



PRODUCT DISCLOSURE STATEMENT

**OFFERING OF ORDINARY SHARES IN
ZESPRI GROUP LIMITED**

**ISSUED AND OFFERED BY ZESPRI GROUP LIMITED
15 AUGUST 2018**



This document gives you important information about this investment to help you decide whether you want to invest. There is other useful information about this offer on <https://disclose-register.companiesoffice.govt.nz/>. Zespri Group Limited has prepared this document in accordance with the Financial Markets Conduct Act 2013. You can also seek advice from a financial adviser to help you to make an investment decision.

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KEY INFORMATION SUMMARY

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Zespri is the world's largest international marketer of kiwifruit, selling kiwifruit in over 50 countries

1.1 What is this?

This is an offer of convertible ordinary shares in Zespri (**Shares**). Shares give you a stake in the ownership of Zespri. You may receive a return if dividends are paid or Zespri increases in value and you are able to sell your Shares at a higher price than you paid for them.

If Zespri runs into financial difficulties and is wound up, you will be paid only after all creditors have been paid. You may lose some or all of your investment.

The Shares are convertible into Class B Shares of Zespri. Shares automatically convert to Class B Shares of Zespri if they are held by a non-Producer for a period of 3 years and where, during that period, that non-Producer was not an Owner or Lessee of a property from which kiwifruit is supplied to Zespri. Class B Shares will not have any rights to a dividend but otherwise will have the same rights as Shares.

1.2 About Zespri Group

Zespri Group is the world's largest international marketer of kiwifruit, selling kiwifruit in over 50 countries and managing around a third of the globally traded (exported) volume. In FY2018 Zespri sold approx. 138 million Trays of kiwifruit.

Zespri Group works with growers and post-harvest operators internationally to source Zespri kiwifruit and supply this kiwifruit through its distribution partners to wholesale markets and retail customers. Zespri Group's global headquarters are based in Mount Maunganui, New Zealand, in the heart of New Zealand's largest kiwifruit producing region, the Bay of Plenty.

Zespri Group also develops and licences proprietary kiwifruit cultivars to growers and receives royalties and, in New Zealand, an initial licence fee.

For further information refer to Section 2.

1.3 Purpose of this Offer

This Offer is being made in conjunction with a Share Buy-Back. The purpose of both is to improve alignment between growers and Shareholders so that growers receive the benefit of owning Shares in Zespri. Zespri's aspirational alignment goal is for, ultimately, all growers to own 1 Share for every Tray of kiwifruit they produce for supply to Zespri (**1:1 Ratio**).

Currently, a large proportion of growers are either undershared or do not own Shares at all, and the purpose of this Offer is that these growers are given the opportunity to participate in the corporate income streams of Zespri, through potential dividends, in addition to fruit payments. Collectively, this Offer and the Share Buy-Back process aim to address one of the key goals of our industry, which is to strengthen grower ownership and control of Zespri. It follows extensive industry consultation and a vote at Zespri's Special Meeting of Shareholders in March 2018 that supported changes to the Constitution.

The proceeds of the Offer are intended to be used mainly to fund the Share Buy-Back which will be

offered to Dry Shareholders and those growers holding 1.5 Shares per Tray or more of Historical Production.

Participation in either the Offer or the Share Buy-Back is not mandatory – you do not need to participate if you do not want to.

To the extent that there are excess funds over that needed to conduct the Share Buy-Back, the Board may resolve to return any determined excess not required by the business to all those who remain Shareholders at the time the return occurs, subject to being able to do so pro-rata to all those Shareholders on a tax free basis. Should the Board resolve to retain any newly raised capital in excess of that required to fund the Share Buy-Back, it may be used for the purposes of replacing the paid-up capital utilised in the March 2018 minority buy-out right Share purchase, and/or for the execution of Zespri growth strategies as described in Section 2.4 and/or for other significant capital expenditure projects at the Board's discretion.

For further information refer to Section 3.

1.4 Key terms of the Offer

Description of securities	New Shares and treasury Shares, each being convertible ordinary shares in Zespri.
Eligibility	<p>The Offer is made to unshared or undershared Producers resident in New Zealand or Australia.</p> <p>Eligibility is determined through an Alignment Entitlement. In summary, the Alignment Entitlement allows Producers to apply for 1 Share for each Tray of "Production" attributable to KPINs owned or leased by them, less the number of Shares already held and subject to adjustment so that Constitutional and other limits are not exceeded. A nil Alignment Entitlement means a Producer is not eligible to participate in the Offer. The technical calculation of Alignment Entitlements is set out in Section 5.</p>
Calculation Date	Alignment Entitlements are calculated on 3 August 2018
Offer price	NZ \$8.00 per Share. No further payments, fees or charges are required to be paid for the Shares.
Offer opens	3 September 2018
Offer closes	19 October 2018
Settlement and quotation on USX	5 November 2018

Number of Shares being offered under the Offer if all Alignment Entitlements taken up*	118,083,441 Shares, which comprises 1,780,788 treasury Shares and 116,302,653 newly issued Shares (together being, 49.82%)*
Gross proceeds from the Offer	Up to a maximum of \$944,667,528
Minimum Application	100 Shares
Conversion	As more fully explained in Section 6, under “Conversion and entitlement to dividends”, the Shares automatically convert to Class B Shares if they are held by a non-Producer for a period of 3 years and where, during that period, that non-Producer was not an Owner or Lessee of a property from which kiwifruit is supplied to Zespri. Class B Shares will not be in existence until at least 14 March 2021. Class B Shares do not have any rights to a dividend but otherwise have the same rights as Shares. Class B Shares automatically convert to Shares if they are transferred to a Producer.

* This is the percentage that the number of Shares being offered will comprise of the total Shares in Zespri on issue immediately after completion of the Offer (including the sale of treasury Shares).

1.5 How you can get your money out

Zespri does not intend to quote these Shares on a licensed market in New Zealand but they will be able to be traded on the Unlisted (**USX**) market. This means you may be able to sell them on USX if there are interested buyers who are Producers who are not Overshared (over 4:1) or would become Overshared after the transfer. You may get less than you invested. The price will depend on the demand for the Shares.

Should your Shares convert to Class B Shares after 14 March 2021, they will be tradeable on Unlisted on the same basis as Shares even though they are not separately listed on USX.

Unlisted (USX) is not a Licensed Financial Product Market. Efficient Market Services Limited, which operates Unlisted (USX), accepts no responsibility for any statement in this Product Disclosure Statement.

1.6 Key drivers of returns

Set out below are Zespri’s four key revenue streams representing the current and future aspects of Zespri Group’s business that have or may have, the most impact on the financial performance of the business and Zespri’s key strategies and plans for those aspects of the business:

- **revenue from exporting and marketing New Zealand kiwifruit globally:** this is Zespri’s largest source of revenue. Importantly, from a Shareholder’s perspective, Zespri’s funding model, known as the **enduring funding model** (further explained in Section 2.3), means that Zespri’s Enduring Funding EBIT on New

Zealand kiwifruit supply earnings should be maintained at around 1% of net New Zealand kiwifruit sales. Underpinning this revenue stream is Zespri’s single desk status under the Kiwifruit Regulations.

- **revenue from sourcing and marketing kiwifruit from outside of New Zealand:** Zespri’s New Zealand supply is supplemented with globally sourced kiwifruit through Zespri Global Supply (**ZGS**). This is mainly sourced from growers in Italy, France, Greece, Japan and South Korea aiming to position Zespri to be able to offer 12 month supply to key northern hemisphere customers. The objective is to secure shelf space and brand presence all year round. As ZGS is not subject to the enduring funding model, the margin Zespri is currently able to earn on it is higher. In this regard, Zespri’s key strategy is the expansion of ZGS so that it can improve its ability to offer 12 month supply.
- **revenue from licensing PVRs:** Zespri owns the Plant Variety Right (**PVR**) to SunGold and sees a significant opportunity in expanding its supply through licensing rounds in New Zealand and overseas. Although only SunGold licensing programmes currently occur, Zespri may license other PVRs from time to time. Zespri also sells smaller PVR licence parcels to allow block finishing or shelter belt removal. In FY2018 licensing revenue was approximately \$102 million.

SunGold is seen by Zespri as its leading kiwifruit cultivar given its positive market and consumer response since commercialisation. Zespri is therefore prioritising the growth of SunGold demand through marketing and its supply through PVR licensing. Zespri also undertakes development

and commercialisation of new kiwifruit cultivars, so in the future other PVRs apart from SunGold may be licensed in material amounts.

- **revenue from royalties on PVRs:** royalty revenue is relative to the sales revenue of licensed PVRs. In FY2018 royalty revenue is approximately \$20.7 million, but as SunGold licensing, in particular continues it is expected to rise. In the future, should new PVRs be developed and commercialised, royalties from their licensing would be generated.

Underpinning each of the above revenue streams are Zespri's strategies to increase value through a premium-branded product, supported by investment in sales and marketing, innovation and an ongoing focus on quality and efficiency through the supply chain. On the back of this, Zespri aims to maintain and enhance access to existing markets and to further develop current or future key markets, such as China, Japan and Europe.

For further information on Zespri's revenue streams and associated key strategies that drive its returns, see Sections 2.3 and 2.4.

1.7 Key risks affecting this investment

Investments in shares are risky. You should consider if the degree of uncertainty about the Zespri Group's future performance and returns is suitable for you. The price of these Shares should reflect the potential returns and the particular risks of these Shares. Zespri considers that the most significant risk factors that could affect the value of the Shares are:

- Zespri's single desk status under the Kiwifruit Regulations gives it the sole right to export kiwifruit from New Zealand, other than to Australia or where there are collaborative marketing arrangements in place. Zespri believes this gives it economies of scale and the ability to build a global brand and invest in innovation. If the Kiwifruit Regulations were amended to remove this status so that New Zealand kiwifruit growers not using Zespri's PVRs could sell to persons other than Zespri, it could reduce Zespri's sales, revenues and profitability materially.
- Zespri's ZGS programme aims to create supply of Zespri kiwifruit in the northern hemisphere so that Zespri can supply its customers 12 months of the year and thereby secure shelf space and brand presence all year round. ZGS is expected to provide a different source of revenue to PVR licensing. If ZGS's implementation is delayed or not successfully implemented, it could eventually reduce Zespri's sales, revenues and profitability materially.

- Zespri is predominantly an exporter of kiwifruit. Therefore, its commercial success is dependent on its ability to access overseas markets to sell kiwifruit. Access to overseas markets depends on overseas laws regulating imports and overseas regulators' approach to their enforcement. If either of these adversely change in connection with a material market for Zespri, it could have a material adverse effect on Zespri's financial performance.
- As a seller of fresh produce, the volume Zespri can procure and its ability to access markets is dependent on environmental factors, pests and disease. If unfavourable growing conditions (such as hail or frost) were to affect Zespri's supply or an outbreak of pests (such as brown marmorated stink bug or fruit fly) or disease (such as Psa), Zespri may not have the kiwifruit to service its markets or could be subject to import restrictions in major markets. This could have a material adverse effect on Zespri's financial performance.
- Currently, SunGold has a market leading position in terms of market share of gold kiwifruit. It is also over 40% of Zespri's global kiwifruit volume in FY2018. It is possible that over time other commercially successful gold varieties will be produced in sufficient volume by competitors and affect the premium returns Zespri achieves on SunGold. Further, Zespri acknowledges that SunGold licence revenue may materially diminish over time. Should either of these events occur, there could be a material adverse effect on Zespri's financial performance and should SunGold licence revenue decline, Zespri's distributable profit and, therefore dividends may decline.

This summary does not cover all of the risks of investing in Shares in Zespri. You should also read Section 8 (risks to Zespri Group's business and plans) and Section 6 (Key features of ordinary shares in Zespri).

1.8 Where you can find Zespri Group's financial information

The financial position and performance of the Zespri Group are essential to an assessment of this Offer. You should also read Section 7 (Zespri Group's financial information).





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LETTER FROM THE CHAIRMAN OF THE BOARD

Dear Grower,

On behalf of the Zespri Board, I am pleased to offer you the opportunity to purchase Shares in Zespri Group Limited.

Zespri is a world-leading kiwifruit brand, driven by a focus on the consumer, excellence in marketing and strong relationships with distribution and retail partners, supported by partnership with kiwifruit growers and the post-harvest sector.

As a result, we are seeing strong returns for growers and we are delivering strong Shareholder returns.

However, not all growers are benefiting as Shareholders. A large proportion are either undershared or do not own Shares at all. This includes New Entrants who are important for the continued growth of our industry.

This Offer and the Share Buy-Back seek to address this issue as one of the key measures of our industry's goal to strengthen grower ownership and control of Zespri.

It follows extensive industry consultation and a vote at Zespri's Special Meeting of Shareholders in March 2018 that supported changes to the Constitution. These changes put in place a Share Cap and introduce dividend restrictions on Shareholders who do not grow kiwifruit, following a substantial transitional period.

Shareholder support for change reflects the cohesiveness of our industry and a common interest among growers and former growers in seeing it prosper. The measures require a huge amount of goodwill but ultimately they will support Zespri's ability to deliver strong, sustainable value to kiwifruit growers and Shareholders over the long term. It's a fantastic legacy for the next generation of people in our industry.

As a result, we are able to proceed with this Offer and the Share Buy-Back. The Offer is available to unshared growers, enabling them to acquire a stake in their industry marketing body. It is also available for under-shared growers – people who have less than one share per Tray of Production.

Grower ownership of Shares in Zespri helps to align grower and Shareholder interests. It also provides an opportunity to growers to share in the corporate income streams of Zespri, through potential dividends, in addition to fruit payments. The Board of Zespri is united in its desire to provide the opportunity to increase grower ownership of Zespri, with the minimum application set at 100 Shares.

I encourage you to read this document carefully and in its entirety before making your decision to invest. This Product Disclosure Statement contains detailed information about the Offer. It sets out information on Zespri's business structure, strategy and sources of value. It also sets out the risks to Zespri's business and plans.

I am confident about the outlook for Zespri and pleased to be able to provide this opportunity for eligible growers to benefit through owning a stake in Zespri's future.

Peter McBride



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ZESPRI GROUP AND WHAT IT DOES

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Zespri is presently working to develop its market share in South East Asia, Latin America, North America, India and the Middle East.

2.1 Overview of the business of Zespri Group

Zespri Group's business at a glance

Zespri Group is the world's largest international marketer of globally traded kiwifruit, accounting for around a third of the global trade in kiwifruit. Zespri Group manages kiwifruit innovation, supply management, distribution management and marketing of Zespri Green, Zespri SunGold, Zespri Organic Green, Zespri Organic SunGold, Zespri Gold and Zespri Sweet Green kiwifruit.

Zespri Group's key markets are Japan, China and Europe, with Taiwan and South Korea being smaller but significant markets. Zespri is presently working to develop its market share in South East Asia, Latin America, North America, India and the Middle East.

However, its business is not only the sale of kiwifruit overseas. A good way for growers to think about Zespri and its business from a corporate perspective is in terms of its four revenue streams, which are explained in more detail in Section 2.3:

- revenue from exporting and marketing New Zealand kiwifruit globally.
- revenue from sourcing and marketing kiwifruit from outside of New Zealand.
- revenue from licensing PVRs.
- revenue from royalties coming from PVRs.

As explained in Section 2.5 and on the Offer Register at <https://disclose-register.companiesoffice.govt.nz/> (Offer number: OFR12458), Zespri's business activities are restricted by the Kiwifruit Regulations and its compliance with them is monitored by Kiwifruit New Zealand (**KNZ**), the Government established regulator for Zespri.

