SCALES CORPORATION LIMITED

YOUR DIVERSIFIED AGRIBUSINESS PORTFOLIO

Half Year Results

For the six months ended 30 June 2015

27 August 2015

Scales

growing New Zealand

HIGHLIGHTS

- 2015 EBITDA expected to exceed Prospectus Forecast of $41.2m by between 25-35%.
- Mr Apple export volumes up 16% on Prospectus Forecast at 3.15m TCEs:
  - Record crop, 11% above previous best crop.
  - >3m TCE crops here to stay under normal growing conditions, further upside from ongoing orchard maturity.
  - Volume growth concentrated in premium varieties.
- Storage & Logistics – achieving sustainable growth:
  - New coldstores will expand our available coldstore space by 105,400m^3 (17.4%):
    - Auckland coldstore (95,700m^3) – opening soon to solid demand.
    - New lease signed on a Christchurch based coldstore adding a further 9,700m^3 to the network.
  - New long term oil storage contract at Timaru bulk liquid facility has commenced.
  - Ongoing growth in airfreighting operation Balance Cargo.
- Food Ingredients:
  - Positive start on the back of a strong 2014.

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FINANCIALS

FINANCIAL OVERVIEW

- Revenue $161.2 million, up 7% on 1H14.
- Gross Profit $75.8 million, up 31% on 1H14:
  - Profit growth higher than revenue growth due to Accounting Standard NZ IAS 41 "Agriculture". This is covered on the next slide.
- EBITDA $52.4 million, up 47% on 1H14:
  - A strong performance from our Horticulture division reflecting:
    - Significantly higher than forecast export yields.
    - Improved varietal and market mix driving increases in weighted average sales prices.
    - Benefits from currency movements, shipping rates, and hail insurance proceeds.
  - Strong year to date performance from both Storage & Logistics and Food Ingredients divisions.
- NPAT from Continuing Operations $33.2m, up 59% on 1H14.

$000	1H15	1H14	% chg.
Total Revenue	161,186	150,242	7%
Gross Profit	75,824	57,763	31%
%	*47%*	*38%*	
EBITDA	**52,437**	**35,605**	**47%**
%	*33%*	*24%*	
EBIT	47,531	30,879	54%
%	*29%*	*21%*	
NPAT from Continuing Operations	33,215	20,337	59%
%	*29%*	*19%*	

INTERPRETING OUR INTERIM ACCOUNTS

Revenues are up, and cost of sales down, leading to a groupwide Gross Profit increase of 31%. This slide explains the accounting behind this result.

- NZ IAS 41 "Agriculture" requires unsold agricultural produce to be measured at fair value less costs to sell. This means that the expected profit on our unsold fruit is recognised in our interim result.
- Sales timing, the location of fruit (is it in-market awaiting sale, or still based in NZ), market prices and FX rates all act together to influence the value of unsold fruit in our half year accounts. Caution is advised in making direct comparison of the half year result to the previous half year result.
- The explanation below attempts to illustrate how the application of NZ IAS 41 "Agriculture" affects our half year results.

1. We start each year with a zero inventory balance.

2. Purchases and Production Costs:
   - Purchases relate to fruit we sell on behalf of external growers. In 2015 external grower volumes were lower mostly due to hail-affected Nelson production.
   - Production costs relate to Mr Apple's costs in producing its own fruit, this increases with volume.
   - Total cost consistent between the two years due to offsetting impacts described above.

