

## **Annual Shareholders' Meeting**

9 June 2021

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### **SCALES CORPORATION – 2021 ANNUAL SHAREHOLDERS' MEETING**

The attached presentation will be given at the hybrid (virtual and in person) Annual Shareholders' Meeting of Scales Corporation Limited starting at 3.30pm today, at The Piano, 156 Armagh Street, Christchurch, and also online via Lumi AGM.

1. 2021 Scales Corporation Limited Annual Shareholders' Meeting – Chair and Managing Director's Addresses
2. 2021 Scales Corporation Limited Annual Shareholders' Meeting – Presentation

**ENDS**

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#### ***Contacts***

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

#### ***About Scales Corporation***

Scales Corporation is a diversified agribusiness group. It comprises three operating divisions: Horticulture, Food Ingredients and Logistics. The company's diverse spread of activities gives Scales broad exposure to New Zealand's 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](http://www.scalescorporation.co.nz).

9 June 2021

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**Address by the Chair: Tim Goodacre**

**[SLIDE 2: AGENDA]**

Good afternoon, my name's Tim Goodacre, I'm Chair of Scales and it's my pleasure to welcome you all to this, the one hundred and ninth annual meeting of the company, and seventh since we became a listed company. I'm delighted to be able to be here today, particularly given the ongoing impact of COVID and the uncertainty that brings.

Last year we held our first ever virtual annual meeting, and this year is our first hybrid meeting. So, whether you are here in person or joining us online, I'd like to thank you and welcome you all.

As you may recall from last year, Lumi AGM allows shareholders, proxies and guests to attend the meeting virtually. This year, all attendees will be able to hear and see a live webcast of the meeting. In addition, shareholders and proxies have the ability to ask questions and vote on resolutions. I'll provide further details on those matters shortly.

Some housekeeping matters for those of you who have joined us in person. First, I'd like to remind you, as a matter of courtesy, to turn your mobile phones to silent. Also, if there's an emergency and we need to leave, please do so through the marked exits. Staff will be available to help us.

I'm pleased to confirm that we have a quorum and therefore declare the 2021 Annual Shareholders' Meeting of Scales Corporation Limited open.

The items of business for this meeting and the resolutions to be considered by shareholders are contained in the Notice of Meeting which was sent to shareholders on the 24<sup>th</sup> of May. I note here that the meeting Notice wasn't sent to shareholders in a timeframe that met the NZX recommendation regarding this. This was a simple oversight and I trust it has not adversely affected any shareholder. We will ensure this does not happen again for future meetings.

Our order of proceedings is as shown on slide 2: I'll briefly comment on the highlights of the last 12 months, followed by a review by Andy Borland, our Managing Director. We'll then attend to the resolutions, where we'll cover each resolution in turn and invite questions specific to those items. I'll shortly open the online voting and explain the voting process. Following that I'll explain the process for asking questions.

Once the meeting is complete, we hope that those of you present will join us for refreshments.

**[SLIDE 3: VOTING PROCESS]**

With regard to the online voting process, if you're eligible to vote, a polling icon will appear on your screen – as shown on slide 3. Selecting this icon will bring up the list of resolutions and present you with voting options. To cast your vote, simply select one of the options. There's no need to hit a submit or enter button as the vote is automatically recorded.

Up until the time the poll is declared closed, you have the ability to change your vote by simply selecting another option or you may cancel your vote by clicking 'cancel'.

You may submit questions on each resolution being put to shareholders using the question process.

For those of you who have joined us in person, those Shareholders who are entitled to vote and proxies who have discretion as to how they vote, should have received a Voting or Proxy Form when they registered upon arrival at the meeting. If you completed a postal vote, you don't need to complete another Voting or Proxy form.

If you haven't received a Voting or Proxy form, at the time of voting, please go to the Computershare desk in the foyer where their representatives will be able to assist you. After voting, you should place your Voting or Proxy form in one of the ballot boxes which will be passed around the room. I'll invite you to vote after all the resolutions have been introduced to the meeting.

