

## **Annual Shareholders' Meeting**

8 June 2022

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### **SCALES CORPORATION – 2022 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 the Computershare Online Meetings platform.

1. 2022 Scales Corporation Limited Annual Shareholders' Meeting – Chair and Managing Director's Addresses
2. 2022 Scales Corporation Limited Annual Shareholders' Meeting – Presentation

**ENDS**

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#### ***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).

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**Address by the Chair: Tim Goodacre**

**[SLIDE 2: AGENDA]**

Good afternoon, I'm Tim Goodacre, Chair of Scales, and it's my pleasure to welcome you all to this, the one hundred and tenth annual meeting of the company, and the eighth since we became a listed company.

Last year we held our first ever hybrid annual meeting, and we are doing so again this year. 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, shareholders, proxies and guests attending the meeting virtually will be able to hear and see a live webcast. 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 2022 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 6<sup>th</sup> of May.

Our order of proceedings is as shown: 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. It will also be an opportunity to meet the Directors and senior management of the company, and raise any questions you may have, on an informal basis.

**[SLIDE 3: VOTING PROCESS]**

With regard to the online voting process, if you're eligible to vote, you'll be able to cast your vote under the Vote tab as shown on screen. Once the voting has opened, the resolutions will allow votes to be submitted. To vote, simply select your voting direction from the options shown. You can vote for all resolutions at once or by each resolution separately. Your vote has been cast when the tick appears. To change your vote, simply select 'Change Your Vote'. You have the ability to change your vote up until the time I declare voting closed.

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 the Computershare Online Meetings platform, the resolutions will now be open in the Vote tab, 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. If you have a question to submit during the meeting, please select the Q&A tab on the right half of your screen anytime, as currently shown. Type your question into the field and press send. Your question will be immediately submitted. Should you require assistance of any sort, you can type your query and one of the Computershare team will assist using the chat function. Alternatively, you can call Computershare on 0800-650-034.

Please note that while you can submit questions from now on, I 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, amalgamated together.

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 but, if this happens, we'll answer them in due course via email.

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. As I indicated 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
- Nadine Tunley, member of the Health & Safety and Sustainability Committee and an Independent Director and
- Qi Xin, Director, who is attending online.

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. In addition, Kelly Brown, our *Future Director*, is in attendance.

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

2021 was another challenging year for many businesses, including Scales. COVID-19 affected areas such as labour availability, markets, supply chains and logistics. However, as in 2020, all of Scales' businesses operated throughout the lockdowns and alert level changes and we ensured that the health, wellbeing and safety was top priority for all our staff. I'll speak more about the efforts of our exceptional team shortly.

Notwithstanding the difficulties, an extraordinary effort was made by the Mr Apple team to pick, pack and export the harvest.

Food Ingredients continued its remarkable growth path, exceeding its long-run EBITDA target of \$25 million, a target that was only set at the end of 2018.

And the strategic benefit provided by Logistics was evidenced, in relation to the ongoing supply chain difficulties, ensuring both Scales businesses and its external customers were able to successfully export their products.

As a result, and with the benefit of diversification, our results exceeded our Revised Guidance, issued following our interim results last year, with dividends being paid as planned.

**[SLIDE 8: OUR STAFF]**

2021 put a strain on everyone both personally and professionally, and we are extremely grateful for the tremendous efforts of all our staff in supporting our customers, suppliers, local communities and each other throughout the year.

Across the business, our people faced the challenges that were presented to them with strength and ingenuity. Their ability to adapt was tested, as we strived to update safe work practices in line with changing situations. Our staff's courage was vital to ensure that our essential products and services continued to reach customers. We are extremely proud of their enterprising spirit, resourcefulness and extraordinary effort.

As in previous years, we also observed the importance of our critical RSE workers within our team. Compared to 2020, the RSE workforce was approximately 14% lower over the key harvest period, which placed significant pressure on our local permanent team.

We're also aware of the mental and emotional toll that the last two years have brought and considered a number of strategies to help. One of the tools that we implemented is a partnership with Groov (previously called Mentemia), a mental health and wellbeing platform that provides practical tips and tools to help our employees take control of their daily mental wellbeing. Andy will touch on this again later in his address.