The Zespri Group

Zespri is the ultimate holding company for the Zespri Group. Zespri's material operating subsidiaries are set out below together with a brief description of their activities:

Subsidiary	Incorporated	Nature of activities
Zespri International Limited	New Zealand	Management of the export, sale and marketing of New Zealand-grown kiwifruit and management of the sale and marketing of non-New Zealand-grown kiwifruit
Zespri Innovation Company Limited	New Zealand	Research and development
Zespri International (Europe) N.V.	Belgium	Management of sales and marketing in Europe of all New Zealand-grown kiwifruit and non-New Zealand-grown Zespri Gold (Hort16A) and SunGold kiwifruit. Procurement and sales of Zespri Green kiwifruit produced in Europe
Zespri Service Centre N.V.	Belgium	Service provision in relation to Zespri's European operations
Shaanxi Zespri Fresh Produce Company Limited	China	Management of the growing and sourcing of kiwifruit grown in China and innovation activities conducted in China
Zespri Fruit (Shanghai) Co.Limited	China	Management of the sale and marketing in China of New Zealand-grown kiwifruit and non-New Zealand-grown kiwifruit
Zespri Fresh Produce France S.A.R.L.	France	Management of the growing and sourcing of Zespri SunGold kiwifruit and management of the growing, sourcing and sale of Zespri Gold (Hort16A) kiwifruit grown in France
Zespri Fresh Produce Italy S.r.l.	Italy	Management of the growing and sourcing of Zespri SunGold kiwifruit and management of the growing, sourcing and sale of Zespri Gold (Hort16A) kiwifruit grown in Italy
Zespri International (Japan) K.K.	Japan	Management of sales and marketing in Japan of all New Zealand-grown kiwifruit, licensing and management of the growing, sourcing and sale of Zespri Gold (Hort16A) and SunGold kiwifruit grown in Japan
Zespri Fresh Produce (Japan) K.K. (company to be incorporated)	Japan	Management of the growing and sourcing of Zespri SunGold kiwifruit grown in Japan
Zespri International (Korea) Co. Limited	South Korea	Management of the growing, sourcing and sale of Zespri Gold (Hort16A) and SunGold kiwifruit grown in South Korea, and management of the sale of New Zealand-grown kiwifruit

Zespri Fresh Produce Korea Co., Ltd	South Korea	Management of the growing and sourcing of Zespri SunGold kiwifruit grown in South Korea
Zespri International (Singapore) Pte Limited	Singapore	Global and regional management, marketing and support services
New Zealand Kiwi Holdings Inc.	United States of America	Management of the growing and sourcing and sale of Zespri SunGold kiwifruit grown in the USA, and management of the sale of New Zealand-grown kiwifruit
Zespri Fresh Produce North America Inc.	United States of America	Management of the growing and sourcing of Zespri SunGold kiwifruit grown in the United States of America

A BRIEF HISTORY

1988

The predecessor of Zespri, the **New Zealand Kiwifruit Marketing Board**, is established with exclusive rights to purchase, distribute and market New Zealand kiwifruit in all international markets except Australia.

1997

The **launch of the Zespri brand**. Prior to this, New Zealand kiwifruit was marketed as ‘the world’s finest’. The choice of the new brand name captured the essence of what our product stood for and consumers told us it meant ‘vibrant, vigorous, healthy, nutritious, effervescent and zesty’.

Hort16A, Zespri’s first commercial Gold variety, was developed in 1997. By 2000 it was becoming clear that the golden, sweet, tropical variety was starting to create differentiation from Zespri’s competitors.

2000

The former New Zealand Kiwifruit Marketing Board is **corporatised as Zespri**, under the Kiwifruit Industry Restructuring Act 1999 and Kiwifruit Regulations. Existing growers are issued Shares based on their recent years’ production. While Zespri is not legally a co-operative, being a grower-controlled company, it operates much like a co-operative.

The launch of **Zespri’s Global Supply business**, procuring kiwifruit under the Zespri brand outside of New Zealand aiming to serve consumers for 12 months of the year. It started with trial shipments of Italian kiwifruit marketed through the Zespri system.

2010

In June 2010, a **new gold variety** was released for commercial production: one of several cultivars developed through Zespri’s innovation investment with Plant & Food Research (**PFR**). SunGold had good agronomic performance and consumer-winning taste. Commercialisation was fast-tracked and global sales volumes in FY2018 reached over 58 million Trays.

2010

The **incursion of Psa** was confirmed in New Zealand in November 2010. The impact of the bacterial disease was significant, particularly on the Hort16A variety, which was marketed as Zespri Gold. Levels of infection varied from low-level leaf spotting to entire orchards having to be cut out. The New Zealand kiwifruit industry together put in place several measures to respond to the risk, setting up an independent biosecurity organisation Kiwifruit Vine Health (**KVH**) with matched funding from the New Zealand Government.

The industry put in place an aggressive containment strategy. Moreover, in June 2012 Zespri was able to offer Hort16A growers the opportunity to take up SunGold licence and graft across. While Psa is now established in most New Zealand kiwifruit growing locations, SunGold shows much greater tolerance to the disease. Consequently, production of SunGold is now at record levels. Psa continues to be a significant industry issue, but New Zealand has developed an extensive research programme into managing and mitigating the disease.

2016

Zespri commences a **new programme of SunGold (conventional and organic) licence release**, to help meet growing demand in the markets. The FY2017 release is of 400 hectares allocated to New Zealand growers. Continued positive customer and consumer feedback from the markets supports the decision to release a further 400 hectares in FY2018 and 750 hectares in FY2019.

2018

The New Zealand harvest in FY2019 surpasses **150 million Trays** – a record volume for the industry. The crop includes over 80 million Trays of conventional Zespri Green, over 65 million Trays of conventional SunGold, and around 4 million Trays of Zespri Green and SunGold organic production.

2.2 The kiwifruit industry

Global kiwifruit production

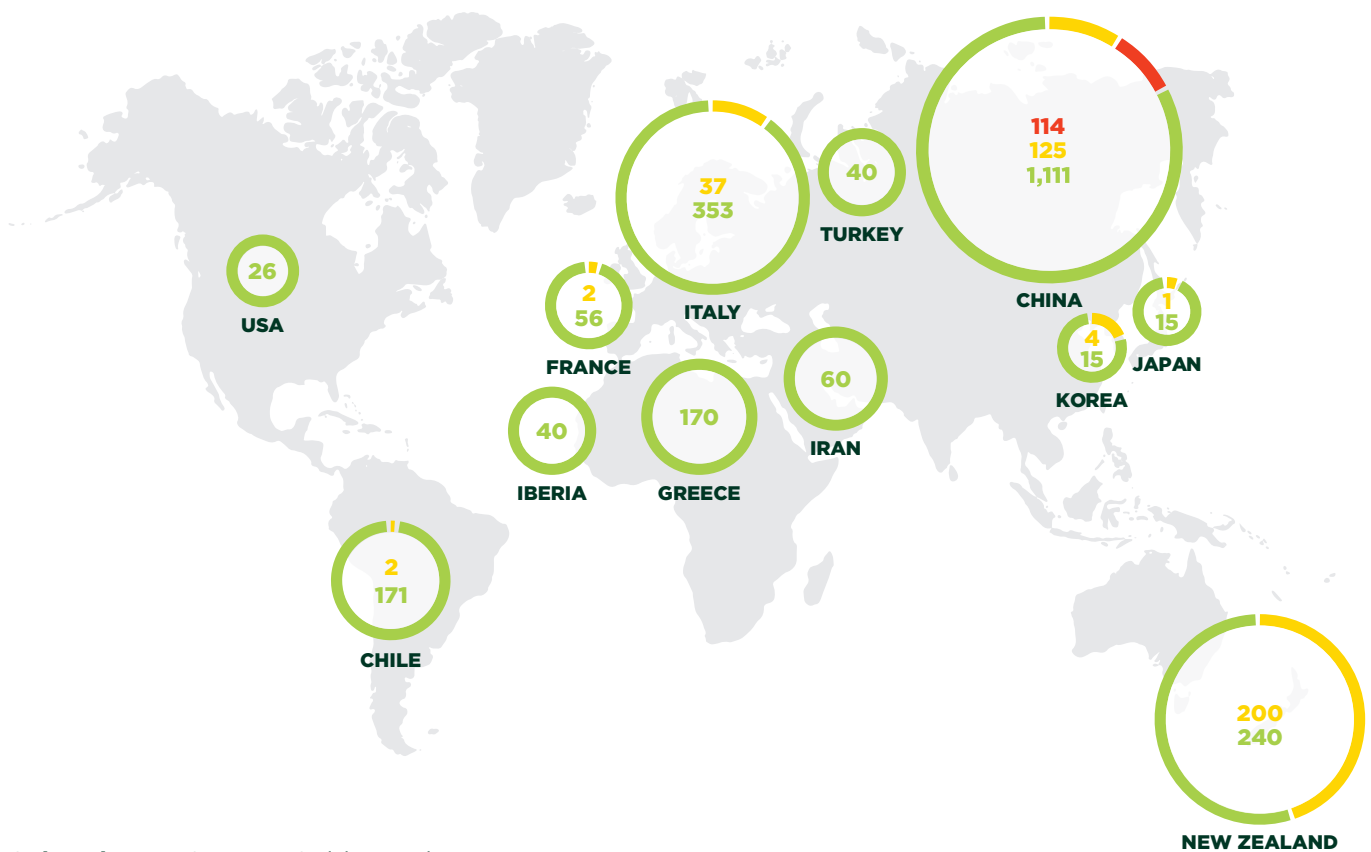
Zespri has an important place in the global kiwifruit industry. The diagram below provides a snapshot of global kiwifruit production, based on data from September 2017 collected by the International Kiwifruit Organisation. China is the largest producer of kiwifruit but does not currently export any significant volume – its production is mostly consumed domestically.

In terms of worldwide exports of kiwifruit, Italy,¹ New Zealand, Chile and Greece dominate the trade accounting for almost 90% of overall kiwifruit exports.

As noted above, in FY2018 Zespri accounted for around a third of the volume of globally-traded kiwifruit.

¹ Although Italy exports Kiwifruit, most of it is sent to markets within the EU which are not technically exports and, therefore the figures need to be read in that light.

Global Kiwifruit Production: 2017



Colour key: ● Green ● Gold ● Red

Units: 000's Tonnes

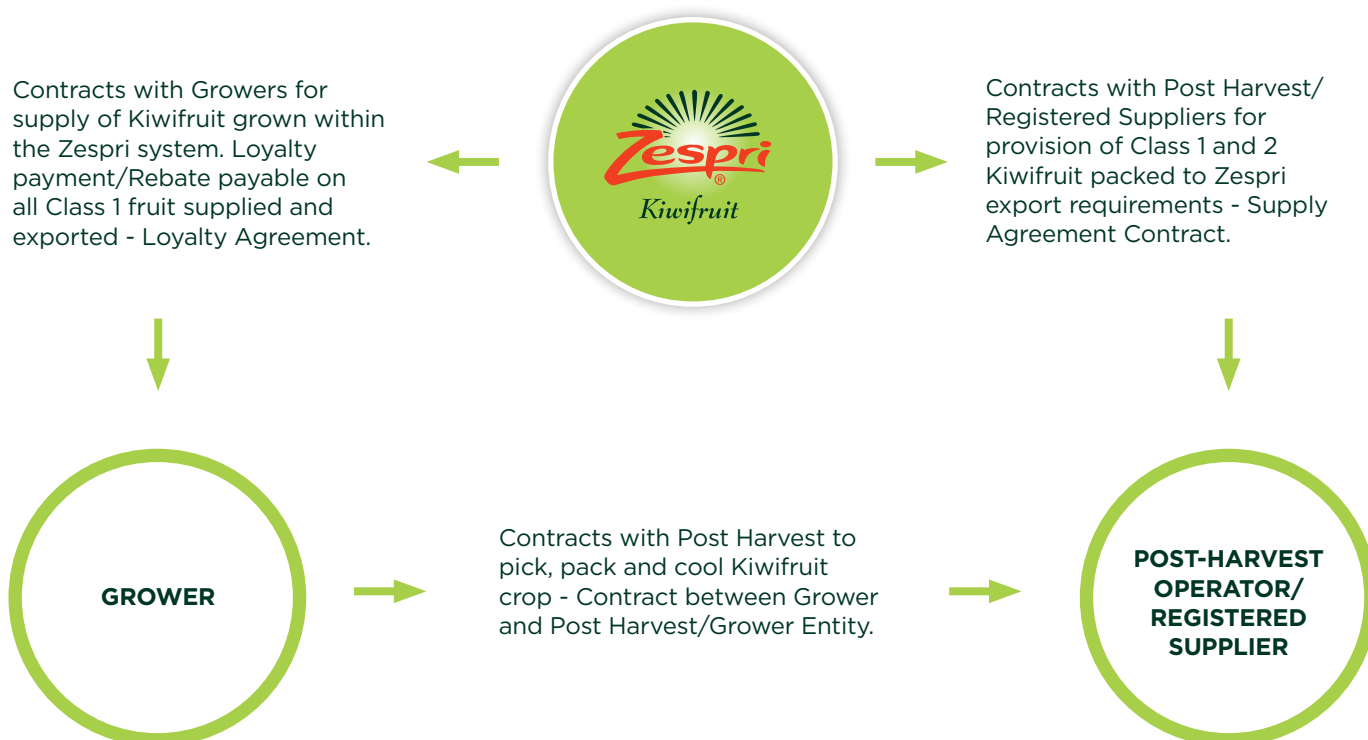
Source: 2017 IKO Forecast (Sep)

Excluded: Argentina/Uruguay (20), Brazil (20), Australia (6), South Africa (3), Other (26)

Zespri's position within the New Zealand kiwifruit industry

Zespri operates an integrated export and marketing system, comprising long-term partnerships amongst growers, post-harvest operators, port and shipping companies, distributors, wholesalers and retailers, all focused on delivering kiwifruit to consumers in over 50 countries.

Set out below is a summary of how this works. Template copies of the Supply Agreement, Loyalty Agreement, Service Level Agreement and Enduring Funding Agreement are on the Offer Register at <https://disclose-register.companiesoffice.govt.nz/> (Offer number: OFR12458).



Zespri had, as at 31 March 2018, 2,405 growers and there are 3,055 registered orchards, with approximately 12,692 hectares in producing kiwifruit vines.

The industry also includes a highly competitive post-harvest sector. Each post-harvest operator is aligned with a Zespri registered supplier, who is paid by Zespri to supply fruit and services relating to the fruit. There are 56 packing facilities and 67 coolstores used in the kiwifruit industry in New Zealand and 15 Zespri registered suppliers as at March 2018.

Zespri's partnership model with growers and suppliers outside of New Zealand

Zespri has partnered with growers in northern hemisphere countries for nearly two decades to provide some markets and customers with Zespri kiwifruit in the three to four months of the year when New Zealand kiwifruit isn't available. This seeks to keep Zespri's premium brand top of mind for consumers and gives us a more valuable offering for retailers and customers until the next New Zealand season begins. Zespri works with approximately 1,350 growers through ZGS.

In order to maintain a consistent level of quality across all growing locations providing fruit under the Zespri brand, Zespri staff take a more active role in orchard and post-harvest operations than it does in the New Zealand industry.

Zespri's position within a globally competitive environment

Kiwifruit is a lesser known product in the global fruit bowl, making up less than two percent of globally traded fruit. This brings challenges for winning shelf space and consumer attention in markets.

However, world exports of kiwifruit have been showing good growth averaging around 5% per annum over the last 15 years, including exports within the EU.

In recent years Asia, particularly China, has seen strong growth in kiwifruit imports as China's large population of middle-income consumers and rising affluence underpins demand for kiwifruit. More importantly, Chinese imports of kiwifruit are still dominated by southern hemisphere countries like New Zealand and Chile.

In FY2018, China became Zespri's single largest export country globally with total sales of nearly 24 million Trays and sales revenue of just over \$500 million. Set out below are the figures for Zespri's other key markets of Japan and Europe (selected countries), as well as, Taiwan and South Korea together with the world total.

Country	Trays sold in FY2018	FY2018 global sales kiwifruit revenue (NZ\$)
China	23.9 million	\$504.6 million
Japan	23.8 million	\$500.4 million
Spain and Portugal	17.7 million	\$245.8 million
Taiwan	9.1 million	\$156.3 million
Germany	8.7 million	\$125.7 million
South Korea	6.7 million	\$123.3 million
World Total	138.6 million	\$2,391 million

Currently, New Zealand kiwifruit competes mainly with Chilean producers for a share of the global sales window met by southern hemisphere supply for kiwifruit. This is because southern hemisphere producers sell their produce to northern hemisphere buyers between April and November when northern hemisphere kiwifruit is generally not available.

