Scales Corporation Limited

Growing your Diversified Agribusiness

Annual Results Presentation
For the year ended 31 December 2018

27 February 2019

Scales
growing New Zealand

Agenda

1. 2018 Highlights
2. Financials
3. Divisional Performance & Strategy
4. Capital Management
5. Investment Strategy
6. Sustainability, Governance and Outlook
7. Appendices

2018 Highlights

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Strategic & Operating Highlights

- Underlying EBITDA $67.1m, up 8% on 2017. Underlying NPAT $35.8m, up 9% on 2017
- Statutory Profit for the Year $45.5m (2017: $31.6m)
- Storage businesses (Polarcold & Liqueo) sold for combined proceeds of $171.4m. Sale of Polarcold remains subject to OIO approval (ongoing). The due date for satisfaction of this condition has been extended by mutual agreement to 31 May 2019
- Mr Apple own-grown export volumes of 3,867k TCEs, up 9% on 2017
- Mr Apple continues to invest in its future, with approximately 67 hectares planted or redeveloped in 2018 in premium varieties
- Significant strengthening of food ingredients network. Our full service petfood ingredients business Meateor successfully completed the acquisition of 60% of Shelby Foods – expanding the Group's network and depth of customer relationships
- Continued progress on our sustainability journey with Mr Apple completing its first CEMAR certification to calculate its carbon footprint
- Depth and industry experience added to the board with appointment of Nadine Tunley and Tomakin Lai

Scales by the Numbers

5,831,000 TCEs of apples exported (Mr Apple, Longview, outside growers & Fern Ridge Fresh)	**3** Signed acquisition or sale of business contracts (Polarcold, Liqueo, Shelby)	**35,210** TEU equivalents freighted (up 19% on 2017)	**$464.7m** Underlying Revenue (new Revenue record)
18.5 cents Dividends declared per share	**29,028 MT** Petfood ingredients sold	**3,867,000** TCEs of own-grown apples exported (new volume record for Mr Apple)	**17%** ROCE (2017: 17%)

Financials

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Group Financial Performance

- New record revenue, Underlying Revenue $464.7m, up 18% on 2017:
  - Solid revenue growth from all divisions
  - Reported revenue (excluding discontinued operations) $402.5m up 20% on 2017
- Reported NPAT $45.5m (2017: $31.6m)
- Underlying EBITDA $67.1m, up 8% on 2017 and exceeding previous guidance
  - Underlying results are shown after deduction of transaction costs ($1.7m) associated with completion of the Polarcold, Liqueo and Shelby transactions
- Underlying Net Profit $35.8m, up 9% on 2017