I now declare voting open on all items of business. For those of you attending via Lumi AGM, the online polling icon will soon appear, please submit your votes at any time. I'll give you a warning before I move to close voting.

#### **[SLIDE 4: QUESTION PROCESS]**

I'd now like to quickly summarise the process for asking questions.

Online questions can be submitted at any time. To ask a question, press on the Q&A speech bubble icon as indicated on slide 4. This will open a new screen. At the bottom of that screen there's a section for you to type your question. Once you have finished typing, please hit the arrow symbol to send.

Please note that while you can submit questions from now on, we won't address them until the relevant time in the meeting. Please also note that your questions may be moderated or, if we receive multiple questions on one topic, these will be combined. However, if you don't feel your question has been addressed, please resubmit it.

Finally, due to time constraints, and to ensure all shareholders have a chance to ask a question, I ask that you limit yourself to asking two questions. We may run out of time to answer all your questions and if this happens, or if there are technical issues, we'll make sure that we respond to all questions in writing following the meeting.

For those of you present, we'll offer you an opportunity to ask questions on, or speak to, each resolution being put to shareholders at the appropriate time. There will also be an opportunity to ask questions of individual Directors informally after the meeting.

#### **[SLIDE 5: WELCOME AND CHAIR'S REVIEW]**

[cover slide]

#### **[SLIDE 6: WELCOME]**

I'd now like to introduce my fellow Directors who are in attendance (either in person, or online). They are:

- Andy Borland, Managing Director;
- Nick Harris, Chair of Scales' Health & Safety and Sustainability Committee and an independent director;

- Mark Hutton, Chair of Scales' Nominations and Remuneration Committee, Chair of Scales' Finance and Treasury Committee and also an independent director;
- Alan Isaac, Chair of Scales' Audit and Risk Management Committee and also an independent director;
- Tomakin Lai, Director, attending online; and
- Nadine Tunley, member of the Health & Safety and Sustainability Committee and an independent director.

I'd also like to note that members of Scales' management and staff are in attendance as well as our external auditors, Deloitte, and our lawyers, Anthony Harper and Chapman Tripp. In addition, Kelly Brown, who is our new *Future Director*, has also joined us.

#### **[SLIDE 7: CHAIR'S REVIEW]**

This time last year we had just emerged from our national lockdown and, since then, the year has contained its challenges with further localised domestic and global lockdowns, travel restrictions and ongoing supply chain disruptions. As all Scales businesses continued to be deemed essential, the day-to-day operations continued. All our apples were picked, shipped and sold and our Food Ingredients division recorded strong results, particularly in our new business in the USA. In the circumstances it was imperative that we prioritised safety for our staff and make sure that our team of two and a half thousand were kept safe. We would like to say a very big thank you to all management and staff members who continued to put in an exceptional effort to deliver our products and services. Andy will speak more about the impact of COVID in his address.

Out of all that change and uncertainty we were pleased to deliver a solid result in 2020 and we firmly believe that this was aided by our strategy of diversification in terms of products, services and geographic markets. It was also made possible by the hard work and commitment of our management and staff.

As mentioned, the business did not stop in 2020. Despite all the challenges thrown at us, we made considerable progress on our sustainability journey, including our first climate change report. As an agribusiness company, sustainability and climate change are key factors that we recognise as both critical to our future and need to be addressed. There is also a growing community expectation that we take action and hence we need to be proactive in determining what steps we need to take.

Both issues also present opportunities if we are smart and flexible enough. Being seen as a sustainable and responsible contributor to society can have strong rewards in terms of our Mr Apple brand and the recognition that that delivers in terms of both increased sales and pricing premiums. This is very much an area of focus for our business currently and Andy will elaborate further on this later.

Thanks to our strong financial position, we've been able to actively research and review growth, investment and acquisition opportunities. Last year we reported that we continued to look at opportunities to grow our business in areas where Scales can add value or enhance an existing business through its capital resources, agribusiness experience and/or export network, especially in China. This search continues.