However, this position may change in the future as more southern hemisphere production locations are developed such as South Africa and elsewhere in South America. Globally, the kiwifruit industry is seeing a shift in production as kiwifruit grown in China (northern hemisphere supply) increases. The growth in volumes in China and an increasing number of new varieties – in particular competitor gold and red varieties – means that, at some point in the next decade, with improved quality, China may become a significant exporter of kiwifruit particularly to Asia.

2.3 Zespri's revenue streams

Zespri's business model

As noted in Section 2.1, Zespri derives its revenues from selling New Zealand and non-New Zealand supplied kiwifruit as well as from selling licences and earning royalty revenue from PVRs.

Zespri Group does not itself grow kiwifruit for sale. Further, Zespri does not currently sell directly to end consumers. Zespri's 'customers' are distributors and retailers of foodstuffs, with whom Zespri works to sell New Zealand and ZGS kiwifruit.

Exporting and marketing New Zealand kiwifruit globally

Further to the Kiwifruit Regulations, Zespri's "core business" (see Section 2.5 below for further details) is the purchase of New Zealand-grown kiwifruit for export where the point of acquisition of title to fruit

is at FOBS and the export of that fruit. Zespri can only export approved amounts for consumption in Australia and otherwise for sale in New Zealand.

Volumes sold from New Zealand rose rapidly from approximately 95 million Trays in FY2015, to approximately 138 million Trays in FY2017. Gross New Zealand supply decreased to approximately 123 million Trays in FY2018 as a consequence of seasonal factors, but supply volumes have so far recovered strongly in FY2019 to over 150 million Trays. Zespri expects New Zealand supply volumes to continue to grow.

Tray growth is mainly driven by SunGold plantings, with New Zealand SunGold volumes projected to increase from approximately 51 million Trays supplied in FY2018. The acceleration of supply of SunGold is driven by the planned licence release of 3,750 hectares of SunGold licence in New Zealand, including Organic SunGold, between FY2019-FY2023. In FY2018 in New Zealand there were approximately 4,630 producing hectares of SunGold (including Organic SunGold).

Much of the value in selling New Zealand kiwifruit is passed back to Producers through the enduring funding model. This reflects Zespri's New Zealand business as a high volume business where much of the risk is worn by the Producers who actually grow the kiwifruit. The model is therefore intended to share the benefit of economies of scale between New Zealand kiwifruit growers and Shareholders and was an outcome of the Kiwifruit Industry Strategy Project referendum.

The principles underpinning the enduring funding mechanism are as follows:

- Zespri is a commercial business and should act accordingly;
- Zespri is funded and remunerated appropriately so that it has the ability to deliver the full scope of its responsibilities;

- Zespri must act in the best interests of New Zealand growers and Shareholders, having a long-term value creation perspective balanced against the need for appropriate cost control so that the benefits of economies of scale are shared between New Zealand growers and Shareholders; and
- The various segments of the Zespri Group must be allocated their fair share of Zespri's costs.

The current enduring funding model applies to the calculation of the New Zealand supply Zespri margin from FY2019, and the calculation of the New Zealand grower loyalty payments from FY2018 (as set out below).

From FY2021 an automatic resetting mechanism will apply, based on New Zealand supply Enduring Funding EBIT performance in previous seasons.

The New Zealand industry has agreed in principle to use this mechanism for the setting of the New Zealand supply Zespri margin and loyalty until the end of FY2028, subject to a review following FY2023. Certain events can trigger an immediate re-negotiation. The Offer Register contains a copy of the template Enduring Funding Agreement at <https://disclose-register.companiesoffice.govt.nz/> (Offer number: OFR12458).

The loyalty payment to Producers from FY2018, which was previously a flat 25 cents per Tray, will include a mechanism to equally share (if applicable) any earnings before interest and tax from New Zealand supply over 1% of net New Zealand kiwifruit sales as defined under the Enduring Funding Agreement. A copy of the template Loyalty Agreement is available on the Offer Register at <https://disclose-register.companiesoffice.govt.nz/> (Offer number: OFR12458).

The business of sourcing and selling kiwifruit from outside of New Zealand

Zespri sources kiwifruit mainly from Italy, France, Greece, Japan, and South Korea with the aim of providing customers and consumers with premium Zespri kiwifruit throughout the year. This supports retailers with a year-round category management solution, thereby satisfying consumer demand and maximising Zespri's investment in the Zespri brand by keeping Zespri kiwifruit on supermarket shelves all year round.

Unlike the New Zealand kiwifruit supply, ZGS is not subject to the enduring funding model. Therefore, Zespri is currently able to earn a higher margin on ZGS kiwifruit. This is important as, from a Shareholder's perspective, ZGS can deliver different value compared to New Zealand supply. ZGS in FY2018 sold just over 15 million Trays.

However, the ZGS business is inherently higher risk and more complex than the New Zealand business with each growing location bringing with it all of the complexity of growing and doing business in foreign

jurisdictions, including compliance with overseas laws, which may be complex and challenging to fully understand and comply with.

Unlike New Zealand, the ZGS growing regions are not as well developed in terms of post-harvest capacity. Further, growing practices, climatic conditions and laws also differ to New Zealand. Therefore, while there is potential for some economies of scale to be captured as Zespri grows ZGS, Zespri will need to invest strongly to grow a robust business and aim for quality that is consistent with the expectations around Zespri's brand.

Competition in the northern hemisphere in respect of gold varieties may constrain Zespri's pricing and thereby impact negatively on corporate revenue.

See Section 8 for further information on risks associated with ZGS and see Section 2.4 below for a summary of our strategies and plans for ZGS.

The business of licensing PVRs

Zespri owns the PVR for SunGold and other PVRs. Zespri plans to licence around 750 hectares of SunGold (conventional and organic) in New Zealand each year from FY2019 through FY2023 with the volume to be licensed confirmed at the end of each New Zealand season based on demand growth during that season. In FY2018 licensing revenue from SunGold was approximately \$102 million. Template copies of the SunGold and SunGold Organic licensing agreement are available on the Offer Register at <https://disclose-register.companiesoffice.govt.nz/> (Offer number: OFR12458).

Managing SunGold supply growth is necessary so Zespri can grow demand ahead of supply in order to maintain the premium positioning of SunGold. There has been strong demand from New Zealand growers for SunGold licence and in New Zealand a tender system for the allocation of licence between growers is used in preference to ballot or pro rated models. This is on the basis that the tender system is a sensible commercial approach to manage the allocation of scarce SunGold licence. It is important to note that the New Zealand tendering model for SunGold is subject to change as the model is reviewed at the end of each licensing round.

The demand for licence versus the amount released each year and the use of the tender model for the allocation of licence in New Zealand has resulted in high values being bid by growers for SunGold licence. Revenues for future New Zealand licence rounds will depend on the performance of SunGold in each successive season, hectares actually licensed, and the value bid for the licence by growers.

Outside New Zealand, Zespri is also licensing 1,800 hectares of SunGold in Europe and 700 hectares in other ZGS locations. The ZGS licence mechanism is different to New Zealand, with licences being allocated to growers by Zespri's post-harvest partners and the licence value being captured through a higher

commission rate paid by ZGS growers reflecting the value of both the proprietary cultivar and the Zespri brand. As the higher commission is paid instead of an upfront licence fee as part of the tender process, this means that currently the SunGold licence revenue stream is a New Zealand-only stream.

Ultimately, as PVRs expire (for example, SunGold will expire in New Zealand in 2039), Zespri's ability to earn revenue from them, whether as a licence fee or royalty, will be impacted.

Zespri together with PFR continues to invest in a new varieties' breeding programme to develop differentiated cultivars designed to attract new consumers to the kiwifruit category. Four Zespri owned cultivars – three reds and a green – are currently in pre-commercial trials. Further details on Zespri's strategy and plans around PVR development are set out in Section 2.4.

Royalty revenue

Zespri earns royalties on its licensed PVRs and, therefore, as licensing noted above continues this revenue stream will rise noting that PVRs will expire in the future. Currently, Zespri earns royalties on predominantly SunGold and Sweet Green.

Zespri charges a royalty to growers of 3 percent for SunGold and Sweet Green with 1.35 percent being paid to PFR and 1.65 percent being an income stream for Zespri.

2.4 Growth strategies

Zespri's aspirational goal is to achieve \$4.5 billion in global kiwifruit sales revenue by 2025.

At a high level, Zespri's strategy to achieve this growth can be summarised through three pillars: "increase demand", "fulfil demand" and "innovate". While these drivers have many components to spur Zespri to its goal, there are six in particular that Zespri considers have the most impact on its financial performance.

Licence and royalty revenue from the SunGold PVR

Zespri's primary focus is to grow kiwifruit demand ahead of supply. Zespri will increase demand by understanding its consumers' needs and preferences, aiming to leverage its brand in the most effective way for each market, building in-market distribution, and enhancing its customer relationships.

A focus is to seize the growth opportunity inherent in the success of SunGold, while continuing to grow Zespri Green Variety demand. The forecast supply volume of New Zealand SunGold is to exceed 86 million Trays in FY2022.

The focus on growth of SunGold is driven by the positive market and consumer response since commercialisation. Optimism in the growth potential of SunGold is strong. One positive result from

recent seasons is that Zespri has demonstrated that SunGold can store and maintain quality later in the season in increasing volumes. In the past, Zespri has experienced storage breakdown disorder in some lines of fruit and this is a space where further technical learning is still required. There are additional sales opportunities for SunGold both early and late in the season.

In order to build this supply, Zespri is proposing to licence 3,750 hectares of SunGold in New Zealand between FY2019 and FY2023 (conventional and organic), and 1,800 hectares in Europe which started in FY2017 and is currently planned to continue until FY2020. As licensed hectares increase, so too will royalty revenue.

As noted in the preceding Section, because Zespri uses a tender system to licence SunGold in New Zealand, the licence revenue in a given year is difficult to predict. However, during the course of the next five years it is expected that PVR licensing will form a significant part of Zespri's net profit after tax, should the above licensing plan continue. In this respect, we note that the New Zealand Government is currently reviewing the Plant Variety Rights Act 1987, being the legislation under which PVRs are granted and which contains provisions on compulsory licensing. Depending on the outcome of this legislative review, Zespri's approach to licensing of SunGold (and its other PVRs) may change in the future, but there is nothing sufficiently certain in this regard at this stage.

As also noted in the preceding Section, these plans are subject to change over that timeframe, as Zespri actively monitors the demand and supply situation so as to mitigate the risk of oversupply. Accordingly, the actual number of hectares licensed by FY2023 and therefore Zespri's annual licence and royalty revenue may differ prior to that date and beyond. An annual Board confirmation determines actual hectares released.

Maintaining Zespri's single desk status under the Kiwifruit Regulations

The Kiwifruit Regulations, amongst other things (see Section 2.5 below), give Zespri its single desk status under which it is the only entity that can export kiwifruit outside New Zealand (subject to collaborative marketing), except to Australia. Zespri believes its single desk status gives it economies of scale and the ability to build a global brand and invest in innovation.

To retain this status requires good management and business performance so as to justify Zespri's presence in the industry, which Zespri believes it currently does. A grower referendum in 2015 showed 97 percent support for the single desk structure. Further, as this is a legislative status, Zespri also aims to maintain the support of the New Zealand Government and New Zealand kiwifruit growers, including to mitigate potential pressure from opposing lobbyists and industry participants to de-regulate Zespri.

A milestone during FY2018 was the amendment of the Kiwifruit Regulations, enabling Zespri to propose changes to its Constitution to align its shareholding more closely with production. This way the benefits of Share ownership are focussed on Producers.

Zespri held a Special Meeting of Shareholders on 14 March 2018 to present a number of recommendations. The key aspects were: a Share Cap to improve alignment between New Zealand production and Shareholders, with a maximum Shareholding of, in summary, four Shares for each Tray of Historical Production; and dividend restrictions on Shareholders who are no longer New Zealand producing Shareholders. See Section 6 for further details.

Shareholders responded positively to this uniquely important moment for the kiwifruit industry. The changes to the Constitution were backed by more than 75 percent of Shareholders who voted at the 14 March 2018 meeting (with voting on some resolutions exceeding 90% of those voting).

See Section 8 for Zespri's assessment of the risk of it losing its single desk status.

Expanding overseas supply so that Zespri can offer 12 month supply to its customers

This is a key element of fulfilling the demand that Zespri creates. As noted earlier, ZGS, unlike New Zealand supply, is not subject to the enduring funding model. Therefore, its growth has a proportionately more significant impact on Zespri's profitability and therefore its business and Shareholders' returns.

ZGS in FY2018 sold just over 15 million Trays (for both Zespri Green Varieties and Zespri Gold Varieties). To put that in perspective, Zespri believes supply from non-New Zealand locations needs to increase to over 50 million Trays in 2025 to meet demand. To meet supply growth targets, Zespri is looking at options to increase the number of growing locations, such as potentially in China and North America, and to expand production in existing locations, such as Italy, France, Greece, Japan and South Korea (being markets that produce kiwifruit outside of the New Zealand production season).

Zespri expects ZGS volumes will grow significantly over the course of the next 5 years. This growth is underpinned by the licensing of another 1,800 hectares of SunGold in Europe between FY2017 and FY2020 bringing the total SunGold volume licenced offshore to 3,900 hectares which we expect should produce around 38 million Trays. This growth will be driven mainly by SunGold from Italy coming into production. It is expected that if the current full allocation in Italy is granted, it would result in SunGold volumes quadrupling over the next 5 years from the approximately 4.4 million Trays that were produced in FY2017.

A key pillar of the ZGS strategy is to optimise the sourcing of fruit by geography. For example, to

supply China with kiwifruit sourced in China. A platform to support growth and deliver value back to New Zealand growers is to have a well-functioning 12 month supply programme in China to supply during the non-New Zealand season, subject to industry support and appropriate risk management and brand protection strategies. It provides broader benefits: among them, building positive partnerships with local Government and industry stakeholders in the world's largest kiwifruit market and mitigating the complexity of importing Zespri kiwifruit into China from Italy.

In tandem with growing ZGS kiwifruit capacity, Zespri also needs the structure of ZGS to function successfully. Therefore, a priority now is creating the foundation for growth through resources, manpower and systems and the best possible supply chain partnerships. In this way, ZGS can scale to a bigger business, but also manage complexity.

Zespri views ZGS as a necessary activity and an activity that supports its core business (as defined in the Kiwifruit Regulations). Zespri is engaging with KNZ as required under the Kiwifruit Regulations with respect to the ongoing operation of ZGS. Zespri may also consider in the future carrying out a Producer vote to ask Producers for their continued support of the ZGS strategy.

Maintaining and enhancing access to existing markets and further developing current or future key markets, such as China, Japan and Europe

As Zespri is predominantly an exporter, maintaining current markets and expanding into new ones is an important aspect of its business. In this respect, China, Japan and Europe are its most important markets, with Taiwan and South Korea being smaller but still significant. Zespri is presently working to develop its market share in South East Asia, Latin America, North America, India and the Middle East.

A brand-led strategy

Part of maintaining existing markets and developing new opportunities is that Zespri is working to establish itself as one of the top fruit brands in the world, supported by a strategy focused on selling Trays and building the brand. The last few years have seen the sales and marketing team focus on creating demand ahead of supply to support continued strong returns. Consumer and trade marketing has driven further category and brand development, and, combined with the popularity of SunGold with consumers, created a level of demand in excess of supply for Zespri fruit in the medium term.

Zespri has a focus on driving greater efficiency in marketing spend through using the right mix of activities to drive sales and build brand equity, within the context of each market's development strategy, as part of the market development framework. Zespri invested a total of \$140.4 million in promotional activities in FY2018. Global promotion investment as a

percentage of total kiwifruit sales in FY2018 was 5.9%.

Zespri's marketing priorities are to deeply understand consumer needs, build a meaningful global brand, continuously track and optimise investment and develop a best-in-class marketing team.

Sales and distribution relationships

Zespri is evolving its distribution model from one of selling our product to distributors who have the main contact with customers to one where Zespri is increasingly selling through a range of different models, underpinned by closer relationships with customers. This might be by working with distributors or via direct Zespri accounts. We are able to add value for all parties through strong account management to build integrated sales and marketing programmes.