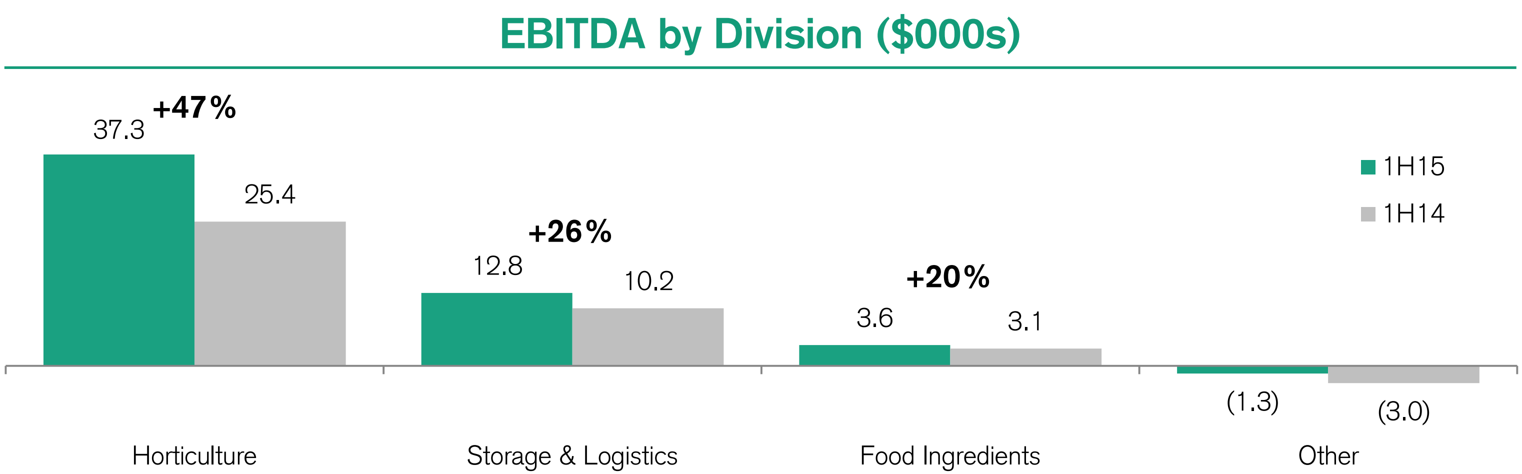
3. 1H15 closing stock value reflects:
   - Higher unsold fruit volumes at 30 June (2.2m vs 1.8m).
   - Mix – higher volume of premium varieties recorded in stock.

Cost of Sales - Horticulture ($000s)	1H15	1H14
Mr Apple Sales	**93,659**	**90,117**
less Cost of Sales		
❶ Opening Stock	-	-
❷ plus: Purchases / Production Costs	98,709	97,826
❸ less: Closing Stock	55,730	44,000
Cost of Sales	**(42,979)**	**(53,826)**
Gross Margin	**50,680**	**36,291**
	54%	*40%*

DIVISIONAL PERFORMANCE

All divisions trading ahead of 1H14.

- **Horticulture** – increased volumes, especially premium varieties.
- **Storage & Logistics** – improved utilisation.
- **Food Ingredients** – ongoing strength in petfood ingredients.
- **Corporate** – 'normal' performance without one-off IPO listing costs.



	Horticulture		Storage & Logistics		Food Ingredients		Corporate & Eliminations		Group	
$000	**1H15**	**1H14**	**1H15**	**1H14**	**1H15**	**1H14**	**1H15**	**1H14**	**1H15**	**1H14**
Total Segment Revenue	93,659	90,117	60,004	60,994	22,627	18,769	(15,104)	(19,638)	161,186	150,242
EBITDA	**37,270**	**25,423**	**12,840**	**10,154**	**3,650**	**3,054**	**(1,323)**	**(3,026)**	**52,437**	**35,605**
%	*41%*	*29%*	*21%*	*17%*	*19%*	*18%*			*35%*	*24%*

BALANCE SHEET

- Our Financial Position remains positive:
  - Average Net Debt (30 June 15 and 31 Dec 14) $44.5m. Increase on FY14 average net debt mostly due to additional costs realised in growing our record crop and seasonal timing of sales.
  - Current Ratio remains strong at 1.42 (1.55 at 30 June 2014).
  - Net Debt to equity reduced to 29% (30% at 30 June 2014).
- An increase in Other Current and Non-Current Liabilities reflects unrealised, non-cash, mark to market revaluations of outstanding foreign currency hedges as at 30 June 2015. This increase is reflective of both the volume of hedging we have in place for future years, and also the prevailing NZD spot rates as at 30 June 2015.
- We continue to meet our financial covenants with considerable headroom and have adequate spare capacity in our financing facilities.

	Group	
$000	**1H15**	**1H14**
Total Equity	**156,234**	**139,774**
represented by:		
Working Capital		
Current Assets		
Cash / Overdraft Balances	10,575	10,885
Trade & Other Receivables	38,931	31,417
Inventories	69,747	56,740
Other Current Assets	7,858	4,864
	127,111	103,906
Current Liabilities		
Short-Term Borrowings	(29,500)	(22,500)
Trade & Other Payables	(36,749)	(30,908)
Taxes Payable	(14,292)	(13,676)
Dividend Payable	(9,874)	-
Other Current Liabilities	(8,630)	(90)
	(99,045)	(67,174)
Net Working Capital	**28,066**	**36,732**
Non-Current Assets		
Property, Plant & Equipment	144,821	143,757
Biological Assets	19,277	16,822
Other Non-Current Assets	12,848	17,431
	176,946	178,010
Non-Current Liabilities		
Term Borrowings	(30,000)	(60,000)
Deferred Tax	(8,581)	(14,797)
Other Non-Current Liabilities	(10,197)	(171)
	(48,778)	(74,968)
Net Assets	**156,234**	**139,774**

