

SCALES CORPORATION LIMITED

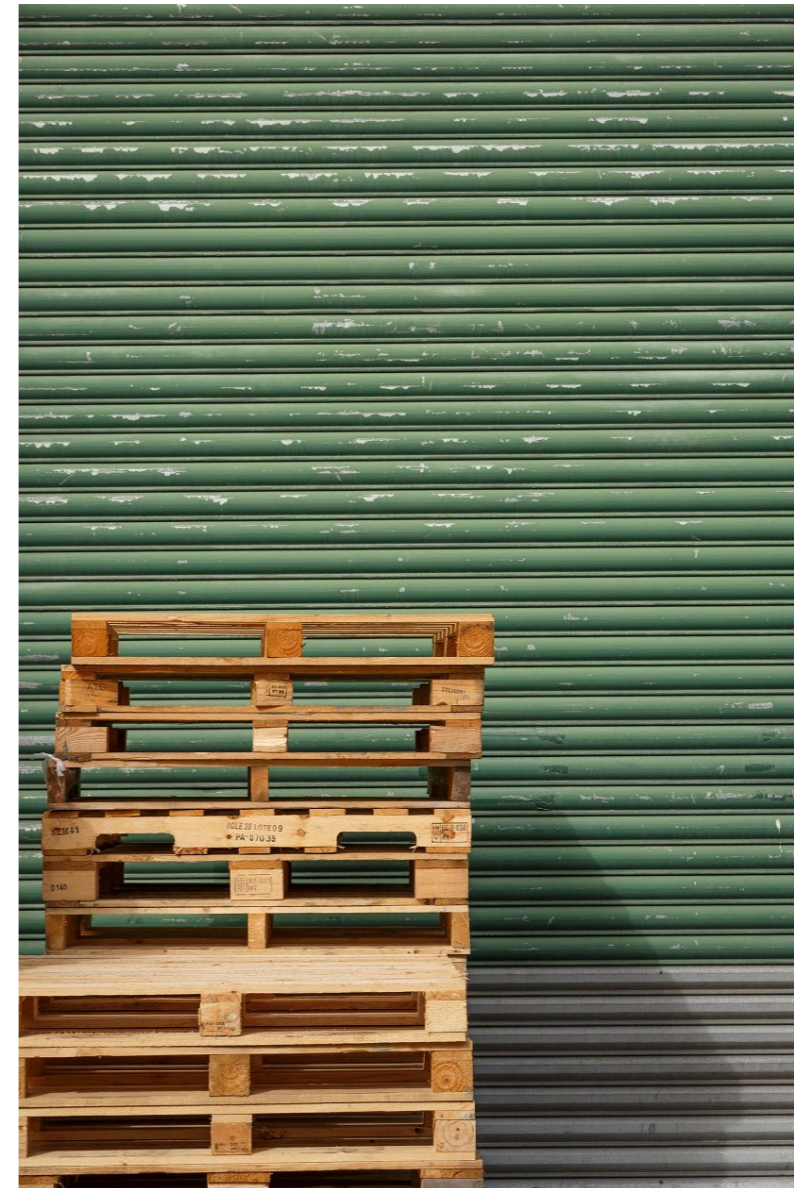
Growing Your Diversified Agribusiness

Annual Results Presentation
For the Year Ended 31 December 2021

24 February 2022

Agenda

1. Operating Summary
2. Sustainability and COVID-19 Update
3. Financial Overview
4. Divisional Performance
5. Capital Management
6. Governance
7. Trading Outlook
8. Appendices





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Operating Summary

Operating Summary

Diversified strategy underpinned the Group's outstanding result during a challenging year

- ✓ Statutory Profit for the Year \$36.9m, up 39% (2020: \$26.6m)
- ✓ Underlying* NPAT attributable to shareholders of \$29.7m, up 8% (2020: \$27.5m)
- ✓ Record Underlying NPAT of \$39.8m, up 20% (2020: \$33.0m)
- ✓ Underlying EBITDA \$73.8m, up 15% (2020: \$64.1m)
- ✓ Apple season successfully negotiated in a challenging year
- ✓ Very strong performance from Food Ingredients, exceeding the EBITDA target set for this division
- ✓ Invaluable expertise and strategic value provided by Scales Logistics

- ✓ Horticulture Underlying EBITDA of \$39.1m (2020: \$40.8m), aided by strong in-market pricing
- ✓ Mr Apple own-grown export volumes of 3,651 TCEs (2020: 3,915k)
- ✓ Diversity of channels and markets supported earnings resilience
- ✓ Multi-year automation project commenced

- ✓ Food Ingredients Underlying EBITDA of \$35.1m, up 52% (2020: \$23.1m), benefitting from sustained global petfood demand
- ✓ Diversify of geographic operations and protein sources continued to be advantageous
- ✓ Affected by ongoing supply chain difficulties

* Underlying Results exclude some New Zealand International Financial Report Standards (NZ IFRS) non-cash and other adjustments. Management and the Board believe that Underlying Results more accurately demonstrate the change in operational performance of the Group. Underlying NPAT and Underlying EBITDA are shown before the deduction of share of Non-Controlling Interests (Fern Ridge and Shelby). Note that we have adjusted our definition of "Underlying" so that it now includes the effects of NZ IFRS 16 Leases. This is in line with current market practice. All Underlying result numbers, including comparatives, are now inclusive of NZ IFRS 16 effects. A reconciliation of Underlying to Reported Measures is provided in Appendix I.

Our Year in Numbers

4,983,000

TCEs of apples exported¹
(2020: 5,739,000)

\$514.6m

Record revenue
(2020: \$470.7m)

30,313

TEU² equivalents
managed
(2020: 35,502)

13.8%

ROCE³
(2020: 12.3%)

19.0 cents

Dividends declared
per share

149,207 MT

Petfood ingredients sold⁴
(2020: 115,739)

\$82.1m

Net cash
(2020: \$97.6m net cash)

3,651,000

TCEs of own-grown apples
exported
(2020: 3,915,000)

1. Tray carton equivalent, a measure of apple and pear weight, defined as 18.6kg packed weight which equates to 18.0kg sale weight. Includes own grown and external grower volumes including those volumes exported by Fern Ridge Fresh.

2. TEU is a Twenty-foot Equivalent Unit is a unit of cargo capacity to describe container volumes.

3. Return on Capital Employed, calculated as EBIT divided by Capital Employed, where 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).