Despite the trying times, teams have pulled together and the positive, results-driven and supportive culture of Scales has shone through. I'd like to take this opportunity to extend our thanks on behalf of the Board to the full team at Scales, for their contribution and commitment which has, once again, been invaluable.

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

We're pleased to have commenced the process around our Board succession, assisted and guided by specialist governance advisers, BoardWorks, who have advised boards for over 25 years. As part of that process, Mark Hutton and I have indicated at last year's annual meeting that we will not seek re-election at the end of our current term, which is scheduled to end in 2 years time. We'll continue to update you on our succession plans as they progress.

We were delighted to welcome Qi Xin as our China Resources Ng Fung representative to the Board during 2021, in addition to Kelly Brown, our fifth Future Director. Kelly's tenure ends today, and I'd like to thank her for her contribution over the last 12 months. Kelly treated her role seriously and I hope that she feels she has benefitted from the experience.

In addition, Geoff Smith was appointed as our Chief Operations and Sustainability Officer at the end of January this year. Geoff brings a wide range of operational, supply chain, strategy and investment experience from across the agribusiness industry.

We believe that these appointments serve to strengthen our already robust leadership and senior management group.

*[Pause]*

I'd now like to hand you over to Andy, who'll give you a broader update on last year, and bring you up to date 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 - AGENDA]**

Thanks Tim, and good afternoon, ladies and gentlemen. The current slide summarises the topics that I'll cover in my presentation today, which includes:

- A review of 2021

- An update on sustainability
- A summary of our individual business' performance
- Commentary on the current year.

**[SLIDE 12: YEAR IN REVIEW]**

First, a quick recap of some of the financial and operational highlights of the 2021 financial year.

**[SLIDE 13: OUR YEAR IN NUMBERS]**

This slide shows some of our financial and volumetric measurements for 2021, a few of which I'll go into in more detail later. Despite the difficulties presented, we set a revenue record, together with a substantial 29% increase in petfood ingredient volumes sold.

**[SLIDE 14: TRENDS IN GROUP FINANCIAL PERFORMANCE]**

This next slide illustrates a summary of our earnings over the last 5 years including the record revenue. The Group also generated very pleasing increases in both Underlying EBITDA and Underlying NPAT Attributable to Shareholders.

**[SLIDE 15: GROUP FINANCIAL PERFORMANCE]**

Moving on to some more detail in respect of our 2021 results.

Together with the 9% increase in revenue, we achieved a 15% increase in Underlying EBITDA, 20% increase in Underlying NPAT (which was another record result), and an 8% increase in Underlying NPAT Attributable to Shareholders. Accordingly, earnings per share were up 27% on the prior year.

This was an overall outstanding result, which we believe was aided by our strategy of diversification, together with the exceptional performance by all teams.

**[SLIDE 16: 2020 DIVISIONAL SUMMARY]**

This next slide summarises some of the divisional highlights for 2021.

In Horticulture, a lower volume of fruit and cost pressures were balanced by strong in-market pricing. Mr Apple also commenced the automation of its Whakatu packhouse with the installation of tray de-nesting machines.

As Tim has already mentioned, Food Ingredients experienced an outstanding year, with significant increases in volumes sold, revenue and profitability. We believe the division's diverse geographical locations proved beneficial for this result.

And Logistics performed strongly in what were extremely trying conditions for the logistics industry as a whole. The expertise provided by the division was invaluable to both internal and external customers.

**[SLIDE 17: TRENDS IN DIVISIONAL UNDERLYING EBITDA]**

This slide shows the movements in divisional earnings over the last 5 years. Most noticeable is the significant growth trajectory of the Food Ingredients division. More on this later.

## **[SLIDE 18: BALANCE SHEET]**

Moving on to our balance sheet, which continues to show a strong financial position.

The movement in capital employed mainly reflects capital expenditure, primarily at Mr Apple, and revaluation of land and buildings in line with accounting standard requirements. Some of our capex projects are pictured on this slide.