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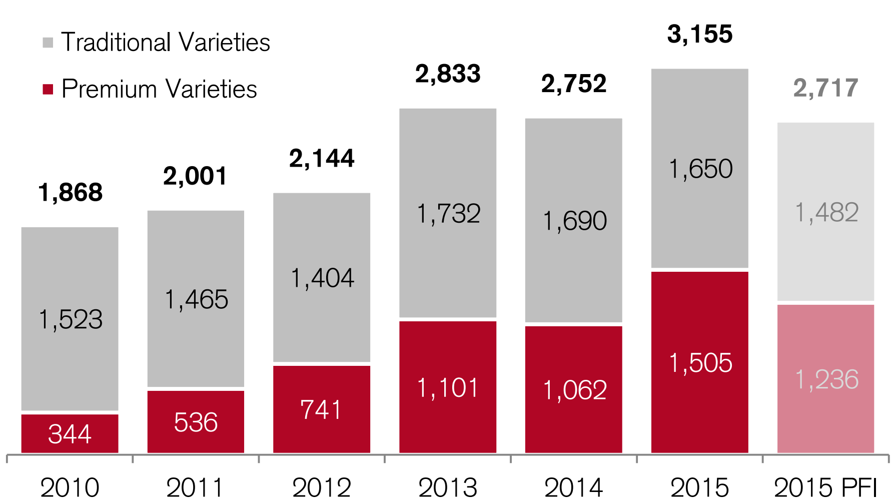
DIVISIONAL PERFORMANCE & OUTLOOK

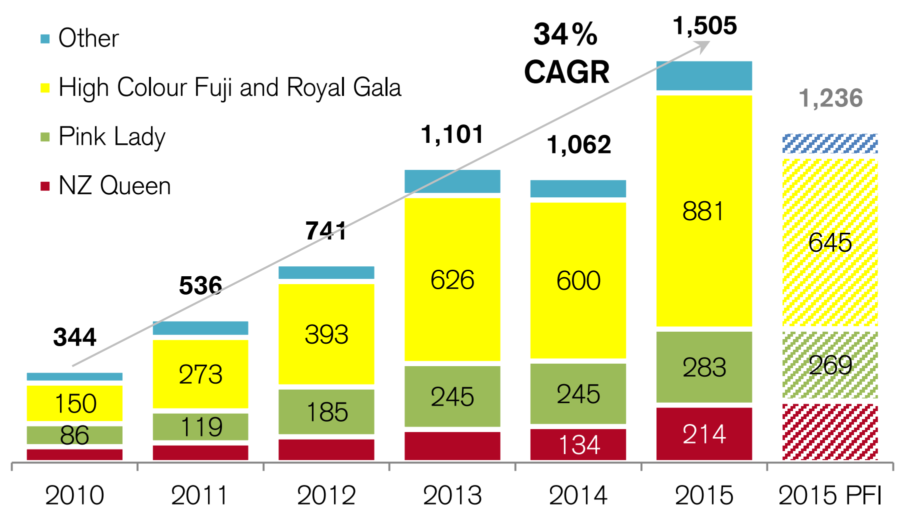
HORTICULTURE

- Total Mr Apple grown export volumes are up 15% on FY14, and 16% on FY15 Prospectus Forecasts.
- Growth almost entirely from Premium Varieties, up 42% on FY14, reflecting:
  - Maturing of redeveloped orchards.
  - Investment in Reflective Foil improving colour characteristics.