4. Includes 100% of volumes from Meateor NZ; i.e. total volumes controlled directly and indirectly by the Meateor Group.

2021 Highlights

Teamwork and personal commitment succeeded over uncertainty and disruption

- ✓ Top priority given to health and wellbeing of staff during uncertain times
- ✓ Extraordinary effort made by the Mr Apple team to pick, pack and export the harvest – in full and on time to global markets
- ✓ Food Ingredients continued its remarkable growth trajectory
- ✓ Sufficient containers and capacity procured by Scales Logistics, enabling our businesses and customers to successfully export their finished product
- ✓ Financial performance ahead of expectations, exceeding Revised Guidance



Sustainability and COVID-19 Update

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COVID-19 and Health & Safety

Health and safety remains our primary priority

COVID-19

- Business operations continued during the lockdowns, in line with our pandemic preparedness policies
- Reducing risk, whilst supporting all our staff, is of ultimate importance
- COVID-19 continues to present challenges in areas such as labour availability, markets, supply chains and logistics
- We expect these challenges to continue this year

Health and Safety

- Targeted injury management focus with specific prevention initiatives developed across the businesses
- Leading engagement with forklift simulator programme, including upskilling and cross-site safety standard auditing
- Adaptable COVID-19 response planning put in place, embracing new contact tracing technology
- Partnership with Mentemia to provide wellbeing tools and resources to our employees
 - Continued growth of wellbeing strategy



Sustainability


Responding to new challenges

Environment

- Reduced freight movements as a result of the commissioning of the Whakatu coolstore
- Creation of sustainability champions at packhouses to increase communication and feedback between sites and head office
- LED replacement at an orchard accommodation site to reduce electricity usage
- Project commenced to monitor and improve soil health, helping us to understand our impact on the ecosystem
- In-house carbon footprint assessment undertaken for Meateor NZ
- Participation in a *Sustainable is Attainable* initiative, aiming to find the most cost effective and valuable disposal method for waste streams
- Installation of liner-less labellers for carton end labels at the Whakatu packhouse
- Received initial report on the potential carbon sequestration of apple trees from AUT

Governance

- First hybrid (in-person and online) Annual Shareholders Meeting held
- Board succession process initiated
- Continued participation in the IoD Future Director's programme, with the appointment of our 5th Future Director, Kelly Brown



Financial Overview

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Group Financial Performance

Outstanding results aided by diversification strategy and exceptional team performance

- Record revenue of \$514.6m, up 9% (2020: \$470.7m)
- Underlying EBITDA of \$73.8m, up 15% (2020: \$64.1m)
- Record Underlying NPAT of \$39.8m, up 20% (2020: \$33.0m)
- Underlying NPAT attributable to shareholders of \$29.7m, up 8% (2020: \$27.5m)
- Earnings per share of 19.1 cents per share, up 27% (2020: 15.0 cents per share)

Income Statement

\$m	Revenue			EBITDA			NPAT			NPAT Attributable to Shareholders		
	2021	2020	% chg. ¹	2021	2020	% chg. ¹	2021	2020	% chg. ¹	2021	2020	% chg. ¹
Underlying (excluding NZ IFRS 16)	514.6	470.7	9%	63.0	53.9	17%	40.4	33.8	20%	30.4	28.2	8%
NZ IFRS 16 Leases				10.8	10.3		(0.7)	(0.7)		(0.7)	(0.7)	
Underlying (including NZ IFRS 16)	514.6	470.7	9%	73.8	64.1	15%	39.8	33.0	20%	29.7	27.5	8%
NZ IFRS & other adjustments:												
Impairment of non-current assets				1.6	(4.3)		1.2	(3.1)		1.2	(3.1)	
Other NZ IFRS adjustments				(3.8)	(3.1)		(4.0)	(3.4)		(4.0)	(3.4)	
Reported²	514.6	470.7	9%	71.6	56.7	26%	36.9	26.6	39%	26.9	21.0	28%

Notes:

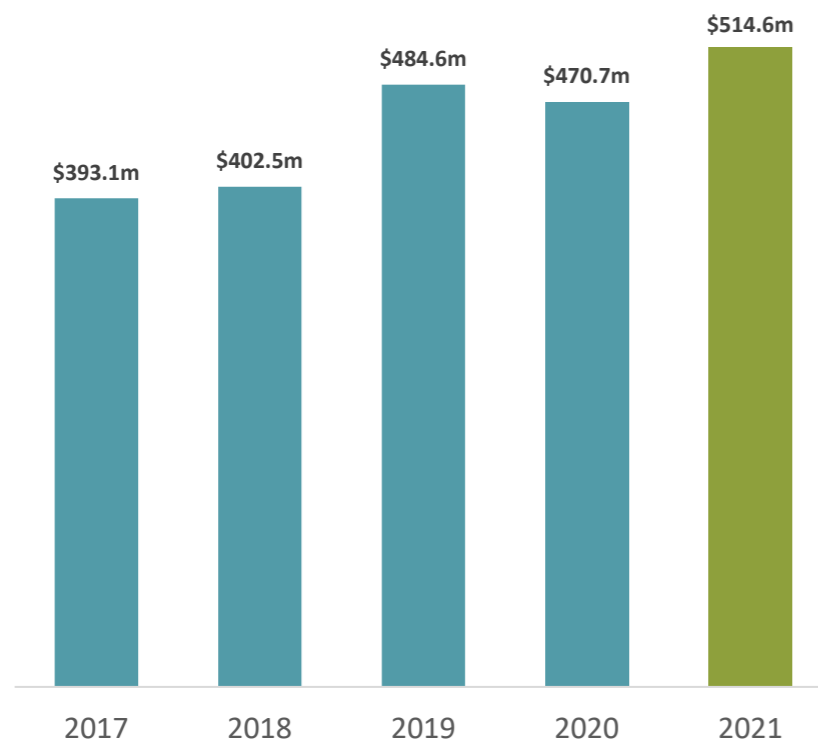
1. %'s are calculated based on non-rounded figures, figures may not sum due to rounding

2. Earnings are shown before the deduction of share of NPAT for Non-Controlling Interests (Fern Ridge and Shelby)

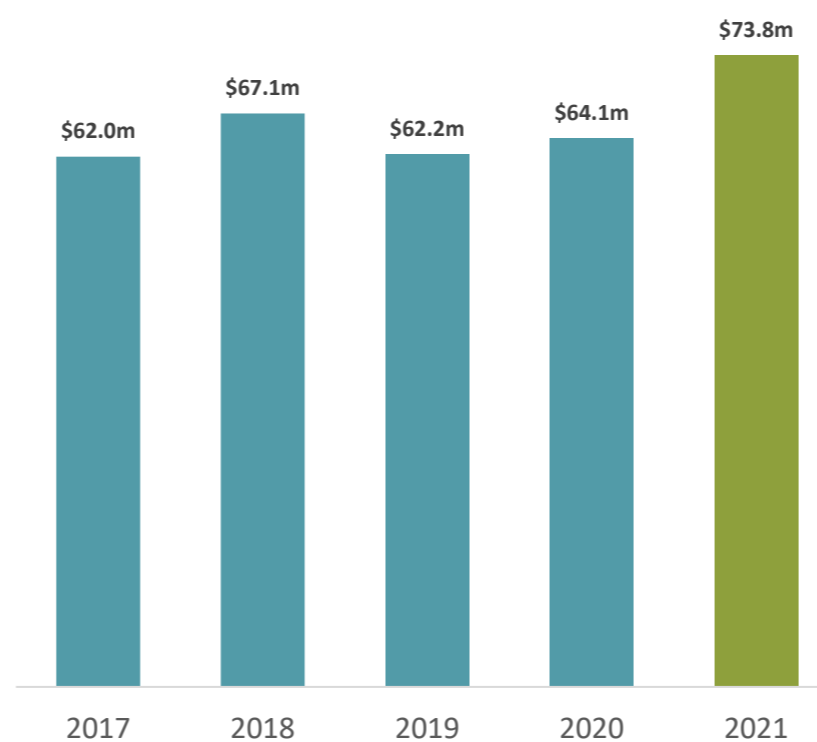
Trends in Group Financial Performance

- Historic results are unadjusted for businesses that have been sold or acquired
- 2017 and 2018 results have not been restated for the effects of NZ IFRS 16