Zespri reviewed its market development strategy during FY2018. The market development framework focuses investment in some markets to build greater depth and efficiency, while slowing previously planned growth in other markets. Zespri defines every market by its stage of growth and tailors the level of investment and marketing to its needs. For example, our strategy in a 'launch' market that has the potential for rapid volume growth will involve relatively large investment in marketing, fruit allocation and capability. This will change over time as the market becomes more established. Overall, Zespri will maintain a broad market base to mitigate risk and sustain the value of investment already made.

In addition to the above, an important part of optimising our allocation of kiwifruit to our markets is maintaining market access. Therefore, Zespri's teams work to mitigate the risk of market access issues arising. For an overview of this, please see Section 2.5 below.

Development and commercialisation of new kiwifruit cultivars

Innovation is about developing better, more effective ways of delivering value. Our innovation activity extends beyond our new cultivar development programme, to on-orchard practices, supply chain management, and right through to the health attributes that we market to consumers.

Investment in innovation

Together with its partners, including PFR and the New Zealand Government, the New Zealand kiwifruit industry invests around \$35 million each year in innovation to hone a competitive edge globally. This contribution is one of the largest investments of its kind in the primary sector of New Zealand. New cultivar development is the biggest investment in Zespri's innovation portfolio.

New cultivars

More than half of Zespri's innovation investment goes into a joint new varieties breeding programme with

PFR – the programme which developed SunGold and its predecessor Hort16A. The programme is working to develop differentiated cultivars which Zespri will look to use to attract new consumers to the kiwifruit category and grow overall kiwifruit consumption. Zespri regularly looks at investments in development of new kiwifruit varieties and cultivar activities. Some of these investments are done in conjunction with other organisations and may require material investments from a financial perspective.

Generally the process takes at least 3 years to get to registration of a PVR and assessment is required before a cultivar is commercialised. Four Zespri owned cultivars – three reds and a green – are in pre-commercial trials. A green cultivar with superior taste and on-orchard qualities would generate significant value to growers and consumers. Additionally, interest around the world is high in the red category, which has been challenged by Psa and storage issues. Our assessment work continues on many varieties in support of potential commercialisation decisions in the future.

Zespri considers ownership of PVRs as fundamental to its ability to carry out its business. Since ownership of PVRs is subject to regulatory oversight, Zespri is engaging with KNZ on an ongoing basis. Should KNZ determine that this is not an activity that supports Zespri's core business (as defined in the Kiwifruit Regulations), Zespri may also consider in the future carrying out a Producer vote as permitted under the Kiwifruit Regulations to ask Producers for their continued support of its ownership of PVRs.

Other innovation platforms

As noted above, only half of Zespri's research budget is spent on new cultivar development. The innovation programme focuses on five other platforms across the supply chain, with the aim of improving Zespri's position in the market and capturing value, this includes:

- **Protecting fruit from pest and diseases:** a critical area, focused on mitigating the risks from established pests and diseases with minimised agrichemical inputs.
- **Sustainable orchard productivity:** research into ways to lift productivity and grow high quality product with sustainability at the core.
- **Optimise how we deliver high quality fruit through the supply chain:** exploring efficiencies in labour use, technology solutions to fruit sorting and segregation.
- **Knowledge health communications:** scientific studies on the health benefits of kiwifruit inform one of our key communication platforms with consumers and help to support sales.

- **Northern hemisphere:** an area of innovation to be further developed is support for our northern hemisphere growing regions, to build knowledge about growing high-quality Zespri kiwifruit in different climates, soil types and environments.

Maintaining superior quality associated with the Zespri brand

A focus on quality

On the supply side, Zespri's strategy is about optimising delivered quality to markets through a lean and efficient supply chain which effectively passes market signals back to growers in New Zealand and overseas with the aim of uniform quality being received by Zespri Group's ultimate consumers. This is about optimising taste and ready-to-eat quality and working relentlessly to improve Zespri Group's supply chain processes.

Quality is also supported through the 'Zespri System'. This is a body of requirements and processes designed to deliver excellent product and provide customer confidence. It includes:

- a strong focus on good agricultural practice including:
 - environmental and economic sustainability;
 - integrated pest management;
 - a socially responsible approach to workers and the communities it supports; and
 - practices that maximise fruit quality, taste and storage potential of the fruit;
- leading edge good manufacturing practice throughout the post-harvest and distribution sectors of the industry;
- an understanding of current and future market and customer needs; and
- world class quality management systems:
 - certified food safety and good agricultural practice systems;
 - quality specification and measurement throughout the supply chain; and
 - comprehensive feedback systems to ensure customer feedback drives continual improvement.

Taste Zespri Grade

Optimising taste is important in differentiating Zespri kiwifruit from competitors around the world and maintaining our price positioning. A great eating experience not only recruits new consumers to Zespri, but also encourages our consumers to buy again.

In an effort to enhance the overall quality of Zespri kiwifruit, the Taste Zespri programme was launched in 2001 and has been regularly reviewed since then. Taste Zespri Grade (**TZG**) was originally based on the premise that Japanese consumers preferred a sweeter tasting kiwifruit and were prepared to pay for

it. The objective of TZG is to produce the best-tasting kiwifruit in each category (Zespri Green, Zespri Gold, etc.) and for this superior taste experience to be consistently delivered to the consumer.

To achieve this objective, Zespri has integrated 'Taste' as a commercial target for improved product delivery. Through consumer research, acceptance and preference thresholds for all commercial cultivars have been established. A maturity criteria programme and payment mechanism have been developed to incentivise growers to grow fruit that is aligned to market requirements.

Minimum Taste Standard

One of the measures of taste developed from market research undertaken by Zespri has been the measure of dry matter reflecting the amount of soluble (e.g. sugars and acids) and insoluble (e.g. structural carbohydrates and starch) solids in the kiwifruit. Dry matter is the dry weight of kiwifruit or the measurement of mass when kiwifruit is completely dried.

The Minimum Taste Standard (**MTS**) specifies the minimum amount of dry matter of kiwifruit by cultivar. The MTS of fruit provides a benchmark that growers need to exceed to get fruit into inventory. The taste payments growers receive are only made on fruit exceeding the MTS. This standard incentivises and rewards growers for producing the greater tasting fruit that the market requires.

Fruit that does not meet the MTS is not accepted by Zespri for export. This fruit is either processed or used as animal feed. Once dry matter has been calculated it is allocated to the relevant count size and depending upon the distribution of the dry matter a calculation is made to arrive at a TZG figure which forms the basis of a grower taste payment. Fruit that does meet the MTS will be further segregated into taste bands. There are three taste bands (Y, T, M), Y representing the highest dry matter range and M representing the lowest dry matter range. This ensures that customers receive pallets of fruit that are consistent in sweetness. It also allows Zespri to target fruit to specific markets to match their taste preferences.

Growers are incentivised financially to grow the right dry matter/TZG fruit. The higher the TZG the grower achieves the greater proportion of the Maximum Taste Payment (**MTP**) the grower will receive. The MTP is calculated by Zespri and is reflective of higher value that consumers place on a superior taste experience.

2.5 Regulatory

Ownership model

Zespri is a limited liability company, owned by current and past New Zealand kiwifruit growers.

Only Producers who are not or would not become Overshared can purchase Zespri's Shares. Further details of the unique features of Zespri's Shares are set out in Section 6.

Kiwifruit Regulations

Zespri and the New Zealand kiwifruit industry are regulated by the Kiwifruit Regulations. Under the Kiwifruit Regulations, Zespri has the exclusive rights (subject to collaborative marketing, as noted below) to export New Zealand kiwifruit to countries other than Australia further to an authorisation granted by KNZ. A copy of the authorisation is available on the Offer Register at <https://disclose-register.companiesoffice.govt.nz/> (Offer number: OFR12458).

Beyond this, the Kiwifruit Regulations set out what Zespri's "core business" can be and a number of mitigation measures to mitigate the potential costs and risks arising from its position. Zespri's compliance with the Kiwifruit Regulations is monitored and enforced by KNZ. Zespri's core business is limited to:

- the purchase of New Zealand-grown kiwifruit for export where the point of acquisition of title to fruit is at FOBS and the export of that fruit;
- the marketing of New Zealand-grown kiwifruit;
- market development for New Zealand-grown kiwifruit; and
- research and development relating to kiwifruit.

Expressly excluded from Zespri's core business is the export at FOBS of kiwifruit for consumption in Australia and the sale of kiwifruit in New Zealand, subject to minor exclusions under the Kiwifruit Regulations. Where approved by KNZ, Zespri is required to enter into collaborative marketing agreements with New Zealand exporters to export kiwifruit with them. An exporter seeking KNZ's approval to enter into a collaborative marketing agreement must show that the purpose of increasing the overall wealth of Producers will be achieved.

A summary of the mitigation measures under the Kiwifruit Regulations is set out on the Offer Register at <https://disclose-register.companiesoffice.govt.nz/> (Offer number: OFR12458) in the document entitled "Other material information relating to the Offering of Ordinary Shares in Zespri Group Limited".

Aside from activities which are core business, Zespri can carry out activities that meet the regulatory test for activities that support core business. Currently, Zespri considers that ZGS and ownership of PVRs are activities that support core business. KNZ as regulator continues to have oversight, and Zespri engages with KNZ in this regard. However, if KNZ should in the future consider these activities do not

support core business, then Zespri will need to seek approval through a Producer vote to continue these activities. As noted in Section 2.4, Zespri may also consider seeking Producer approval for ZGS and Zespri's ownership of PVRs, as a safeguard for these areas of Zespri's business.

Other regulatory requirements

As with any other entity dealing with the handling and export of food, Zespri must comply with New Zealand legislative and food standard requirements, as well as overseas market access requirements. In this regard, all post-harvest facilities are required to adhere to Zespri's strict food safety standards, including certification to a GFSI (Global Food Safety Initiative) approved food safety programme. Further, Zespri International Limited is in the process to obtain British Retail Consortium (BRC) certification for Agents and Brokers. This is a HACCP based supplier assurance code for the food industry. This programme is audited annually by an independent auditing body.

Zespri is part of and in compliance with the New Zealand Customs Secure Export Scheme. The systems in place aim to ensure that all of Zespri's kiwifruit exports are packed, stored and distributed in a manner that prevents tampering, contamination or threat. Zespri also has an integrated phytosanitary compliance programme that meets the Ministry for Primary Industries Certification Standard. The programme is integrated throughout the Zespri business and post-harvest in New Zealand to aim to ensure that product shipped to market meets the importing country's phytosanitary requirements.

New Zealand industry governance

Effective governance of the New Zealand industry is supported by good oversight and strong representation of New Zealand kiwifruit growers. The key organisations involved with Zespri include:

Kiwifruit New Zealand (KNZ)

The New Zealand industry regulator, was established under the Kiwifruit Regulations. Its functions include issuing Zespri with an export authorisation and oversight of Zespri's activities under the Kiwifruit Regulations. KNZ monitors and enforces the non-discrimination rule, the prior notice rule, the non-diversification rule, the information disclosure requirements, and the collaborative marketing requirements, as further set out in the Offer Register at <https://disclose-register.companiesoffice.govt.nz/> (Offer number: OFR12458) in the document entitled "Other material information relating to the Offering of Ordinary Shares in Zespri Group Limited".

New Zealand Kiwifruit Growers Incorporated (NZKGI)

NZKGI is a levy-funded organisation that protects the political and commercial interests of New Zealand

kiwifruit growers. Key roles include safeguarding the single point of entry, supporting grower well-being and welfare, consulting with growers on industry initiatives and reporting on Zespri's performance, with a bottom line aim to increase growers' returns.

Kiwifruit Vine Health Inc (KVH)

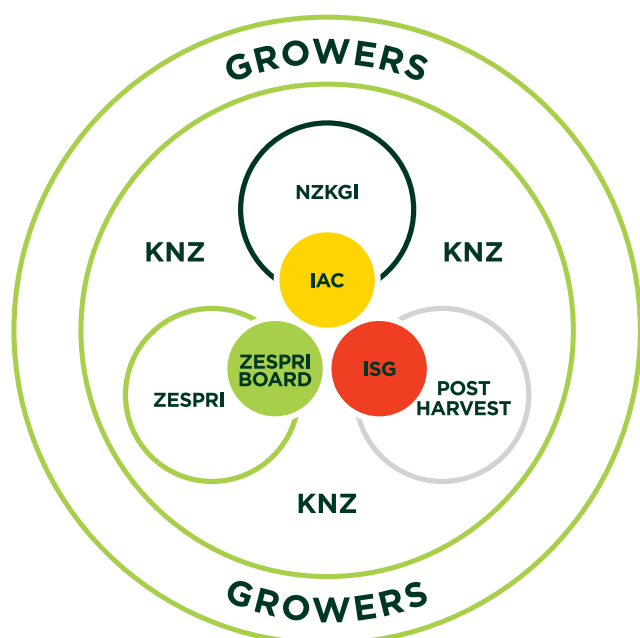
KVH was established in December 2010 to lead the industry response to the Psa incursion. Since November 2012 it has been the lead organisation responsible for managing biosecurity readiness, response, and operations on behalf of the kiwifruit industry. KVH works with kiwifruit growers, Zespri, NZKGI, the post-harvest and associated industries such as beekeepers, pollen providers, nurseries and contractors; and the Ministry for Primary Industries.

The Industry Advisory Council (IAC)

IAC manages issues relating to Zespri's standard supply contract, decisions relating to the treatment of and payment for fruit and matters with material financial implications for growers.

The Industry Supply Group (ISG)

Manages decisions relating to the supply chain process. Specifically, ISG monitors quality assurance and rules around labelling, packaging and the export of kiwifruit. It also helps in the negotiation of industry-wide commercial contracts relating to supply chain activities.



Past litigation

In 2011, one of Zespri's former importers in China was detained and prosecuted on smuggling charges in relation to the underpayment of customs duties on imports of Zespri kiwifruit into China between 2007 and 2010. Following a trial in 2012, the importer was sentenced to prison for 13 years, and ordered to repay unpaid duties and illegal gains. Zespri's subsidiary company in China, Zespri Management Company Co., Ltd (now Zespri Jia Pei Fruit (Shanghai) Co., Ltd) was also charged with being an accessory to smuggling, together with a former Zespri employee. Zespri defended the claims on the basis that the legal obligation to pay customs duties was the importer's obligation both under Chinese law and the contract with Zespri. Zespri's defence was unsuccessful and in 2013 the Chinese court sentenced Zespri's subsidiary company to pay a fine of RMB 5,000,000 (approx. NZ\$1m) together with illegal gains, and sentenced the employee to 5 years in prison. Zespri appealed the judgment showing that it received no benefit from the duty evasion. The appeal was rejected by the Chinese court in 2013.

2.6 Directors, senior managers and individual relevant parties

DIRECTORS

Peter James McBride – Chairman

Peter McBride became a Director of Zespri and Zespri International Limited in 2002 and has been Zespri Chairman since 2013. He represents Zespri International Limited as a director on the New Zealand International Business Forum and as a member of the Executive Board of the New Zealand China Council.

Peter's career has focussed on agribusiness development and management in the New Zealand kiwifruit and dairy industries. Peter is currently the CEO of Trinity Lands Limited, a large scale dairy and kiwifruit business.

As well as his agribusiness background, Peter's horticultural science experience has led him to have a strong interest and governance focus on innovation in the New Zealand kiwifruit industry, including serving as Chairman of KVH from 2011 to 2013, in response to the outbreak of Psa in New Zealand.

Bruce Lloyd Cameron – Deputy Chairman

Bruce Cameron became a Director of Zespri and Zespri International Limited in 2010 and is a long time kiwifruit grower. Bruce is the Chairman of the Zespri Organisation and Administration Committee. He also has a background in pastoral and arable farming, and was previously the Managing Director of the

Cameron group of companies whose interests were in the quarry and transport industries up to 2007 when it was sold to Fletcher Concrete and Infrastructure Limited. Bruce has interests around property, dairy, beef, sheep, forestry and kiwifruit farming.

Bruce is a director of Cameron Farms Limited, Cameron Dairy Farms Limited, Cameron Orchards Limited, Gilston Mains Limited, and is Chairman of the Waipuna Hospice Foundation. Bruce is also Chairman of Realty Services Holding Limited.