It has not been easy to find businesses that we believe are right for us, particularly with the current limitations on travel. However, there remain a number of promising opportunities in our core areas of petfood ingredients and logistics in both Australia and the USA. If the opportunities are not in our area of existing or easily acquired expertise, then the question front of mind is “will Scales ownership ensure they are at least as successful as our existing businesses?”.

As Andy will touch on later, one area of focus is the wine industry, and we’ll continue to provide updates on progress in this area as appropriate.

#### **[SLIDE 8: STAFF AND SHAREHOLDERS]**

I’ve previously, without reservation, said that Scales would not be the company it is without its strong and positive culture made possible by the personal commitment of each and every one of our staff. And, as in previous years, we’ve observed the importance of our RSE workers within our team. Mr Apple has an annual requirement for 1,300 RSE workers. Of these, approximately 60% in any one year are returnees from prior years. In 2020, approximately 900 workers stayed on voluntarily at the end of the season, which greatly assisted the 2021 season. About 600 workers are still with Mr Apple this year, working in the packhouses or pruning. Visas for these workers will expire in September. This issue is now taking on critical importance for the 2022 season.

Not only do these workers show remarkable skills and commitment, but they play a vital part in enabling overall company growth – a 37% increase in RSE workers over the period 2012 to 2020 has coincided with Mr Apple increasing its permanent staff numbers by 111%. In other words, an increase in RSE worker numbers has led to over a doubling of local permanent jobs.

We’re also aware that the skills acquired, and wages earned, by these workers are highly beneficial to them, their whānau and their Pacific communities.

The strong Scales culture comes from the top and we shareholders are fortunate to have a team of highly skilled and committed senior managers led by our MD Andy Borland. This past year Andy has been recognised externally for his leadership skills and we congratulate him for the credit he has received. In October last year, Andy was awarded the INFINZ Leadership Award and, just last month, he received an Honorary Doctorate of Commerce from Lincoln University.

As part of our responsibility as an equal opportunities employer, we were pleased to undertake our inaugural pay equality review during 2020. We were pleased with the results that found that we offer pay equity, which echoes our belief that pay rates should be reflective of role, experience, responsibility and tenure, not gender. This will remain an area of key focus for us.

#### **[SLIDE 9: GOVERNANCE AND ETHICS]**

Notwithstanding the logistical challenges presented by COVID, it was important to the Board that good governance practices should prevail throughout so, as was the case for many businesses, Zoom meetings became the norm, with Board meetings undertaken on this platform when needed.

As we advised in the Notice of Meeting, and in our Corporate Governance Statement, Scales does not have a Board tenure policy. The Board does however recognise that a regular refreshment programme leads to the introduction to the Board of new perspectives, skills, attributes and experience.

Consequently, shareholders can expect to see a planned and orderly succession of the existing Board over time. As always, new Directors will be required to have appropriate experience and qualifications, with increased Board diversity also a criterion. It is our intention to conduct a Board skills matrix exercise, as we have in the past, to identify requirements and ensure there are no skills gaps.

As the Board is refreshed, Shareholders can expect to see an overlap between new appointments and retirements. This will enable a more effective transition for new Directors.

And, as I mentioned earlier, we're delighted to announce that we're continuing our participation in the Institute of Director's *Future Director* programme, with the appointment of Kelly Brown, a brand and marketing consultant with extensive knowledge of the FMCG category including wine, who is our next, and fifth, Future Director.

Lastly, we continue to refresh our ethics and other policies as appropriate.

[Pause]

I'd now like to hand you over to Andy, who'll give you a broader update on how COVID-19 has impacted the group, together with a review of 2020 and an update on sustainability and business operations for each of our trading businesses. Following Andy's presentation, we'll move to the formal business of the meeting. As always, we welcome feedback on any of the matters raised during today's presentation or other general matters in relation to the Group.

**Address by the Managing Director: Andy Borland**

**[SLIDE 10: MANAGING DIRECTOR'S REVIEW]**

[Cover slide]

**[SLIDE 11: MANAGING DIRECTOR'S REVIEW]**

Thanks Tim, and good afternoon ladies and gentlemen. On the current slide, you'll see the topics that I'll cover in my presentation today, including:

- An update in respect of COVID-19;
- A review of 2020;
- An update on sustainability;
- A summary of our individual business' performance; and
- Commentary on the current year.

