



Scales Corporation Limited
Growing your Diversified Agribusiness

2021 Annual Shareholders' Meeting
9 June 2021

Scales
growing New Zealand 

Agenda

I. Welcome and Chair's Review

II. Managing Director's Review

1. COVID-19
2. Year in Review
3. Sustainability Update
4. Business Update
5. Outlook

III. Ordinary Resolutions

IV. Voting and Questions



Voting Process

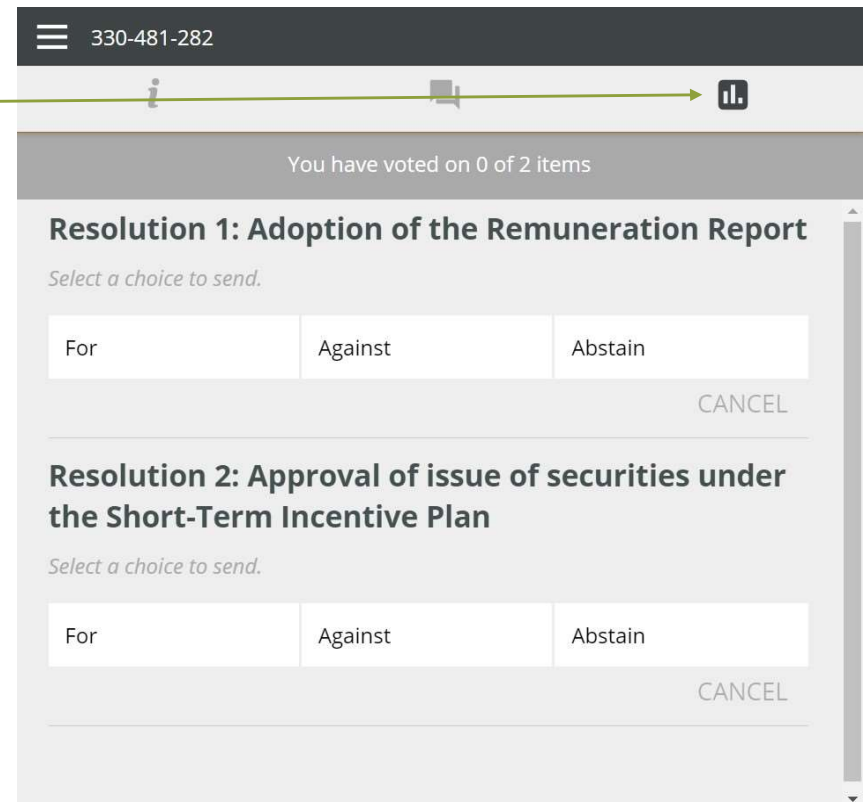
- When the poll is open, the vote will be accessible by selecting the voting icon at the top of the screen



- To vote simply select the direction in which you would like to cast your vote, the selected option will change colour

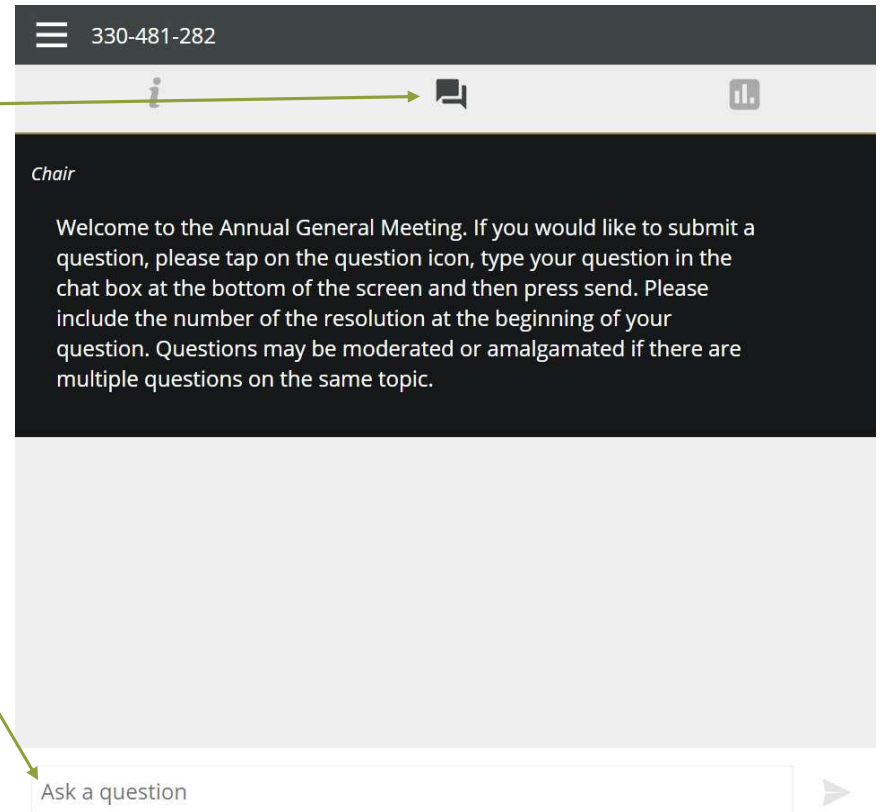
For	Against	Abstain
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- There is no submit or send button, your selection is automatically recorded