Jonathan Parker Mason – Independent Director

Jonathan Mason joined the Board of Zespri and Zespri International Limited in May 2013 after more than 30 years' experience in multinational finance, with an emphasis on emerging markets. Jonathan has been Chief Financial Officer at Fonterra Co-operative Group from 2009-2013, and Executive Vice-President and CFO at USA-based chemicals company Cabot Corporation from 2006-2009. Prior to this he was employed as the Chief Financial Officer at forest products company Carter Holt Harvey Limited and also served in senior financial management positions at USA based International Paper Company and ExxonMobil.

Jonathan has had governance experience for organisations in both New Zealand and the USA. His directorships include Vector Limited, Westpac New Zealand Limited, and Air New Zealand Limited and he also serves as an Adjunct Professor of Management at the University of Auckland, specialising in international finance.

Anthony (Tony) John Hawken – Director

Tony Hawken has had a long involvement in the kiwifruit industry. Until 2015 he was CEO of New Zealand's largest Post Harvest operator, EastPack Limited. EastPack is a grower-owned cooperative with around 750 shareholders. During his time as CEO, Tony was involved with most of the kiwifruit industry forums.

Tony is a member of the Advisory Board of Directors of A. S. Wilcox & Sons Limited, and Intent Group Limited. He is also Independent Chairman of Rakete Apples Partnership, Korokipo Apples Partnership, and Tapawera Hops Partnership. He is also business development manager for Trinity Lands Limited.

Tony and his family also have interests in dairying, being a director of Hawken Farm Limited, and in conjunction with others is developing a new SunGold orchard.

Paul Robert Jones – Director

Paul Jones is a long term kiwifruit grower and investor. He is a Founding Partner and director of Direct Management Services Limited, a post-harvest and orchard management company in the Bay of Plenty.

Paul has served on a number of industry entities and, prior to his appointment as Director, was a member of the NZKGI Forum, and a director of KVH. He grows all Zespri commercial varieties and is actively involved in orchard management.

Paul also has interests in avocados, dairy and forestry. He is a director of a number of private companies and a trustee of a charitable trust.

Peter Martin Springford – Independent Director

Peter Springford is a professional director and is a chartered member of the New Zealand Institute of Directors. Peter joined the Board of Zespri and Zespri International Limited in 2017. Peter has experience in managing companies in Australia, New Zealand and Asia, including five years based in Hong Kong as President of International Paper (Asia) Limited and four years as Chief Executive Officer and Managing Director of Carter Holt Harvey Limited. Peter is a non-executive director of Infratil Limited and a director of Mondiale Technologies Limited, New Zealand Wood Products Limited and New Zealand Frost Fans Limited. Peter has extensive experience as a former director of a number of New Zealand stock exchange listed companies, including Nuplex Industries Limited and The New Zealand Refining Company Limited.

Nathan William Flowerday – Director

Nathan Flowerday comes from a farming and kiwifruit orchard background. After graduating from Massey University, Nathan spent several years as a rural bank manager for ASB Bank in the Bay of Plenty before joining Merrill Lynch Investment Managers (London) as a business analyst and management accountant before returning to New Zealand in 2006.

Nathan became involved in the kiwifruit industry in 1995, when his family moved from the Waikato and purchased their first kiwifruit orchard. Now, Nathan is involved in all aspects of kiwifruit growing owning several kiwifruit orchards and an orchard management and orchard contracting business. Nathan is passionate about the kiwifruit industry, as well as ensuring Zespri continues to deliver premium kiwifruit to the world, resulting in strong returns back to growers and Shareholders.

Teresa Ciprian – Independent Director

Teresa Ciprian has a background in the commercialisation, innovation, branding, marketing and business development of branded consumer dairy and other foods.

Teresa has significant international business experience, having held a number of senior roles with Danone SA in both the USA and France, from where she worked in a number of international markets. Teresa's primary focus was on identifying, developing and delivering global growth initiatives with central and locally based teams.

Since returning to New Zealand, Teresa has advised a number of internationally focused businesses on their growth strategies and has developed a governance portfolio that also includes the boards of Firstlight Farm Limited, Aspeq Limited, Prolife Foods Limited, Food Standards Australia and New Zealand. Teresa was also previously a director of AgResearch Limited.

SENIOR MANAGERS

Daniel (Dan) Mathieson – Chief Executive

Dan was appointed Chief Executive of Zespri in September 2017. Dan has had a 15-year career with Zespri, with his most recent role as President of Global Sales and Marketing.

In leading Zespri's sales and marketing operations and offshore markets, Dan delivered a demand-led strategy, growing mature markets and diversifying into new markets. Dan also led the development of the sales and marketing function, with an increased focus on consumer insight, distributor and retailer relationships, and marketing excellence.

As Chief Executive, Dan is based between the head office in New Zealand and the sales and marketing hub in Singapore. His focus in leading Zespri is on delivering growth and increasing value for the industry and Shareholders.

Dan grew up on the North Shore in Auckland. He studied Japanese, Communications and International Business at the Auckland University of Technology and Waseda University in Tokyo, and completed an Executive MBA from the National University of Singapore.

David Hazlehurst – Chief Financial Officer

In February 2015, David was appointed Chief Financial Officer, responsible for the overall finance and information services functions of the Zespri Group of companies.

Before joining Zespri, David held the role of CFO and Vice President, Commercial and Pacific Islands for NZ Steel.

Prior to this David, a Waikato University graduate, worked for Lion Nathan in Financial Controller and Group Management Accountant roles. He had a short period with Oxygen Business Solutions (the IT division of Carter Holt Harvey) before moving to Fonterra in 2002 where he held senior roles including: GM, Fonterra Business Services and Global Finance Integration Manager. He then moved to Germany where he was Chief Financial Officer of a JV between Friesland Campina and Fonterra.

Patrick Watson – Chief People Officer

Patrick joined Zespri in April 2016, responsible for the Workforce and Workplace functions across the Zespri Group.

Before joining Zespri, Patrick led the business partnership function of NZ Inland Revenue where he was responsible for both HR business partnership and the provision of strategic HR insight into Inland Revenue's business transformation programme.

Prior to this, Patrick had a varied international career which included working as a Human Capital Consultant for Deloitte (in New Zealand, Australia, London and Belfast), a Global Business Manager for an international diagnostics manufacturer and an infantry officer in the British Army. Patrick holds an Honours degree in Communication, Advertising and Marketing and has completed post-graduate studies in Human Resources.

Andrew Goodin – Acting Chief Digital Officer

Andrew has been with Zespri since 2009 and is responsible for global information systems strategy, technology delivery and support. Prior to joining Zespri, Andrew worked for Fonterra where he held a number of roles in IT, supply chain and programme management. Over the last 18 years Andrew has had significant international experience across several industries including consumer goods, telecommunications, technology consulting and health care where he has held roles in IT, supply chain and programme and project management. He has a Strategic Management degree from the University of Waikato.

Blair Hamill – Chief Supply Chain Officer

Blair joined Zespri in 2000 as Operations Accountant. In 2004 he was promoted to Commercial Manager in the New Zealand supply side of the business. In 2008 he was seconded to the 12-month non-New Zealand supply side of the business focusing on the northern hemisphere supply from Italy and France. In 2011 Blair was appointed General Manager Global Supply and was based offshore in Italy. Blair was appointed General Manager Supply Chain in December 2014 and then Chief Supply Chain Officer in January 2018.

Prior to joining Zespri, Blair worked in Chartered Accountancy and as a Management Accountant. Blair has a Business Studies Degree, majoring in Accounting from Massey University.

Sheila McCann-Morrison Chief International Production Officer

Sheila joined Zespri in June 2016, with extensive international experience in the global produce industry with a career spanning over 25 years and several continents. She began her produce career with Dole in Colombia followed by a move to Costa Rica where she spent 10 years until 2000, when she had the responsibility as General Manager Dole fresh cut vegetables. She moved to Chiquita Brands for a short period in Latin America before moving to their European headquarters in Switzerland in 2009. At

Chiquita, Sheila held various roles including Director of Innovation & Packaging and Country and European Regional Sales Directorships.

Sheila is originally from the USA, speaks several languages and holds an MBA from Harvard University.

David (Dave) Courtney **Chief Grower & Alliances Officer**

Dave joined Zespri in 2011 and was appointed Chief Grower & Alliances Officer in 2018. In this role he has responsibility for the grower services and external relations functions within Zespri.

Since joining Zespri, Dave has been responsible for several pivotal roles and addressed some significant challenges, both as Zespri Communications Manager and then through his work as Special Project Manager.

Before starting with Zespri, Dave worked in communications roles for the New Zealand Defence Force and the Ministry of Foreign Affairs and Trade. Prior to those roles he was a journalist working both within New Zealand and overseas. He has a Masters of International Relations from Victoria University.

Jiunn Shih – Chief Marketing Officer

Jiunn joined Zespri as the General Manager for Marketing in September 2016, following a career in sales and marketing in the FMCG industry. Jiunn directs Zespri's marketing communications, shaping strategic direction and guiding the deployment of all marketing channels. Jiunn's responsibilities include Zespri's advertising, PR, media, brand, digital and consumer insights. Prior to joining Zespri, Jiunn was a Senior Global Category Director and member of the Global Beverages Executive Team at Unilever, where he led brand development work for global brands such as Lipton and Carte D'Or. Jiunn has worked in a variety of countries across Latin America, Asia and Europe, performing local, regional and global brand marketing roles for some of the world's biggest consumer goods brands. Jiunn holds a Bachelor's degree in Business from the State University of Rio de Janeiro and an MBA from INSEAD.

Linda Mills – Chief Market Performance Officer

Linda joined Zespri in 2009 and has been responsible for the market allocation and optimisation function as well as Sales and Operations Planning. Reporting through to the President of Global Sales and Marketing, Linda is also involved in market development and longer-term strategic demand planning. Linda joined the Executive team at Zespri in 2013 and took on her current role in 2018.

Prior to joining Zespri, Linda worked in the kiwifruit industry for over 19 years ranging from grading kiwifruit to being General Manager of the G6 Kiwi

Supply Group. Linda has a Master of Science degree from the University of Auckland, MBA from Southern Cross University and PhD from Massey University.

Carol Ward **Chief Innovation and Sustainability Officer**

Carol joined Zespri in April 2002 after two years with KNZ and NZKGI. Initially working as the Global Marketing Manager for Gold, she moved to the role of Planning and Supply Manager in January 2006. Carol was appointed to the role of Director Corporate and Grower Services in late 2008 and General Manager Marketing in April 2011. After spending 18 months located in the European head office in Antwerp, Carol moved to Taiwan in August 2013 and then Singapore. Carol was appointed General Manager for Marketing and Innovation in August 2015, and General Manager for Innovation in October 2016, and is now based in New Zealand. Her role since January 2018 is Chief Innovation & Sustainability Officer.

Prior to working in the kiwifruit industry Carol held a variety of marketing and sales roles at Carter Holt Harvey Tissue and divisional management roles at Hanimex (NZ) Limited and a contract position at New Zealand Dairy Foods.

2.7 Substantial Shareholdings in Zespri

As at the date of this PDS, no Shareholder has a relevant interest in 5% or more of Zespri's Shares other than as set out in the table below. Further, the Directors and senior managers of Zespri do not have any relevant interest in Shares other than as set out below.

Name	Legal ownership or other nature of the relevant interest	Shares in which the person has a relevant interest as at 3 August 2018		Indicative ownership of Zespri following completion of the Offer on basis that the Offer is fully subscribed	
		Shares	%	Shares	%
Bruce Lloyd Cameron	Relevant interest in Shares held by Cameron Orchards Limited and to be held by Gilston Mains Limited, as the holder of more than 20% of the shares in Cameron Orchards Limited and Gilston Mains Limited, together with Gillian Mary Cameron and CLM Trustees Limited.	341,619	0.28%	1,158,152	0.49%
Anthony John Hawken	Relevant interest in Shares to be held by Eastern Gold Limited, as the holder of more than 20% of the shares in Eastern Gold Limited, together with Margaret Bernadette Hawken and Sharp Tudhope Trustee Services No 42 Limited.	0	0.00%	108,089	0.05%
Nathan William Flowerday	Relevant interest in Shares held by High Fives Orchard Limited and N W F Holdings Limited, as the controller of more than 20% of the votes in High Fives Orchard Limited and N W F Holdings Limited.	644,835	0.53%	720,656	0.30%

Paul Robert Jones	<p>Multiple relevant interests:</p> <ul style="list-style-type: none"> Relevant interest in Shares held by DMS Horticulture Limited, DMS Progrowers Limited, Mangatarata Orchards Limited, Mangatarata Farms Limited and Shares to be held by Avventura Group Limited, as a controller of more than 20% of the votes in each of those companies; Relevant interest in Shares held by Fraser Rd Orchard LP, Golf Course Orchard LP, Progeny Kiwifruit Limited and Shares to be held by Eastern Gold Limited and OTK Orchards Limited, due to the ability to influence the directors of those entities through directorships or managerial positions; and Legal and beneficial interest in Shares held by Paul Robert Jones, Patricia Jones and Alasdair Ewen Christie, as trustees of the PR Jones Family Trust and the Patricia Jones Trust. 	6,979,944	5.78%	7,592,224	3.20%
Peter James McBride	<p>Multiple relevant interests:</p> <ul style="list-style-type: none"> Relevant interest in the Shares held by Trinity Lands Limited and South-East Hort Limited, due to the ability to influence the directors of those entities through directorships or managerial positions; and Legal and beneficial interest in Shares held by Peter James McBride, Linda Ruth McBride, Kenneth Stewart Edkins, as trustees of the PJ and LR McBride Family Trust. 	3,354,466	2.78%	4,047,281	1.71%
Carol Margaret Ward	Legal and beneficial interest in the Shares held by Michael John Robert Ward, Carol Margaret Ward and CLM Trustees Limited, as trustees of the M&C Ward Family Trust.	72,435	0.06%	76,384	0.03%

2.8 Other equity securities of Zespri

As at the date of this PDS, there are no other classes of Zespri equity securities. However, as noted in Section 1.1 and Section 6, Class B Shares may exist from 14 March 2021, which will rank equally with Shares on liquidation of Zespri but have no dividend rights.

Under the Constitution, any other class of equity securities of Zespri that ranks equally with, but not in priority to, the Shares may be issued without a special resolution of the holders of the Shares. Zespri has no current intention of issuing any such equity securities outside of this Offer in the near future.

2.9 Interests of Directors and senior managers

Directors' remuneration and other benefits

Under the Constitution, Shareholders must approve by ordinary resolution the maximum amount for annual Directors' fees. The remuneration payable to the Directors in their capacity as Directors shall be the sum so determined by ordinary resolution or such lesser sum as the Board shall from time to time determine. The Directors' remuneration may be distributed among them in such manner as the Board shall from time to time determine.

The table below sets out the total remuneration and value of other benefits each Director received in FY2018:

Name	Remuneration
B L Cameron*	\$106,947
T Ciprian	\$81,447
A E de Farias (ceased 26 July 2018)	\$81,447
N W Flowerday*	\$86,447
P R Jones*	\$86,447
J P Mason*	\$96,947
P J McBride	\$199,447
P M Springford (appointed 1 May 2017)	\$74,780
A J Hawken (elected 26 July 2018)**	\$0
Total	\$820,576

*The Chair of each committee receives an additional \$5,000 of remuneration per annum, included in the above numbers.

** A J Hawken will be eligible to be paid standard Director's remuneration and benefits in FY2019.

Under the Constitution, the Directors are entitled to be paid their reasonable travelling, accommodation and other expenses incurred in consequence of their attendance at Board meetings or otherwise in the execution of their duties as Directors. Further, Zespri arranges Directors and Officers insurance for the Directors, as described further below.

At Zespri's annual meeting held on 26 July 2018, the Shareholders approved an increase of the maximum amount for Directors' annual fees from \$840,000 to \$875,000, representing an increase of approximately 4.17%. Given the level of the increase, Zespri does not consider the remuneration and benefits of Directors will materially differ for FY2019.