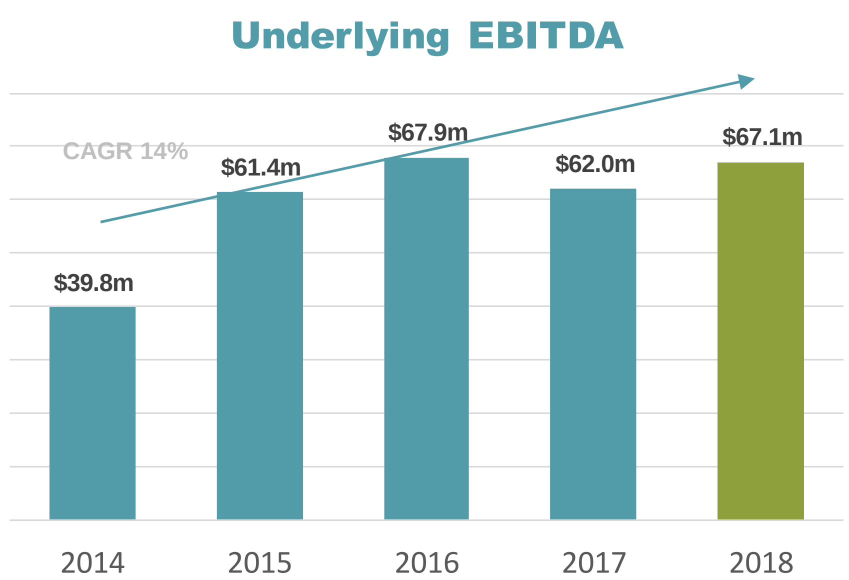
Income Statement

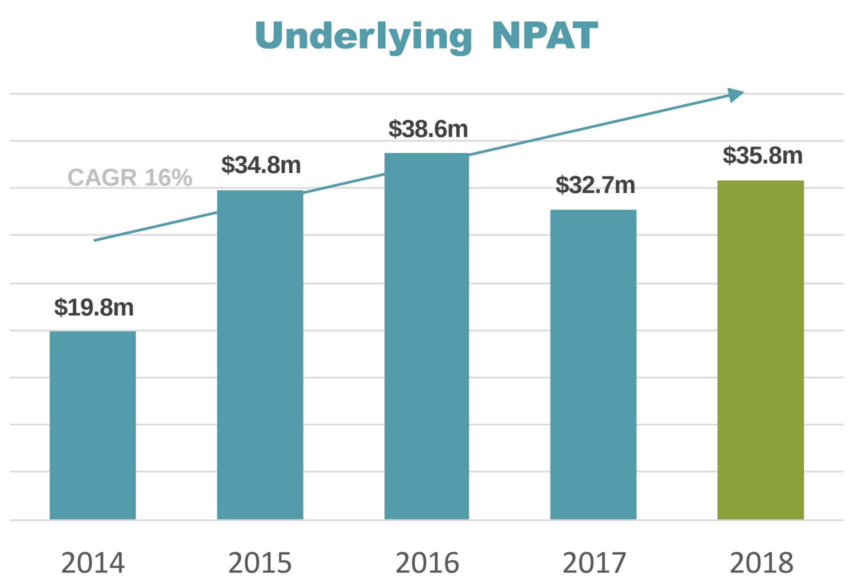
$Millions	2018 Actual	2017 Actual	*Growth*
Reported Financials*		Restated	
Revenue	402.5	335.5	*20%*
Cost of Sales	(312.2)	(256.7)	
Gross Margin	90.3	78.8	*15%*
Profit for the Year	45.5	31.6	*44%*
Underlying Results**			
Underlying Revenue	464.7	393.1	*18%*
Underlying EBITDA	67.1	62.0	*8%*
Underlying EBIT	52.3	47.8	*9%*
Underlying Net Profit	35.8	32.7	*9%*

* Reported (and restated) financials exclude discontinued operations (Polarcold and Liqueo)
** Underlying Results exclude some New Zealand International Financial Report Standards (NZ IFRS) non-cash adjustments (namely, change in fair value gain on apple inventory, cash-settled and equity-settled share-based payments, and change in gross liability for non-controlling interests). Management and the Board believe that Underlying Results more accurately demonstrate the change in operational performance of the Group. Underlying Results include earnings from Polarcold (full year) and Liqueo (up until sale)

Trends in Financial Performance

- Underlying EBITDA and NPAT have increased at CAGRs of 14% and 16% respectively

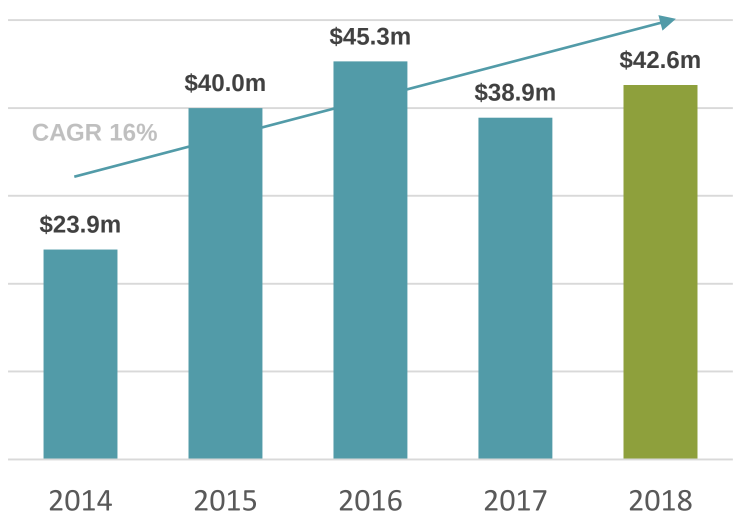




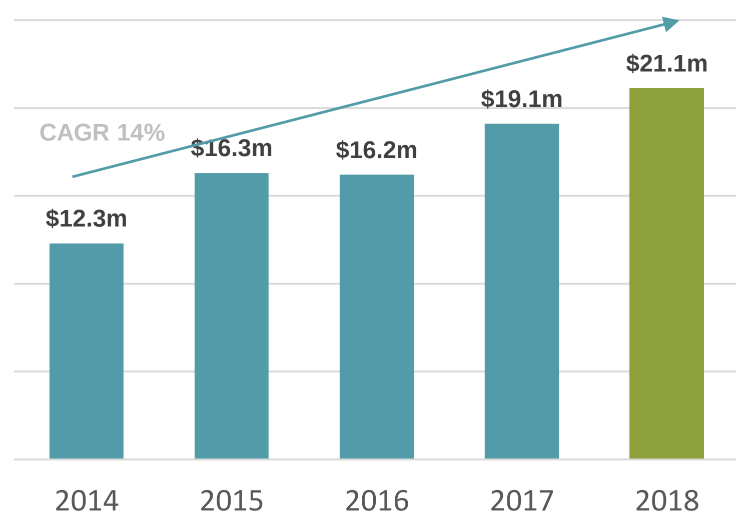
Trends in Divisional Performance

- Underlying divisional EBITDAs have increased at CAGRs of between 14% and 16% as presented below