**[SLIDE 12: COVID-19 UPDATE]**

Starting with COVID.

### **[SLIDE 13: COVID-19 – THE LONG TAIL OF COVID-19]**

COVID continued to impact the group throughout 2020, is impacting 2021 and may also impact the 2022 apple season, resulting in us operating in a 'new normal'. As we mentioned last year, being essential businesses, we operated throughout all lockdowns and level changes, having implemented protocols quickly in order to operate safely. A number of these protocols remain in place today with, for example, gloves and masks being required to satisfy part of our China export regulations. The photos in this slide show some of the safety measures that were adopted at the start of the pandemic, which are still in place today.

The impact of COVID-19 on the entry of RSE workers into New Zealand was well publicised in the media and, like others in the horticulture industry, we were very cognisant of the restrictions in place. As Tim mentioned, the RSE scheme continues to be of huge importance to both the horticulture industry and Mr Apple, as well as to the workers and their whanau – they're a critical part of our success. Accordingly, we strongly support the continuation of the scheme in the future and will work with the appropriate industry and government organisations to ensure its ongoing operation.

Also reported in the media is the impact that COVID is having on global supply chains, including congestion at both domestic and overseas ports. This, in turn, is affecting global markets and indications are that this will continue at least until the end of this calendar year.

As a result, we expect ongoing ripples from the pandemic to impact our current year results. More on that later.

### **[SLIDE 14: YEAR IN REVIEW]**

I'll now quickly recap on some of the financial and operational highlights of the 2020 financial year.

### **[SLIDE 15: OUR NUMBERS]**

Slide 15 depicts some financial and volumetric measures of the group in 2020, a few of which I'll go into in more detail in subsequent slides. Encouragingly, despite the national lockdown happening at our busiest period last year, we exported a record number of our own-grown apples and sold a record amount of petfood ingredients. We also made significant steps in our Sustainability journey – and I'll provide more information on that in the next section.

### **[SLIDE 16: TRENDS IN GROUP FINANCIAL PERFORMANCE]**

The next slide depicts a summary of our earnings over the last 5 years and, as I mentioned last year, reflect the group's M&A activity particularly over the 2018 and 2019 period. Pleasingly, despite the difficulties that COVID threw at us last year, we managed a slight increase in Underlying EBITDA in 2020.

### **[SLIDE 17: GROUP FINANCIAL PERFORMANCE]**

Moving on to some more detail on our 2020 results.

We encountered a slight, 3%, decrease in revenue in 2020, together with a 7% decrease in Underlying Net Profit. Strong growth in the Food Ingredients division offset lower earnings in the Horticulture division, the latter being due to the effect and timing of global lockdowns. This led to a significant change in the earnings mix between divisions as compared to previous years.

We also reported a lower Net Profit, as our results in 2019 included significant gains on the sales of Polarcold and Meateor as well as a revaluation gain on the establishment of Meateor New Zealand (our joint venture with Alliance Group).

#### **[SLIDE 18: 2020 DIVISIONAL HIGHLIGHTS]**

Slide 18 summarises some highlights for the divisions in 2020.

In addition to the record crop at Mr Apple, Andrew van Workum and his team oversaw the construction of a new coolstore at Whakatu, and I'll provide some more information about this build in a later slide.

Food Ingredients generated significant increases in revenue and Underlying earnings due, in part, to global growth in the petfood industry and John Sainsbury, together with Brett Frankel in the USA, continue to steer this division to new heights. As part of the growth, Shelby secured a new toll processing plant in Kansas to help satisfy demand.

Logistics successfully navigated the global supply chain disruptions caused by COVID in 2020 and delivered a solid result. We believe that the impact of COVID was lessened by the division's focus on the essential agribusiness sector and thank Kent Ritchie for his ability to successfully navigate the difficulties encountered.

#### **[SLIDE 19: TRENDS IN DIVISIONAL PERFORMANCE]**

Moving on to slide 19, where the change in mix of divisional earnings is shown. As you can see from the graphs, Food Ingredients took a considerable step in 2020 towards its long-run Underlying EBITDA target of \$25 million, and we believe it continues to be an attractive industry for investment.