Employees' remuneration and other benefits

The number of employees or former employees whose total remuneration and value of any benefits received or receivable exceeded \$100,000 between the following bands was:

Number of non-New Zealand -based employees	Number of New Zealand -based employees	Total remuneration and benefits (\$)
17	14	\$100,000 to \$109,999
13	13	\$110,000 to \$119,999
9	14	\$120,000 to \$129,999
10	5	\$130,000 to \$139,999
4	7	\$140,000 to \$149,999
6	7	\$150,000 to \$159,999
7	4	\$160,000 to \$169,999
8	6	\$170,000 to \$179,999
3	5	\$180,000 to \$189,999
2	3	\$190,000 to \$199,999
2	4	\$200,000 to \$209,999
4	1	\$210,000 to \$219,999
4	2	\$220,000 to \$229,999
3	1	\$230,000 to \$239,999
1	1	\$240,000 to \$249,999
2	-	\$250,000 to \$259,999
-	2	\$260,000 to \$269,999
1	3	\$270,000 to \$279,999
2	1	\$280,000 to \$289,999
3	-	\$290,000 to \$299,999
-	2	\$300,000 to \$309,999
3	-	\$310,000 to \$319,999
2	-	\$330,000 to \$339,999
2	-	\$350,000 to \$359,999
1	-	\$370,000 to \$379,999
-	1	\$380,000 to \$389,999
1	1	\$440,000 to \$449,999
2	-	\$470,000 to \$479,999

1	-	\$490,000 to \$499,999
1	1	\$540,000 to \$549,999
1	-	\$560,000 to \$569,999
1	-	\$570,000 to \$579,999
2	-	\$620,000 to \$629,999
-	1	\$630,000 to \$639,999
-	1	\$680,000 to \$689,999
1	-	\$690,000 to \$699,999
1	-	\$740,000 to \$749,999
-	1	\$1,330,000 to \$1,339,999
1	-	\$1,360,000 to \$1,369,999

Note: These bands are in New Zealand Dollar equivalents and reflect foreign exchange fluctuations.

Material interests in Zespri Group

Certain Directors and Senior Managers of Zespri hold or have an interest in Shares as set out in Section 2.7.

All of the senior managers have entered into employment agreements with Zespri International Limited (**ZIL**), except those based overseas whose contracts are with Zespri International (Singapore) Pte Limited or Zespri International Europe NV. Apart from salary and the incentive plan described below, additional benefits include life insurance, medical insurance, and social insurance to employees depending on which market they are employed in. ZIL has a redundancy policy in place, which provides employees with redundancy compensation based on their length of employment with ZIL. Zespri periodically reviews remuneration and benefits offered to our people to ensure we can compete for talent in the labour markets we operate in.

The Zespri Group has a bonus scheme in place for all permanent employees. How the bonus amount is calculated varies depending on whether an employee is a New Zealand employee (including expats) and which subsidiary within the Zespri Group employs them, as set out below.

In summary, bonuses are calculated based on a contribution of two factors: performance of the group, country or market and performance of the individual. Company or group performance is assessed on market returns, efficiency and corporate profit. If a bonus is payable, how the

amount of the bonus is calculated also varies between executive and non-executive employees. For non-executive employees, a bonus pool is allocated for all employees in a particular region. The General Manager responsible for the bonus pool proposes individual bonus amounts based on an assessment of the individual's contribution compared to objectives. This is considered by team leaders and approved by the Executive Team. For executive employees, the bonus amount is determined by an evaluation of Zespri Group and individual performance which is approved by the Organisation and Administration sub-committee of the Board.

Zespri has granted indemnities, as permitted by the Companies Act and FMC Act, in favour of each of its Directors, former Directors and officers. Zespri also maintains insurance for its Directors and officers, and run off insurance for its former Directors.

Nathan Flowerday is related to a significant shareholder of GPSIT Limited, which contracts with Zespri for the provision of GPS mapping services to record licensed PVR hectares. The contract was agreed with Zespri on an arm's length basis.

Certain Directors and senior managers, including B L Cameron, N W Flowerday, A J Hawken, P R Jones, P J McBride and C Ward conduct business with Zespri Group in the normal course of their business activities as growers and as Shareholders (either directly or through associated persons). All these transactions are conducted on commercial terms and conditions prevailing in the relevant

season. Further, all amounts paid to these persons are consistent with the payments made to third party entities supplying Zespri with the equivalent grade, volume and variety of kiwifruit (with loyalty payments as applicable). Similarly, any PVR licence was applied for and obtained under the same tender process as with any other participant. Template Supply Agreements, Service Level Agreements, Loyalty Agreements, Enduring Funding Agreement and PVR Licence Agreements which form the basis on which Zespri Group contracts with those persons are available on the Offer Register at <https://disclose-register.companiesoffice.govt.nz/> (Offer number: OFR12458).

Information regarding related party disclosures can also be found in Note 27 of Zespri's FY2018 financial statements, which are available on the Offer Register at <https://disclose-register.companiesoffice.govt.nz/> (Offer number: OFR12458). This includes the names of the various associated persons that conduct business with Zespri Group during FY2018 and the consolidated monetary value of that business by category.

2.10 Other material governance disclosures

The Board has the power to determine the number of Directors on the Board, provided that the total number of Directors shall not be less than 6 or more than 8, and there shall be 3 Independent Directors. Any casual vacancy occurring among the Directors may be filled by the Board.

Directors are also subject to rotation, whereby Directors can only hold office until the annual meeting nearest to the expiry of 3 years from the date of their election, and shall retire at that meeting, but may stand for re-election in accordance with the nomination and recommendation procedures noted below.

With respect to non-Independent Director vacancies, not less than 2 months before the annual meeting of Shareholders, Zespri shall call for nominations to fill the non-Independent Director vacancies.

With respect to Independent Director vacancies, the Board may recommend a person without a Disqualifying Relationship for election or re-election as an Independent Director. In the event that the Board does not recommend a person or persons to be elected or re-elected as an Independent Director, then the Board may call for nominations to fill Independent Director vacancies.



3

PURPOSE OF THE OFFER

THE FOLLOWING PAGES COVER

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KEY DATES

Calculation Date	3 Aug
Offer opens	3 Sep
Offer closes	19 Oct
Application payments due	19 Oct
Settlement and quotation on USX	5 Nov

Participation in either the Offer or the Share Buy-Back is not mandatory - you do not need to participate if you do not want to.

This Offer is being made in conjunction with the Share Buy-Back. The purpose of both is to improve alignment between growers and Shareholders so that growers receive the benefit of owning Shares in Zespri. Zespri's alignment goal is for, ultimately, all growers to own 1 Share for every Tray of kiwifruit they produce.

The Board considers that improving alignment between Shareholders and Producers will mean that more Producers will have the benefit of owning Zespri's Shares i.e. receiving dividends and being able to vote on Zespri matters (each as described in Section 6). The Board believes that having greater alignment between Shareholding and production will result in Zespri being able to better deliver on its strategy.

Participation in either the Offer or the Share Buy-Back is not mandatory - you do not need to participate if you do not want to.

Therefore, this Offer is being made to Producers (including to New Entrants) resident in New Zealand or Australia that either have no Shares in Zespri or less than the 1:1 Ratio as more fully described in Section 5. The proceeds of the Offer are intended to be used mainly to fund the Share Buy-Back which will be offered to Dry Shareholders and those growers holding 1.5 Shares per Tray or more of Historical Production.

To the extent that there are excess funds over that needed to conduct the Share Buy-Back, the Board may resolve to return any determined excess not required by the business to all those who remain Shareholders at the time the return occurs, subject to being able to do so pro-rata to all those Shareholders on a tax free basis.

Should the Board resolve to retain any newly raised capital in excess of that required to fund the Share Buy-Back, the funds may be used for the purposes of replacing the paid-up capital utilised in the March 2018 minority buy-out right Share purchase, and/or for the execution of Zespri growth strategies as

described in Section 2.4 and/or for other significant capital expenditure projects at the Board's discretion.

The amount required to fund the Share Buy-Back is unknown at the date of this PDS. Therefore, the funds raised under the Offer may be used entirely for the Share Buy-Back and the costs of the wider process, or there may be an excess. Whether a distribution of any excess funds to Shareholders will occur depends on various factors including an assessment of the

tax consequences to Shareholders, which will vary depending on the amount of excess funds and the value of the Shares at that time.

No minimum amount is required to be raised before the Shares are issued or transferred, but there is a minimum subscription of 100 Shares per Application. The Offer is not underwritten.

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KEY DATES AND OFFER PROCESS

Calculation Date	3 August 2018
Offer opens	3 September 2018
Offer closes	19 October 2018
Application payments due*	19 October 2018
Settlement and quotation on USX	5 November 2018

** If payment is not received by Zespri by this date, your Application will not be accepted unless Zespri determines otherwise at its sole discretion.*

For more information on these dates, see Section 5.

This timetable is indicative only and the dates may change. Zespri reserves the right to vary or extend any of these dates.

5

TERMS OF THE OFFER

The table below sets out the terms of the Offer. The Constitution sets out the terms of the Shares. You can find a copy of the Constitution on the Offer Register at <https://disclose-register.companiesoffice.govt.nz/> (Offer number: OFR12458).

What is the Offer?	See Section 1.4 “Key terms of the Offer” for an overview of what the Offer involves.
Key Dates	See Section 4 “Key dates and Offer process” for information about the key dates of the Offer.
Price	<p>NZ\$8.00 per Share. No further payments, fees or charges are required to be paid for the Shares.</p> <p>The price per Share was determined by the Board as being fair and reasonable to Zespri and its existing Shareholders. In making this assessment the Board took into account several factors, including:</p> <ul style="list-style-type: none"> • Zespri Group’s current and future expected financial performance, including SunGold licensing; • the payment of dividends in August 2018; • that Shares are traded in a restricted manner, as only Producers not exceeding their Share Cap can buy Shares; • trading on USX; and • independent advice from Cameron Partners Limited as to the valuation of the Zespri Group. For reference, a summary of that valuation report is available on the Offer Register at https://disclose-register.companiesoffice.govt.nz/ (Offer number: OFR12458) and Cameron Partners have given their consent to this statement and to the release of this report (for reference only and not be relied upon as financial advice to Shareholders or Producers).
Eligibility	<p>The Offer is only open to growers who are, on the Calculation Date, Producers resident in New Zealand or Australia, who are unshared or undershared, up to their Alignment Entitlement. If your Alignment Entitlement is nil, you are not eligible to participate in the Offer and will not receive a Letter of Entitlement. Demand under the Offer may be satisfied by the issuance of new Shares and/or the transfer of treasury Shares held by Zespri. Zespri is offering 1,780,788 treasury Shares under the Offer.</p> <p>Australian residents are encouraged to read Section 10 (Information for Producers resident in Australia).</p>
Minimum Application and non-renounceable Offer	<p>Producers do not have to take up their Alignment Entitlement in full or at all. A Producer can apply for a proportion of the Shares under the Alignment Entitlement (subject to a minimum Application of 100 Shares). The Offer is non-renounceable. Any part of the Offer not taken up cannot be transferred to any other person.</p> <p>To minimise administration costs, the minimum Application under an Alignment Entitlement will be 100 Shares. Producers whose entitlement calculation is less than 100 Shares will not receive an Offer.</p>

Calculation of Entitlement

In summary, the Alignment Entitlement allows you to apply for 1 Share for each Tray of “Production” attributable to KPINs you own or lease, less the number of Shares you already hold and subject to adjustment so that Constitutional and other limits are not exceeded.

The **Alignment Entitlement** is calculated on the Calculation Date as follows:

- 1 Share multiplied by the average of the best two of the last five seasons (up to and including 2017) of Trays produced for each KPIN owned or leased by a Producer (**Best Average**), or if higher in the case of New Entrants, Deemed Production (as explained below); **plus**
- 1 Share multiplied by Assumed Production for Producers who own or lease an Orchard for their New Developments and/or New Plantings, if any (as explained below); **less**
- any Shares held by you on the Calculation Date or, if different, on the Settlement Date; **less**
- any number of Shares which, when allocated to a KPIN as detailed below (see “Individual KPIN 4:1 Cap”), are more than the KPIN Cap and, for the Producer, in excess of their Share Cap (as per the Constitution), as at the Calculation Date or, if different, on the Settlement Date.

A person is only entitled to participate in the Offer up to their Alignment Entitlement. Any persons jointly holding a Property or Lease will receive one Alignment Entitlement as per the above methodology. None of Zespri, its employees, contractors or advisers or any other person will be liable in any way to any person in respect of any determination as to a person’s eligibility or otherwise, to the maximum extent permitted by law, in respect of the Offer.

Calculation of Entitlement for New Developments, New Plantings and Greenfields

A diagram describing the difference between the treatment of New Developments/ New Plantings and Greenfields is set out on the Offer Register in the document entitled “Other material information relating to the Offering of Ordinary Shares in Zespri Group Limited”, available at <https://disclose-register.companiesoffice.govt.nz/> (Offer number: OFR12458).

Assumed Production

Assumed Production applies only for KPINs on greater than half a contiguous hectare. During July 2018, Producers have had the opportunity to register for Assumed Production at a rate of 10,500 Trays a hectare for Zespri Green Varieties, and 14,000 Trays a hectare for Zespri Gold Varieties. Assumed Production cannot result in an Alignment Entitlement that would cause the Producer to exceed their Share Cap. Where actual production is attributable to New Plantings in the Best Average years, that actual production has been removed from the calculation of the Alignment Entitlement so that Trays of Production are not “double counted”.

New Developments and New Plantings

For Producers who own or lease an Orchard (i.e. that have existing kiwifruit production), the number of Trays of Production under the Alignment Entitlement relating to an owned or leased New Development or New Planting will be equal to Assumed Production applied to that New Development or New Planting, provided that their Alignment Entitlement would not cause the Producer to exceed their Share Cap. This is added to the Best Average of your Orchards, adjusted to remove actual production attributable to New Plantings in the Best Average years so that “double counting” of Trays of Production does not occur. In the case of a New Planting, the Applicant must have planted or grafted between 1 January 2015 and 1 July 2018.

Greenfields

For New Entrants that own or lease a Greenfield (i.e. that have no other production of kiwifruit), the number of Trays of Production under the Alignment Entitlement will be what the Board deems the Greenfield will produce annually, based on the area of the Greenfield and the average regional per hectare production for all varieties of kiwifruit as determined by the Board from time to time. These figures are available on the Offer Register in the document entitled “Other material information relating to the Offering of Ordinary Shares in Zespri Group Limited” at <https://disclose-register.companiesoffice.govt.nz/> (Offer number: OFR12458). Should this Deemed Production result in an Alignment Entitlement lower than that applied using the Best Average methodology, then as noted above, the higher figure will be used.

Timing of Calculation

During August 2018, Zespri assessed Producers' Alignment Entitlements for the purposes of the Offer as at the Calculation Date. Your Alignment Entitlement will be set out in a personalised cover letter accompanying your Application Form (**Letter of Entitlement**).

There is no appeal process for the calculation of any Alignment Entitlement and Zespri is solely responsible for calculating and determining any Alignment Entitlement.

Adjustment and Verification

Your Alignment Entitlement may change if the number of Shares you hold as at the Settlement Date is not equal to that which you hold as at the Calculation Date. In this regard, all eligible Producers confirm when they submit an Application Form to Zespri that prior to the Settlement Date, there will not be a change of circumstances (including from that communicated as part of the calculation process during July to August 2018) that would lead to the Alignment Entitlement, as set out in your Letter of Entitlement, being inaccurate on the Settlement Date.

However, if your circumstances have changed such that your Alignment Entitlement would be higher or lower than that set out in your Letter of Entitlement, please contact the Zespri Share Registry Officer, not later than **19 October 2018** by email at Shares@zespri.com.

If your Alignment Entitlement changes and you inform Zespri or Zespri learns of the change prior to **19 October 2018**, Zespri is entitled but not obliged to amend your Alignment Entitlement to suit your new circumstances. In this regard, Zespri has absolute discretion as to how to deal with your Application, including amending your Application Form or rejecting your Application in part or in full. If after the Settlement Date Zespri learns of a change that occurred before the Settlement Date, and you are issued or transferred Shares in excess of your Alignment Entitlement (**Excess Shares**) you irrevocably agree to immediately sell your Excess Shares within two months of receiving notice from Zespri to do so.

Zespri retains sole discretion, at any time on or before the Settlement Date and irrespective of whether an Application Form has been submitted to it, to amend or revoke any Alignment Entitlement. Zespri may exercise this discretion if it considers that the Alignment Entitlement is incorrect or its calculation is affected, in Zespri's opinion, by agreements or arrangements designed to or which have the effect of manipulating the calculation of any Alignment Entitlement.

