

SCALES CORPORATION LIMITED

GROWING YOUR DIVERSIFIED AGRIBUSINESS

Half Year Results
For the six months ended 30 June 2018
28 August 2018



HIGHLIGHTS

Strong first half result whilst delivering on refreshed strategy

- Positive first half trading across the Group:
 - An increase in Horticulture volumes and prices.
 - Improved utilisation and volumes within Storage & Logistics.
 - Food Ingredients exposed to favourable trading dynamics.
- Sale and settlement of Liqueo business in August 2018:
 - Consideration of \$20.0m, multiple of 13.3x FY17 normalised EBITDA.
- Conditional sale of Coldstore business in June 2018:
 - Consideration of \$151.4m, multiple of 15.6x FY17 EBIT.
 - Conditional only on Overseas Investment Office (OIO) approval.
- Proceeds from the sale of these businesses is intended to be applied to growth initiatives and acquisition opportunities that are being actively pursued.
- FY18 full year EBITDA guidance:
 - Previously announced EBITDA guidance between \$58m and \$65m reaffirmed on a like-for-like basis.
 - Expect to be at the top end of that range.



An aerial photograph of a rural landscape featuring various agricultural fields. A large, white, semi-transparent number '2' is positioned on the left side, and the word 'FINANCIALS' is written in a large, white, sans-serif font across the center. A thin white horizontal line is located below the text.

2 FINANCIALS

FINANCIAL OVERVIEW

A strong first half year of trading

- Growth in revenue:
 - \$255.2m from All Operations, up 24% on 1H17.
 - \$220.1m from Continuing Operations, up 25% on 1H17.
- All profit measures also running ahead of 1H17.

\$000	1H18			1H17		% chg.	
	Continuing Operations	Discontinued Operations *	All Operations	Continuing Operations	All Operations	Continuing Operations	All Operations
Total Revenue	220,120	35,097	255,217	175,806	205,610	25%	24%
Gross Profit	66,138	21,370	87,508	58,420	75,477	13%	16%
<i>% of Revenue</i>	<i>30%</i>	<i>61%</i>	<i>34%</i>	<i>33%</i>	<i>37%</i>		
EBITDA	46,742	10,400	57,142	39,048	47,575	20%	20%
<i>% of Revenue</i>	<i>21%</i>	<i>30%</i>	<i>22%</i>	<i>22%</i>	<i>23%</i>		
EBIT	42,143	7,544	49,687	35,571	41,353	18%	20%
<i>% of Revenue</i>	<i>19%</i>	<i>21%</i>	<i>19%</i>	<i>20%</i>	<i>20%</i>		
NPAT	29,331	5,436	34,767	24,426	28,434	20%	22%
<i>% of Revenue</i>	<i>13%</i>	<i>15%</i>	<i>14%</i>	<i>14%</i>	<i>14%</i>		

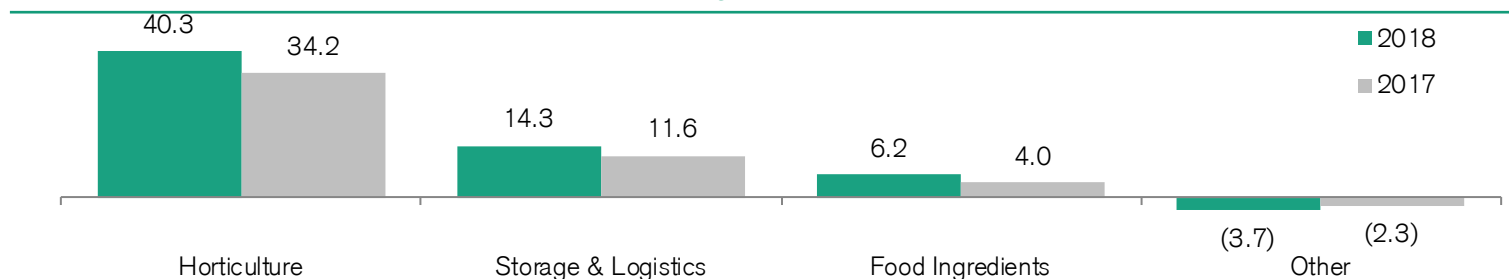
* Excludes intercompany

DIVISIONAL PERFORMANCE

Growth within all divisions

- **Horticulture** – return to more settled growing conditions, resulting in higher volumes, with market dynamics remaining firm.
- **Storage & Logistics** – strong performance, building on prior year operations.
- **Food Ingredients** – reflects favourable trading conditions including global supply restrictions.
- **Scales Corporation** – impacted by costs associated with the sale of Coldstores and Liqueo.