#### **[SLIDE 20: BALANCE SHEET]**

Turning now to our balance sheet, which shows a relatively steady situation.

Increases in Capital Employed and Net Assets were due primarily to capital expenditure on the new Mr Apple coolstore and orchard redevelopment, amongst other projects, as well the revaluation of land and buildings.

And we maintained a strong net cash position as at 31 December 2020 of almost \$98 million, providing us with the ongoing ability to invest in appropriate growth opportunities as and when they arrive.

#### **[SLIDE 21: SUSTAINABILITY UPDATE]**

The next section I'd like to cover is sustainability.

#### **[SLIDE 22: SUSTAINABILITY OVERVIEW]**

Despite the disruption and distraction of COVID-19, Karen Morrish and her team made considerable progress in our Sustainability journey.

We partnered with thinkstep-anz to update our stakeholder engagement and materiality exercises to ensure that our focus remained current – this was last done in 2016. This exercise involved undertaking a number of interviews, surveys, workshops and reviews, with the outcome being shown in the table on this slide. This list will provide our Sustainability focus for future periods.



**[SLIDE 23: PEOPLE ARE AT THE HEART OF WHAT WE DO]**

Slide 23 summarises a few statistics about our workforce. However, our staff are not just numbers to us.

In the early days of COVID there were feelings of anxiety and disbelief, but we quickly realised that by being agile and dynamic we could make our workplaces and team members safe and secure – this was our primary concern. In turn, our staff and management pulled together, determined to weather the storm. We believe the resilience gained over the last 12 to 18 months has made us a stronger team and that it'll continue to benefit us in 2021 and beyond.

**[SLIDE 24: PEOPLE, HEALTH & SAFETY AND MARKETPLACE]**

The next slide summarises a selection of the health and safety initiatives that were expanded or developed during 2020. Health and safety is integral to our work practices and continues to be the top priority of the Board and of the group in general. Accordingly, we have an ongoing focus on injury prevention and management.

We also continue to be aware of the needs and requests of our external stakeholders. As a result, we realigned our Good Agricultural Produce certifications within Mr Apple and undertook a Social Practice audit of our supply chain for worker welfare practices. In addition, we're focussing on traceability including a move, where possible, to digital options to streamline and fast track approvals.

**[SLIDE 25: ENVIRONMENT]**

Moving onto slide 25 and the environment.

We're acutely aware of the impact of our business operations on the world and its environment and realise that our actions now will have a long-lasting effect. We continue to take part in the Toitū carbonreduce programme and our emission reduction initiatives are now into their third year, showing an ongoing reduction in emission intensity.

We have an ongoing commitment to align our business practices to our chosen United Nations Sustainable Development Goals and are pleased to report that we exceeded our goals in 3 out of the 4 areas. We have also investigated and understand the reasons for the increase in our fourth, fuel use, goal and will continue to monitor this in future periods.

**[SLIDE 26: ENVIRONMENT (CONT.)]**

2020 also saw the preparation of our inaugural TCFD (or climate change) report, which explores the impacts of climate change on our business and summarises the direction in which we're going to address or adapt to those impacts. The report was based on the 4 themes contained within the TCFD's recommended framework, being Governance, Strategy, Risk Management and Metrics & Targets. Over time our reporting will evolve into including scenario modelling, strategies and our increasing knowledge about our best future path.

Also of note was that Mr Apple made a submission as part of the TANK catchments process to secure water quality and quantity for the future within Hawke's Bay. And we participated in an industry pilot for farm Environmental Plans as part of the TANK review.

**[SLIDE 27: BUSINESS UPDATE]**

Moving on to an update of our divisional businesses.

**[SLIDE 28: HORTICULTURE – MARGIN IMPROVEMENT]**

We've previously mentioned that we're experiencing headwinds in margin in the Horticulture division and this continues to be a focus.