Individual KPIN 4:1 Cap

A Producer taking up their Alignment Entitlement cannot result in an individual KPIN having more than 4 Shares allocated to it for each Tray of Historical Production (or in the case of Greenfield KPINs, 1 Share for each Tray of Deemed Production if the Deemed Production for the KPIN is higher than Historical Production) (**KPIN Cap**).

Zespri allocates Shares firstly against a Producer's owned KPINs up to 4 Shares for every Tray of Production and then their leased KPINs. If, as between the Owner and the Lessee of a KPIN, this would exceed the KPIN Cap, an adjustment will be made to the Owner's or the Lessee's Alignment Entitlement to cap it at 4 Shares, depending on who has priority. The same process is followed for Greenfields using the Deemed Production KPIN Cap if the Deemed Production is higher.

The priority for this adjustment follows the priority mechanism in the Constitution, namely:

- **Ordinary Leaseholder:** an Ordinary Leaseholder Producer's Alignment Entitlement will be reduced in favour of the Owner;
- **Glasgow Leaseholder:** the Owner of a Property the subject of a Glasgow Lease will have their Alignment Entitlement reduced in favour of the Glasgow Leaseholder; and
- **ELTL (Existing Long Term Lease) Leaseholder:** the ELTL Leaseholder and the Owner will share the reduction equally as between their Alignment Entitlements.

These adjustments have taken place, as required, as at the Calculation Date and may take place again prior to the Settlement Date if adjustments are required to bring entitlements on a KPIN within the KPIN Cap.

Fractional Alignment Entitlements

Fractional Alignment Entitlements will be rounded up to the nearest whole Share. In the case of adjustments as between an ELTL Leaseholder and Owner, prior to the adjustment taking place, the Alignment Entitlement will be increased to an even number of Shares.

Refunds

The Offer may be withdrawn by Zespri at any time before the allotment or transfer of Shares, at Zespri's sole discretion. If the Offer does not proceed for any reason, all Application Monies will be refunded in full without interest no later than five Business Days after announcement of the decision not to proceed.

Money received in respect of Applications which are declined in whole or in part will be refunded in whole or in part (as the case may be). Refunds will be paid to unsuccessful Applicants within five Business Days after the allocation of Shares or after an Application has been declined (as applicable).

Refunds will be paid in the manner you elect or have elected any future dividend payments to be paid. Interest will not be paid on any Application Monies refunded to Applicants.

Applications

An Application is an irrevocable offer by you to acquire the number of Shares specified in the Application Form, at the Offer Price, on the terms and conditions set out in this PDS (including any replacement of it), the Offer Register at <https://disclose-register.companiesoffice.govt.nz/> (Offer number: OFR12458) and the Application Form. By submitting an Application Form, you irrevocably agree to purchase the Shares on those terms, notwithstanding any variations or extensions to the Closing Date or other dates which Zespri is entitled to so vary or extend.

Zespri may, at its sole discretion, treat any Application Form as valid, notwithstanding that it does not comply with the requirements above or is irregular. Zespri may also, at its sole discretion, rectify any errors in, or omissions from, any Application Form to enable that form to constitute a valid acceptance of the Offer, including inserting or correcting details and filling in any blanks. An Application Form may be treated by Zespri as a valid Application whether or not it is received before the Closing Date, and may be accepted in respect of the full number of Shares specified in the Application Form or a lesser amount (subject to minimum Application of 100 Shares). If the amount of your Application Monies is less than the amount required to purchase the number of Shares specified on your Application Form by you, you may be taken to have applied for such lesser number of Shares as for which your cleared Application Monies will pay (subject to minimum Application of 100 Shares), or your Application Form may be rejected. **Acceptance of your Application will give rise to a binding contract.**

Zespri reserves the right to refuse all or any part of any Application without giving a reason and may do so at any time on or before the Settlement Date.

Until the allotment and/or transfer of Shares, Application Monies received will be held in a separate account for the benefit of the Applicants according to their respective Alignment Entitlements and for Zespri. Any interest on Application Monies will be paid to Zespri.

The banking of Application Monies does not constitute confirmation of allotment or transfer of any Shares or the acceptance of an Application.

See Section 12 (How to apply) for further information about Applications and how to apply for Shares.

Allotment/Transfer	<p>The allotment and/or transfer of Shares to successful Applicants is scheduled to take place on 5 November 2018 immediately prior to the settlement of the Share Buy-Back later that day.</p> <p>You should ascertain your allocation (if any) before trading in the Shares. You can do this by contacting the Share Registrar, going on their website: www.computershare.co.nz or accessing the Industry Portal at: www.industryportal.zespri.com.</p> <p>If you wish to sell your Shares on USX after confirming your allocation you should contact a USX broker. Holding statements with your allotment/transfer details will be despatched within five Business Days after allotment/transfer. Where an email address is provided on the Application Form, the holding statement will be despatched electronically to you.</p> <p>If you sell Shares prior to receiving your holding statement you will do so at your own risk. None of Zespri, the Share Registrar, nor any of their respective officers, employees or advisers accepts any liability or responsibility should you or any person attempt to sell or otherwise deal with Shares before you receive a statement showing the number of Shares allocated to you (if any).</p>
No Guarantee	<p>No person guarantees the Shares offered under this Offer, nor warrants or guarantees the future performance of Zespri, the Shares or any return on investment pursuant to this Offer.</p>



6

KEY FEATURES OF ORDINARY SHARES IN ZESPRI

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This is significant as it means that your ability to exercise voting rights and the number of Shares you can hold, will vary depending on your level of kiwifruit production.

6.1 Key features of Shares

A Share has the normal features an ordinary share in a company has, except in five respects:

- the maximum number of Shares a person may hold;
- how voting entitlements are calculated;
- to whom a Shareholder may transfer their Shares;
- their conversion and entitlement to dividends; and
- the requirement for Overshared Producers to sell their Shares.

Maximum Shareholding and voting rights

An entitlement to buy and hold Shares in Zespri and to vote those Shares is linked to production at an Owner's (and Lessee's, if any) Property.

This is significant as it means that your ability to exercise voting rights and the number of Shares you can hold, will vary depending on your level of kiwifruit production.

Entitlement to Shares and Votes

The basic rule is that each Tray of production at a Property generates an entitlement to buy four Shares and to cast one vote per Share up to the number of Shares held. Where there is an Owner and a Lessee the proportion of that entitlement is shared according to the landowner priority rule, as set out below.

The landowner priority rule means that the Owner of a Standard Property has priority over that entitlement, and to the extent that the Owner does not take up its entitlements, the Lessee (if any) of that Property can instead. In the case of a Property leased under a Glasgow Lease this priority is reversed, as the Lessee has rights that are more like ownership in that situation. In the case of a Property leased under an Existing Long Term Lease (i.e. more than 20 years and in existence as at 14 March 2018), the priority is shared between the Owner and the Lessee (i.e. they each have priority to half of the entitlement).

Calculation of entitlements

The entitlement is based on the average of the highest number of Trays supplied from the Property in any two of the past five seasons. This is the same method for determining production from a Property as is used for the voting calculations.

Multiple Properties

Where a Shareholder owns and/or leases more than one Property, then for the purposes of calculating how many Shares the Lessees at any of those Properties are entitled to hold and/or vote, the Owner's Shares are spread across the Properties proportionally. The Lessees at each of those Properties will be able to take up any entitlement that remains.

Separate parts of a Property

When separate parts of a Property are operated by separate Shareholders, each of those parts is treated as a separate Property and entitlements are allocated in proportion to the production from each separate part.

Calculation of entitlements for New Entrants

A New Entrant to the industry (i.e. who doesn't own or lease any Orchards) who converts Greenfield land to an Orchard will not have any production for a number of years while the Orchard gets established. To enable New Entrants to buy Shares immediately, they will be assigned a level of "Deemed Production" equivalent to the regional average production, and they will be able to buy Shares based on that Deemed Production (but only one Share per deemed tray).

The Deemed Production will last for three years after the Greenfield is assigned a KPIN, after which the New Entrant will need to use actual production instead and the same rules will apply as for other Producers. Note that the Greenfields rules do not affect voting rights — voting rights are based on Historical Production only, and so a New Entrant with no actual production yet cannot vote.

The Board also has powers to revoke a grant of Deemed Production if it considers that there is insufficient progress at a Greenfield.

These provisions are important for Greenfield Producers as their right to hold Shares can be reduced, potentially to nil.

Transfer of Shares

Any transfer of Shares is subject to the process set out in the Constitution. In particular, Shares can only be transferred to a Producer who is not or would not become Overshared (as defined in the Constitution) as a result of the transfer.

Conversion and entitlement to dividends

A Shareholder will not be entitled to receive a dividend if that Shareholder is the holder of a Class B Share. A Class B Share otherwise has the same rights as a Share.

A Share will be converted to a Class B Share (and shall be recorded on the Share register as a Class B Share) if on any working day falling three years after 14 March 2018 that Shareholder:

1. is not a Producer or a person deemed to be a Producer; and
2. was not, at any time in the three years immediately preceding that day, an Owner or Lessee of a property from which kiwifruit was being produced for supply to Zespri.

Therefore, if you meet the above criteria, you could lose your ability to receive dividends.

A Share held by a Grandfathered Shareholder on the day falling seven years after 14 March 2018 (or if that day is not a working day, on the first working day after that day) shall automatically and immediately be converted into a Class B Share (and shall be recorded on the Share register as a Class B Share).

A Class B Share automatically converts back to a Share which has dividend rights (and shall be recorded on the Share register as a Share) if on any working day it is held by a Producer or a person deemed to be a Producer.

Class B Shares will not be in existence until at least 14 March 2021. Should your Shares convert to Class B Shares after 14 March 2021, they will be tradeable on Unlisted on the same basis as Shares even though they are not separately listed on Unlisted. This is because all Shares (including Class B Shares) in Zespri can only be sold to Producers who would not become Overshared after the transfer. On that trade occurring, the Class B Shares would automatically convert to Shares.

Requirement to sell Shares

Producers who hold more Shares than they are entitled to for a continuous period of three years or more must, within 20 working days of receiving notice from Zespri requiring it to dispose of Shares, dispose of those Shares, and if they fail to, the Board may sell them on their behalf. This period is six months in the case of New Entrants who fail to establish an Orchard.

6.2 Dividend Policy

The Board have approved a dividend pay-out policy in the range of 70% - 90% of each year's calculated distributable profit. Payment of dividends is not guaranteed and is at the discretion of Directors, and dividends (if any) will be declared only after meeting appropriate solvency requirements.

Between 1 April 2015 and 15 August 2018, Zespri has declared net and gross (gross dividends include imputation credits) dividends per Share as set out in the table below. See also Section 7 for the total dividends on all equity securities of Zespri paid during FY2018, FY2017 and FY2016.

Date of Dividend Declared	Amount of Net Dividend per Share (\$NZ)	Amount of Gross Dividend per Share (\$NZ)
21/07/2015	0.070	0.097
20/10/2015	0.050	0.069
26/07/2016	0.190	0.264
22/11/2016	0.080	0.080
25/05/2017	0.170	0.236
18/07/2017	0.500	0.694
18/10/2017	0.080	0.111
25/07/2018	0.180	0.250
25/07/2018	0.980	1.361



7

ZESPRI GROUP'S FINANCIAL INFORMATION

THIS SECTION COVERS

7.1 Selected financial information 47

If you do not understand this financial information, you can seek advice from a financial adviser or an accountant.

These tables provide key financial information about the Zespri Group. Full financial statements are available on the Offer Register at <https://disclose-register.companiesoffice.govt.nz/> (Offer number: OFR12458). If you do not understand this financial information, you can seek advice from a financial adviser or an accountant.

7.1 Selected financial information

All figures in the below table are in \$000's unless otherwise indicated and are determined in accordance with GAAP.

	FY2018	FY2017	FY2016
Revenue	2,447,703	2,315,063	1,881,102
EBITDA	152,977	114,068	50,249
Net profit after tax	101,842	73,701	35,828
Dividends on all equity securities of Zespri	90,618	32,603	14,501
Total assets	527,615	553,380	437,904
Cash and cash equivalents	153,714	187,010	165,027
Total liabilities	359,275	381,407	307,029
Total debt	Nil	Nil	Nil
Net cash flows from operating activities	84,018	79,014	35,621



8

RISKS TO ZESPRI GROUP'S BUSINESS AND PLANS

THIS SECTION COVERS

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In order for Zespri to maintain its status, it needs to ensure good management and business performance so as to justify its presence in the industry.

This Section sets out a description of the circumstances that Zespri is aware of that exist or are likely to arise that significantly increase the risk to Zespri's financial position, financial performance or stated plans. Zespri has made an assessment of the likelihood, nature and potential magnitude of the impact of the circumstances. These risks are based on the knowledge and assessment of Directors as at the date of this PDS but other risks may emerge over time.

8.1 Loss of single desk status

Description of the risk and its significance

The Kiwifruit Industry Restructuring Act 1999 and the Kiwifruit Regulations give Zespri the exclusive right to export New Zealand kiwifruit (subject to collaborative marketing), other than to Australia. If the law was amended to revoke or reduce Zespri's exclusive rights, or the approach of the Regulator to the legislation was to change, then Zespri's current structure and operations could be at least negatively affected or significantly disrupted.

Zespri's assessment of likelihood, nature and potential magnitude of the risk

It is hard to assess the likelihood of deregulation or changes to the kiwifruit legislation. Political and financial pressure may influence any such proposal and its timing.

In order for Zespri to maintain its status, it needs to ensure good management and business performance so as to justify its presence in the industry. Zespri believes that changes to the Constitution in March 2018 permitting Zespri to improve alignment between Shareholders and growers by focussing the benefits of Share ownership on growers will assist this. The Offer and the Share Buy-Back are seen by Zespri as a key component in improving alignment between growers and Shareholders. Given strong grower returns, the high level of Shareholder support evidenced at Zespri's special meeting held on 14 March 2018 with respect to the proposed alignment initiatives, and high grower support for the single desk status referenced in the 2015 KISP referendum, Zespri does not expect a change in its single desk status in the near future.

However, pressure from industry participants, both on and off shore, may also have an impact on the current status quo. Zespri is focusing on a growth strategy with a number of international projects that could challenge international competitors. Maintaining the support of the New Zealand Government in response to potential pressure by other industry participants and foreign Governments concerned with Zespri's status under New Zealand law is important.

If a change were to occur, its impact would be more pronounced on Zespri Green Varieties than Zespri Gold Varieties, as Zespri owns and licences the SunGold PVR on terms under which growers are required to sell the resulting kiwifruit to Zespri.

Nonetheless, if deregulation (in full or partial) occurred, Zespri will suffer a significant reduction in revenue (as well as potential losses) at least during an adjustment period to a non-regulated environment and should it return to profitability, that would be at materially lower levels than present.

8.2 Changes in International Market Conditions

Description of the risk and its significance

Zespri's export earnings are dependent on Zespri's ability to conduct its business in different jurisdictions, in particular Japan, China and Europe. A change in the laws and regulations, as well as the approach of such jurisdictions to New Zealand exports or kiwifruit in particular, may have a material adverse effect on Zespri's business, financial condition and the results of its operations.

A change to the environment in which Zespri conducts business overseas (whether it is political or legislative change, or changes to the level of demand, supply and intellectual property integrity in the international markets where Zespri operates) may affect its sales, costs, relative position and other aspects of its financial and/or operational performance, or force other undesired changes to its business model or the business model of its growers, distributors or direct retail customers. Any such change would likely impact the profitability of Zespri's business.

Zespri's assessment of likelihood, nature and potential magnitude of the risk

Overseas markets present significant opportunities for Zespri but also risks.

Zespri believes this risk is more prevalent in fresh produce industries due to food safety and biosecurity concerns.

Changes in law or regulations, or the approach to kiwifruit exports, in China, Japan or Europe could result in a reduction of the kiwifruit that Zespri can sell in such markets or the profitability of any such transaction, therefore affecting Zespri's financial position as a result. Changes in markets other than those three, are less likely to have an impact on Zespri's financial performance, as they are less significant to Zespri and therefore Zespri is better able to redirect unsold kiwifruit to other markets where it retains access.