Mr Apple Grown Export Volumes (TCE 000s)



Growth in Premium Volumes (TCE 000s)

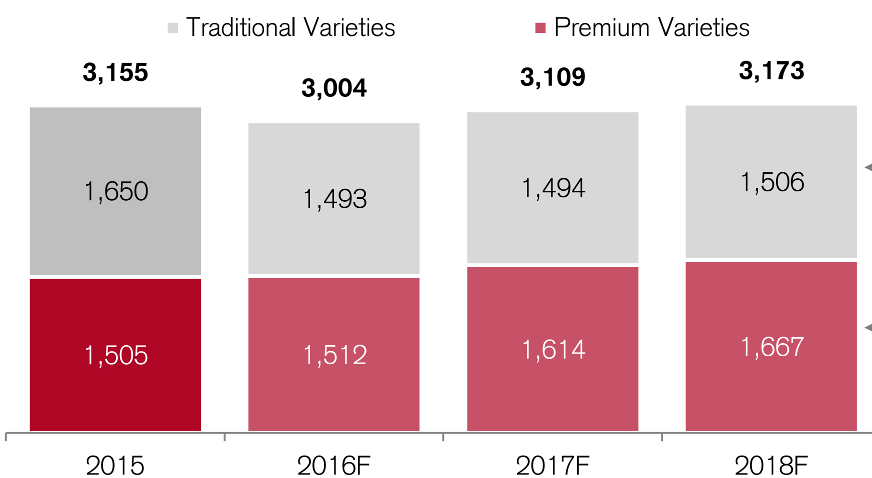


HORTICULTURE

Volume Outlook.

- Following 3 strong crop results, we are raising our forecast crop volumes for FY16 through FY18 by ~200k TCEs for each year above the forecasts provided in our Prospectus.
- Our crop forecasts are based on rolling 5 year average actual results for gross yields and packout[1]. Average gross yields have increased following the FY14 and FY15 crop results, driving the revised volume forecasts:
  - ➢ Whilst FY15 is an above average year, we expect underlying increases in premium fruit volumes as historical plantings continue to mature.
  - ➢ A provision has also been made for orchard redevelopment throughout the forecast period to respond to shifting behaviour and trends.

Mr Apple – Volume Outlook (TCE 000s)



We will continue to redevelop traditional orchard into premium varieties whilst maintaining an efficient utilisation of assets.

Historical investment in premium varieties has still yet to reach full maturity.

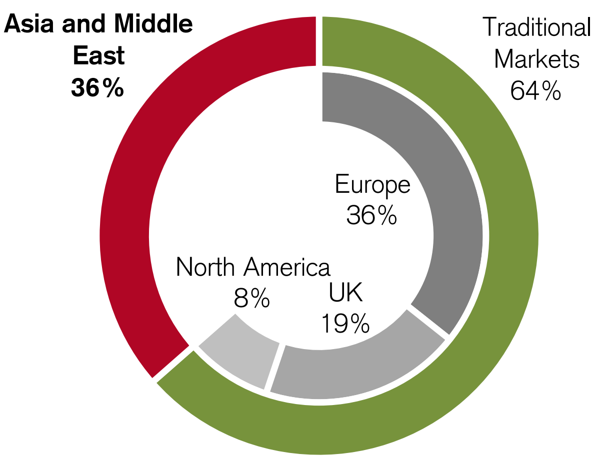
1. Packout is the percentage of fruit deemed eligible for export.

HORTICULTURE

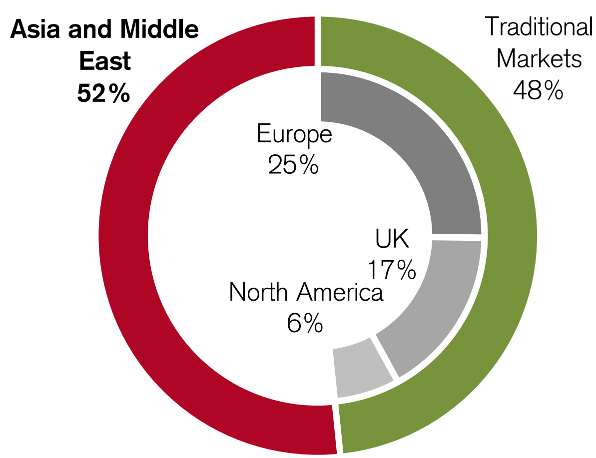
Strategy - Variety and Market Mix.

- We are redeveloping lower returning orchards into high quality premium varieties for today and tomorrow. We have and will continue to redevelop orchard to maximise the long-run profitability of Mr Apple.
  - Our focus is on the broader Asia and Middle East markets where we benefit from strong demand and faster shipping times. Future redevelopment targeted at the demand preferences of these markets.
  - We continue to invest in the Mr Apple brand to consolidate our position as the leading southern hemisphere premium fresh apple exporter.
  - As shown below, a significant increase in premium fruit volumes between FY14 and FY15 is expected to result in a material shift of sales from Traditional to Asia and Middle East.
  - We are continuing to diversify risk – by growing smaller volumes of a broader range of varieties, and by expanding both our customers and markets.