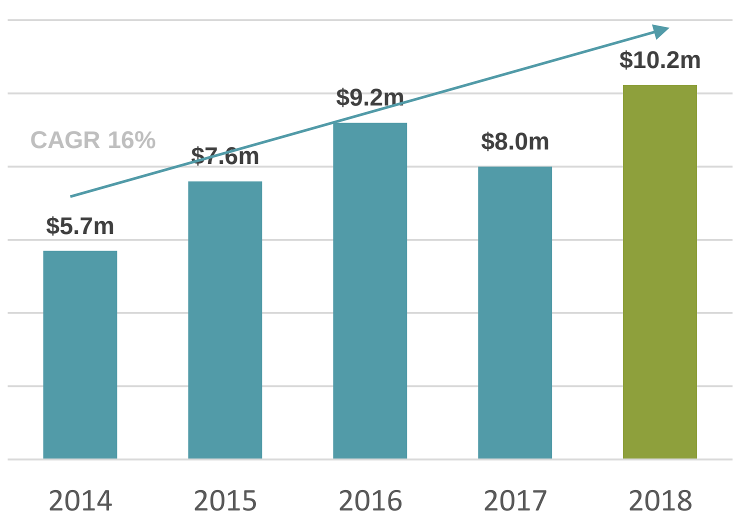
Horticulture EBITDA



Storage & Logistics EBITDA



Food Ingredients EBITDA



Balance Sheet

- Capital employed increased by $52.7m in 2018, principally due to:
  - The acquisition of Shelby in December 2018, resulting in additional assets and goodwill
  - Capital expenditure including orchard redevelopment as described in the Horticulture section
  - Increases in inventory
- Polarcold's assets have been reclassified as "Assets held for sale", reducing Non-Current Assets and increasing Current Assets

Balance Sheet

$Millions	2018 Actual	2017 Actual
Current Assets (excluding Cash)		
Trade Debtors	22.9	23.4
Inventory	45.4	22.2
Unharvested Agricultural Produce	20.5	20.2
Other	7.3	9.8
Assets Held for Sale	97.6	-
	193.9	**75.7**
Current Liabilities (excluding Overdraft, Borrowings, and Dividends Declared)		
Trade Creditors & Other Payables	(27.3)	(22.2)
Liabilities assoc. w/Assets Held for Sale	(7.6)	-
Other	(6.5)	(7.1)
	(41.4)	(29.3)
Net Working Capital	**152.5**	**46.4**
Non-Current Assets		
Apple Trees	31.6	30.7
Land & Buildings	86.7	142.6
Other PP&E	32.3	55.5
Investments & Intangibles	50.2	24.5
Other	6.9	7.8
	207.7	261.1
Capital Employed	**360.2**	**307.5**

Balance Sheet (continued)

- At December 2018, Net Debt was $62.2m. The increase in Net Debt on 2017 was due to settling the Shelby transaction, and increases in working capital and Non-Current Assets, partly offset by proceeds from the sale of Liqueo
- Average net debt for the year was $70.7m. Except for the Shelby transaction, which did not materially contribute to earnings during 2018*, average net debt for the year would have been $53.1m, or 0.8x EBITDA
- Our balance sheet remains strong with significant headroom on covenants

* Shelby was settled on 20 December 2018

Balance Sheet (continued)

$Millions	2018 Actual	2017 Actual
Non-Current or Other Liabilities		
Deferred Tax Liabilities	(15.6)	(28.2)
Other Financial Liabilities	(7.5)	(4.0)
Dividends Declared	(13.3)	(12.6)
	(36.4)	(44.8)
Net Debt		
Cash less Overdraft	(1.0)	5.7
Cash in Assets Held for Sale	6.7	-
Borrowings	(68.0)	(46.5)
Net Debt	(62.2)	(40.8)
Liabilities assoc. w/assets held for sale	(11.7)	-
Total Equity	**249.9**	**221.9**
Covenants		
Interest Cover		
Ratio	22.4x	18.3x
Covenant	3.0x	3.0x
Headroom	646%	511%
Senior Debt Coverage		
Ratio	1.1x	0.7x
Covenant	2.5x	2.5x
Headroom	131%	257%