EBITDA by Division (\$m)



All Operations	Horticulture		Storage & Logistics		Food Ingredients		Corporate & Eliminations		Group	
\$000	1H18	1H17	1H18	1H17	1H18	1H17	1H18	1H17	1H18	1H17
Total Segment Revenue	143,842	120,334	81,511	67,551	45,521	33,978	(15,657)	(16,253)	255,217	205,610
EBITDA	40,301	34,227	14,279	11,616	6,213	4,013	(3,651)	(2,281)	57,142	47,577
% of Revenue	28%	28%	18%	17%	14%	12%	23%	14%	22%	23%
EBIT	36,116	31,091	11,288	8,804	5,943	3,754	(3,660)	(2,296)	49,687	41,354
% of Revenue	25%	26%	14%	13%	13%	11%	23%	14%	19%	20%

Note: Segment Revenue includes intercompany charges, most specifically within the Storage & Logistics division, where Scales Logistics charges Mr Apple and Meateor for shipping. In addition, costs relating to the disposal of Polarcold and Liqueo, amounting to \$687k for 1H18, have been included in the Corporate division in this analysis.

BALANCE SHEET

Robust financial position

- Average Net Debt (average of 30 June 2018 and 31 December 2017) \$60.0m:
 - Increase of \$8.2m on 1H17 (\$51.8m), primarily due to increases in working capital and the exclusion of Polarcold and Liqueo cash balances.
 - Net Debt to equity 33% (29% at 30 June 2017).
- Net Cash at 31 December 2018 expected to be ~\$130m:
 - Subject to completion of the sale of Polarcold during the current financial year.
 - Includes \$20m from the sale of Liqueo, which settled on 13 August.

	Group - Unaudited		
	1H18	1H17 (Restated)	31 Dec 17 (Restated)
\$000			
Current Assets			
Cash and Bank Balances	1,841	15,124	5,690
Trade & Other Receivables	73,361	66,232	23,437
Agricultural Produce	61,558	64,750	20,189
Inventories	27,750	22,398	22,212
Other Current Assets	5,726	10,833	9,838
	170,236	179,337	81,366
Assets Held for Resale	111,995	-	-
Current Liabilities			
Trade & Other Payables	(57,401)	(63,178)	(22,215)
Dividend Declared	(12,538)	(14,006)	(12,586)
Short-Term Borrowings	(41,000)	(44,000)	(6,500)
Current Tax Liabilities	(14,822)	(16,076)	(2,739)
Other Financial Liabilities	(7,088)	(1,715)	(4,331)
	(132,849)	(138,975)	(48,371)
Liabilities Associated With Assets Held for Resale	(18,303)	-	-
Net Working Capital	131,079	40,362	32,995
Non-Current Assets			
Property, Plant and Equipment	133,445	225,862	228,881
Other Non-Current Assets	27,243	36,636	32,259
	160,688	262,498	261,140
Non-Current Liabilities			
Term Borrowings	(40,000)	(40,000)	(40,000)
Deferred Tax	(8,666)	(24,821)	(28,175)
Other Financial Liabilities	(5,568)	(3,379)	(4,043)
	(54,234)	(68,200)	(72,218)
Net Assets	237,533	234,660	221,917
Net Debt	(79,159)	(68,876)	(40,810)
Average Net Debt	(59,985)	(51,761)	(54,843)

An aerial photograph of a port facility. A large cargo ship is docked at a pier on the right side. The pier is filled with numerous white and orange cargo containers. To the left of the ship, there are several large white storage tanks. The water is a deep blue-green color. In the foreground, there is a road with some vehicles and a small area of greenery. The overall scene depicts a busy port area.