Question Process

- When the Question function is available, the Q&A icon will appear at the top of the app



- To send in a question, simply click in the 'Ask a question' box, type your question and the press the send arrow



- Your question will be sent immediately for review





I. Welcome and Chair's Review

Welcome

- Welcome to all shareholders and stakeholders, both in person and online
- A challenging year that included lockdowns, travel restrictions and supply chain disruptions
- Safety continued to be a priority for our team of 2,500



Chair's Review

A solid result in a turbulent year

- Benefited from sound foundations and diversified agribusiness strategy
- Pleasing Underlying earnings results
- Management and staff exemplified unity and teamwork
- Considerable progress in sustainability, including an inaugural climate change report
- Continue to actively research and review growth, investment and acquisition opportunities



Staff and Shareholders

- As an essential business our staff continued to work during difficult and uncertain times
- Results reflect hard work, skill and positive manner of all team members
- Importance of RSE workers to assist with both harvest and post-harvest activities validated:
 - Remarkable skills, commitment and productivity shown by workers
 - Vital role in enabling overall company growth - a 37% increase in RSE workers over the period 2012 to 2020 has assisted Mr Apple to increase its permanent staff numbers by 111%
 - Both skills acquired and wages earned are highly beneficial to RSE workers, their whānau and their Pacific communities
- Recognition of Andy Borland's leadership skills:
 - Winner of the INFINZ Leadership Award 2020
 - Recipient of an Honorary Doctorate of Commerce from Lincoln University
- Inaugural pay equality review undertaken with pleasing results
- Paid dividends as scheduled and met earnings guidance



Andy Borland receiving his INFINZ Leadership Award with Nick Scarlett (Caldwell Partners)

Governance and Ethics

Governing through a pandemic

- Board meetings undertaken via Zoom, when required
- Commitment by the Board to a planned and orderly succession programme
- Continued participation in the Institute of Director's *Future Director* programme:
 - Appointment of Kelly Brown, a brand and marketing consultant with extensive knowledge of the FMCG category including wine, as our next, and fifth, Future Director
- Ethics policies refreshed:
 - Anti-fraud, bribery and corruption
 - Travel and related expenses
 - Gifts and hospitality
- New policy launched on Sensitive Information (Private, Commercially Sensitive and Confidential)





II. Managing Director's Review

Managing Director's Review

1. COVID-19
2. Year in Review
3. Sustainability Update
4. Business Update
5. Outlook





COVID-19

1

The Long Tail of COVID-19

A 'new normal'

- Agility of all group businesses allowed them to implement protocols quickly and operate safely during the initial lockdown and subsequent alert level changes
- A number of COVID-19 protocols remain in place, gloves and masks required for China export requirements
- The importance of the RSE scheme continues to be evidenced and we strongly support its continuation to at least pre-COVID levels
- Continued uncertainty in worldwide markets together with supply chain disruptions
- COVID-19 impacts have and will be felt in the 2020 results, 2021 results (as previously reported), and may potentially also impact the 2022 apple season



Perspex screens remain in place and facemasks continue to be worn

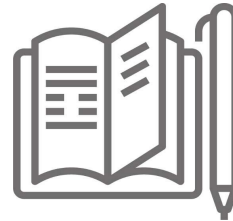
Year in Review

2

Chantelle Ramage, General Manager Profruit, outside Profruit's newly acquired and painted building

Our Numbers

\$470.7m
revenue
(2019: \$484.6m)



19.0 cents
dividends declared
per share

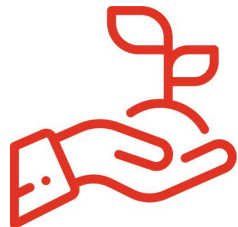
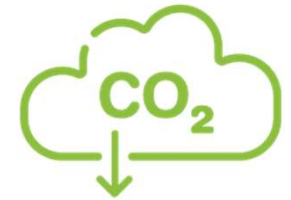
First
climate change
report prepared



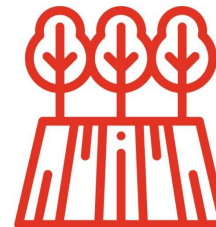
First
pay equality
review completed



Third
carbon footprint
certification completed

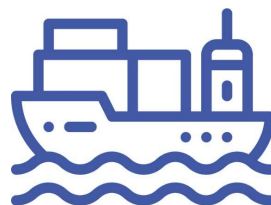


5,739,000
TCEs of apples exported*
(2019: 5,953,000)



3,915,000
TCEs of own-grown
apples exported
(up 2% on 2019)

35,502 TEUs
of ocean freight managed
(2019: 39,438 TEUs)