Divisional Performance & Strategy

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Horticulture – Financial Performance

Strong performance from a record crop

- Record revenue of $255m, up 15% on 2017
- Underlying EBITDA of $42.6m, up 9% on 2017
- Horticulture highlights:
  - Increase in crop – from 3,545k TCEs to 3,867k TCEs, against a backdrop of a generally more challenging season (packout down to 76% from 80% in 2017)
  - Improved prices for both traditional and premium varieties
  - Significant orchard development in new premium varieties for which Mr Apple has an underlying interest in the plant variety rights (Dazzle® and Posy®)

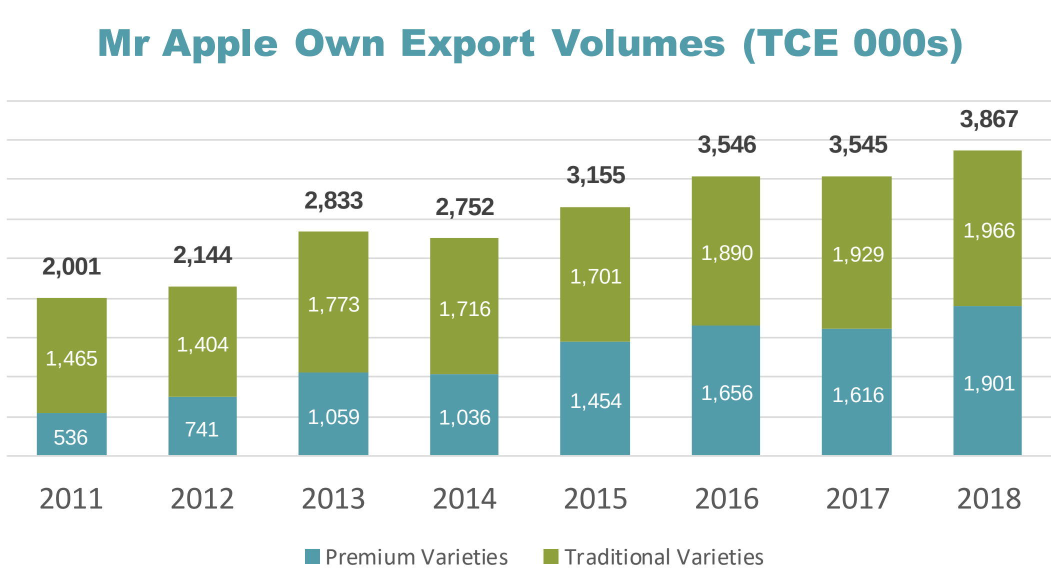
Financial Performance - Horticulture

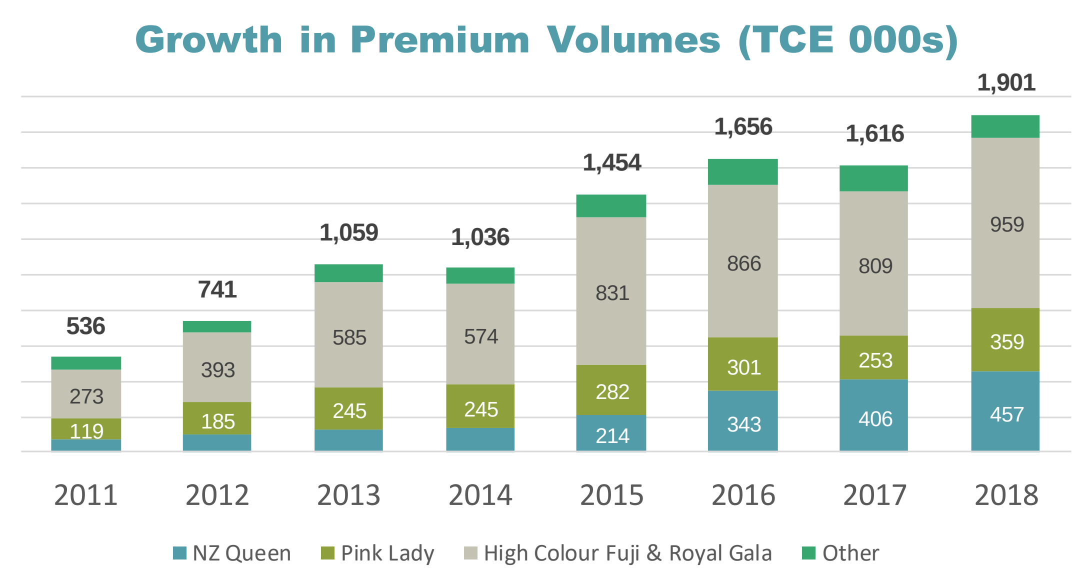
$Millions	2018 Actual	2017 Actual	*Growth*
Revenue	254.6	222.0	*15%*
Underlying Horticulture EBITDA	42.6	38.9	*9%*
Underlying Horticulture EBIT	34.2	31.1	*10%*

