

Media Release

28 August 2019

SCALES CORPORATION DELIVERS RECORD INTERIM RESULT INCLUDING PROFIT FROM DIVESTMENTS

Highlights – 6 months to 30 June 2019

- Mr Apple own export volumes significantly ahead of forecast (3,822k TCEs vs forecast of 3,620k TCEs, 2018 – 3,862 TCEs), notwithstanding weather conditions that resulted in a smaller average apple size.
- Strong performance in Asia and Near Markets, with volume and prices up – especially to China.
- Continued progress on the Group’s refreshed strategy:
 - Settlement of the sale of Polarcold to Emergent Cold.
 - Establishment of a New Zealand joint venture petfood operation with Alliance Group.
 - Integration of Scales’ 60% acquisition of Shelby Foods.
- A solid result from Food Ingredients whilst integrating the acquisition of Shelby and establishing the petfood joint venture.

Diversified agribusiness group Scales Corporation Limited (NZX:SCL) today reported its results for the six months ended 30 June 2019 (1H19). Net profit after tax (NPAT) for the Group was \$121.8 million (1H18: \$34.8 million). The record profit result includes profits and fair value gains, as a result of divestment activity, of \$93.2 million.

Underlying EBITDA¹ for continuing businesses was \$47.3 million, in line with \$47.1 million in 1H18, and Underlying NPAT was \$30.1 million compared to \$29.4 million in 1H18.

Managing Director Andy Borland commented “We are pleased to deliver a strong result during such a period of change for our business and team. Our Horticulture division has delivered an excellent outcome, with apple volumes significantly ahead of forecasts. Total export volumes are likely to be consistent with the record 2018 crop notwithstanding significant orchard redevelopment in the intervening period. The result is also impressive given the more difficult growing conditions that resulted in smaller apples. Our performance in the Asia and Near Markets continue to validate our

¹ Earnings Before Interest, Tax, Depreciation and Amortisation

Scales Corporation Limited

Head Office: 52 Cashel Street | Christchurch 8013 | New Zealand

Postal: PO Box 1590 | Christchurch 8140 | New Zealand

Phone: +64 3 379 7720

scalescorporation.co.nz

strategy towards premium varieties targeted to those markets. Volumes to those markets, and particularly to China, are notably up on last year and prices have performed well. A further 85 hectares of orchard are being redeveloped over the 2019 and 2020 winters.”

“The strong performance from these markets is partly offset by a slower start to the Europe market, which continues to be affected by a larger than normal European crop – however the outlook for the forthcoming European crop suggests this impact will not extend beyond the current season.”

“Our Food Ingredients division delivered a solid result whilst integrating new trading structures, with a pleasing first six months of trading from Shelby and one-off profits relating to the establishment of Meateor NZ, our petfood joint venture. We are beginning to see the benefits of increased collaboration between the various entities and their stakeholders including sharing of customer networks and merging of supply chain capabilities.”

“Logistics traded slightly ahead of 1H18, benefiting from additional space and resource and we anticipate full year results for this business to be in line with expectations.”

Tim Goodacre, Chairman of Scales Corporation noted “We are pleased to reaffirm our previously announced full year Underlying Net Profit guidance of between \$32.0 million and \$37.0 million² (implying an Underlying EBITDA of between \$49.0 million and \$55.0 million on a like-for-like basis). We are proud of the efforts of the Scales team and believe that we can continue to deliver on our strategy to diversify our operating units to ensure a more sustainable and robust earnings profile”

Scales dividend policy is for interim and final dividends to be split approximately evenly and paid in January and July. Scales remains committed to its current annual dividend level of no less than 19c cash per share whilst the company holds Net Cash.

About Scales Corporation

Scales Corporation is a diversified agribusiness portfolio. It comprises three operating divisions: Horticulture, Food Ingredients and Logistics. The company’s diverse spread of activities gives Scales broad exposure to the agribusiness sector. Scales Corporation was founded in 1897 as a shipping business by George Herbert Scales. Today it has operations across New Zealand, Australia and the USA. Find out more at www.scalescorporation.co.nz.

Contact

Andy Borland, Managing Director, Scales Corporation Limited, Mob: 021 975 999, email: andy.borland@scalescorporation.co.nz

² Before the deduction of Non-Controlling Interests