

6 April 2023

MARKET UPDATE AND FY23 REVISED GUIDANCE

The Directors of Scales Corporation (NZX:SCL) advise that Guidance for FY23 Underlying Net Profit after Tax Attributable to Shareholders has been reinstated at \$14.0m to \$19.0m. This follows both an assessment of the impact of Cyclone Gabrielle and a review of trading forecasts in all Group businesses.

The impact of the Cyclone will be long felt in Hawke's Bay and we will continue to be focused on the health, safety and wellbeing of our staff, their families and the wider community. Part of our response to the Cyclone is the commitment to a \$250,000 donation to the recovery.

A significant amount of work is going into the clean-up and remediation of our affected orchards and we are indebted to our teams for this effort. We also appreciate the cyclone recovery funding provided by the government to assist in this work. A priority focus in the orchards has been on the removal of flood-carried silt from around trees.

With regard to the specific impact on Mr Apple's crop and orchards, we can now advise the following:

- Our current indications are that our FY23 crop will be down approximately 25% on our initial forecast for the year;
- We estimate that the total tree losses across owned and leased orchards at approximately 5% of our total planted orchard area. Of this area, due to expiring leases on some of the orchards, less than 50% will need to be replaced;
- Subject to any further tree mortality resulting from the impact of silt deposits, which will become more evident at bud burst in spring, we estimate that the total cost of replanting will be no higher than our usual redevelopment capex programme;
- Going forward, crop expectations in future years should only be impacted to the extent of replanting the above tree losses and relinquishing of orchard leases;
- As a result of prior year operating results, Mr Apple has been constantly reviewing the overall apple business with a view to further increasing the focus on premium apples to the Asia and Middle East market. The impact of Cyclone Gabrielle provides an opportunity to further

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realign varieties and volumes to this strategy. We continue to be very positive about returns from this strategy and note that early demand and pricing for our branded varieties in the market has been strong.

In providing updated Guidance for FY23, Directors note:

- Horticulture:
 - The FY23 apple crop is 50% picked and 12% sold;
 - Sales pricing is assumed to be generally consistent with 2021's levels;
 - No change has been made to our estimate of shipping costs although it is noted that lower volumes nationally should improve freight logistics and costs;
 - All known Cyclone impacts, including clean-up costs have been factored into the result at their currently expected levels.
- Global Proteins:
 - As noted in our Annual Report released last week, early trading for FY23 has been encouraging and our current initiatives are all making positive progress. Although the timing of new developments will have some impact on current year trading results, we remain very positive about the division's prospects for 2024 and future years.
- Logistics;
 - The business will be impacted by crop losses in horticulture and the wider agriculture industry.

About Scales Corporation

Scales Corporation is a diversified agribusiness group. It comprises three operating divisions: Global Proteins, Horticulture 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 United States. Find out more at www.scalescorporation.co.nz.