Horticulture – Own-Grown Volumes

Significant increase in export crop

- Total own grown export volumes of nearly 3.9m TCEs, up 9% on 2017
- Volume growth concentrated in premium varieties, up 18% on 2017, with strong growth across all premium varieties





Horticulture – Prices & Other KPIs

- Weighted average FOB price up 7% on 2017 reflecting:
  - Improved pricing for Premium and Traditional Varieties
  - Mix changes, with Premium varieties now accounting for nearly 50% of all sales
  - Minor favourable movements in FX rates achieved
- The division sold more than 5.8m TCEs, up 4% on 2017. Strong growth in Mr Apple volumes are believed to compare favourably to the broader industry

Horticulture KPIs

	2018 Actual	2017 Actual	*Growth*
Apple Prices by Variety (NZD / TCE, FOB)			
Premium Varieties	38.8	36.8	*5%*
Traditional Varieties	32.7	30.8	*6%*
Weighted Average all Apples	**35.7**	**33.5**	***7%***
Volumes (TCE 000s)			
Mr Apple own-grown volumes	3,867	3,545	*9%*
External grower volumes*	1,964	2,078	*-5%*
Total volume sold	**5,831**	**5,622**	***4%***
FX Rates			
NZD:USD	0.69	0.69	*-1%*
NZD:EUR	0.58	0.60	*-4%*
NZD:GBP	0.48	0.46	*4%*
NZD:CAD	0.86	0.88	*-2%*

* External grower volumes comprise external grower volumes handled by Mr Apple (1,183k TCEs) and Fern Ridge Fresh (780k TCEs)

Horticulture – Strategy

Continuing to invest in new, premium varieties

- The next exciting step in Mr Apple's strategy is to increasingly grow and market apples for which we own (outright or collaboratively) the underlying variety. With 1,155 hectares of our own planted orchards, Mr Apple is uniquely positioned to develop commercially relevant volumes of new, premium varieties
- Dazzle®, a new apple brand 20 years in the making, is specifically targeted at the Asia market with its high colour, sweet taste and big size. Mr Apple's first commercial sales of Dazzle® will take place this year
- Posy® is a pinky red, sweet apple, which is harvested at the very beginning of the season, and targeted at consumers in the Asia region. The first commercial sales of Posy® will take place in the next month
- Currently, Mr Apple has approximately 50 hectares of Dazzle® and 30 hectares of Posy® planted