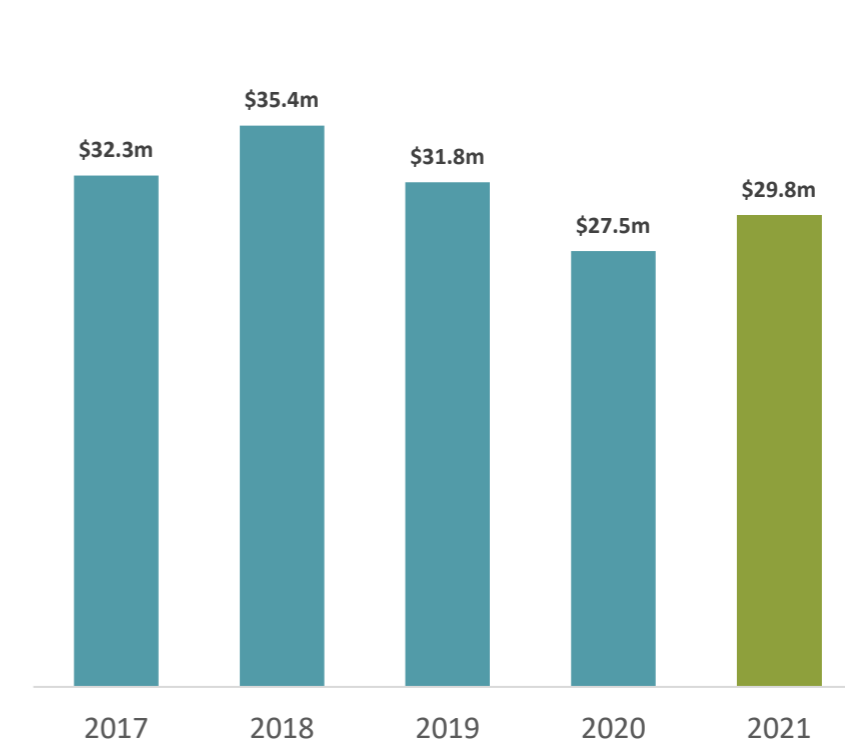
Revenue



Underlying EBITDA



Underlying NPAT Attributable to Shareholders



Divisional Financial Performance Overview

Strong results from all divisions

- Horticulture – lower export volumes offset by strong in-market prices, and aided by diversified markets and varieties
- Food Ingredients – benefitted from continued global petfood demand together with changes in product origin, mix and margin
- Logistics – strong 2021 despite difficult conditions

Divisional Performance									
\$m	1H21	2H21	2021	Margin	1H20	2H20	2020	Margin	% chg.
									2021 v 2020
Horticulture	38.0	1.1	39.1	16.1%	36.9	3.9	40.8	16.6%	-4%
Food Ingredients	16.1	19.0	35.1	16.0%	11.0	12.1	23.1	13.3%	52%
Logistics	2.7	2.2	4.9	6.0%	3.6	0.6	4.2	5.4%	17%
Corporate	(2.0)	(3.3)	(5.3)	N/A	(2.2)	(1.8)	(4.0)	N/A	33%
Underlying EBITDA	54.8	19.0	73.8	14.3%	49.4	14.8	64.1	13.6%	15%
Underlying NPAT	33.3	6.5	39.8	7.7%	28.9	4.2	33.0	7.0%	20%

Notes:

1. Prepared on an Underlying basis. A reconciliation to NZ IFRS is provided in the Appendices.

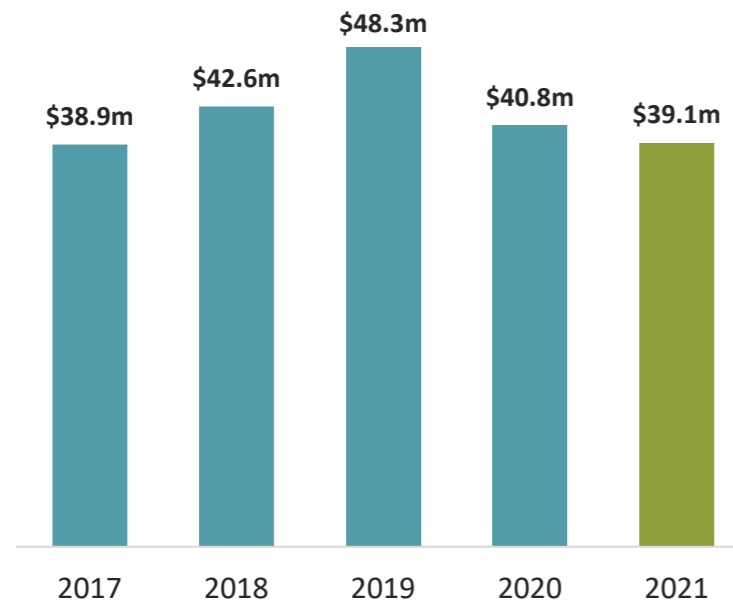
2. %'s are calculated based on non-rounded figures, figures may not sum due to rounding.

3. NZ IAS 41 Agriculture requires unsold agricultural produce to be measured at fair value less costs to sell meaning the expected profit on unsold fruit is recognised in the interim result, giving rise to seasonality in profitability as shown above.

