MANAGING DIRECTOR'S ADDRESS

Thank you Stuart

Each and every year Scott accumulates knowledge, technical expertise, people and experience. We do this to create value for shareholders, and it is worth looking at the value that we have created since listing in 1997.

A fundamentalist would say we create value through our profits, about 70% of which has been paid as dividends over the last 20 years and the rest retained as reserves. Capital has come from you, as shareholders – these fund our net assets.

On the graph total capital and reserves have been plotted along with accumulative gross dividends. Since listing in 1997 we have paid out cumulative total gross dividends of over $90m, in excess of the $80m of capital contributed by shareholders over the same time. Our current market capitalisation, or value, of the business is approximately $175m, meaning that the company has created $62m of economic value added.

The good news for Shareholders, including JBS, who bought in at the time of the scheme of arrangement in 2016, is that the compound returns since then have been in excess of 23% per annum, taking into account dividends and capital growth.

Statement of Financial Performance / Results for the Year

Our revenues increased 24%, however, as noted by the Chair, for various reasons the increase in revenues has not been reflected in our bottom line performance. Several accounting changes required by new accounting regulations in 2019 had significant impact, both positive and negative.

In addition, and more importantly, as flagged in our March update, several projects with development and execution issues, had a negative impact on our bottom line. These projects, although detracting from bottom line performance, have delivered additional new technologies, and in several cases, new standalone products that can be taken to market. This highlights our approach to research and development where costs are expensed with resulting intellectual property remaining off balance sheet.

Looking at the balance sheet, Scott's total equity increased by $6m during the year after $3.2m of net dividends paid and now totals $112m.

Our cash position changed dramatically from 2018 through to 2019, with significant capital expenditure including the new Dunedin building, and a build-up of work in progress underpinning growth and business activities in market.

We have several projects that are being funded in work in progress until the projects are either delivered, or proven in production. You may ask "why do we do this?" We do this because customers need encouragement to be the early adopter of new technologies. We also do it to create a future revenue stream based on throughput volumes and to secure contracted service revenues over the contract period. These contracts have a minimum take or pay that provides limited downside, but significant potential up-side for future revenues.

This chart shows the growth profile of revenues over ten years, the first five years reasonably slow with a rapid increase in the last five years. Scott achieved a 19% compound annual growth rate over 10 years and more than 30% in the last five years. Also highlighted on this chart is our EBITDA over the same period, which although reasonably strong, needs to continually increase to keep up with revenue growth.

I like to remind everyone we are ‘one business’ that undertakes automation and robotics, however, we sell into, and have, specialist domain knowledge and experience in the five industries described.

This table details the growth of revenues into each target industry sector. Meat Processing and Industrial Automation started from a very low basis and have both grown significantly - Meat Processing, driven primarily by organic growth, and Industrial Automation, boosted by the acquisition of RobotWorx and Transbotics. The Materials Handling sector commenced in 2018 through the acquisition of Alvey and represents a large proportion of our total European sales.

This revenue matrix provides an indication of where we deliver our technology. Our largest market, Europe, where we sell into a small range of sectors, followed by North America, with a wider range of industry sectors. America is also the market that we believe, will provide the most opportunities for us in the future, including substantial cross-selling opportunities for Materials Handling. Australia comes in third and New Zealand well down, representing only 4% of total revenues.

The revenue bridge shows the movement in where our manufacturing occurs.

This chart breaks down the revenue by customer, geography – last year and this year, highlighting the majority of growth from Europe and North America, primarily driven from the 2018 acquisitions of Alvey in Europe and Transbotics in North America.

Revenue by industry sector highlights the same story; Industrial Automation growth from Transbotics in North America and Materials Handing & Logistics growth from Alvey in Europe. It is worth noting that both Mining and Meat Processing sectors slowed in 2019 but we expect Mining to rebound significantly in 2020, which I'll touch on later and Meat Processing will continue to be restrained as we develop and introduce new technology in species beyond lamb – again I'll touch on market opportunities later.