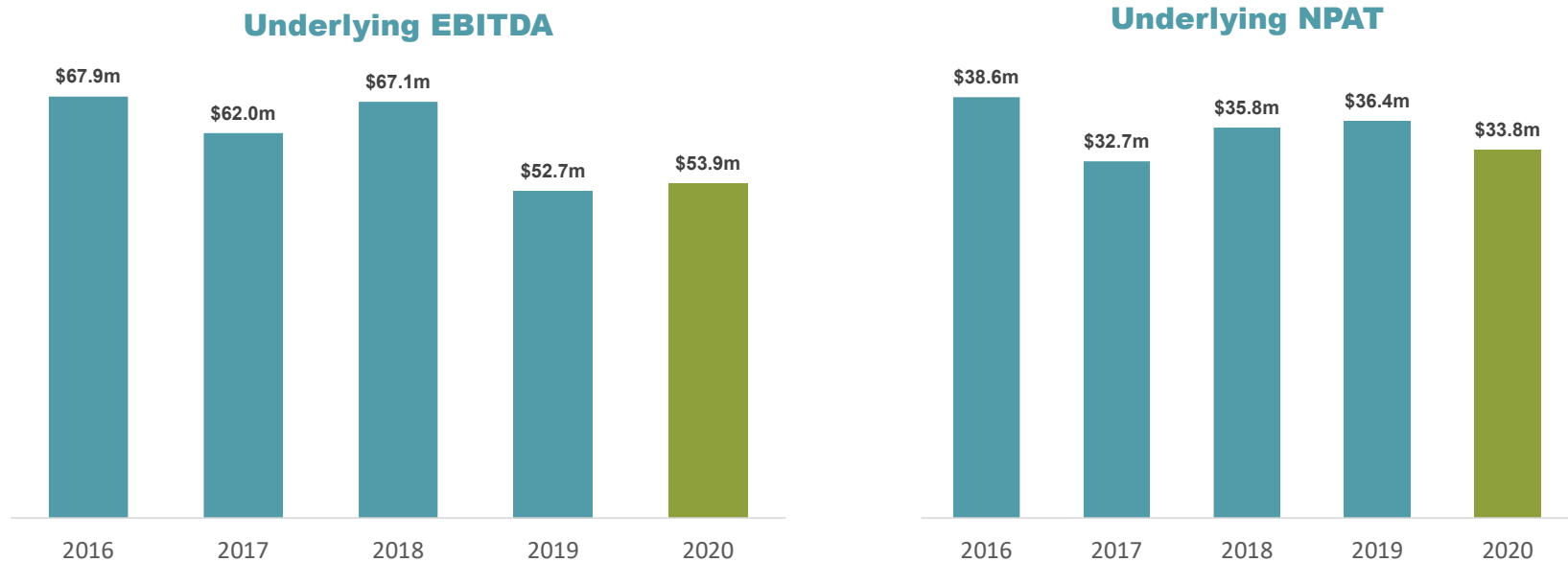


115.7 MT
petfood ingredients sold**
(up 4% on 2019)



Trends in Group Financial Performance

- Movement in Underlying EBITDA from 2019 onwards reflects changes in Group structure
- Historic results are unadjusted for businesses that have been sold or acquired



Group Financial Performance

Solid result in a disruptive year

- Revenue of \$470.7m, decrease of 3% on 2019
 - Change in revenue and earnings mix between the divisions
- Underlying EBITDA of \$53.9m, increase of 2% on 2019
- Underlying Net Profit of \$33.8m, decrease of 7% on 2019
 - Reflects lower interest income
- Reported Net Profit of \$26.6m:
 - 2019 includes gain on sale of Polarcold and gain on sale / revaluation gain on establishment of Meateor NZ
 - 2020 includes impairment of non-current assets (positive land & buildings revaluations offset by declining on-orchard valuations)

Income Statement									
\$Millions	Revenue			EBITDA			NPAT		
	2020	2019	% chg. ¹	2020	2019	% chg. ¹	2020	2019	% chg. ¹
Underlying	470.7	484.6	-3%	53.9	52.7	2%	33.8	36.4	-7%
NZ IFRS & other adjustments:									
Gain on sale of Polarcold, net of interest				-	-		-	68.9	
Fair value gain on recognition of investment in joint venture				-	9.8		-	9.8	
Gain on disposal of Meateor New Zealand business				-	9.8		-	9.8	
Impairment of non-current assets ²				(4.3)	-		(4.3)	-	
NZ IFRS 16 Leases				10.3	9.5		(0.7)	(1.0)	
Other NZ IFRS adjustments				(3.1)	(1.9)		(2.1)	(2.3)	
Reported³	470.7	484.6	-3%	56.7	79.9	-29%	26.6	121.6	-78%

Notes:

1. %'s are calculated based on non-rounded figures, figures may not sum due to rounding.

2. Further Fixed Asset (Land & Buildings) positive revaluations offset by declining on-orchard valuations recorded in Reported EBITDA.

3. Earnings are shown before the deduction of share of NPAT for Non-Controlling Interests (Fern Ridge and Shelby) of \$5.6m (2020) vs \$3.6m (2019).