3

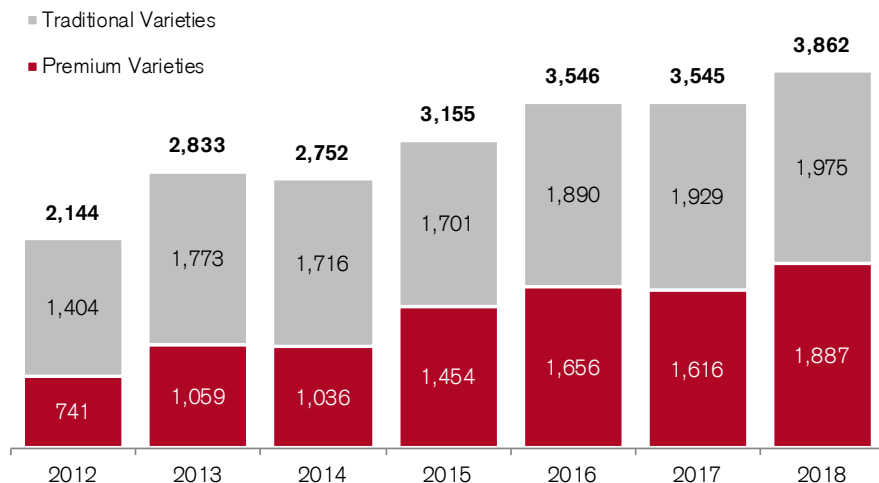
DIVISIONAL PERFORMANCE & OUTLOOK

HORTICULTURE

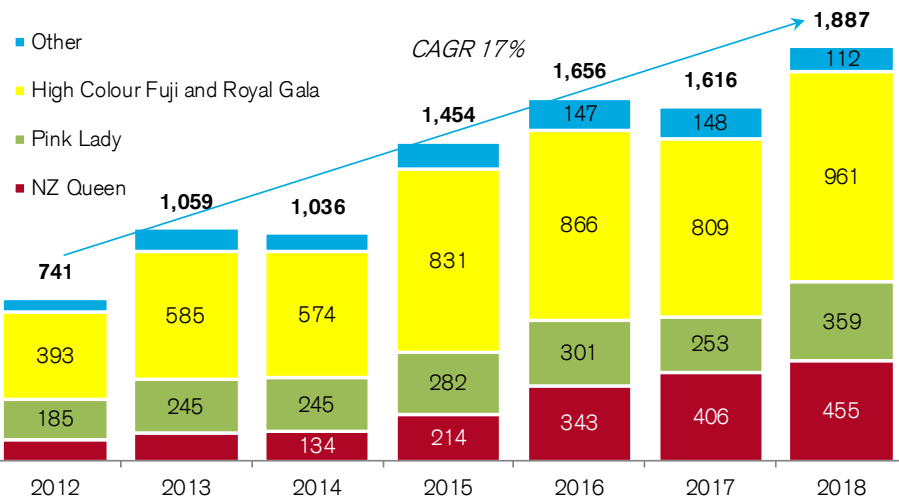
Increase in both volumes produced and prices achieved

- Mr Apple total own grown export volumes up 9% compared to last year:
 - More normal growing conditions experienced.
 - Export packout of 76% in line with long-term averages.
- A 17% increase in Premium Variety volumes, including large increases in NZ Queen, Pink Lady, and High Colour fruit.
- A slight increase in Traditional Variety volumes, 2% ahead of FY17.
- Pricing remained firm, with solid demand from key markets.

Mr Apple Grown Export Volumes (TCE 000s)



Growth in Premium Volumes (TCE 000s)

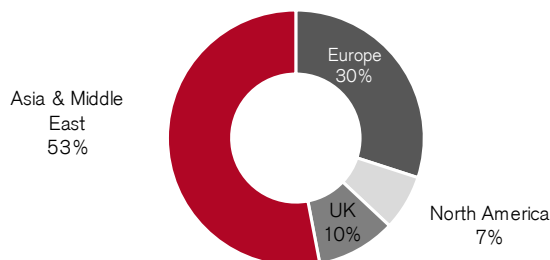


HORTICULTURE

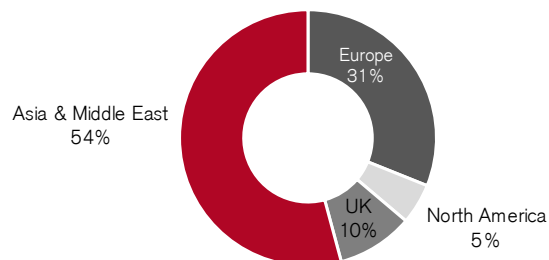
Continued penetration of key overseas markets

- Ongoing strategy to become a leading apple brand in China:
 - Investment continuing to redevelop our planted land into the premium varieties sought after by Asia and Middle East markets.
 - Historical redevelopment of premium varieties coming into production.
 - Intention to continue to redevelop orchards in new premium varieties such as Dazzle®.
 - Sustained in-market targeted advertising and promotions together with continued further development in proprietary varieties.
 - Ongoing support from our key strategic shareholder, China Resources Ng Fung.
- Strong demand from key European customers this season.