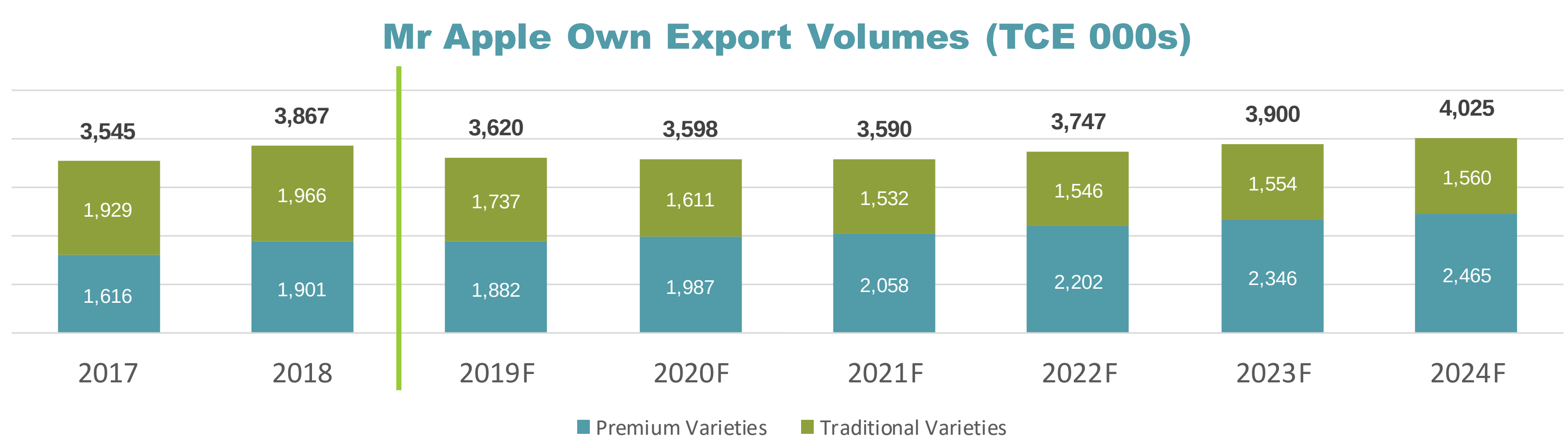
Posy™ Apple

NEW ZEALAND 4215 dazzle™ Magic in every bite

Horticulture – Strategy (continued)

Replanting profile; future volumes and apple pricing

- Mr Apple has begun the next phase of its orchard redevelopment programme. During the 2018 winter, nearly 67 hectares of new orchard were developed (of which 41 hectares is in Dazzle®). 58 hectares of established orchard were either redeveloped or ceded over the same period
- Further plantings of approximately 85 hectares (through the redevelopment of 70 hectares of Braeburn and lower performing orchard blocks) are anticipated to take place over the 2019 and 2020 winters
- As shown below, total orchard production is likely to reduce in the near term with volumes returning to current levels in 2023F
- Due to the increased proportion of premium varieties including Dazzle® and Posy®, the weighted average NZ FOB sale price would increase to ~$39 / TCE by 2023F if 2018 varietal pricing is maintained (future sale prices will depend on market conditions at the time)



Storage & Logistics

- Revenues up 22% due mostly to strong growth in performance of Scales Logistics
  - Scales Logistics arranged ocean freight for the equivalent of 35,210 TEUs, up 19% on 2017, and 9,251 tonnes of Airfreight, up 49% on 2017
- Solid performance from Polarcold which recognised a 4% increase in EBITDA. Liqueo also performed well in the period up until its sale in August 2018
- Assuming the sale of Polarcold proceeds, this division will be renamed the "Logistics" division in future announcements. Scales is committed to further opportunities for growth, both organic and through acquisition, for this division

Financial Performance - Storage & Logistics

$Millions	**2018 Actual**	**2017 Actual**	***Growth***
Underlying Revenue	153.2	126.0	*22%*
Underlying EBITDA			
Polarcold	15.1	14.5	*4%*
Scales Logistics	4.9	3.3	*48%*
Liqueo*	1.1	1.3	
	21.1	**19.1**	***10%***
Underlying EBIT	15.3	13.3	*15%*

* Liqueo results for 2018 are for the part year from 1 January 2018 to 13 August 2018 (being the date of settlement of the sale of Liqueo)

Food Ingredients

- Solid growth in revenues and profitability from Food Ingredients. Increased profitability from both Meateor and Profruit
  - Total sales volumes >29,000 MT, up 5% on 2017 (not including Shelby volumes)
  - 2019 volumes expected to be significantly higher with inclusion of Shelby sales
- Significant developments during 2018 position Food Ingredients towards achieving its long-run earnings objectives

Financial Performance & KPIs - Food Ingredients

$Millions	2018 Actual	2017 Actual	*Growth*
Financial Performance			
Revenue	83.1	68.9	*21%*
Underlying Food Ingredients EBITDA	10.2	8.0	*27%*
Underlying Food Ingredients EBIT	9.6	7.5	*28%*
KPIs			
Meateor Volume Sold (MT)	29,028	27,663	*5%*
Juice Concentrate Sold (000 L)	6,219	5,645	*10%*

Food Ingredients – Strategy & Synergies

Meateor Group will have substantial interests in three territories

- Our petfood investments are focused principally on three objectives:
  - **Improving our relevance to customers.** Shelby increased our scale, breadth and diversity of proteins. The combined Meateor group expects to handle more than 110,000 MT of petfood ingredients sourced from three separate geographies annually. We believe we are meeting our objective of becoming a significant global supplier to the world's largest petfood manufacturers
  - **Extend the range of value added services to our customers.** We are committed to exploring options with our customers to make petfood more nutritious as well as to develop a range of 'functional' petcare foods. Multiple opportunities for growth are being considered by the Group
  - **Creating a diversified business of scale.** Our goal is to develop the Food Ingredients division into a business with $25m in EBITDA, with a diversity of supply and offtake relationships