2020 Divisional Highlights

H

Horticulture

- Record export volumes of 3.92 million TCEs, strong sales into Europe and UK
- Higher than expected Mr Apple export crop during ongoing orchard development
- Construction of a new coolstore at Whakatu

FI

Food Ingredients

- 4% increase in volumes sold to 110,970 MT, due partly to growth in global petfood demand
- Significant increases in revenue and Underlying earnings
- New processing plant in Dodge City, Kansas

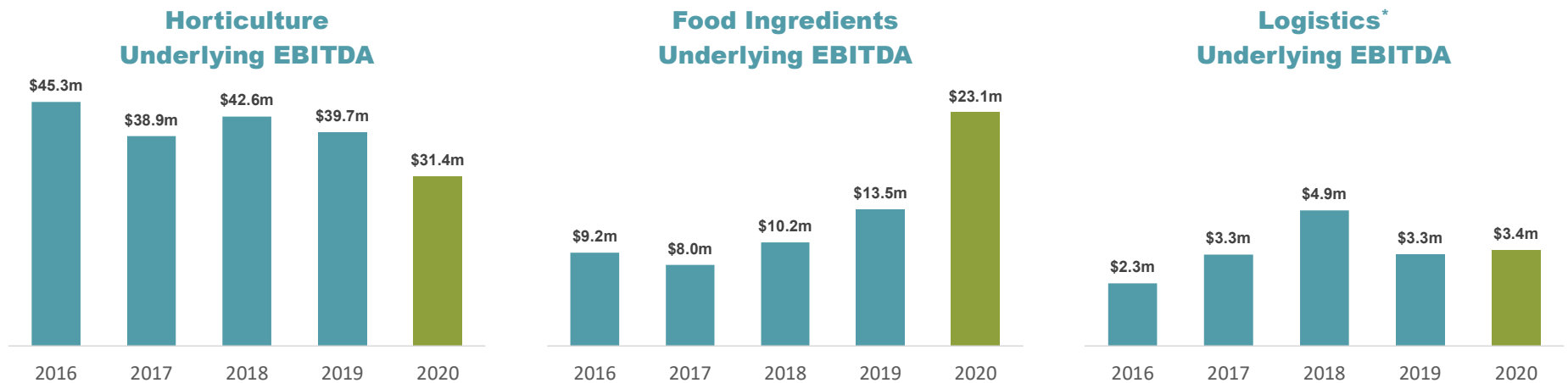
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Logistics

- Slight increase in Underlying earnings
- Impact of COVID-19 lessened due to agribusiness sector focus

Trends in Divisional Performance

- The graphs below demonstrate the change in earnings amongst the divisions in 2020



* Previously Storage and Logistics up to and including 2018. Showing performance of continuing business only

Balance Sheet

Steady financial position

- Change in Capital Employed* reflects:
 - Capital expenditure (Mr Apple coolstore, orchard redevelopment and other projects)
 - Revaluation of land and buildings
- Movement in Net Cash reflects increased capital expenditure
- Increase in Other Liabilities due to an increase in deferred tax liabilities

Financial Position			
\$Millions	2020	2019	2018
Capital employed*	293.0	280.6	261.3
<i>Return on Capital Employed</i>	15%	16%	17%
Net Cash / (Interest Bearing Debt)	97.6	104.9	(62.2)
Other Liabilities	(112.3)	(107.4)	(36.4)
Net Assets	378.4	359.0	249.9

* Capital Employed is calculated as non-current assets plus working capital (excluding cash, overdrafts and borrowings, NZ IFRS 16 right of use asset and lease liability, dividends declared, derivative assets / liabilities and employee loans)

A close-up photograph showing a person's hand reaching into a large, overflowing pile of white, shredded strips of material, likely paper or plastic. The strips are scattered and piled high, filling most of the frame. The person's arm and hand are visible on the right side, with the hand resting on the pile. The background is a plain, light-colored surface.

Sustainability Update

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Sustainability Overview

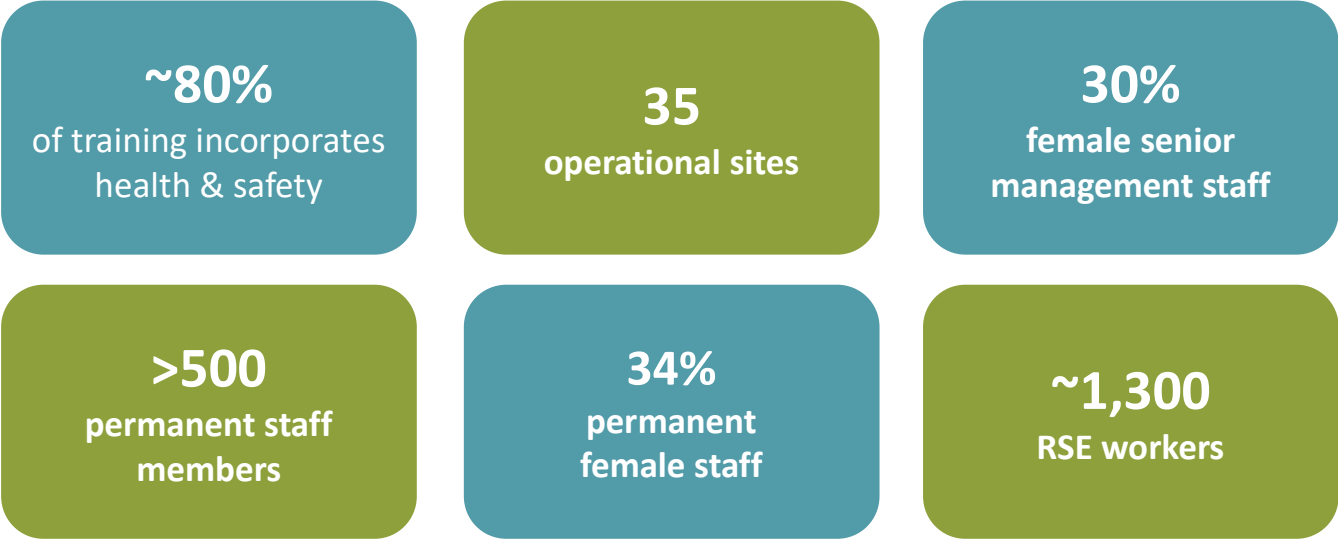
Considerable progress, despite disruptions of COVID-19