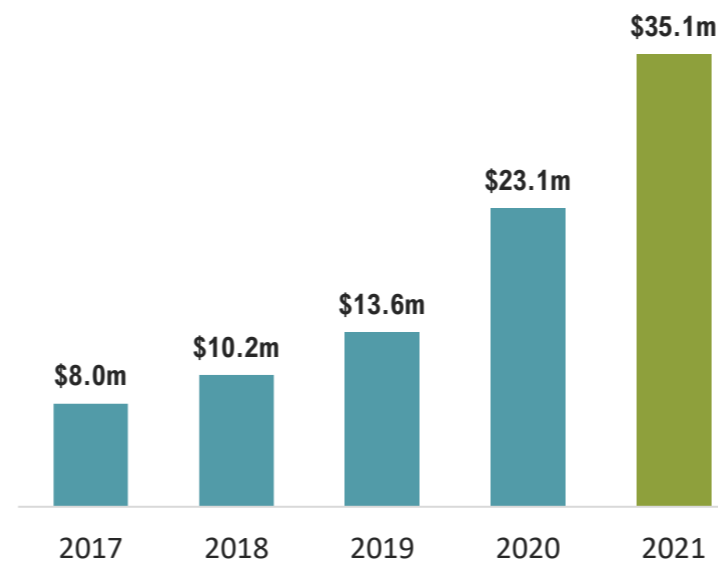
Trends in Divisional Performance

- Trends in Underlying EBITDA by division are shown in the graphs below
- 2017 and 2018 results have not been restated for the effects of NZ IFRS 16

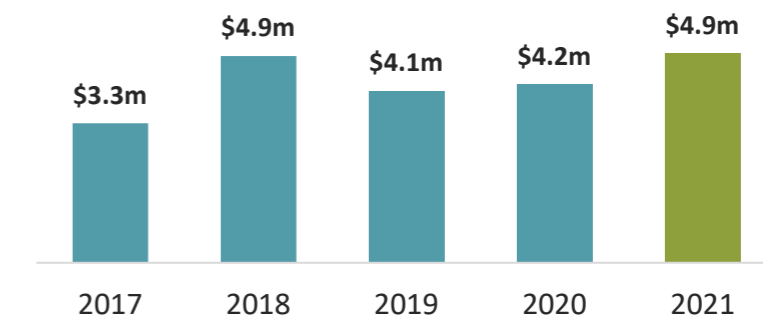
Horticulture



Food Ingredients



Logistics*



* Previously 'Storage and Logistics' up to and including 2018, shows performance of continuing business only

Balance Sheet

Strong financial position

- Movement in capital employed reflects:
 - Revaluation of land and buildings
 - Capital expenditure, including orchard redevelopment, the Whakatu coolstore and the Mr Apple automation project
 - Increase in working capital
 - Revaluation of FX derivatives



Balance Sheet		
\$m	2021	2020
Current Assets (Excluding Cash)		
Trade and other receivables	28.7	19.5
Inventories	29.6	25.8
Unharvested agricultural produce	24.6	24.0
Other	10.0	16.6
Assets held for sale	-	2.6
	92.8	88.4
Current Liabilities (Excluding Overdraft, Borrowings and Dividends Declared)		
Trade and other payables	(23.5)	(25.1)
Lease liability	(10.2)	(10.1)
Other	(7.9)	(5.9)
	(41.6)	(41.1)
Net Working Capital	51.2	47.4
Non-Current Assets		
Land and buildings at fair value	142.2	106.0
Apple trees at fair value	33.7	31.0
Other property, plant and equipment	38.0	44.3
Investments, intangibles and goodwill	70.2	68.4
Right of use asset	76.4	77.9
Other	11.1	18.1
	371.5	345.7
Capital Employed	422.8	393.1

Balance Sheet (continued)

Security to invest in growth opportunities

- Net cash as at 31 December 2021 of \$82.1m (2020: \$97.6m), comprised:
 - Cash and term deposits of \$118.2m (2020: \$150.6m)
 - Borrowings of \$36.1m (2020: \$53.1m)
 - Movement in net cash mostly relates to the investment in the new Whakatu Coolstore

Balance Sheet (continued)		
\$m	2021	2020
Non-Current or Other Liabilities		
Deferred tax liabilities	(22.9)	(25.6)
Lease liability	(69.5)	(70.2)
Other financial liabilities	(8.8)	(3.2)
Dividends declared	(13.4)	(13.4)
	(114.6)	(112.3)
Net Cash/(Debt)		
Cash less overdraft	33.2	46.0
Term deposits	85.0	104.6
Borrowings	(36.1)	(53.1)
	82.1	97.6
Total Equity	390.3	378.4

Divisional Performance

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Horticulture – Financial Performance

Outstanding performance in difficult environment

- Revenue of \$243.4m, in line with 2020 (\$246.0m)
- Underlying EBITDA of \$39.1m (2020: \$40.8m)
 - A very strong result given significant market uncertainty, supply chain challenges and lower volumes of fruit
 - Strong in-market pricing balanced reduced volumes and cost pressures (labour and shipping)
 - Continued and pleasing growth in Asia and Middle East markets
 - Diversification of markets and varieties continues to benefit Mr Apple
- All fruit picked, although volumes and yields affected by weather and orchard redevelopment:
 - 3,651k TCEs, 7% decrease on 2020 (3,915k TCEs)
 - Export packout of 77% (2020: 76%)
- Impacted by availability of skilled RSE workforce:
 - Extraordinary effort by the entire Mr Apple team to pick, pack and export the harvest
 - Compared to 2020, the RSE workforce was ~14% lower over the key harvest period, team supplemented by NZ and Working Holiday Scheme workers
 - Confirmed the vital role that RSE workers play
 - Skills acquired and wages earned benefit the RSE workers, their whānau and their Pacific communities

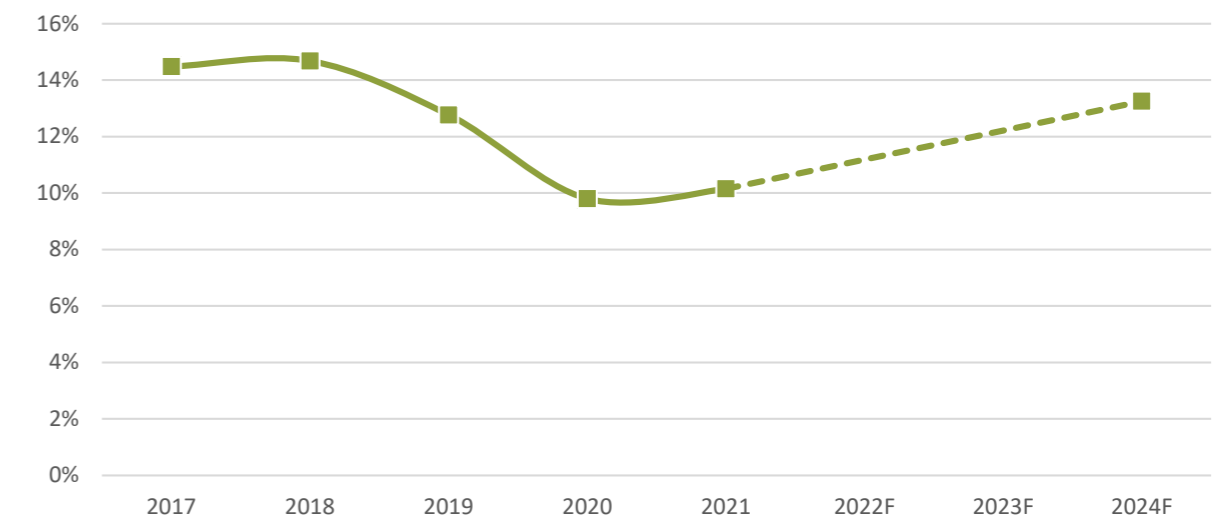
Financial Performance - Horticulture			
\$m	2021	2020	% change
Revenue	243.4	246.0	-1%
Underlying EBITDA	39.1	40.8	-4%
Underlying EBIT	21.2	23.7	-10%