Other movements included an increase in working capital, in line with our increase in revenue, and a revaluation of foreign exchange derivatives, again in line with accounting requirements.

Our net cash position at 31 December decreased by around \$15.5 million compared to December 2020, due primarily to the investment in the Mr Apple's new Whakatu coolstore. Notwithstanding this movement, we continue to be in a strong position to invest in growth opportunities as they occur. An increase in other liabilities was due to an increase in deferred tax liabilities.

## **[SLIDE 19: SUSTAINABILITY UPDATE]**

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

## **[SLIDE 20: SUSTAINABILITY OVERVIEW]**

It's been a busy year from an environmental point of view and some of our environmental projects, both big and small, are listed on this slide. One of our bigger undertakings last year was the commissioning of our new Whakatu coolstore and we're proud to note that, not only does the coolstore provide operating and financial efficiencies, it also provides environmental efficiencies such as a reduction in the movement of freight.

Other projects included a soil health project to help us understand our impact on the ecosystem, an in-house carbon footprint assessment undertaken for Meateor NZ and the receipt of a report from AUT on the potential carbon sequestration of apple trees. All of these are covered in more detail in the Sustainability section of our Annual Report, which I encourage you to read.

## **[SLIDE 21: OUR PEOPLE]**

Whilst we don't treat our staff as just numbers, this current slide provides a few statistics about our workforce, a number of which we are proud of.

We endeavour to provide an environment where staff can develop and grow and we were delighted that one of our team members celebrated their 45<sup>th</sup> year of working with us. That level of knowledge and expertise is difficult to replace.

We also seek to provide an equal-opportunities workplace and hope that the success of our female senior leadership team and staff members helps to inspire others.

## **[SLIDE 22: COVID-19 AND HEALTH & SAFETY]**

As Tim mentioned earlier, all our businesses continued to operate during the lockdowns and level changes in 2021, using our pandemic preparedness policies. We were also able to adapt our COVID-19 response as necessary, including implementing new contact tracing technology.

I'd also like to stress how important health and safety is to our Group, from a physical, mental and emotional viewpoint. A few of our health and safety initiatives are noted on this slide, including our partnership with Groov, a business established by Sir John Kirwan and technology entrepreneur Adam Clark to help people with their mental health. It provides an evidence-based, self-care product for workplaces, including practical tips and tools to help users take control of their daily mental wellbeing. We're eager to embed mental health and wellbeing into the daily working lives of our staff and look forward to seeing the impact that it has.

#### **[SLIDE 23: BUSINESS UPDATE]**

Moving on to an update of our divisional businesses, starting with Horticulture.

#### **[SLIDE 24: HORTICULTURE – VOLUMES AND PRICING]**

Whilst we encountered an overall decrease in apple volumes in 2021, there was a pleasing 6% growth in Premium varieties including significant growth in sales of Dazzle™ and Posy™. Over the 10-year period, this represents a compound annual growth rate for Premium varieties of 14%, which aligns with our orchard redevelopment strategy.

The decrease in Traditional volumes was mainly a result of inclement weather and a decrease in the number of Traditional variety orchards due to the orchard redevelopment.

As mentioned earlier, we achieved an overall increase in pricing. This was due to a combination of reduced in-market volumes, better fruit sizes for certain varieties and strong demand for varieties such as Dazzle™, resulting in prices that were above prior year levels for most varieties.

Total exported volumes decreased to just under 5 million TCEs with external grower volumes reflecting a challenging season for Nelson growers.

#### **[SLIDE 25: HORTICULTURE – AUTOMATION AND ORCHARD DEVELOPMENT]**

During last year, we commenced our multi-year investment and automation plan to increase productivity and sustain margins with the installation of tray de-nesting machines at the Whakatu packhouse. This complements the commissioning of the Whakatu coolstore in February, which has already provided financial and operating efficiencies.

We believe that, when finished, the automation project will result in the Whakatu packhouse being one of the world's most automated apple packhouses and will significantly enhance labour productivity.

