

9 July 2019

Listed Company Relations
New Zealand Exchange Limited
PO Box 2959
Wellington

Dear Sir/Madam

MARKET UPDATE

The Board of Scott Technology would like to provide an update to keep shareholders up to date on trading activities. Scott does not provide profit forecasts due to the difficulty of accurately assessing complex projects in line with revenue recognition. This update is primarily focused on general market conditions and sales over the past several months.

Scott is experiencing varying conditions in different markets. Australia, China and the US remain strong across all our target industry sectors (these markets represent over 50% of Scott's total activities). These markets are supported by our engineering and manufacturing teams in New Zealand. In Europe we are seeing more variability as many customers restrain capital expenditure seeking direction from the impact of the global trade and the impact of Brexit is better understood.

In the half year to 28 February 2019 the Board noted that several projects had a significant impact and as these projects continue they will also impact the second half of this fiscal year. These projects are expected to be fully resolved by the time we enter the 2020 fiscal year.

Scott's forward order book and sales pipeline are as strong as ever and provide confidence that the company can continue to grow. Revenues from recently acquired businesses are currently tracking ahead of expectations in America and slightly behind in Europe. We expect the overall growth in group revenues in the current fiscal year will be driven by the acquisitions with revenues from the "existing" part of the business held back due to the level of development work and by the effect of the projects noted in the prior paragraph.

The application of new accounting standards for revenue recognition and leases will also have an impact on this financial year and the comparative with prior periods.

Scott has spent considerable time and resource integrating the businesses acquired over the past years and is moving closer to operating as ONE SCOTT, rather than a collection of different businesses. We have also spent considerable amounts on developing new technologies, including transfer of knowledge from lamb processing into pork, poultry and beef processing. Scott has been chosen as a key component of Teys Australia's recently announced, joint industry funded, beef boning automation investment. The project has a life of up to 10 years and, as it unfolds, will further extend Scott's technology development as applied to beef processing.

Other development projects underway includes salmon pin bone removal, easy open oysters, milk powder handling systems, new technologies for the laboratory and mine site activity. We have extensive development of software and technology for Industry 4.0 (Maestro Warehouse

management software, Automated Guided Vehicle movement optimiser and virtual and augmented reality to enhance machine connectivity, smart operation and remote monitoring and diagnostics). These developments will drive future value for Scott and it is important to note that much of the expenditure has been expensed, although the Board is considering the best way to account for, and recognise, the company's extensive, world leading, Intellectual Property portfolio.

Scott has invested in new and expanded facilities in Charlotte NC, Perth WA, Melbourne Vic, and Dunedin. The expenditure on these improved facilities have had an impact on our operations in 2019 but will position us for our planned next phase of growth from 2020.

With ongoing growth, the company's working capital requirements have continued to expand. The balance sheet has been leveraged to assist growth and to facilitate innovative sales offerings, including robotics, service, and longer term equipment financing.

Yours faithfully



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About Scott

At Scott we automate the future. The production line machinery we design and build deliver productivity gains and exceptional reliability to many of the world's leading manufacturers. We also go a step beyond engineering production solutions to actually revolutionising entire industries – using robotics to automate manual processes and create genuine competitive advantage.

For over 100 years Scott has looked to tomorrow and rapidly responded to shifting needs. Today, we have production bases in the United States, Belgium, Czech Republic, France, Germany, China, Australia and New Zealand, customers in 88 countries, and a real commitment to developing new technology and bringing it to market. Across everything we do you will discover true quality, advanced engineering and a renowned design aesthetic.

Scott. Quality that lasts. Quality that inspires.