Horticulture – Automation and Orchard Development

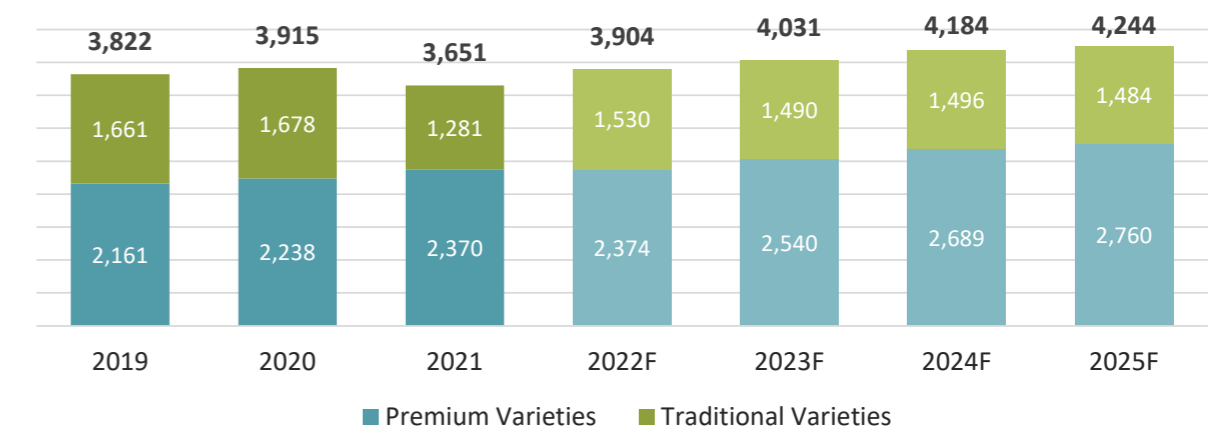
Commencement of automation plan helping to stabilise Mr Apple margins

- Multi-year investment and automation plan implemented to increase productivity and sustain margins
- First phase was Whakatu coolstore – reducing: power consumption, double-handling of fruit, transport costs and carbon emissions
- Automation of the Whakatu packhouse has commenced with installation of tray de-nesting machines:
 - The project will result in the Whakatu packhouse becoming one of the world’s most automated apple packhouses
 - This is a multi-year project that will significantly enhance labour productivity when completed
- Continued progress on our orchard redevelopment programme:
 - 35 ha of orchard planted / redeveloped during the 2021 winter, primarily into Dazzle™ and NZ Prince™
 - Ongoing implementation of our ‘intensive planting’ techniques, to enable pruning, thinning and picking efficiencies

Mr Apple EBIT Margins Through Time*



Mr Apple Own Export Volumes (Actual/Forecast) (TCE 000s)



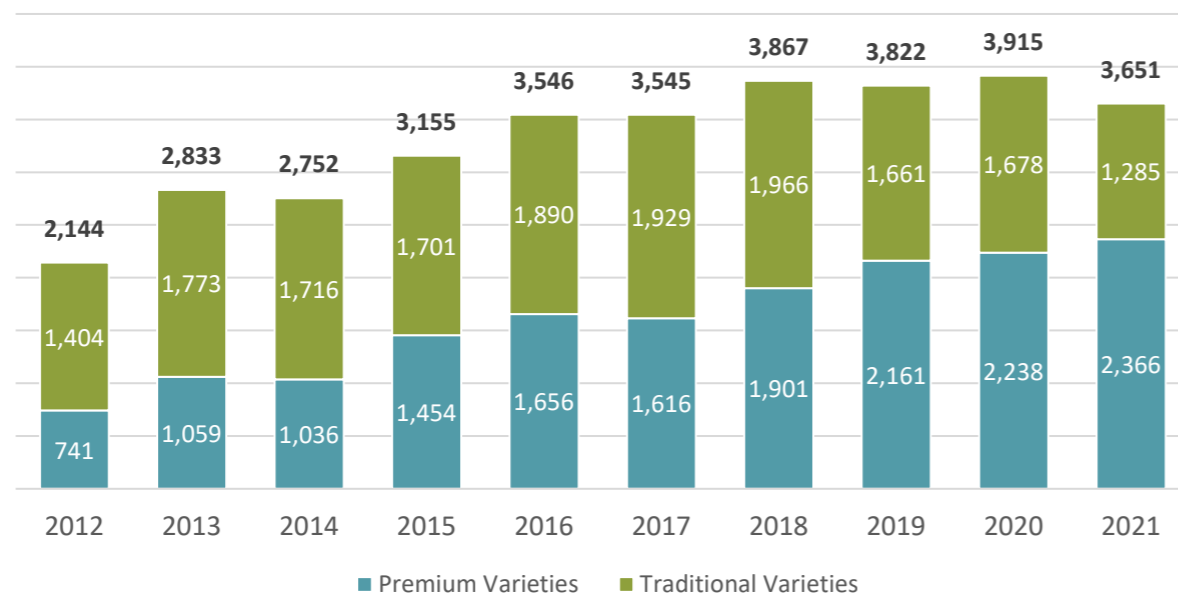
* EBIT Margins are calculated on an Underlying basis and prior to the impact of IFRS-16

Horticulture – Own-Grown Volumes

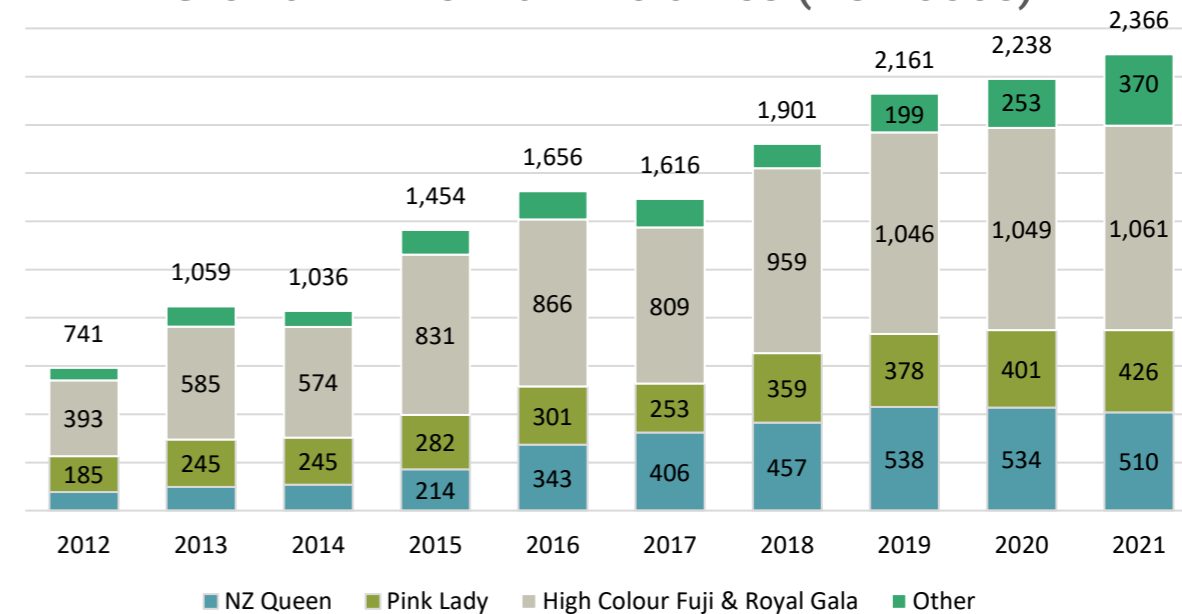
Continued strong growth in Premium varieties