Segment results reflect our manufacturing base. Scott manufacturing activities are grouped into three regions – Australasia, Americas, Asia and Europe. Australasia, primarily influenced by Mining and Meat Processing, slowed in 2019. Both Mining and Meat Processing were impacted by technology developments and delivery issues noted earlier. We have addressed, or are addressing, the underlying issues and we do not expect to repeat in 2020.

Again, we see future growth in the America's, driven by increased market opportunity and the addition of Transbotics, based in the USA, likewise Europe growth due to the addition of Alvey.

As noted earlier, it is difficult to directly compare prior years' results with 2019's due to accounting changes, driven by compliance with International Financial Reporting Standards. I'd like to touch on some of the more significant factors effecting 2019 reported results.

1. **Lease Accounting** – Leases that were previously recorded as a rental expense are now capitalised on the balance sheet as a right of use asset and a corresponding lease liability. The rent expense is removed and replaced by a depreciation charge and a notional interest. This change had a net negative impact on the bottom line of approximately $0.6m.

2. **Research and Development** – as noted earlier, the company has taken a very conservative approach to research and development by expensing as incurred.

3. **Revenue Recognition** – A change in the revenue recognition for long term construction projects means that we have phased out recognising profit on a percent complete basis for smaller projects undertaken, primarily in the USA. This had a negative impact in the current year of approximately $0.4m.

4. **Foreign Exchange Translation of Goodwill** - previously our goodwill was recorded at historical cost. After discussion with our auditors and a technical review, it was agreed that goodwill denominated in foreign currencies should be restated into New Zealand dollars at current exchange rates. This resulted in a restatement of total comprehensive income attributable to shareholders in the 2018 year which increased by $1.3m in 2018 and by $0.6m in 2019.

Next year will see further changes in relation to the way Government assistance for R&D is recorded in New Zealand. In 2019 our R&D growth grant is included in other operating income - top line. For Scott this concluded in 2019 and is replaced by an R&D tax credit for 2020 and beyond - bottom line tax paid. This not only distorts our income ratios, but impacts cash flow as there is a delay in obtaining tax credits, whereas the grants were paid quarterly.

Scott Business Review

Before I recap on our business it is worth noting the key drivers and opportunities in the market. Scott, as an automation and robotics company, is well positioned to take advantage of changing economic times.

Customers in our target markets and industries want to address the major issue of labour shortage. Shortage of labour and high turnover is everywhere. We see it across all geographies and within most of our customers. Other significant drivers are productivity, profitability, yield, quality and health & safety. Automation & robotics can address any, or all, of these.

Scott's global presence is now established in all key markets. With the right people in the right place, our diversification and acquisition strategy complete, focus is now firmly on performance and delivery.

Health & Safety

Health & safety is so important to everyone at Scott - this starts with the Board and ends with our staff, visitors and contractors – who all have a right to go home after each day working for Scott, no worse for wear in terms of their health and wellbeing.

Scott's safety performance continues to improve and is trending in the right direction. Safety, as with all areas of our business, is subject to continuous process improvement and commitment.

I noted before that our strategy, to build a global company with sufficient presence, scale and technology to produce profitable growth, is largely in place. The company's focus shifts to deliver repeat and profitable sales of technology, to take our developments in pork, poultry and beef to market, expand our service in maintenance revenues and do it well.

In the Meat Processing sector the opportunity is to take the technology, skills and experience we have developed on lamb into other species. This work is well underway.

Lamb technology is well developed with few competitors but has a small addressable market. Beef is developing technology for Scott with few competitors and a very large addressable market. The addressable markets for pork and poultry are similarly large but with more competitors. Competition comes from historical, fixed automation, typically out of Europe, that has been designed for similar sized animals raised in controlled environments. The particular skill set that Scott has, is the ability to provide flexible, smart automation that can deal with naturally varying product. In this regard we are world leaders.