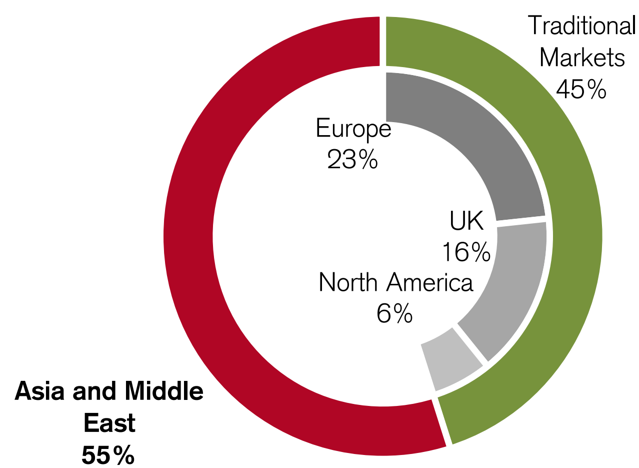
Sales by Region (TCEs) FY14A



Sales by Region (TCEs) FY15F*



Sales by Region (TCEs) FY18F



**Actual sales by region will not be known until all fruit is sold.*
Sales to Asia and Middle East is in USD, North American sales are in CAD and USD, UK and Europe sales are in their respective currencies.

STORAGE & LOGISTICS

Our Drivers of Growth.

1 Asset Expansion

Customer demand for coldstorage space at our new Auckland facility is stronger than anticipated. We now expect performance from this coldstore to reach equilibrium much more rapidly than originally forecast.

In addition, a 1 year lease has been taken on a Christchurch coldstore with the ability to extend the lease for a further 9 years subject to demand and trading.

Collectively this adds 105,400 m^3 (or 17.4%) to our coldstorage capacity.

On 31 August we take possession of a central hub facility that will house Liqueo's value added operations in the Hawke's Bay region. This facility is expected to produce additional earnings and efficiencies.

2 Asset Utilisation

A long-term oil storage contract utilising our Timaru bulk liquid facilities has now commenced. This immediately adds 10+ percentage points to Liqueo's utilisation. We also expect that volumes stored as a result of this contract will grow through time.

3 Activity Expansion

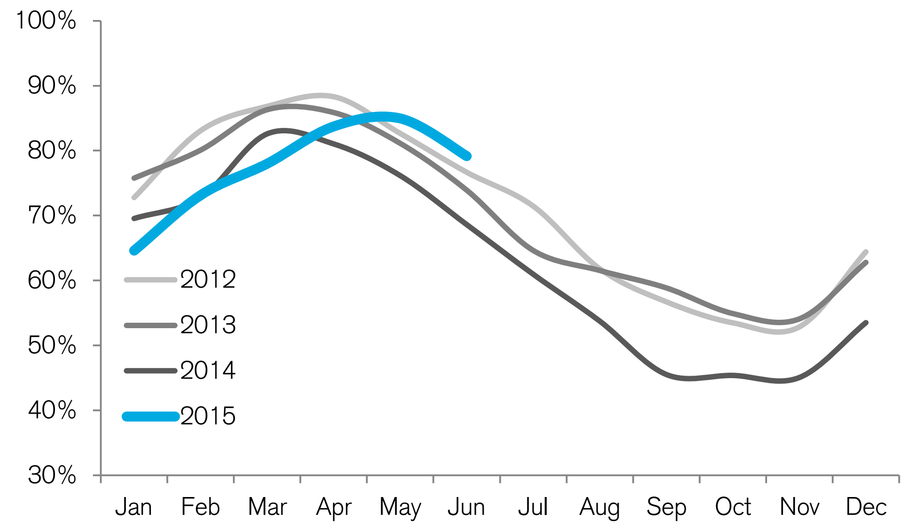
Balance Cargo, our airfreighting division which is now in its 3rd year of trading, has delivered an 89% increase in revenues to 30 June 15. This operation, which is now contributing profitably, continues to exceed our expectations.

4 Return to Normal Coldstore Utilisation

As indicated, total volumes in coldstorage have returned to more ordinary levels following a slow start to the cropping and processing seasons in Q4 2014.