- Increase in Premium varieties of 6% compared to 2020:
 - Compound Annual Growth Rate (CAGR) of 14% since 2012
 - Significant growth in sales of Dazzle™ and Posy™
- Weather and orchard redevelopment (reducing planted hectares of traditional varieties) impacted Traditional volumes
- Benefitted from geographical and channel diversification:
 - Strong growth in Asia and Middle East, UK stable, Europe affected by lower Traditional volumes

Mr Apple Own Export Volumes (TCE 000s)



Growth in Premium Volumes (TCE 000s)



Horticulture – Pricing and Other KPIs

Benefitted from both geographical and channel diversification

- Pricing above prior year levels for most varieties, reflecting:
 - Reduced volumes
 - Larger fruit for certain varieties
 - Strong market demand for Dazzle™
- Total volumes sold (including those on behalf of other growers), were 4,983k TCEs (2020: 5,739k TCEs):
 - Reduced external grower volumes largely reflect a challenging season for Nelson growers

Horticulture KPIs

Apple Prices by Variety (NZD / TCE, FOB)			
	2021	2020	% change
Premium Varieties	39.8	36.9	8%
Traditional Varieties	33.3	30.1	10%
Weighted Average all Apples	37.5	34.0	10%

FX Rates

	2021	2020	% change
NZD:USD	0.68	0.64	-6%
NZD:EUR	0.55	0.57	3%
NZD:GBP	0.50	0.51	1%
NZD:CAD	0.87	0.87	0%

Volumes (TCE 000s)

	2021	2020	% change
Mr Apple own-grown volumes	3,651	3,915	-7%
External grower volumes*	1,332	1,824	-27%
Total volume exported	4,983	5,739	-13%

* External grower volumes comprise external grower volumes handled by Mr Apple (884k TCEs) and Fern Ridge Fresh (449k TCEs)

Horticulture – Meeting the Challenges of a Changing International Market

Investment made in brand positioning, design and digital infrastructure

- Continued growth in Asia and Middle East markets despite disruptions:
 - China and Hong Kong represented ~20% of Mr Apple total export sales (2020: ~17%)
 - Near Markets (Asia, India and Middle East) accounted for ~72% of Mr Apple export sales (2020: ~62%)
- Focus on key customers in these markets to generate impact and deliver value
- Consolidating Dazzle's early strong and growing presence in key markets
- Market research undertaken with China, Vietnam and Thailand consumers, providing a baseline of consumer brand awareness, affinity and conversion:
 - Mr Apple brand seen as meaningful, opportunities to differentiate it and make it more salient
- New, simplified branding generated for Mr Apple:
 - Incorporates new brand design, logo, packaging and direction, providing consistency and linking the Mr Apple story to the 5 point promise
 - Impact of COVID-19 has increased preference for packaged product in China

MrAPPLE^{NZ}
新西兰苹果先生



Horticulture – Digital Marketing and Social Media

Using digital tools to actively build our brand awareness and conversion with consumers throughout Asia

- Mr Apple has a presence on Facebook across SE Asia, and in China on WeChat, Weibo, Douyin (TikTok) and Little Red Book
- Facebook and Instagram campaigns held May to September in Vietnam, Indonesia and Japan to reach Mr Apple consumers
- 270,000 QR code scans and interactions with our online game, with highest scan rates in China, India and Vietnam
- Participated in NZTE *Made with Care* campaigns, promoting NZ food and beverage to the world, in Thailand, Vietnam, India and Bahrain
- Continued increase of e-commerce trade in China:
 - Modern trade (e-commerce / online-to-offline / supermarket / fruit chain stores / community groups) represents ~60% of sales
 - Worked with Tmall to raise conversion rate, including key word search, brand name formatting, responding to reviews
- Targeting festivals and gifting opportunities, in particular China's Mid-Autumn Festival



Mid-Autumn Festival video used on all social media platforms in China



NZTE campaign in Thailand to highlight QR code game

Food Ingredients – Performance

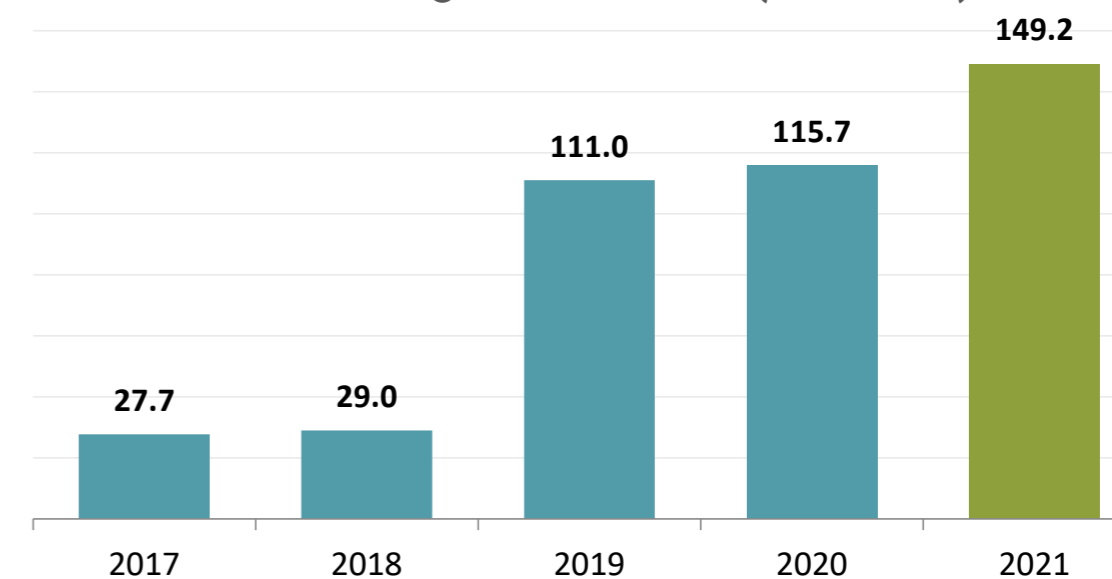
Outstanding performance, reflecting ongoing demand for global petfood

