

NZX Release

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SCALES ACQUIRES SELECTED ORCHARD ASSETS AND 50% OF PROFRUIT BUSINESS FROM BOSTOCK GROUP FOR \$47.5 MILLION, TWO MR APPLE ORCHARDS TO BE MARKETED FOR SALE

Scales Corporation Limited (NZX:SCL **Scales**) today announced that it has entered into an agreement to acquire certain assets from Bostock Group Limited (**Bostock**). The transaction includes approximately 240 hectares of planted orchard area comprised of approximately 114 hectares of owned orchards and the assignment of approximately 126 hectares of leased orchard. The total acquisition price of \$47.5m also includes the purchase of 50% of Profruit (2006) Limited (**Profruit**) held by Bostock (collectively **the Transaction**).

At the same time Mr Apple will put up for sale its Blyth and Te Papa orchards (with a combined planted area of approximately 186 hectares) as part of Scales' strategy to improve Mr Apple's margins. By acquiring the Bostock orchards and selling these existing orchards, Mr Apple will broadly maintain its total orchard area while achieving a meaningful uplift in its premium variety volumes.

The key highlights of the Transaction include:

- Approximately 240 hectares of planted orchard, comprising the acquisition of approximately 114 hectares of owned orchard and assignment of approximately 126 hectares of leased orchard.
- Strong geographical alignment to existing Mr Apple orchards and its post-harvest infrastructure.
- High concentration of Dazzle™ plantings. Approximately 110 hectares (of approximately 240 hectares) are planted in Dazzle™.
- Acquired orchards also include High-Colour Fuji and Royal Gala plantings.
- Profruit to become a wholly-owned subsidiary of Scales.
- Mr Apple's total orchard area is expected to be largely unchanged through time following the proposed orchard acquisition and sales.
- Premium fruit is expected to represent nearly 80% of Mr Apple's 2025 fruit sales (compared with 64% in 2023).

Scales Corporation's Managing Director, Andy Borland, says "We are extremely pleased to announce our transaction with John Bostock today. Scales and Mr Apple have worked closely with John Bostock and his team over multiple decades and expect to continue to work closely together to collectively grow the industry. Bostock orchards are renowned for their premium quality produce and the orchards being transferred are optimally located, with strong strategic alignment to existing Mr Apple orchards."

"Scales recognises the hard-work and dedication of both the Mr Apple and Bostock teams. Both businesses have operated at the pinnacle in their field. The Hawke's Bay community has had a challenging few years and we are hopeful that the increased value to be unlocked through this Transaction creates opportunities for new roles across the industry."

"Our Mr Apple strategy is to focus on the sale of premium varieties to Asia and the Middle East markets, and drive improved margins from Mr Apple's existing level of assets employed rather than expanding its asset base. The transactions announced will achieve those objectives. Dazzle™ has been a highly successful variety for Mr Apple, and this transaction materially accelerates our strategy of increasing Dazzle™ volumes. By inheriting mostly mature blocks we will have higher volumes of Dazzle™ apples from 2025".

Bostock Group Limited's Managing Director, John Bostock, says "I am especially pleased that Scales is acquiring these orchards. The distinction between 'organic' and 'conventional' fruit is of a lower significance in Asia, where Dazzle™ has strong market appeal. It is a natural fit for these orchards to be operated by Mr Apple and for the Bostock group to continue to service its customers in other markets with Bostock's other varieties. There is a strong cultural alignment between our two businesses, and I feel confident that any staff moving between the growers will find themselves well at home at Mr Apple."

Scales Corporation Chair, Mike Petersen, says "migrating our orchard mix to favour higher percentages of premium varieties, especially those varieties for which we have proprietary rights, is a core strategic imperative for Mr Apple as well as New Zealand's broader horticultural industry. PVR varieties, such as Dazzle™, are more sought after than our traditional varieties, reflecting the superior colour qualities and eating experience. This allows the industry to continue to invest, innovate and expand whilst also creating high-value employment opportunities. Profruit is an extremely well-run business and we are very pleased to move to outright ownership."

The Transaction is subject to customary closing conditions and expected to complete in early to mid-June 2024, while the Mr Apple orchard sales are not expected to conclude until the second half of the year. The Transaction and orchard sales are expected to have a negligible impact on Scales' Net Profit After Tax Attributable to Shareholders for 2024 (the first full year of production from the affected orchards will not be until 2025). Further details on earnings are expected to be provided at or about the time of Scales' half-year results announcement (late August), following confirmation of the outcome of the proposed orchard sales.

About Scales Corporation

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