The completion of Mr Apple's new coolstore at Whakatu is providing both operational and logistic efficiencies and has allowed us to sell our Havelock North packhouse, resulting in greater centralisation of our post-harvest operations.

The second phase of our orchard redevelopment was completed during winter 2020 resulting in over 140 hectares of orchard planted or redeveloped since 2018. We focussed on planting high-value varieties such as Posy™ and Dazzle™, as well as incorporating our new '2-dimensional' planting techniques, which allow pruning, thinning and picking efficiencies. We anticipate higher prices and yields from 2023 onwards, as these orchards reach commercial scale.

We also note that the availability and cost of labour has changed. Whilst continuation of the RSE scheme at pre-COVID levels continues to be critical to our operations, we intend to speed up automation initiatives, particularly in the post-harvest area. We anticipate committing to selected automation initiatives this current year.

**[SLIDE 29: HORTICULTURE – VOLUMES AND PRICING]**

The Horticulture division continued to exceed expectations around volumes. At 3.92 million TCEs of own-grown volumes, 2020 represented another record production year and, together with our external growers, the division sold 5.74 million TCEs. Whilst total export volume was 4 per cent down on 2019, Fern Ridge replaced a portion of its apple volumes with kiwifruit sales, and these weren't included in the reported volumes.

Pleasingly, sales of our premium volumes continued to grow, with a 4 per cent increase on 2019, accounting for around 57 per cent of all exports.

We encountered some tightening of prices of our premium varieties into the Asia markets due to the impact and timing of lockdowns in 2020 - as an example the China lockdown coincided with Chinese New Year, which is typically a good period for apple sales. However, the decrease in pricing for premium varieties was partially offset by firmer prices in European markets – reinforcing the benefits of our strategy to operate in diversified markets and channels.

**[SLIDE 30: HORTICULTURE – MARKET STRATEGIES]**

It's important that the Horticulture division continues to identify innovative strategies for market penetration, particularly in the Asia and Middle East markets, as these markets continue to make up a significant proportion of our sales at 62% of exports. China itself accounted for around 17% of export volumes in 2020, in line with 2019. We're also continuing to develop and grow our retail and e-commerce sales channels, particularly in China where these channels now account for over half of all in-market sales.

So, in 2020, we launched Dazzle™ through a high-end Chinese retailer. And new innovations for 2021 include opening a flagship store on TMALL, a business-to-consumer online retail platform operated by the Alibaba Group, which allows international businesses to sell and market branded goods direct to China consumers.

#### **[SLIDE 31: FOOD INGREDIENTS – PERFORMANCE]**

Moving on to Food Ingredients, on slide 31, and its exceptional year.

2020 saw the division taking advantage of the growth in global petfood demand. We believe that part of the growth can be attributed to an increase in pet ownership and adoption rates through the pandemic, together with other consumer trends such as the humanisation of pets.

This resulted in significant increases in both revenue and profitability for Food Ingredients, and reflected the benefit of the division's geographical and protein diversification strategies. With Underlying EBITDA of over \$23 million (a 71 per cent increase on 2019) the division took a considerable step towards its long-run EBITDA target of \$25 million.

To help satisfy this demand, Shelby entered into a new third-party warehousing and processing agreement with a toll processor in Dodge City, Kansas. This brings the number of processing facilities at Shelby to 8 - its own facility in Amarillo, Texas, plus 7 toll processing facilities throughout the United States.

Profruit volumes were also up compared to last year, with a 6 per cent increase due to high fruit brix, good yields and increased retail demand.

#### **[SLIDE 32: FOOD INGREDIENTS – FUTURE STRATEGY]**

Market indications suggest that the global petfood industry will continue to grow, with one market research company suggesting it will increase at a compound annual growth rate of 6 per cent over the period 2019 to 2029. Anecdotally, we're aware of plans for at least 2 new mega-petfood plants to be built in the United States this year.

With a global strategy of being a key provider of petfood ingredients to a wide range of international brands, we're continuing to actively analyse and review organic and transactional opportunities to expand our geographical presence and protein offering. Travel restrictions in place during 2020 limited our ability to pursue acquisition opportunities as well as limiting our ability to develop new supply and offtake relationships. However, we continue to explore opportunities as constraints allow.