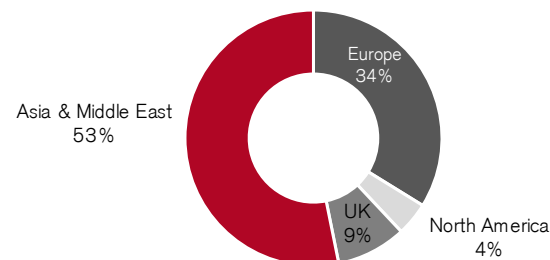
Sales by Region (TCEs) FY16



Sales by Region (TCEs) FY17



Sales by Region (TCEs) FY18F*



**Actual sales by region will not be known until all fruit is sold.*

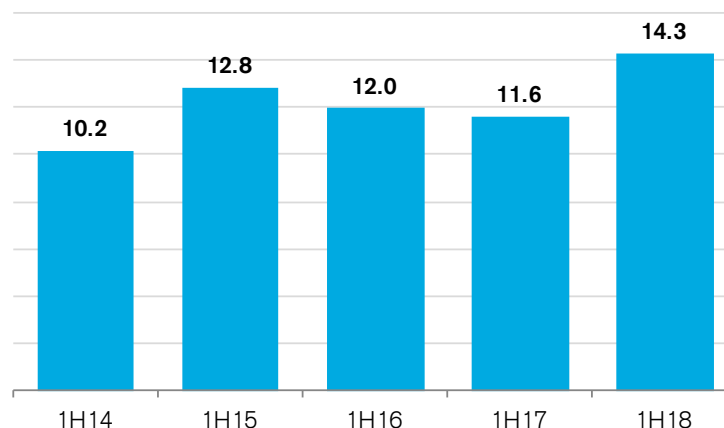
Sales to Asia and Middle East are predominantly in USD, North American sales are in CAD and USD, UK and Europe sales predominantly in their respective currencies.

STORAGE & LOGISTICS

Pleasing performance from the Storage & Logistics division

- Divisional contribution growth reflects:
 - More ordinary cropping season, giving rise to higher volumes and improved utilisation for Polarcold in particular.
 - Improved trading from the Auckland coldstore.
 - Increased trade in edible oil storage for Liqueo.
 - Increased freight volumes for Scales Logistics (due in part to higher apple volumes).
 - Full six months of trading from OceanAir.
- Divestment of Polarcold and Liqueo in line with refreshed Group strategy:
 - Conditional Polarcold sale effective 1 June 2018, subject to OIO approval.
 - Liqueo sale completed and settled 13 August 2018.

Storage & Logistics EBITDA (\$m)



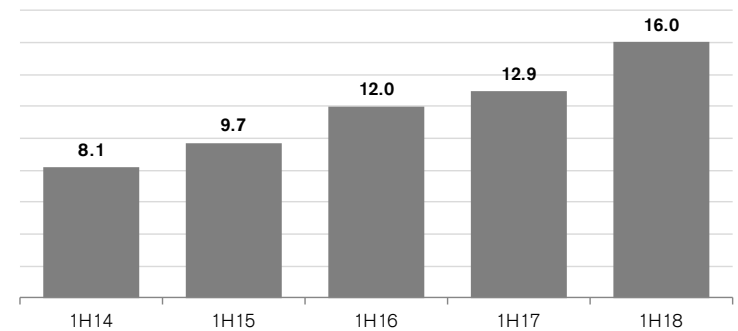
FOOD INGREDIENTS

Volume increases due to market shortage

- Meateor:
 - Continuing increases in volume sold.
 - Margins favourably impacted by market conditions and overall product mix.
 - Business strategy continues to focus on adding value to, and expanding supply of, protein sources.