- Excellent full year result:
 - 29% increase in volumes sold
 - 26% increase in revenue
 - 52% increase in Underlying EBITDA, exceeding the division’s long-run EBITDA target
 - Increased profitability reflects movements in product origin, mix and margin together with the changing contribution of operations within the division
 - One-off US wage subsidy scheme of NZ\$0.9m received by Shelby during the year
- Profruit sales volumes down only slightly on record 2020 year:
 - Lower availability of product and reduced yield
 - Local demand helped to offset shipping difficulties for export sales

Financial Performance - Food Ingredients			
\$m	2021	2020	% change
Revenue	218.9	173.7	26%
Underlying EBITDA	35.1	23.1	52%
Underlying EBIT	34.3	22.0	56%

KPIs			
	2021	2020	% change
Food Ingredients Volume Sold (MT)	149,207	115,739	29%
Juice Concentrate Sold (000 L)	6,497	6,544	-1%

Pet Food Ingredients Sold (MT 000s)



* EBIT Margins are calculated on an Underlying basis and prior to the impact of IFRS-16

Food Ingredients – Industry and Strategy Update

Growth in petfood market reinforces Food Ingredients' strategy

- Growth of 8.2% in global petfood production, with a 17.1% increase in Asia-Pacific*
- Reported increase in USA and worldwide petfood sales:
 - Petfood and treat sales in the USA increased 9.7% in 2020, growth of ~5% was projected for 2021**
 - Strong growth registered for other worldwide markets***
- Strength of the industry largely attributed to:
 - Rise in pet ownership due to the COVID-19 pandemic
 - Focus on pets' health and well-being
- Supply chains continue to be impacted by strong global shipping demand and port & logistics constraints:
 - Impact on Shelby lessened due to domestic customer base
 - Similarly, Meateor NZ has also increased sales to domestic petfood manufacturers
- Internal and external growth opportunities continue to be investigated:
 - Our confidence in the opportunities available to the division has led to the Division CEO, John Sainsbury, preparing to relocate to the USA on a permanent basis to further drive growth

* <https://www.petfoodindustry.com/articles/10971-global-pet-food-production-up-82-in-2021-asia-led>

** <https://www.petfoodindustry.com/articles/10128-us-pet-food-sales-rose-10-in-2020-5-projected-for-2021>

*** https://www.petfoodindustry.com/blogs/7-adventures-in-pet-food/post/10737-us-pet-food-spending-worldwide-pet-food-sales-up-in-2020?utm_source=Omeda&utm_medium=Email&utm_content=NLPetfood+Industry+News&utm_campaign=NLPetfood+Industry+News_20211025_0200&oly_enc_id=3803J1451478D1W



Logistics – Performance

2021 performance underlines strategic benefit of division

- Strong full year performance:
 - 5% increase in revenue
 - 17% increase in Underlying EBITDA, with performance returning to previous levels
 - Decrease in volumes due to reduced volumes of agricultural exports and impact of COVID-19
- Exceptional effort by the entire team
- Invaluable expertise and strategic value provided to customers:
 - Team’s resilience and ability to innovate and adapt ensured produce shipped and airfreighted as required
 - Reinforces benefit of the full logistics services provided by the division
- Supply chain pressures and challenges expected to continue through 2022:
 - Scarcity of containers and shipping capacity
 - Labour shortages
 - High shipping, airfreight and fuel costs
 - High demand and port congestion

Financial Performance - Logistics			
\$m	2021	2020	% change
Revenue	81.9	77.9	5%
Underlying EBITDA	4.9	4.2	17%
Underlying EBIT	4.1	3.4	22%

KPIs			
	2021	2020	% change
Ocean Freight Volume (TEUs)	30,313	35,502	-15%
Airfreight Volume (tonnes)	3,645	5,656	-36%





5

Capital Management

Capital Management

Return on Capital Employed (ROCE) levels vary according to business structure and operations

- Divisional and target ROCE calculations updated for effect of NZ IFRS 16
- Horticulture impacted by capital expenditure and to a significant extent by the ongoing revaluation of horticultural land over the last few years
- Food Ingredients and Logistics' ROCE benefit from a lower capital requirement

Capital Management

Return on Capital Employed

	2021	2020
Horticulture	7.4%	8.9%
Food ingredients	46.2%	28.9%
Logistics	37.3%	32.0%
Group	13.8%	12.3%
Target	12.5%	12.5%



Capital Expenditure

Investing in growth and margin sustainability projects

- 2021 capital expenditure included:
 - Mr Apple orchard redevelopment
 - Completion of Mr Apple Whakatu coolstore
 - Commencement of the Mr Apple automation programme – tray de-nesting machines
- In addition to reviewing investment opportunities, Scales continues to assess opportunities to deliver increased earnings through appropriate growth capital expenditure

Capital Expenditure

Maintenance		
\$m	2021	2020
Horticulture	3.7	4.3
Food Ingredients	0.5	0.5
Logistics	0.1	0.1
Other	0.0	0.0
	4.4	4.9

Margin Sustainability

Margin Sustainability		
\$m	2021	2020
Horticulture	6.0	11.5
	6.0	11.5

Growth

Growth		
\$m	2021	2020
Horticulture	6.1	8.0
	6.1	8.0
Total Capital Expenditure	16.5	24.4

Governance

6



Governance and Management

Strengthening our Director and Senior Management Team

- Commenced Board succession process, assisted by external advisors, Boardworks
- Qi Xin appointed as Non-Executive Director in December 2021:
 - Senior Director of a department within China Resources Enterprise, Limited
- Continued participation in the Institute of Directors' Future Director programme:
 - Appointment of Kelly Brown, Wine and Agribusiness Consultant in June 2021
 - Brings agricultural and international business expertise
- Appointment of Geoff Smith as Chief Operations and Sustainability Officer in January 2022:
 - Extensive operational, supply chain, strategy and investment experience across a variety of agribusinesses
- Outstanding leadership, management and teamwork throughout the Group:
 - Health and safety of our staff remain our top priority, including compliance with our pandemic preparedness policies

Trading Outlook

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2022 Outlook

Group update

Note: Scales' Horticulture division is particularly reliant on the ability to harvest and process fresh produce at the optimum timing. This impacts on volumes and quality and our ability to market our fresh produce globally. The harvest window does not allow for delays. The Group's ability to manage the expected disruption concerning our critical employees will not only rely on their ongoing commitment but also the full support and understanding of all government agencies

- Directors have reconfirmed the Underlying Net Profit Attributable to Shareholders Guidance for 2022:
 - \$23.5 million to \$28.5 million, in line with the 2021 initial Guidance
 - Implies an Underlying Net Profit range of \$30.5 million to \$35.5 million and an Underlying EBITDA range of \$62.0 million to \$67.0 million
- The Directors note:
 - Horticulture pricing expected to be in line with 2021
 - Significant increase in shipping and other logistics costs anticipated
 - Ongoing shortage of labour within the agribusiness sector (current initiatives are expected to source sufficient labour for the 2022 harvest)
 - Assumed that operations will continue as essential businesses
 - A substantial level of capital expenditure will be invested in gross margin sustainability initiatives within Mr Apple
- Whilst Scales' diversification has helped mitigate disruption to both domestic and international operations, there continues to be significant uncertainty about the year ahead
- Our ongoing focus will be to minimise the effects of COVID-19, whilst stabilising margins at Mr Apple, taking advantage of the growth initiatives within Food Ingredients and pursuing other investment opportunities