#### **[SLIDE 33: LOGISTICS - UPDATE]**

Moving on to slide 33 and a summary of the Logistics division.

COVID and lockdowns provided a number of challenges for Logistics, with supply chain disruptions around the world resulting in a decrease in the volumes of both ocean and air freight for the division. However, the impact of COVID in 2020 was lessened by the division's focus on the essential agribusiness sector, and it reported a solid result with both Underlying EBITDA and EBIT up on last year.

**[SLIDE 34: OUTLOOK]**

Moving on to the outlook for 2021.

**[SLIDE 35: TRADING UPDATE – HORTICULTURE]**

Within the Horticulture division, the season was affected by weather events during the key growing period. As a result, Mr Apple's own-grown volumes are lower than originally forecast and there has been a significantly lower level of pipfruit exports from the Tasman region, impacting on third party export volumes.

4.8 million TCEs have been picked, and packing is ongoing.

We anticipate that the lower-than-forecast fruit volumes will be partly offset by higher in-market prices. The outlook for Europe and the UK is positive, with a lower national crop anticipated, and early sales to Asia are encouraging.

Sales to date cover around one third of the harvest and are broadly consistent with the same time last year. However, we're continuing to experience some disruptions in markets and shipping due to the continuing effects of COVID, and the full impact of this will only be known at end of the season.

**[SLIDE 36: TRADING UPDATE – FOOD INGREDIENTS AND LOGISTICS]**

The pet food market in the USA continues to perform well, resulting in good demand across Food Ingredient's businesses and proteins. However, supply chain disruptions continue to present the division with challenges, which we anticipate will continue for the foreseeable future.

Logistics is also encountering significant global supply chain disruptions, with equipment, shipping schedules and port congestion issues. In addition, its agricultural volumes were impacted by the weather events during the growing season. We expect that 2021 will be a challenging year for the division, and for the logistics industry in general.

**[SLIDE 37: OUTLOOK – GROUP]**

Whilst the group is benefiting from its overall diversified agribusiness strategy, we anticipate that the impact of global lockdowns together with lower levels of fruit exports and logistics issues will affect our current year results.

Earlier this year, we amended our full year 2021 guidance and, based on current business conditions, we reiterate these earning levels at the present time.

However, we continue to look to the future and hope to progress both organic and external growth opportunities including, as previously announced, opportunities in the wine sector. Further details on this will be provided at the appropriate time.

And that concludes my presentation.

We'll answer questions following the resolutions but, in the meantime, I'll pass back to Tim to cover the formal part of today's meeting.

## Address by the Chair: Tim Goodacre

### [SLIDE 38: ORDINARY RESOLUTIONS]

Thanks, Andy.

We'll now move to the business of the meeting. All items of business are ordinary resolutions and are required to be passed by a simple majority of votes.

The resolutions that we'll be voting on today are as follows:

- Resolution 1: Authorisation for the Directors to fix the auditor's remuneration for the coming year.
- Resolution 2: Re-election of myself, Tim Goodacre, as a Non-Executive Independent Director.
- Resolution 3: Re-election of Mark Hutton as a Non-Executive Independent Director.

Current best practice for Shareholder voting is by way of poll. Accordingly, I require that a poll be held for each of the resolutions.

I and my fellow directors hold the following undirected proxies:

- With respect to Resolution 1, authorisation for the Directors to fix the auditor's remuneration for the coming year: 261,614 shares.
- With respect to Resolution 2, re-election of Tim Goodacre as Non-Executive Independent Director: 270,844 shares.
- With respect to Resolution 3, re-election of Mark Hutton as Non-Executive Independent Director: 270,844 shares.

Your Board supports these resolutions and we intend to vote all these shares in favour of these resolutions.

### [SLIDE 39: RESOLUTION 1]

I'll now move onto each of the resolutions.

Resolution 1 relates to the remuneration of auditors. This proposed ordinary resolution is to authorise the Directors to fix the auditor's remuneration for the coming year. In accordance with the Companies Act, Deloitte has been automatically reappointed as Scales' auditor. As is usual with audit fees, due to the complexity and changing nature of the company's affairs, it is not possible to fix the remuneration at the beginning of the year.