- Maintained business operations during lockdowns, including during peak harvest and production period
- 9% reduction in carbon footprint emissions (that we can control)
- 48% reduction in waste to landfill over a 3 year period
- In-depth materiality review undertaken:
 - Partnered with thinkstep-anz
 - Refreshed the initial review completed in 2016
 - Included a ‘Three Horizons’ workshop to obtain a futurist view of the business
 - Provides a fresh focus for future periods, strategy developed
- Inaugural Task Force on Climate-related Financial Disclosures (TCFD) report presented in annual report

Materiality Issues list

	2016	2020
PEOPLE	Employment Health and Safety Workplace Stability	Employee Attraction, Development and Retention RSE Scheme Succession Planning Health and Safety Labour Practices Culture and Values Diversity and Inclusion Community
ENVIRONMENT	Water Use Carbon Water Quality Energy Use Weather and Climate Biodiversity Fruit Waste Refrigeration Soil Health	Water Management Carbon and Energy Use Weather and Climate Biodiversity Waste Ethical Supply Chain
MARKETPLACE	Supplier Requirements Spray Use and Residues Food Safety Consumer Preferences	Spray Use and Residues Food Quality and Safety Consumer Preferences Market Access and Risk Intellectual Property Innovation Legal Compliance
CORPORATE		Business Continuity Corporate Governance ESG Strategy and Communication Brand Awareness

People are at the Heart of What we do



People, Health & Safety and Marketplace

Health and safety – an integral part of our everyday practices

People and Health & Safety

- Initiatives included:
 - A full cross-team critical risk review
 - Further development of the company-wide forklift training framework (including the introduction of a forklift simulator for training and assessment)
 - Guarding of risk areas and traffic management upgrades
 - Cross-company training, learning and auditing
 - Roll out of employee assistance programmes
- Continued focus on injury prevention and management in particular as a result of fatigue
- Pay equality review undertaken, with pleasing results



Marketplace

- Realigned our Good Agricultural Produce certifications
- GRASP* audit of our supply chain for worker welfare practices undertaken
- Ongoing focus on traceability and our digital transformation strategy

* GLOBAL GAP Risk Assessment on Social Practice

Environment

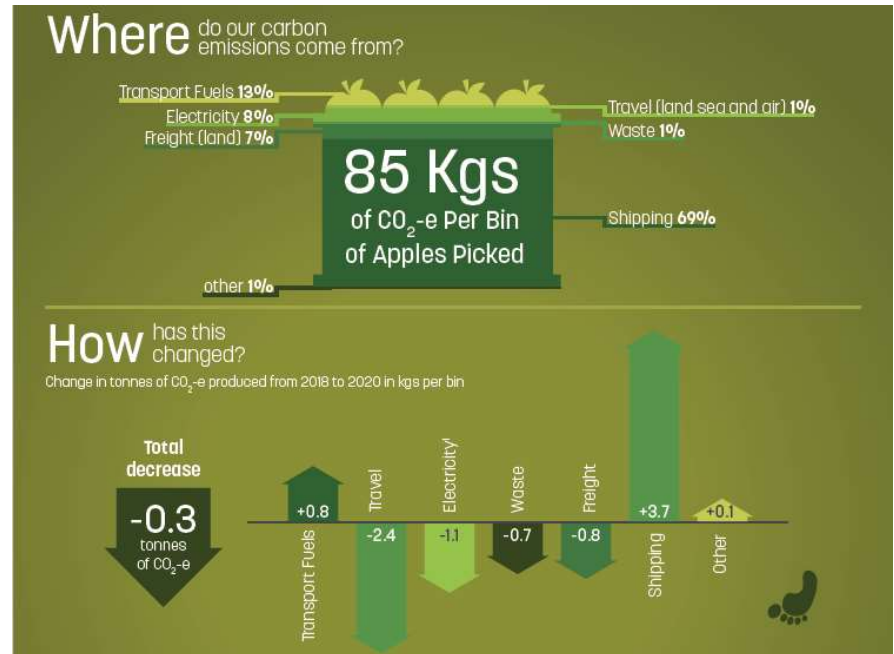
Managing our environmental footprint

- Third annual Toitū Envirocare carbonreduce certification undertaken, with an ongoing decrease in emissions intensity
- Exceeded our goals in 3 out of our 4 chosen UN Sustainable Development Goals:
 - Significant reductions in paper use, electricity consumption and waste to landfill
 - Increase in fuel use due to increased fuel use for irrigation, a longer packing season and extended occupancy of RSE accommodation
- Ongoing work on carbon sequestration in respect of apple tree plantings
- In-house climate change workshop held

UN Sustainable Development Goals



Mr Apple Carbon Footprint Summary



Environment (cont.)