Mr Apple also continued to plant and redevelop its orchard, with 35 hectares converted into primarily Dazzle™ and NZ Prince™ varieties during winter 2021. This, together with our 'intensive planting' techniques, are expected to help increase prices and yields as the orchards reach commercial scale.

We believe the outcomes from these projects will help to sustain our margins.



## **[SLIDE 26: HORTICULTURE – MEETING THE CHALLENGES OF A CHANGING INTERNATIONAL MARKET]**

Pleasingly, we experienced strong growth in our Asia and Middle East markets last year with them accounting for around 72% of sales and, of that, China comprising around 20%.

However, I'd like to note that sales to Russia have been suspended.

We're continuing to invest in our branding and marketing strategies, with a particular focus on customers in these key markets, in addition to consolidating Dazzle™'s early strong and growing presence there.

We undertook market research with consumers in China, Vietnam and Thailand to provide a baseline of brand awareness, affinity and conversion and, whilst the Mr Apple brand is seen as meaningful, the market research identified there are opportunities to differentiate it and make it more relevant.

So, new, simplified, branding has been developed for Mr Apple, with a couple of examples shown on this slide. This continues to link to the Mr Apple 5-point promise and is being incorporated in packaging and other marketing and advertising material.

## **[SLIDE 27: FOOD INGREDIENTS – PERFORMANCE]**

Moving on to Food Ingredients and its outstanding performance for the year.

As mentioned earlier, the division generated significant increases in volumes, revenue and profitability in 2021, reflecting both the ongoing demand for global petfood and the benefit of its geographical and protein diversification strategy. Shelby in particular continued to grow strongly, and this was assisted by increased volumes being available through the commissioning of new plate freezing capacity in the toll processing facility at Dodge City, Kansas.

Underlying EBITDA of \$35 million, a 52% increase on last year, significantly exceeded the Food Ingredients long-run EBITDA target of \$25 million, which was only set around 3 years previously.

Profuit volumes were down only slightly on last year's record volumes due to a lower availability of product and yield. Again, strong domestic markets helped negate some of the difficulties in export.

## **[SLIDE 28: FOOD INGREDIENTS – INDUSTRY UPDATE]**

The petfood industry continues to grow, with a reported increase in global petfood production of over 8% in 2021, led by a 17% increase in the Asia Pacific region. North American markets rose at the second highest rate of almost 13%.

There is also reported increases in global petfood sales, including an increase of almost 10% in the USA in 2020 and there was a projected 5% increase for 2021. As in recent years, the strength of the industry is being attributed to an increase in pet ownership due to COVID-19 and a focus on pets' health and wellbeing.

Whilst supply chains continued to be impacted by strong global shipping demand as well as port and logistics constraints, the impact on Meateor NZ and Shelby was lessened due their respective domestic customer bases

**[SLIDE 29: FOOD INGREDIENTS – STRATEGY]**

The global strategy for the Food Ingredients division is to be a key global provider of petfood ingredients to a wide range of international brands. Whilst previous travel restrictions limited our ability to pursue opportunities, industry growth has reinforced our strategy of investigating both internal and external opportunities.

We're pursuing opportunities that will expand our geographical presence and protein offering and are also seeking to expand our product range with added-value and functional petfoods.

In addition, due to our confidence in the market, and particularly in the USA, our Division CEO John Sainsbury is in the process of relocating to the USA on a permanent basis to further drive this growth. John has previously lived and worked in the States and that, along with his leadership abilities, means he is able to hit the ground running and is already reviewing a significant number of potential projects.

**[SLIDE 30: LOGISTICS - UPDATE]**

Last, but certainly not least, is the Logistics division.

The challenges faced by the supply chain and logistics industry have been well documented in the press and are unfortunately showing no sign of abating. As a result, the expertise and experience of the Scales Logistics team proved, and continue to prove, strategically important for our other Scales divisions as well as external customers.

An exceptional effort by the team provided a strong result with a 5% increase in revenue and a 17% increase in Underlying EBITDA compared to 2020. This was despite a decrease in volumes freighted due to lower apple volumes and reduced sailings.