Meateor – Volumes Sold (MT 000s)



- Profruit:
 - Increased volumes due to a larger apple crop and lower export packout.

An aerial photograph of a large agricultural field, likely a vineyard or orchard, showing dense rows of green plants. A road runs along the top left edge, and a small white building is visible in the lower left. A large, light-colored rectangular area, possibly a covered walkway or a different type of crop, is visible in the upper left. The text "SUSTAINABILITY" is overlaid in white, bold, sans-serif font, with a thin white horizontal line underneath it.

SUSTAINABILITY

4

SUSTAINABILITY

Continuing our sustainability journey

- People:
 - Group-wide staff engagement survey conducted throughout August.
 - Three new Health and Safety positions created throughout the Group.
 - Safety culture workshops undertaken at Mr Apple.
- Environment:
 - Waste audits being undertaken across selected sites.
 - Discussions held with suppliers regarding packaging changes.
 - Increased recycling options being explored.
 - CEMARs* carbon footprint certification underway for Mr Apple.
- Governance and Risk Management:
 - Appointment of Teresa Steele-Rika as our next Future Director in August 2018.
 - Business continuity plans reviewed for all Group companies.



* Certified Emissions Management and Reduction Scheme, an internationally accredited greenhouse gas certification scheme.

An aerial photograph of a vast agricultural landscape. The foreground and middle ground are dominated by a large, rectangular field with a distinct grid-like pattern of rows, likely a crop field. A dirt road or path runs diagonally from the bottom left towards the top right, separating the main field from a smaller, more irregularly shaped field on the right. A small, dark-colored building is visible near the intersection of the road and the main field. The background shows more fields and some distant structures under a clear sky.

STRATEGY 5

STRATEGY

Greater focus on pure agribusiness

- As previously advised, we have revised our group investment and growth strategy:
 - A greater focus on pure agribusinesses.
 - Seeking opportunities that play to our strengths:
 - Fully-vertically integrated.
 - Export-led.
 - Add value from our China relationships.
- Initial steps successfully executed through the divestment of Liqueo and Polarcold.
- Currently reviewing a number of acquisition opportunities in our previously disclosed investment universe.
- Reviewing strong opportunities within our existing business units.



An aerial photograph of a river meandering through a lush green agricultural landscape. The river is a light brown color, contrasting with the vibrant green of the fields. A straight road runs parallel to the river on the left side. In the upper right, there are some small buildings and structures. The overall scene is a typical rural landscape.

FINANCIAL OUTLOOK

6

FY18 FULL YEAR OUTLOOK

Like-for-like EBITDA guidance of \$58m to \$65m reaffirmed, likely to be at top end of range

- Horticulture:
 - Improved orchard outcomes, with Mr Apple exported volume up 9% on prior year to a record 3.86m TCEs.
 - Ongoing investment in the Mr Apple brand and premium apple varieties for the Asia and Middle East markets continues to deliver sales growth. Solid demand from European markets.
 - However, softer demand has been anticipated for the conclusion of the season.
 - Although advantage has been taken of recent weakness in the NZD to increase hedging levels for future years, this has no material impact on current year trading.
- Food Ingredients / Logistics:
 - Meateor volumes expected to be lower in 2H18.
 - Full year results anticipated to be in line with expectations.
- Scales Corporation:
 - Increased costs associated with acquisition opportunities and divestment activity, including expected final costs associated with the sale of Polarcold and Liqueo of approximately \$1m.
- FY18 EBITDA guidance:
 - Previously announced EBITDA guidance between \$58m and \$65m reaffirmed on a like-for-like basis.
 - Expect to be at the top end of that range.

DISCLAIMER

Please do not read this presentation in isolation

This presentation supplements our half year results announcement dated 28 August 2018. 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.

There is no offer or investment advice in this presentation

This presentation is for information purposes only. It is not an offer of securities, or a proposal or invitation to make any such offer. It is not investment advice or a securities recommendation, and does not take into account any person's individual circumstances or objectives. Every investor should make an independent assessment of Scales Corporation on the basis of independent expert financial advice.

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Our results are reported under NZ IFRS. This presentation may include 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 expense / (income), and taxation expense to net earnings / (loss).
- EBIT. We calculate EBIT by adding back (or deducting) finance expense / (income), and taxation expense to net earnings / (loss).

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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