Opportunities for the Mining sector is primarily for Scott's sample preparation systems but through recent developments, extends into field automation, such as robotic refuel, robotic idler change and automated fire assay.

We have seen rapid growth and interest in our automated guided vehicles and we expect this to continue. Appliances and Metal Forming and Materials Handling market sectors are more subdued.

In summary, our strategy is to focus on execution and delivery through integration and consolidation of our recent acquisitions into 'one Scott', further enhancement of our Service and Spare Parts offering around the globe, a sharper focus on research and development and continual expansion of digital solutions.

Bladestop has become a large, important part of our business and we have achieved a number of milestones in the past year.

In terms of digital – we recognise that it is an important aspect of our business and will drive additional value in our future. Digital technologies underpin our smart automation. Future opportunities lie in building our technology into packaged solutions for our customers.

Research & Development

$14m was spent on research and development in the year to 2019 – over 6% of revenues. We have a sizeable IP portfolio with a range of trademarks and approximately 50 inventions with 200 patents in over 30 countries. Much of our R&D is guided, and often contributed to, by our customers. Where this is not possible, we look to reduce risk by engaging with industry bodies or Government agencies. Scott's R&D covers a wide range of technologies and advanced capabilities that support automation solutions.

Outlook

Design and build of long term custom projects now make up 57% of total revenues. Several years ago this percentage was far higher. For long term contracts, we have approximately seven months of forward work ahead of us. This is less than target, however, several significant opportunities which we expect to secure in the next month, will take us to, and beyond, our target.

Although we have significant project work underway the challenge, as always, is to efficiently balance the workload between our various facilities.

Service and Spare Parts continues to grow as the amount of equipment we have in-market expands. With customers struggling to recruit people for their own maintenance and service, we are seeing increasing demand from customers for ongoing and long term service contracts.

Growth will be bottom line focussed and be driven through the deployment of our existing and new technologies.

Management Changes

As notified earlier to the market and to Scott staff, I am stepping aside as CEO. I am not leaving the business but will remain in the business taking on the role of Sales Director.

I have completed 25 years of service for the company. It's been a fantastic journey so far, I have lived and learned so much. Some of my colleagues now call me an 'honorary engineer' although I only got as far as an Accounting and Finance Degree.

In my career with Scott I have had three significant phases – the first from 1994 – 2001 as CFO and business driver.

This followed some challenging years from 2001 to 2006 - I really had to hone my business skills and engineering skills, when I was tasked to lead the diversification of Scott following a period of significant hardship arising from the 2001 downturn in our sole primary market of the USA. Scott revenues in that year dropped 45% from $31m to $17m and we had to reinvent the company.

During this time I had the privilege and honour to work with two great individuals - Graeme Marsh and Graham Batts, who are both inspiring mentors.

The third and latest phase from 2006 to 2019 – the last 13 years, has been as CEO and Managing Director, working with an exceptionally talented team of individuals to deliver on the company's diversification strategy, developing and rolling out new technologies with the odd acquisition thrown in. The rapid growth and expansion of the business has taken a toll on myself personally and on the family and it was time to reflect. When the CFO left earlier in the year the finance team stepped up and took on additional responsibilities – I allocated what time I could to assist as far as possible.

It has been a great journey, and it's not over, but I need to step back. My passion and enthusiasm remains as high as ever.

I saw the impact on the team of the uncertainty that we had following the departure of our CFO and the delay in finding a replacement. I am delighted we have found a very good replacement in Kate Rankin who officially joins the team in January. On a sadder note, our COO, Richard Jenman, who has been with us for nearly two years, is leaving at the end of the year. Richard is a great team builder and I would like to thank and acknowledge the impact he has made in his time with Scott.

Finally, I am pleased to note the appointment of John Kippenberger as Scott's newest CEO. John Kippenberger is here today and starts tomorrow.

I look forward to supporting John and all the great people at Scott.

Thank you and back to you Mr Chairman.