Meateor Group

Australia	New Zealand	United States
Sourcing & sales (100%)	Sourcing, manufacturing & sales (100%)	Sourcing, manufacturing & sales (60%)


Capital
Management
4

Performance Against Benchmarks

- Return on Capital Employed (ROCE) maintained at 2017 levels at the Group level, above our long-run objective
- EBITDA margins remain strong. A decrease in Group EBITDA margins is mostly due to the increased trade from the lower margin activities of the Group

Capital Management

$Millions	2018 Actual	2017 Actual
Return on Capital Employed		
Horticulture	21%	21%
Storage & Logistics*	16%	13%
Food Ingredients**	32%	37%
Group	**17%**	**17%**
Target	15%	15%
EBITDA Margins		
Horticulture	17%	18%
Storage & Logistics	14%	15%
Food Ingredients	10%	10%
Group* **	**14%**	**16%**
Target	13%	13%

* Storage & Logistics ROCE for 2018 is based on Scales Logistics and Polarcold. Liqueo has been excluded due to the Nil balance of capital employed at year end
** Food Ingredients ROCE excludes Shelby
*** Group EBITDA Margin is based on Underlying EBITDA divided by Underlying Revenue (Revenue from continuing and discontinued businesses)

Capital Expenditure

- Total capital expenditure was higher than 2017 due to growth projects at both Mr Apple and Polarcold. Operational capital expenditure was in line with 2017
- During the year Mr Apple developed and redeveloped approximately 67 hectares at a cost of $5.3m:
  - Mr Apple is following the trends in growing techniques. Whilst these techniques involve higher upfront expenditure, longer run benefits include faster and improved yields, and lower orchard costs (e.g. picking)
  - Planting / redevelopment of the remaining 85 hectares is estimated to cost a further $7m with the majority of this expenditure likely to occur during 2019
- Total growth and operational capital expenditure during 2018 for Polarcold was $4.7m

Capital Management

$Millions	2018 Actual	2017 Actual
Operational Capital Expenditure		
Horticulture	3.5	3.8
Storage & Logistics	3.3	3.3
Food Ingredients	0.5	0.2
Other	0.2	0.1
	7.5	**7.4**
Growth Capital Expenditure		
Horticulture	6.5	5.2
Storage & Logistics	2.3	0.8
Food Ingredients	-	-
	8.8	**6.0**
Total Capital Expenditure	**16.3**	**13.5**


Investment Strategy
5

Delivering on Strategy Refresh

Recap on progress to date

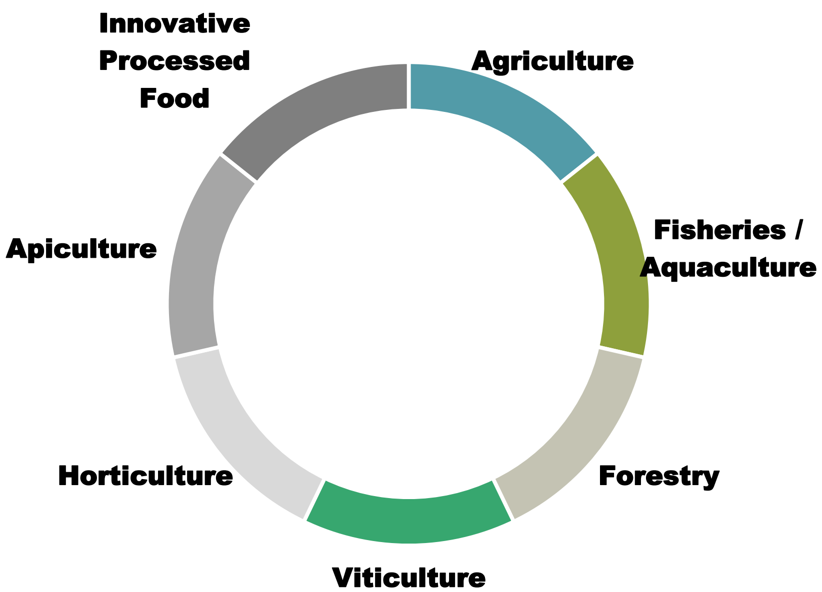
- Project Refresh was about refreshing our group investment and growth strategy, adopting a greater focus on pure-agribusinesses
- We have, and will continue to focus on opportunities that play well to our strengths:
  - Fully-vertically integrated
  - Export-led
  - Added value from our relationships in China
- As signalled, successful implementation of the strategy will ultimately result in a meaningful rebalance of our portfolio of businesses:
  - Storage businesses (Polarcold and Liqueo) have either been, or are expected to be, sold. These businesses were less-aligned with our core strengths, and generated lower returns
  - We have initially focused investment on our Food Ingredients division, with the objective of creating a $25m EBITDA business. To date we have acquired a controlling interest in Shelby Foods and continue to investigate a range of opportunities
  - We will continue to review investment opportunities that play well to our strengths

