

Media Release

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SCALES CORPORATION REAFFIRMS FULL YEAR EARNINGS GUIDANCE

Scales Corporation Limited (NZX:SCL) today reaffirmed full year EBITDA guidance of between \$55 million and \$62 million after reporting its half year results for the six months to 30 June 2017 (*1H17*).

For the six month period, Scales Corporation Limited reported Net profit after tax of \$29.0 million, down 14 per cent on the record 1H16 profit. The Board noted that this was a very strong performance in light of a challenging growing season, with profit mainly impacted by increases in on-orchard and fixed costs incurred by Mr Apple. These costs were incurred to ensure that in a very difficult season customers' expectations were met as far as practicable in terms of quality and volume.

Key highlights include:

- Combined Mr Apple export volumes consistent with last year noting like-for-like production is only 5% less than 2016 record volumes in a very challenging growing season.
- Acquisition of OceanAir completed 1 August 2017 adds Auckland and Melbourne ports as well as further perishable expertise to our growing freight forwarding and logistics business.
- Storage & Logistics and Food Ingredients divisions on track for year-end targets.
- Petfood ingredients sales volumes up 8 per cent on 1H16.

Managing Director Andy Borland commented “this is a very pleasing result in light of a challenging growing season demonstrating our resilience and productive consistency in all climates. During the growing season the Hawke’s Bay region experienced heavier than normal rainfall as well as heavy winds due to ex-Cyclone Cook. Notwithstanding these conditions the Mr Apple orchard team produced an overall export volume consistent with the record 2016 crop. Whilst this was assisted to some extent by increases in our managed orchard following the Longview transaction last year, we believe that maintaining export production is an outstanding result. Our Horticulture result was supported by solid performance across both the Storage & Logistics and Food Ingredients divisions.”

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“The Longview post-harvest operations acquired last year added notable efficiency to our post-harvest infrastructure, permitting further specialisation and synergies within our post-harvest operations. We also continue to invest in the Mr Apple brand as well as the Dazzle® and Diva® brands in key offshore markets. In recent years we have switched our focus towards apple consumers – tailoring our marketing messages, innovating in packaging, and developing unique varieties such as Dazzle® to create demand pull for our apples. This investment coupled with our strengthening relationship with our key strategic shareholder, China Resources Ng Fung Limited, continues to deliver excellent sales and market share growth.”

“The Storage & Logistics division has seen steady volumes and the division expects to achieve year end targets. We also welcomed OceanAir, an Auckland and Melbourne based freight forwarding business, to the Scales family on 1 August 2017. We are working to integrate the operations of the two businesses and expect to derive positive synergetic benefits in the near term.”

“Sales volumes processed by Meateor Foods in our Food Ingredients division increased 8% compared to 1H16 at slightly reduced margins. We continue our strategy of adding value to products and expanding protein sources. Again, this division expects to achieve year end targets.”

Scales dividend policy is for interim and final dividends to be split approximately evenly and paid in January and July. Directors will consider payment of an interim dividend later in the calendar year.

About Scales Corporation

Scales Corporation is a diversified agribusiness portfolio. It comprises three operating divisions: Horticulture, Storage & Logistics and Food Ingredients. The company’s diverse spread of activities gives Scales broad exposure to New Zealand’s agribusiness sector. Scales Corporation was founded in 1897 as a shipping business by George Herbert Scales. Today it employs more than 600 permanent staff New Zealand wide. Find out more at www.scalescorporation.co.nz.

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