I now move, as an ordinary resolution, that the Board is authorised to fix the auditor's remuneration for the coming year.

Are there any questions on this resolution?

*[Q&A discussion on resolution 1, if any]*

Thank you. We'll now move to the next resolution, which I'll ask Alan Isaac to introduce.

**[SLIDE 40: RESOLUTION 2]**

**Address by Alan Isaac**

Thanks Tim.

Resolution 2 relates to the re-election of Tim Goodacre.

The NZX Listing Rules state that Directors must not hold office (without re-election) past the third annual meeting following the Director's appointment, or 3 years, whichever is longer. Accordingly, Tim Goodacre is required to retire at this meeting.

Tim was first appointed to the Board in 2014 and a brief biography for him was included in the Notice of Meeting.

Tim, being eligible, offers himself for re-election, and the Board unanimously supports his re-election and recommends that shareholders vote in favour of Resolution 2.

I now invite Tim to briefly address the meeting on his proposed re-election.

Over to you Tim.

*[Personal remarks from Tim]*

Thanks Tim.

I now move, as an ordinary resolution, having retired by rotation, that Tim Goodacre be re-elected as a Non-Executive Independent director.

Are there any questions on this resolution?

*[Q&A discussion on resolution 2, if any]*

Thank you. We'll now move to the next resolution, and I'll pass you back to Tim.

**[SLIDE 41: RESOLUTION 3]**

**Address by the Chair: Tim Goodacre**

Thanks Alan.

Resolution 3 relates to the re-election of Mark Hutton.

The NZX Listing Rules state that Directors must not hold office (without re-election) past the third annual meeting following the Director's appointment, or 3 years, whichever is longer. Accordingly, Mark Hutton is required to retire at this meeting.

Mark was first appointed to the Board in 2011 and a brief biography for him was also included in the Notice of Meeting.

Mark, being eligible, offers himself for re-election, and the Board unanimously supports his re-election and recommends that shareholders vote in favour of Resolution 3.

I now invite Mark to briefly address the meeting on his proposed re-election.

Over to you Mark.

*[Personal remarks from Mark]*

Thanks Mark.

I now move, as an ordinary resolution, having retired by rotation, that Mark Hutton be re-elected as a Non-Executive Independent director.

Are there any questions on this resolution?

*[Q&A discussion on resolution 3, if any]*

Thank you.

We'll now move to finalise the voting and will answer general questions.

**[SLIDE 42: VOTING & QUESTIONS]**

Once all the votes have been cast, they will be counted by the Company's share registrar, Computershare, and scrutinised by the Company's auditor. The results of today's meeting will be released to the NZX on the completion of verification of voting.

If you have not already done so, please cast your votes now, and give your voting forms to Computershare, while we take questions.

**[SLIDE 43: QUESTION PROCESS – REMINDER]**

If there are any questions on the financial results, the business update or any other matters you would like to raise, please do so through the Lumi Q&A function. A reminder of the process is shown on screen.

For those of you present, I'll open the floor to any questions. I want to remind everyone that if we run out of time to answer all question now, we will respond to any additional questions in writing following the meeting.

*[Q&A if any]*

*[After the Q&A process]*

Ladies and gentlemen that concludes our discussion on the items of business.

In a couple of minutes, I'll close the voting system. Please ensure that you have cast your vote on all resolutions. I'll now pause to allow you time to finalise those votes.

*[wait for 90 seconds]*

Voting is now closed.

The results of all votes will be released to the NZX later today.

Ladies and gentlemen, there does not appear to be any further business for discussion, so that brings us to the end of formal business for Scales Corporations' 2021 Annual Shareholders' Meeting. This hybrid meeting has been another

first for the Company and I would like to thank you all for taking the time to connect with us today, be it online or in person.

I now declare the meeting closed. I invite those present to stay on for light refreshments and the opportunity to have informal discussions with Directors. Thank you.

***[ENDS]***