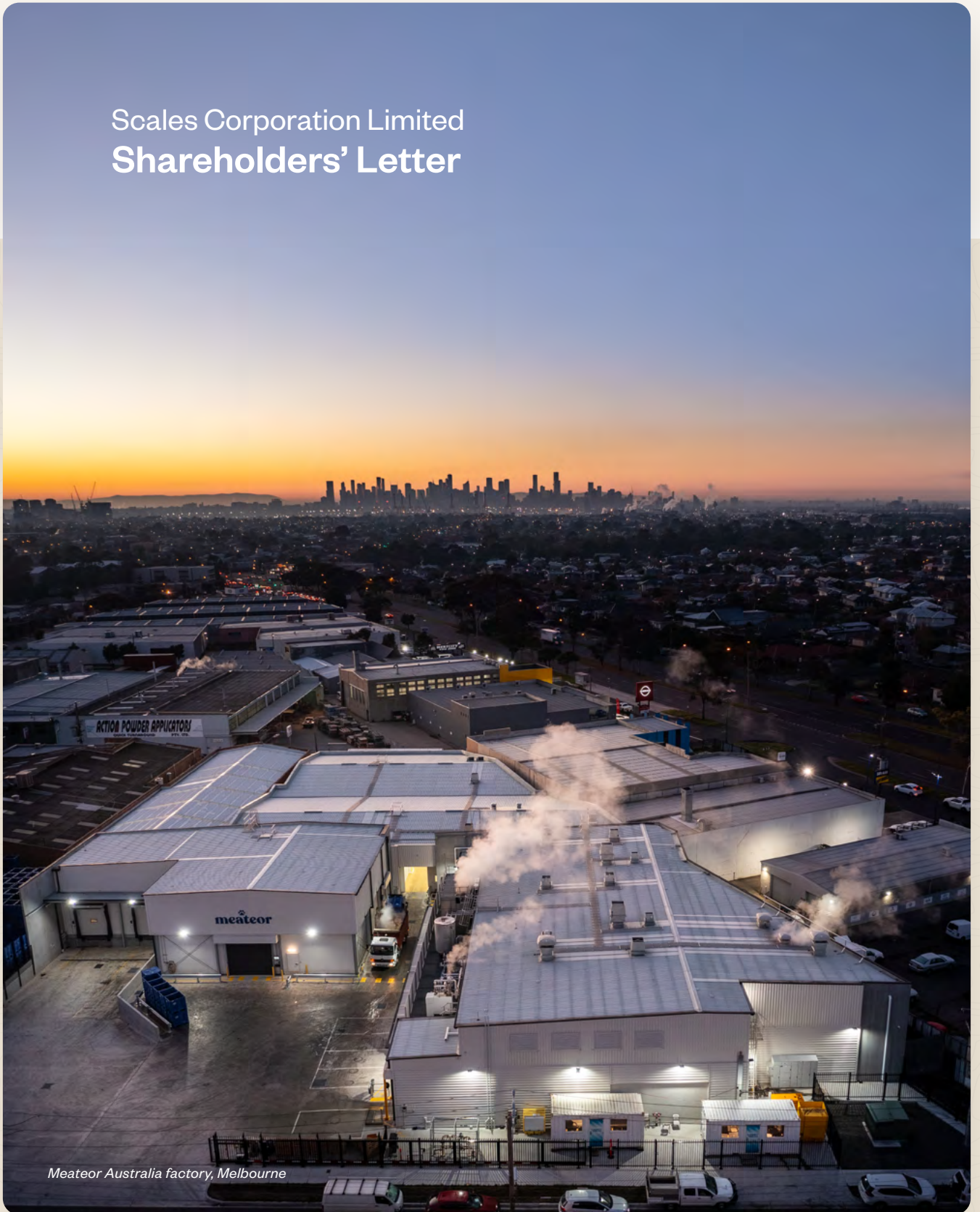


Scales Corporation Limited  
**Shareholders' Letter**



*Meateor Australia factory, Melbourne*

## We are pleased to inform you that Scales' interim financial statements for the 6 months ended 30 June 2024 (1H24) are now available.