Utilisation at June 2015 was at the highest level recorded in recent times reflecting ongoing sector growth, business wins, and a return to a more ordinary trading environment.

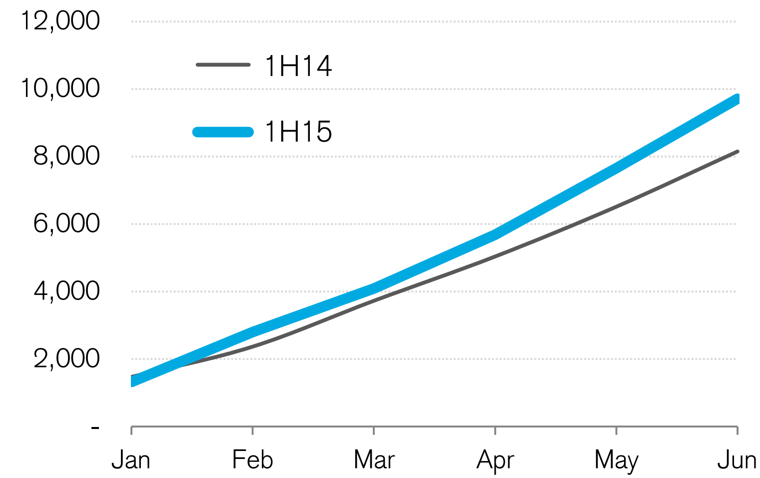
Coldstore Utilisation %



FOOD INGREDIENTS

- Meateor:
  - Sales volumes have been strong for the year to date, supported by our Australian procurement strategy.
  - Volumes sold are 19% ahead of 1H14.
  - Demand remains firm and Meateor is on track to deliver a result in line with FY14.
- Profruit:
  - Plant is operating 24/7 for 11 months of the year.
  - Profruit is on track to deliver a record production year.

Meateor – Volumes Sold (MT) 1H15 vs 1H14



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FINANCIAL OUTLOOK

FY15 FULL YEAR OUTLOOK

- Horticulture:
  - Final crop now known, a favourable varietal mix and a higher percentage of sales to Asia and Middle East is expected to result in a higher average price / TCE than Prospectus Forecasts.
  - As a result of different instruments and cover in place for FY15, Average FX rates realised throughout FY15 are likely to have improved upon Prospectus Forecasts.
    - Final results will not be known until the end of the year when all foreign denominated sales have been receipted to NZ.
- Storage & Logistics:
  - Current utilisation levels tracking above recent years, additional capacity to come online in Q4.
- Food Ingredients:
  - Year to date performance for Meateor and Profruit generally consistent with, or slightly ahead of, FY14.
- Reiterate expectations that FY15 EBITDA will be between $51.6m and $55.7m (25-35% ahead of Prospectus Forecast EBITDA).
  - Deducting our IPO forecast depreciation, amortisation and interest charges and deducting tax at 28% of the revised NPBT produces an NPAT range of $27.8m to $30.8m.

WHAT WE KNOW ABOUT FY16

- Scales will provide further information for FY16 early in the new year, however at this stage we have improved information on some metrics:
  - Our target apple export crop is ~3m TCEs.
  - The market dynamic for Asia and Middle East remains supportive.
  - Based on current hedges in place (covering approximately 2/3rds of Mr Apple's net FX exposure) and current spot rates, FY16 average FX rates are likely to be lower than FY15.
  - We will have an additional 105,400 m^3 (17.4% increase) of coldstorage space available for the entire FY16 year to store customer's product and are receiving strong indications of demand for this space.
  - Utilisation of Liqueo's facilities has improved by ~10+ percentage points following commencement of the new oil storage contract (1 August). We will benefit from a full year of this additional utilisation in FY16.
  - Liqueo will also benefit from a full year of earnings and efficiencies from the central hub facility we are acquiring in the Hawke's Bay on 31 August.

DISCLAIMER

Please do not read this presentation in isolation
This presentation supplements our half year results announcement dated 27 August 2015. 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.

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Our results are reported under NZ IFRS. This presentation includes 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) from continuing operations.
- EBIT. We calculate EBIT by adding back (or deducting) finance expense / (income), 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 and IPO offer costs.
- Underlying Net Profit is calculated by adding back or (or deducting) the after-tax effect of any non-cash IFRS adjustments, discontinued operations, and IPO offer costs

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 NZIFRS. Non-GAAP financial measures may not be comparable to similarly titled amounts reported by other companies.

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