the Scott business.

I would also like to thank Chris Hopkins, and all of the Scott employees, for another very exciting and rewarding year which has seen substantial growth in the performance of the Company once again.

Finally, to our shareholders, your continued support is very much appreciated. We have maintained the dividend at 10.0 cents per share, which the Directors believe is a fair balance in order to allow the Company to reinvest in its business to increase shareholder returns in the future.

I now formally move the Annual Report, including the Directors' Report, Financial Statements and the Audit Report of Scott Technology for the year ending 31 August 2018, be adopted and I invite our Managing Director, Chris Hopkins, to address you and to second the motion.

Thank you.