Looking to the environmental future

- Inaugural TCFD (climate change) report prepared to explore the impacts of climate change on our business
- Based on the 4 themes contained within the TCFD’s recommended framework of:
 - Governance
 - Strategy
 - Risk Management
 - Metrics & Targets
- Submission made in respect of Hawke’s Bay water quantity and quality review (TANK*)

TCFD themes

Governance Disclose the organization’s governance around climate-related risks and opportunities.	Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning where such information is material.
Risk Management Disclose how the organization identifies, assesses, and manages climate-related risks.	Metrics & Targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

* Tūtaekurī, Ahuriri, Ngaruroro and Karamū catchments



Business Update

4

Horticulture – Margin Improvement

A focus on initiatives to maintain margins

- New Mr Apple coolstore at Whakatu commissioned February 2021:
 - Finished on time and on budget
 - Providing operational and logistics efficiencies
 - Allowed sale of the Havelock North packhouse, achieving greater centralisation
- Increased yields and prices from redeveloped orchards:
 - Over 140 ha of orchard planted / redeveloped between 2018 and 2020 predominantly in high-value, branded, Dazzle™
 - Plantings adopt new ‘2-dimensional’ techniques enabling pruning, thinning and picking efficiencies
 - Commercial scale expected from 2023 onwards
- Acceleration of automation initiatives particularly in post-harvest facilities:
 - Availability and cost of labour has changed
 - Expect to commit to automation initiatives through 2021



Inside the new Whakatu coolstore

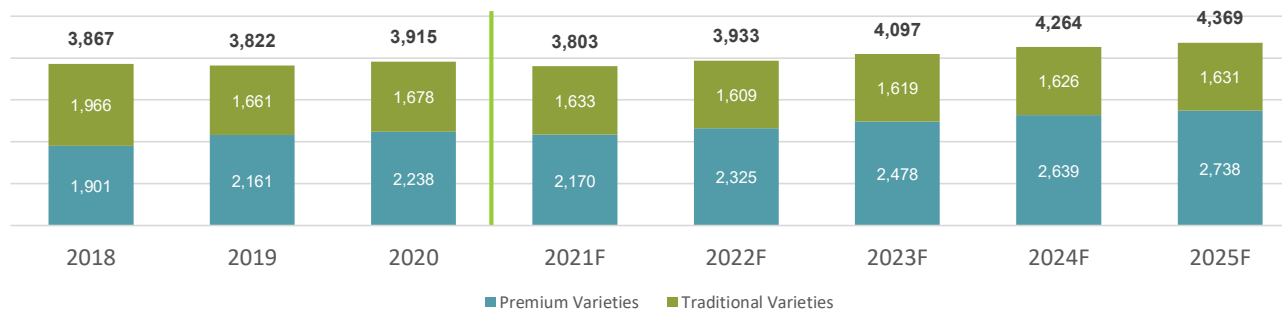
Horticulture – Volumes and Pricing

Own-grown volumes up but prices impacted by lockdowns in 2020

- Own-grown volumes of 3,915k TCEs (an increase of 2%):
 - External grower volumes down 14%, due primarily to a portion of Fern Ridge’s apple volumes being replaced by sales of kiwifruit
 - Increase of 4% in premium variety volumes
- Benefit of diversified channels and markets observed during 2020:
 - Pricing in different regions affected by timing of lockdowns
 - Impact on logistics and purchasing patterns
 - Economic effect on consumers
 - Change in mix of varieties purchased
- Continued focus on redeveloping orchards to redder, sweeter varieties:
 - Between 2008 and 2020, we have redeveloped over 500 ha of orchard to premium varieties



Mr Apple Own Export Volumes (TCE 000s)



Horticulture – Market Strategies

Innovative strategies for our key markets

- Committed to being the preferred NZ apple brand in the international marketplace:
 - Exposure to a broad range of markets enables Mr Apple to transfer sales to respond to market factors
- Investing in the important Asia and Middle East markets:
 - Accounted for 62% of export sales in 2020, in line with 2019
 - Sales to China in 2020 represented ~17% of export volumes (2019: 17%)
- Product development and innovations in 2020 included launch of Dazzle™ through high end Chinese retailers such as Hema:
 - Retail trade (e-commerce, supermarket and fruit chain stores) represented over 50% of all Mr Apple China sales in 2020
- Future innovations include:
 - Flagship store on TMALL (Alibaba) to be operational Q2 2021, to market and sell a range of Mr Apple products directly to China consumers
 - Target promotions of Dazzle™ in Vietnam and China in 2021

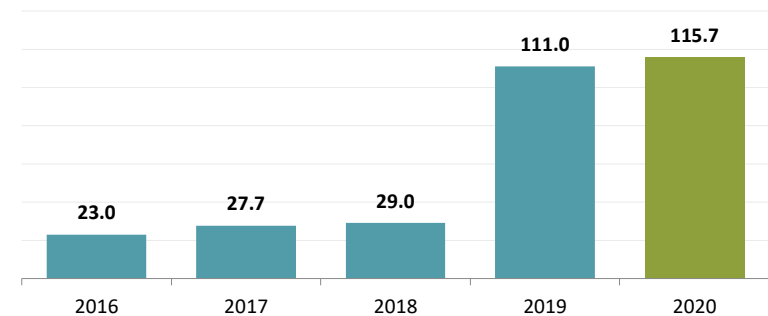


Food Ingredients - Performance

A considerable step towards our long-run divisional EBITDA target of \$25m

- Took advantage of growth in global petfood demand:
 - Increased pet ownership and adoption rates during COVID-19 pandemic*
 - Consumer demand and trends (e.g. humanisation of pets) for petfood continuing to drive growth
- Also benefited from geographical and protein diversification strategies:
 - 12% increase in revenue to \$173.7m
 - 71% increase in Underlying EBITDA to \$23.1m
 - 4% increase in Meateor volumes sold to 115,739MT
 - 6% increase in Profruit sales volumes to 6.5m litres of juice concentrate
- New third-party warehousing and processing agreement entered into in Dodge City, Kansas, to help satisfy increasing demand