However, pressures are unfortunately expected to continue with instability in the availability of containers and ships, labour shortages, increased costs and high demand.

**[SLIDE 31: OUTLOOK]**

Moving on to the outlook for the current year.

**[SLIDE 32: 2022 OUTLOOK]**

Our diversified agribusiness strategy continues to provide some mitigation to the global difficulties being experienced. Food Ingredients continues to trade strongly, and its earnings are now forecast to at least match those of last year. Apple prices are strong compared to last year and we have had a positive start to sales in Asia and near markets. Due to a few reasons, which I'll go into on the next slide, Mr Apple's crop volume was down around 9% this year.

As a result, we are pleased to reconfirm our initial market earnings guidance for 2022 at the present time.

**[SLIDE 33: 2022 TRADING UPDATE]**

I'd now like to give an update on trading for each of the divisions.

As mentioned, within the Horticulture division, total pick volumes of around 4.3 million TCEs were lower than both originally forecast and 2021. However, a decrease in crop volume is not unique to Mr Apple. In May, Pipfruit New

Zealand revised its crop estimate down by 15% for the Hawke's Bay region and 12% for the National crop. By comparison, Mr Apple's total pick volumes are approximately 10% lower than its previous crop estimate for this year and 9% down on last year.

The decrease in our pick compared to last year was due to a number of factors. This included a proportion of orchard that was either not in production, or producing at lower levels, due to recent redevelopment into higher value proprietary varieties. In addition, approximately 23 hectares of leased orchard, principally planted in traditional varieties, was not renewed.

Weather also played its part, as we've indicated on this slide.

The effect of these factors are summarised in the volume bridge chart at the bottom right of this slide.

Notwithstanding the lower apple pick, it was another amazing effort by the team to harvest the crop.

Packing is ongoing, with the initial export packout rate in line with previous years. And, as I previously mentioned, early pricing indications are positive, with prices in the near markets up on 2021. This has helped negate the increase in overall costs, especially with the substantial increase in sea freight expenses. There has also been a positive start with Posy™ and Dazzle™ being well received across all markets.

Mr Apple expects to progress the Whakatu packhouse automation project once this year's harvest is complete, and we expect this will continue into next year.

#### **[SLIDE 34: 2022 TRADING UPDATE (Continued)]**

Within Food Ingredients, our petfood businesses are continuing to perform strongly. In addition to organic growth, John Sainsbury is continuing to explore opportunities in the USA and elsewhere, with value adding options also being actively pursued.

In Australia, our exports have outperformed expectations and, as of 31 December 2023, we note that we'll no longer have an exclusive ongoing relationship with our existing supplier.

In terms of Scales Logistics, difficult global supply chain conditions are ongoing with restricted shipping capacity, labour shortages and increased costs. However, we're confident that Logistics will continue to provide significant strategic support to its customers, including Mr Apple and Meateor.

In respect of overall Group trading, we are anticipating higher net interest income for the year. In addition, no material M&A costs have been incurred to date.

*[Pause]*

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 35: 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 Alan Isaac, as a Non-Executive Independent Director
- Resolution 3: Re-election of Nadine Tunley as a Non-Executive Independent Director
- Resolution 4: Re-election of Andrew Borland as a Director
- Resolution 5: Election of Qi Xin as a Non-Executive Director
- Resolution 6: Authorisation that the maximum total pool of Directors' remuneration payable by Scales to Directors be increased

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: 202,129 shares
- With respect to Resolution 2, re-election of Alan Isaac as Non-Executive Independent Director: 208,192 shares
- With respect to Resolution 3, re-election of Nadine Tunley as Non-Executive Independent Director: 218,157 shares
- With respect to Resolution 4, re-election of Andrew Borland as Director: 206,662 shares
- With respect to Resolution 5, election of Qi Xin as Non-Executive Director: 218,157 shares
- With respect to Resolution 6, authorisation that the maximum total pool of Directors' remuneration payable by Scales to Directors be increased: 180,049 shares

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

**[SLIDE 36: 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

automatically been 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.