Agri-Business

This is an exciting time to be a diversified investor in New Zealand agribusiness

- New Zealand stakeholders expect the agriculture sector to embrace environmentally friendly, sustainable and high value production - making best use of current natural resources and creating long lasting environmental benefits
- This is reflected in government announcements covering areas such as climate change and expectations of foreign investment

- We've defined Agri-Business to encompass the following sectors



The Primary Sector accounts for:

79.2% of NZ's merchandise exports

15% of employment

10.5% of GDP

Sustainability, Governance and Outlook

6

Sustainability

We take seriously our obligation to be a responsible corporate citizen

- Environment:
  - Mr Apple completed its first CEMARs certification process to determine its carbon footprint (results not yet available). We will be implementing plans to reduce our carbon footprint
  - Waste audits completed for the packhouse and orchard divisions of Mr Apple
- People:
  - Inaugural Group-wide staff engagement survey (405 participants)
  - Highest engagement scores around safety as a part of every day (86%), job satisfaction (74%), and diversity and inclusion (70%)
  - Useful baseline upon which to measure improvement (or deterioration) in staff engagement
- Safety:
  - Development of a training matrix and use of an in-house forklift coach has driven notable positive differences in behavior, safety and reduced damage
  - Increased reporting – in particular safety observations and near misses (up 79% on 2017)
  - All CEO's and Board members attended a Health & Safety, Governance, and Leadership refresher course

Governance

Scales is pleased to announce two new additions to its Board

- **Nadine Tunley**
  - The Board of Scales is pleased to announce the appointment of Nadine Tunley as a Non-Executive Independent Director of the company. Nadine's appointment is effective from 26 February 2019
  - Nadine is currently CEO of Ngai Tahu owned, Oha Honey LP, which farms in excess of 35,000 bee hives nationwide. Nadine brings experience from a number of governance roles, including being the former Chair of NZ Apples & Pears

- **Tomakin Lai**
  - In January 2019 the Board welcomed Tomakin Lai as a Director of the company. Tomakin replaces Weiyong Wang as China Resources representative on the Board. Tomakin is a Director of China Resources Ng Fung Limited, who hold a 15.24% shareholding in the company. Tomakin is also the Vice President, Chief Financial Officer and Company Secretary of China Resources Enterprise, Limited

- In accordance with standard practice, Nadine and Tomakin will resign and offer themselves for re-election at the next Annual Shareholders Meeting

What We Know About 2019

- Horticulture:
  - Apple harvest underway, early crop indications support a return to long-run average packout rates
  - First commercial sales of our new premium proprietary varieties Dazzle® and Posy® will take place this season
  - Focused marketing and branding efforts to expand further in Asia
  - Early market indications remain supportive
- Storage & Logistics:
  - Coldstores reaching full capacity as the cropping season is in full swing
  - Positive start for Scales Logistics – activity expected to remain at 2018 levels
- Food Ingredients:
  - Petfood ingredient demand remains firm
- Initial trading for 2019 is in line with expectations, and with previous year's trading, although noting the revised volume forecast in Mr Apple due to redevelopment

7

Appendices

Reconciliation to Statutory Accounts

- This table reconciles Underlying EBITDA and Underlying Net Profit to "Profit for the Year" as reported in our Financial Statements

Reconciliation to Reported Financials

	Group	
$000s	**2018**	**2017**
Reported EBITDA	**51,744**	**45,305**
Change in fair value gain on apple inventory	256	40
Change in gross liability for Non-Controlling Interest	(146)	629
Share based payments	31	92
Equity settled employee benefits	849	389
Discontinued operations EBITDA	14,323	15,552
Underlying EBITDA	**67,057**	**62,007**
Reported net profit	**45,499**	**31,617**
Change in fair value gain on apple inventory	256	40
Change in gross liability for Non-Controlling Interest	(146)	629
Share based payments	31	92
Equity settled employee benefits	849	389
Taxation	(80)	(37)
Gain on disposal of Liqueo	(8,174)	-
Depreciation after transfer to disposal	(2,421)	-
Underlying net profit	**35,814**	**32,730**

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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) any non-cash IFRS adjustments.
- Underlying Net Profit is calculated by adding back or (or deducting) the after-tax effect of any non-cash IFRS adjustments.

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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