2022 Outlook (continued)

Divisional update – Horticulture and Logistics

Horticulture

- Picking and packing has commenced for the 2022 season, and current indications are positive with volumes in line with earlier projections. As always, our ability to pick and pack the entire crop is dependent on the availability of seasonal labour
- Early demand for our branded varieties, including Posy™ and Dazzle™, has been strong
- For the forthcoming season we anticipate a significant increase in shipping costs and capacity constraints
- At the conclusion of the season we expect to make significant progress on the Whakatu packhouse automation project. This project is likely to continue into 2023

Logistics

- Global supply chain conditions outlined earlier in this presentation are expected to remain in place through 2022
- Scales Logistics is expected to continue to play a key strategic role in supporting its customers', including Mr Apple and Meateor, supply chain requirements for the coming year

2022 Outlook (continued)

Divisional update – Food Ingredients

Food Ingredients

- The petfood businesses within this division have performed strongly and we continue to investigate opportunities for further growth
- Our New Zealand joint venture with Alliance has performed well and is focused on both supporting the strongly growing domestic petfood manufacturing industry as well as existing and new export markets. Value adding options are being actively pursued
- Our exports from Australia have outperformed expectations, however, we note that as of 31 December 2023 we will no longer have an exclusive ongoing relationship with our existing supplier
- Shelby has continued to grow strongly, assisted by increased volumes being available through commissioning of the new plate freezing facility in Dodge City, Kansas – we are actively exploring opportunities for further growth within Shelby



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Appendices

Appendix I - Reconciliation of Underlying to Reported Measures

Reconciliation of Divisional Underlying Profitability to Reported Profitability										
	Group		Horticulture		Food ingredients		Logistics		Corporate and eliminations	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
EBITDA Reconciliation										
Underlying EBITDA (excluding NZ IFRS 16)	63.0	53.9	29.2	31.4	35.0	23.1	4.2	3.4	(5.4)	(4.1)
NZ IFRS 16 Leases	10.8	10.3	9.9	9.4	0.1	0.1	0.8	0.8	0.1	0.1
Underlying EBITDA (including NZ IFRS 16)	73.8	64.1	39.1	40.8	35.1	23.1	4.9	4.2	(5.3)	(4.0)
Other adjustments:										
(Impairment)/reversal of impairment of non-current assets	1.6	(4.3)	1.6	(4.3)	-	-	-	-	-	-
Gain on sale of property, plant and equipment	1.1	-	1.1	-	-	-	-	-	-	-
Equity settled employee benefits	(0.7)	(0.7)	-	-	-	-	-	-	(0.7)	(0.7)
Meateor NZ Sale - Working Capital Adjustment	-	(0.5)	-	-	-	(0.5)	-	-	-	-
Change in fair value gain on apple inventory	(0.9)	(0.8)	(0.9)	(0.8)	-	-	-	-	-	-
Change in gross liability for non-controlling interests	(1.9)	(0.6)	0.3	0.1	(2.2)	(0.8)	-	-	-	-
Transaction costs	(1.4)	(0.4)	-	-	-	-	-	-	(1.4)	(0.4)
Reported	71.6	56.7	41.2	35.8	32.9	21.9	4.9	4.2	(7.5)	(5.1)
EBIT Reconciliation										
Underlying EBIT (excluding NZ IFRS 16)	52.2	43.0	19.4	21.9	34.3	22.0	4.0	3.2	(5.4)	(4.1)
NZ IFRS 16 Leases	2.0	2.0	1.8	1.8	0.0	0.0	0.2	0.2	0.0	0.0
Underlying EBIT (including NZ IFRS 16)	54.2	45.0	21.2	23.7	34.3	22.0	4.1	3.4	(5.4)	(4.1)
Other adjustments:										
(Impairment)/reversal of impairment of non-current assets	1.6	(4.3)	1.6	(4.3)	-	-	-	-	-	-
Gain on sale of property, plant and equipment	1.1	-	1.1	-	-	-	-	-	-	-
Equity settled employee benefits	(0.7)	(0.7)	-	-	-	-	-	-	(0.7)	(0.7)
Meateor NZ Sale - Working Capital Adjustment	-	(0.5)	-	-	-	(0.5)	-	-	-	-
Change in fair value gain on apple inventory	(0.9)	(0.8)	(0.9)	(0.8)	-	-	-	-	-	-
Change in gross liability for non-controlling interests	(1.9)	(0.6)	0.3	0.1	(2.2)	(0.8)	-	-	-	-
Transaction costs	(1.4)	(0.4)	-	-	-	-	-	-	(1.4)	(0.4)
Reported	52.1	37.6	23.4	18.7	32.1	20.8	4.1	3.4	(7.6)	(5.3)
NPAT Reconciliation										
Underlying NPAT (excluding NZ IFRS 16)	40.4	33.8	13.8	15.4	28.2	18.5	2.8	2.3	(4.5)	(2.4)
NZ IFRS 16 Leases, net of tax	(0.7)	(0.7)	(0.6)	(0.6)	(0.0)	(0.0)	(0.1)	(0.1)	(0.0)	(0.0)
Underlying NPAT (including NZ IFRS 16)	39.8	33.0	13.3	14.8	28.2	18.5	2.7	2.2	(4.5)	(2.4)
Other adjustments:										
(Impairment)/reversal of impairment of non-current assets	1.6	(4.3)	1.6	(4.3)	-	-	-	-	-	-
Gain on sale of property, plant and equipment	1.1	-	1.1	-	-	-	-	-	-	-
Equity settled employee benefits	(0.7)	(0.7)	-	-	-	-	-	-	(0.7)	(0.7)
Meateor NZ Sale - Working Capital Adjustment	-	(0.5)	-	-	-	(0.5)	-	-	-	-
Change in fair value gain on apple inventory	(0.9)	(0.8)	(0.9)	(0.8)	-	-	-	-	-	-
Change in gross liability for non-controlling interests	(1.9)	(0.6)	0.3	0.1	(2.2)	(0.8)	-	-	-	-
Transaction costs	(1.4)	(0.4)	-	-	-	-	-	-	(1.4)	(0.4)
Tax effect of other NZ IFRS adjustments	(0.7)	0.9	(0.2)	1.4	(0.5)	(0.5)	-	-	-	-
Reported	36.9	26.6	15.2	11.2	25.6	16.7	2.7	2.2	(6.6)	(3.6)

Appendix II - Disclaimer

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This presentation supplements our full year results announcement. It should be read subject to and in conjunction with the additional information in that release, and other material which we have released to the NZX.

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- 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 as detailed in Appendix I
- Underlying Net Profit is calculated by adding back or (or deducting) the after-tax effect of certain non cash NZ IFRS and other adjustments as detailed in Appendix I

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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