**[SLIDE 37: RESOLUTION 2]**

Resolutions 2 through 4 relate to the re-election of Directors. 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, Alan Isaac, Nadine Tunley and Andy Borland are required to retire at this meeting.

Resolution 2 relates to the re-election of Alan Isaac.

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

Alan, 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 Alan to briefly address the meeting on his proposed re-election.

Over to you Alan.

*[Personal remarks from Alan]*

Thanks Alan.

I now move, as an ordinary resolution, having retired by rotation, that Alan Isaac 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.

**[SLIDE 38: RESOLUTION 3]**

Resolution 3 relates to the re-election of Nadine Tunley.

Nadine was first appointed to the Board in 2019 and a brief biography for her was included in the Notice of Meeting.

Nadine, being eligible, offers herself for re-election, and the Board unanimously supports her re-election and recommends that shareholders vote in favour of Resolution 3.

I now invite Nadine to briefly address the meeting on her proposed re-election.

Over to you Nadine.

*[Personal remarks from Nadine]*

Thanks Nadine.

I now move, as an ordinary resolution, having retired by rotation, that Nadine Tunley 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 the next resolution.

**[SLIDE 39: RESOLUTION 4]**

Resolution 4 relates to the re-election of Andrew (or, as we know him better, Andy) Borland.

Andy became Managing Director and was first appointed to the Board in 2011 and a brief biography for him was included in the Notice of Meeting.

Andy, being eligible, offers himself for re-election, and the Board unanimously supports his re-election and recommends that shareholders vote in favour of Resolution 4.

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

Over to you Andy.

*[Personal remarks from Andy]*

Thanks Andy.

I now move, as an ordinary resolution, having retired by rotation, that Andy Borland be re-elected as Executive Director.

Are there any questions on this resolution?

*[Q&A discussion on resolution 4, if any]*

Thank you. We'll now move to the next resolution.

**[SLIDE 40: RESOLUTION 5]**

Resolution 5 relates to the election of Directors appointed since the last Annual Meeting. The NZX Listing Rules state Directors appointed by the Board must not hold office (without re-election) past the next annual meeting following the Director's appointment.

Resolution 5 therefore relates to the election of Qi Xin.

Qi Xin was appointed to the Board in December 2021 and a brief biography for him was included in the Notice of Meeting.

Xin, being eligible, offers himself for re-election, and the Board unanimously supports his re-election and recommends that shareholders vote in favour of Resolution 5.

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

Over to you Xin.

*[Personal remarks from Xin]*

Thanks Xin.

I now move, as an ordinary resolution, having retired by rotation, that Qi Xin be re-elected as a Director.

Are there any questions on this resolution?

*[Q&A discussion on resolution 5, if any]*

Thank you. We'll now move to the next resolution.

**[SLIDE 41: RESOLUTION 6]**

Resolution 6 relates to a proposal to increase the maximum total pool of Directors' remuneration available for your Board of Directors by \$50,000 per annum, from a total fee pool of \$600,000 per annum to \$650,000 per annum, effective from the close of the Annual Meeting. Shareholder approval is required under NZX Listing Rule 2.11.1.

An appropriate fee structure is important to ensure that your Company can continue to attract and retain the right directorial skills and experience to govern your business, and that those Directors are being fairly remunerated for the work they do.

The proposed increase in the Directors' fee pool reflects current market conditions and provides the Board with a remuneration fee pool considered appropriate to remunerate a Board of six Non-Executive Directors, including for associated committee work.

I now move, as an ordinary resolution, that the maximum total pool of Directors' remuneration payable by Scales to Directors (in their capacity as Directors) be increased by \$50,000 per annum, from \$600,000 per annum to \$650,000 per annum.

In accordance with the NZX Listing Rules, the directors and their associated persons are restricted from voting on this resolution.

Is there any discussion on this resolution?

*[Q&A discussion on resolution 6, 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 Computershare Online Meetings platform. 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 questions now, we will respond to any additional questions in writing following the meeting.

*[Q&A if any]*

*[After the Q&A process]*

**[SLIDE 44: COVER SLIDE]**

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 60 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' 2022 Annual Shareholders' Meeting. 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]**