A copy is available on our website at

<https://scalescorporation.co.nz/investors/shareholders-reports/>

All operating divisions delivered strong earnings, with Underlying<sup>1</sup> Net Profit after Tax Attributable to Shareholders of \$28.5 million (1H23: \$14.5 million), up 97%. Horticulture's result signalled positive progress towards a return to pre-Cyclone performance levels and Global Proteins delivered a half-year performance consistent with 1H23. Both these divisions also executed strategic growth transactions during the 6-month period.

Global Proteins' Underlying EBITDA<sup>2</sup> was \$29.6 million (1H23: \$30.1 million). Shelby delivered volumes that were up on the prior 6 months and there was strong volume growth in Fayman, our edible proteins business.

Whilst Meateor Australia and Esro Petfood are both in a start-up phase, they are delivering increased production volumes. Additionally, Meateor Australia has been improving yields whilst Esro Petfood continues to focus on establishing its customer relationships.

We were very pleased to increase our investment in Meateor Australia in June from 33% to 50% and now be a 50/50 partner in this business with the Fayman family. This solidifies our relationship with Fayman and increases our foothold in the Australian market, which is strategically important to the Global Proteins division.

<sup>1</sup> Underlying results exclude some New Zealand International Financial Report Standards non-cash and other adjustments

<sup>2</sup> Earnings Before Interest, Tax, Depreciation and Amortisation

Horticulture delivered a strong result with Underlying EBITDA of \$30.0 million compared to \$11.4 million in 1H23, an increase of 162%. This includes 100% of Profruit earnings for the full 6-month period.

This result is a credit to the effort and determination exhibited by the Horticulture teams following Cyclone Gabrielle. It can also be, in part, attributed to our strategy of increasing our investment in Premium apple varieties.

Forecast total own-grown export volumes for Mr Apple are 3.0 million TCEs<sup>3</sup> (2023: 2.7 million TCEs), a return to 2022 levels and a projected increase of 11% on 2023. Of this, Premium volumes are expected to account for 72% of total fruit sold (2023: 64%), with these varieties producing a higher return compared to Traditional varieties.

Logistics benefitted from increased air and sea freight volumes whilst continuing to navigate ongoing supply chain difficulties. Underlying EBITDA was \$3.8 million compared to \$2.7 million in 1H23, an increase of 44%. The division processed strong external customer air freight volumes through its new Auckland warehouse and chiller facility and also experienced a return to more normal sea freight volumes.

In respect of the full year outlook, the Directors re-confirm that Underlying Net Profit after Tax Attributable to Shareholders is expected to be within the previously advised range of \$30.0 million to \$35.0 million. In re-confirming this guidance the Directors note:

- That the combined impact of the Bostock and Craigmore transactions has been taken into account. This impact for FY24 is forecast at a marginal loss in Net Profit after Tax Attributable to Shareholders
- Mr Apple currently has approximately 14% of the export crop to be sold (August 2023: approximately 26%)
- That the Global Proteins result for the year is forecast to be above original expectations but that the 2H24 result appears unlikely to match 1H24's result

We would like to thank all Scales' team members for their ongoing hard work and commitment, which has delivered the strong financial performance for the first half of 2024.

On behalf of the Board and leadership team, we would also like to thank you, our shareholders, for your continued support.



Chair



Managing Director

<sup>3</sup> Tray Carton Equivalents

# 1H24 at a Glance

Underlying NPAT<sup>4</sup> Attributable to Shareholders of

**\$28.5m**

▲ 97% – 1H23: \$14.5 million



Horticulture returning towards pre-Cyclone performance levels

Reported NPAT of

**\$38.1m**

▲ 167% – 1H23: \$14.3 million



Global Proteins' performance consistent with 1H23

<sup>4</sup> Net Profit After Tax



Logistics benefiting from higher volumes



Execution of strategic growth transactions in both Horticulture and Global Proteins