Petfood Ingredients Sold (MT 000s)

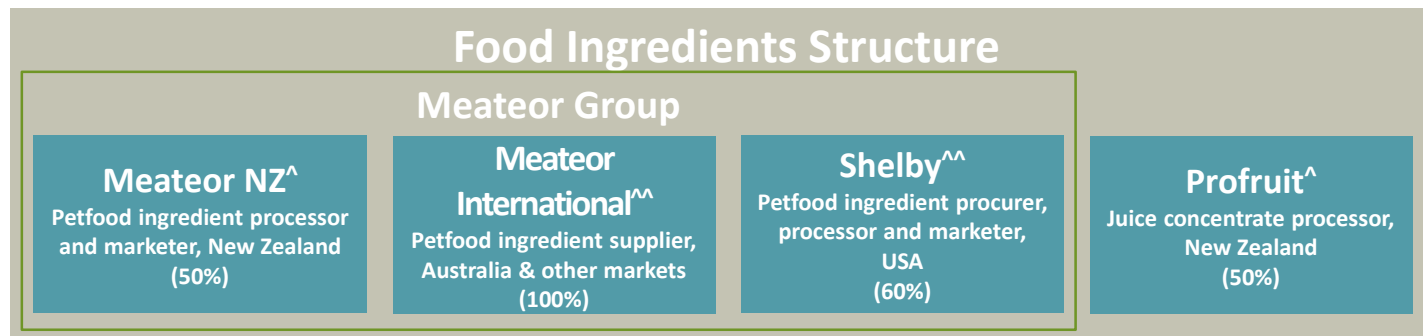


* The American Pet Products Association estimated that 11.38 million U.S. households acquired a new pet during the pandemic, *COVID-19 Pulse Study, September 2020*

Food Ingredients – Future Strategy

Continuing to capitalise on the growing global petfood demand

- Global strategy is to be a key provider of petfood ingredients to a wide range of international brands
- Continued growth of the global petfood industry anticipated:
 - Market value expected to be US\$168.3b by 2029, compared to US\$97b in 2019*
 - At least two new petfood plants are planned to be built in the USA in 2021
- Ability to pursue opportunities in 2020 limited by travel restrictions, but we continue to actively review organic and transactional opportunities to expand geographical presence and protein offering:
 - Investigating the high-growth China market
 - Expansion of the product range with added-value and functional petfoods
 - Aiming to be a key provider to a range of international petfood brand owners



* <https://www.prnewswire.com/news-releases/global-pet-food-market-to-show-an-impressive-cagr-of-6-from-2019-to-2029-with-valuation-expected-to-reach-us-168-3-bn-finds-tmr-300999294.html>

[^] Equity accounted. / ^{^^} Fully consolidated into Scales' financial results, with non-controlling interests deducted from NPAT

Logistics - Update

Solid position despite global supply chain disruptions

- Impact of COVID-19 lessened by focus on the essential agribusiness sector:
 - Underlying EBITDA up 4% to \$3.4m
 - Underlying EBIT up 9% to \$3.2m
- Decrease in volumes of both ocean and air freight due to supply chain disruptions and lockdowns:
 - Ongoing disruptions to supply chains expected throughout 2021
- Continue to seek and consider growth opportunities for the division



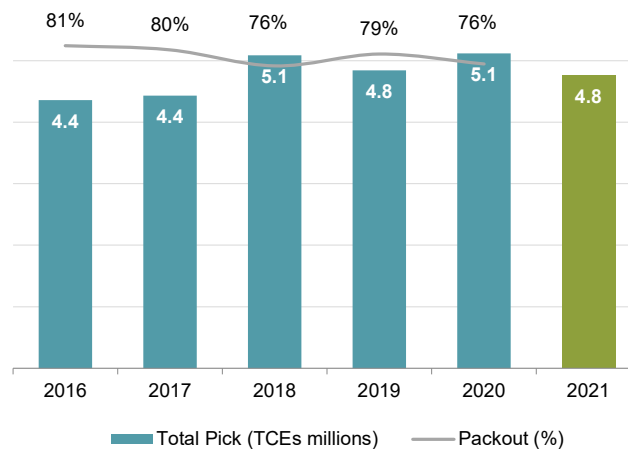


Outlook

Trading Update – Horticulture

- Season impacted by inclement weather during key growing period:
 - Mr Apple Own-grown volumes lower than originally forecast
 - Significantly lower level of pipfruit exports from the Tasman region, impacting on third party export volumes for Mr Apple and Fern Ridge
- Apple harvest completed, with a total pick of 4.8m TCEs
- Packout rates consistent with recent averages (final export packout rates will only be confirmed at the end of the season)
- Positive sales and prices to date
- Continuing to experience Covid-related disruptions in markets and shipping

Mr Apple - Gross Harvest and Export Packout



Trading Update – Food Ingredients and Logistics

Food Ingredients

- The pet food market in the USA continues to perform well, with good demand across the division’s businesses and proteins
- Supply chain disruptions, as well reported in the press, continue to pose challenges and we are working with Scales Logistics to mitigate issues

Logistics

- Continuation of significant global supply chains disruptions:
 - High Covid-related import demand
 - Port congestion
 - Airfreight margin pressure
- Agriculture output impacted by weather events during growing season



Outlook – Group

Group

- Ripples from COVID-19 lockdowns impacting 2021 results:
 - Improvement in supply chains is anticipated for the second half of the year
- The group continues to benefit from its diversified agribusiness strategy
- 2021 earnings guidance is reiterated:
 - Underlying net profit for the group to be between \$27.5m and \$33.5m
 - Implying an Underlying EBITDA range of between \$46.5m and \$53.5m
- Growth:
 - Organic and external growth opportunities continue to be actively pursued
 - We look forward to a resumption of international travel to move forward on identified opportunities
 - As previously advised we have been looking at opportunities in the wine industry and this continues to be a sector of focus





III. Ordinary Resolutions

Resolution 1

That the Board is authorised to fix the auditor's remuneration for the coming year

Resolution 2

Having retired by rotation, that Tim Goodacre be re-elected as a Non Executive Independent Director



Resolution 3

Having retired by rotation, that Mark Hutton be re-elected as a Non Executive Independent Director





IV. Voting and Questions

Question Process

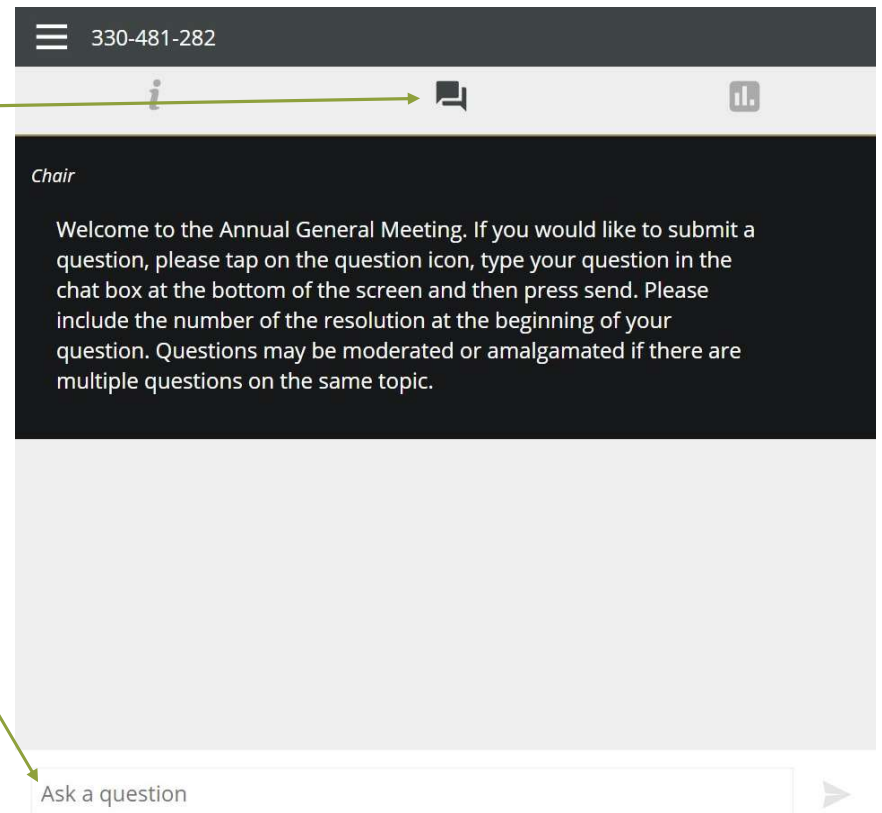
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Our results are reported under NZ IFRS. This presentation includes non-GAAP financial measures which are not prepared in accordance with NZ IFRS. The non-GAAP financial measures used in this presentation include:

- EBITDA. We calculate EBITDA by adding back (or deducting) depreciation, amortisation, finance charges / (revenue), and taxation expense to net earnings / (loss) from continuing operations.
- EBIT. We calculate EBIT by adding back (or deducting) finance charges / (revenue), and taxation expense to net earnings / (loss) from continuing operations.
- Underlying EBITDA and EBIT are calculated by adding back (or deducting) certain non-cash NZ IFRS and other adjustments.
- Underlying Net Profit is calculated by adding back or (or deducting) the after-tax effect of certain non-cash NZ IFRS and other adjustments.

A full reconciliation between NZ IFRS and Underlying measures is provided in our Annual Report.

We believe that these non-GAAP financial measures provide useful information to readers to assist in the understanding of our financial performance, financial position or returns, but that they should not be viewed in isolation, nor considered as a substitute for measures reported in accordance with NZ IFRS. Non-GAAP financial measures may not be comparable to similarly titled amounts reported by other companies.

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