In respect of particular markets, like China, Zespri has set up its own Advisory Board that helps provide guidance to Zespri about how best to address a number of challenges present in that jurisdiction.

To manage the risk of changes in international market conditions, Zespri regularly monitors regulatory requirements in the offshore markets to which it exports kiwifruit with the aim of ensuring that it complies with applicable requirements. However, there is always a risk that Zespri may not be in strict compliance with all requirements around the globe at all times.

Zespri also aims to diversify its export markets so that should a market access issue develop in one jurisdiction, there are others it can switch supply to.

Zespri is an active participant in forums and trade missions where it seeks to support the New Zealand Government's position and promote the benefits that Zespri's structure delivers for both New Zealand growers and consumers in export markets.

8.3 Brand Risk

Description of the risk and its significance

Zespri is primarily a marketer of kiwifruit. As such, Zespri's brand must remain strong such that there is trust in and a desire to buy Zespri branded kiwifruit.

If Zespri's brand is damaged, its ability to sell kiwifruit or generate current levels of returns would be adversely affected for Zespri and for growers.

Zespri's assessment of likelihood, nature and potential magnitude of the risk

Brand damage can result in Zespri incurring remedial costs, losing revenue, market share and customers, both in the short and long term. As brand damage can vary in severity, these effects are difficult to predict. However, Zespri considers that brand damage would most likely occur by:

- i. failure to grow kiwifruit meeting customer expectations (taste and quality issues);
- ii. PVR/brand infringement (including through counterfeit kiwifruit);
- iii. failure to meet sanitary and phytosanitary standards; and
- iv. damage by association, such as poor health and safety, labour compliance or environmental practices by growers.

To manage these risks, Zespri has a number of processes in place.

Zespri seeks to protect its brand with marketing campaigns to differentiate it from competitors, trade mark registration and enforcement, and by incentivising growers to produce quality kiwifruit through the TZG and MTS (this is particularly important overseas).

Zespri has a PVR protection policy which includes severe financial penalties, litigation and confiscation or destruction of illegally planted PVRs. Zespri is also currently expanding its non-PVR intellectual property framework so as to seek to adequately protect the same.

To reduce the risk of kiwifruit becoming or being perceived as unsafe (including through tampering or counterfeiting), in particular overseas where the kiwifruit industry and grower practices are not as developed as in New Zealand, Zespri looks to operate under strict adherence to food safety process controls and has a risk management programme in place. Zespri has Global Customer and Supplier Codes of Conduct, which are in the process of being implemented and set expectations for supply chain participants, targeting a range of issues including legal and financial compliance, food safety and quality standards, fair competition, anti-bribery, anti-corruption, fair employment practices and labour standards, health and safety, and care for the environment. Zespri is audited by the Ministry for Primary Industries, other independent regulatory bodies and multinational customers (to their standards) both in New Zealand and overseas.

As a market leader, Zespri also takes an active role on orchard health and safety matters, such as by requiring growers to supply hazard lists and working with NZKGI to communicate health and safety obligations to growers. The Board has committed to working with the industry to protect workers' rights within the industry, and has moved to adopt the GRASP module of the Global GAP standard, focused on social responsibility.

8.4 Reliance on SunGold

Description of the risk and its significance

SunGold is a highly significant contributor to Zespri's financial performance as it was over 40% of Zespri's global kiwifruit volume in FY2018. Accordingly, Zespri is materially reliant on this PVR for its financial performance.

Zespri's assessment of likelihood, nature and potential magnitude of the risk

The risk around Zespri's reliance on SunGold arises from the kiwifruit sales revenue itself as well as from the licence revenue perspective:

- i. With respect to kiwifruit sales revenue, as with any other PVR, there are a number of factors that could impact its profitability. If SunGold's popularity diminishes, is subject to illegal grafting, its expansion is not effectively managed or it proves susceptible to kiwifruit diseases (such as Hort16A was to Psa) or other climate or storage/handling challenges, there could be a material adverse effect on Zespri's financial performance. Further, SunGold is currently the leading variety of gold kiwifruit in the world. If competitors create a viable competing variety in sufficient quantity, there is a risk that Zespri may not be able to achieve the price premium it does now. Although Zespri does not expect this to happen in the near future, in the long term, material increases in competing production may reach globally traded volume in significant quantities, thereby negatively impacting SunGold's price.
- ii. With respect to licence revenue, Zespri acknowledges that SunGold licence revenue may materially diminish over time. During the period of active licensing of SunGold (conventional and organic), if Zespri continues to release 750 hectares of licence per year in New Zealand, it is possible that the price tendered for the licence could drop and therefore Zespri would earn less. While these factors may not cause a cashflow issue for Zespri as most of the licence revenue is distributed, it will mean that dividends would likely fall. Mitigating this decrease in licence revenue is the increasing royalty and overseas commission revenue from the newly licensed PVRs.

Although SunGold's New Zealand PVR does not expire until 2039, Zespri is researching and assessing the commercialisation of new cultivars to remain competitive. The kiwifruit breeding research programme is jointly funded by Zespri, PFR and the Ministry of Business, Innovation and Employment.

Zespri also monitors and enforces its PVR rights to protect its PVRs from unauthorised use which could damage the value of its PVR rights and brand.

Zespri is also expanding ZGS whose revenue, together with increasing PVR royalty revenue, should soften the impact of any decreased licensing revenue in New Zealand.

8.5 Kiwifruit diseases and pests**Description of the risk and its significance**

As with other horticultural products, kiwifruit is susceptible to diseases and pests, such as Psa, Neofabraea fungus, Brown Marmorated Stink Bug (**BMSB**) and fruit fly. Diseases and pests can adversely affect both production and market access. Consequently, Zespri's financial performance would suffer as it may have less kiwifruit to sell, fewer markets to access and/or additional costs in selling or redirecting kiwifruit to available markets.

Zespri's assessment of likelihood, nature and potential magnitude of the risk

Kiwifruit diseases can develop on the orchard, during storage, transportation, packaging and other steps in the supply chain, or just be caught from the environment, with potentially severe impact on production and/or market access issues depending on the export market.

As Zespri does not grow kiwifruit itself, it cannot directly mitigate the risk of on-orchard diseases. However, the kiwifruit industry does have a co-ordinated approach in tackling on-orchard diseases and KVH is the lead organisation responsible for managing biosecurity readiness, response, and operations on behalf of the kiwifruit industry. Zespri works closely with KVH in this regard.

With respect to diseases that can be developed outside the orchard, Zespri seeks to contract with quality third party contractors and has implemented rigorous checking regimes to minimise the fruit being stored in less than optimal conditions.

As to pests, although they can vary over time, at present, Zespri assesses its greatest pest risk is from BMSB and the fruit fly, in particular from Queensland, Australia. While BMSB infestation would have significant negative impacts on production (estimated up to 30% kiwifruit loss on affected orchards), its effect on market access is limited. A fruit fly infestation, however, would cause significant market access issues in addition to production damage, making it more problematic than BMSB, particularly in China which has a wider fruit fly exclusion zone. Accordingly, should fruit fly infestation occur, Zespri may aim to allocate kiwifruit to markets where it still has access but it may not achieve the same returns on such kiwifruit.

KVH is party to Government Industry Agreements (GIA) under which costs for preparing for and responding to biosecurity incursions are shared with the New Zealand Government. Accordingly, if serious infestations occur, growers will be required to contribute to the cost. Zespri would also ultimately likely have to provide funds in support of the response in order to protect the industry and its business. The extent of any such cost is difficult to estimate.

In addition to this, Zespri has a dedicated crisis management team which has conducted exercises and tests over the last 12-18 months in relation to the potential effect of a BMSB incursion and a Queensland Fruit Fly incursion.

KVH, Zespri, the Ministry for Primary Industries and other horticultural industries, have a major project underway to pre-negotiate market access agreements with trading partners in the event of an incursion of fruit flies.

8.6 Problems with or delay in ZGS Programme**Description of the risk and its significance**

ZGS is a programme which aims to create supply of Zespri kiwifruit in the northern hemisphere so that Zespri can supply its customers 12 months of the year with the objective of securing shelf space and brand presence all year round. ZGS is also expected to provide a different source of revenue to PVR licensing revenue.

Zespri's Board has assessed ZGS as a necessary activity and an activity that supports Zespri's core business. As such, it believes it can be carried out without a Producer vote. This assessment, however, could be challenged by parties including growers and KNZ and Zespri is working with KNZ in this regard but a Producer vote may also be carried out in the future as required.

If ZGS is not implemented as planned, other suppliers can fill the gap left by Zespri, thereby reducing customer loyalty and eventually risking Zespri's financial performance and profitability.

Zespri's assessment of likelihood, nature and potential magnitude of the risk

The ZGS programme is dependent on the ability to find in each ZGS country growers with suitable land and capability, including ability and willingness to invest in the necessary post-harvest infrastructure to handle increased volumes. Likewise, the success of the programme depends on the ZGS team's ability to manage this anticipated additional growth. Zespri has been increasing its staff numbers so that there is appropriate internal capacity.

There are a number of additional challenges for the ZGS programme that are not limited to the unexpected but more frequent extreme weather events like hail, frosts or storms that are affecting many regions of the world. Different growing conditions outside New Zealand make full consistency with New Zealand fruit harder to achieve (for example fruit size and skin colour). BMSB is already established in some ZGS growing areas (e.g. Italy), where it has caused a drop in affected orchard production.

In this regard, Zespri is seeking to diversify the ZGS growing countries so that there is not excessive reliance on any one country. In any case, all ZGS growers are required to comply with Zespri quality standards.

The ZGS initiative has been developed on the basis of the Board's assessment that it is a necessary activity and an activity that supports Zespri's core business. Zespri is engaging with KNZ as required under the Kiwifruit Regulations with respect to the ongoing operation of ZGS. In that context, Zespri may in the future carry out a Producer vote to ask Producers for their continued support of the ZGS strategy.

If ZGS is delayed or cannot be implemented in the way currently expected, revenue expected from ZGS would be delayed or may need to be found through other sources. Further, there would be insufficient kiwifruit to cover all Zespri customers during the year. This is likely to impact Zespri's relationship with its customers and eventually its financial performance and competitive position.

8.7 Failure of growth plan: demand or supply issues**Description of the risk and its significance**

If Zespri fails to develop kiwifruit demand ahead of licensed supply and/or fails to innovate with the creation of new PVRs that meet consumer and business needs, the returns it can generate on existing PVRs and its prospects for future growth will be significantly affected.

If current growers cannot supply enough kiwifruit to meet the demand generated by Zespri, Zespri's financial performance may be materially adversely impacted. Conversely, there is also a risk if post-harvest logistics capacity is unable to deal with increased supply of kiwifruit.

This risk is of particular relevance to Zespri, as opposed to other exporters of fruits, considering its single desk status and its role (and restrictions) under the Kiwifruit Industry Restructuring Act 1999 and Kiwifruit Regulations.

Zespri's assessment of likelihood, nature and potential magnitude of the risk

Zespri's current growth target is to reach NZ\$4.5 billion of global kiwifruit sales revenue by 2025. The volume of Trays and mix of products behind the target is weighted towards SunGold and is dependent on the mix of conversion to SunGold versus new plantings. In order for Zespri to hit this target and maintain grower and its own returns, it needs to generate kiwifruit demand through its marketing activities ahead of its licensed kiwifruit supply.

On the supply side, Zespri needs to monitor supply and demand growth and ensure a reasonable balance between the two erring on the side of a slight supply shortage. This assessment of supply and demand influences the amount of hectares to be planted and the mix of product desired by consumers.

Underlying the risk of being able to supply enough kiwifruit is essentially the growers' ability to grow kiwifruit to the required level of production. This is determined by certain limitations faced by growers (which can include labour shortage, climate risk, water supply and capital) and also their ability to invest in expanding production. With respect to post-harvest logistics (including picking, packing, storage, use of ports, particularly the Port of Tauranga, and shipment), any event materially affecting it could have a material adverse effect on Zespri's ability to get fruit to market on a timely basis. This is exacerbated overseas where post-harvest logistics are still being developed for the kiwifruit industry.

If the supply side falters, although returns may not be immediately impacted given that the price should rise, Zespri may lose market share to competitors.

On the demand side, Zespri's focus includes maintaining relationships with its customers (both distributors and retailers), using traditional promotional efforts, having profitable PVRs that customers want (including through creation of new PVRs) and increasing the frequency of consumption in targeted markets. In respect of the latter, creation of new successful PVRs will be particularly important.

If the demand side falters, Zespri may have excess supply which would impact its returns and the future incentive for growers to grow kiwifruit and purchase licences to Zespri PVRs.

In order to achieve its growth plan, including in relation to supply and demand, Zespri has various initiatives. On the supply side, Zespri is expanding the licensed hectares of SunGold given its current profitability and supply shortage and is also expanding ZGS capacity. On the demand side, apart from traditional marketing, it regularly reviews its distribution strategy so that it maintains effective distributors, flexible terms of trade, and, where appropriate, it establishes direct business with retailers so that it can grow demand at the same time as maintaining profitability.

Further, impacting both demand and supply, Zespri is regularly researching the commercialisation of new green and red varieties. Together with PFR and the New Zealand Government, Zespri invests significant sums in developing new cultivars.

Further disclosure of risks relating to environmental, competition, currency and concentration of customers (i.e. distributors) in key markets, that may increase the risk of the Zespri Group's financial position, financial performance or plans can be reviewed on the Offer Register at <https://disclose-register.companiesoffice.govt.nz/> (Offer number: OFR12458), in the document entitled "Other material information relating to the Offering of Ordinary Shares in Zespri Group Limited".



9 TAX

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In this Section, 'you/your' refers to the person who acquires the Shares (including but not limited to an individual, trust or company).

Tax can have significant consequences for investments and can affect your return from the Shares.

If you have any queries relating to the tax consequences of the investment, you should obtain professional advice on those consequences.

If you have any queries relating to the tax consequences of the investment, you should obtain professional advice on those consequences.

INFORMATION FOR PRODUCERS RESIDENT IN AUSTRALIA

The following warning statements are required to be included in this document by Chapter 8 of the *Corporations Act* 2001 (Cth) (**Corporations Act**) and Corporations Regulations 2001 (Cth) (**Corporations Regulations**).

The Offer is a recognised offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act and the Corporations Regulations. In New Zealand, this is Subpart 6 of Part 9 of the Financial Markets Conduct Act 2013 of New Zealand and the Financial Markets Conduct Regulations 2014 of New Zealand.

The Offer and the content of the PDS are principally governed by New Zealand, rather than Australian, law. In the main, the Financial Markets Conduct Act 2013 of New Zealand and the Financial Markets Conduct Regulations 2014 of New Zealand set out how the Offer must be made.

There are differences in how securities and financial products are regulated under New Zealand, as opposed to Australian, law. For example, the disclosure of fees for managed investment schemes is different under New Zealand law.

The rights, remedies and compensation arrangements available to Australian investors in New Zealand securities and financial products may differ from the rights, remedies and compensation arrangements for Australian securities and financial products.

Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to this Offer. If you wish to make a complaint about the Offer, please contact the Australian Securities and Investments Commission (**ASIC**). The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of New Zealand securities and financial products is not the same as that for Australian securities and products.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial advisor.

The Offer may involve currency exchange risk. The currency for the security or financial product is in dollars that are not Australian dollars. The value of the security or financial product will go up and down according to changes in the exchange rate between those dollars and Australian dollars. These changes may be significant.

If you receive any payments in relation to the security or financial product that are not in Australian dollars, you may incur significant fees in having the funds credited to a bank account in Australia in Australian dollars.

If the security or financial product is able to be traded on a financial market and you wish to trade the security or financial product through that market, you will have to make arrangements for a participant in that market to sell the security or financial product on your behalf. If the financial market is a foreign market that is not licensed in Australia (such as a securities market operated by NZX Limited) the way in which the market operates, the regulation of participants in that market and the information available to you about the security or financial product and trading may differ from Australian licensed markets.

Australian Securities and Investments Commission

Copies of the PDS were lodged with ASIC on 15 August 2018. ASIC accepts no responsibility for the contents of the PDS or the merits of the investment to which the PDS relate.

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WHERE YOU CAN FIND MORE INFORMATION

Further information relating to Zespri and the Shares is available on the Offer Register (for example, the Constitution and Zespri's financial statements). A copy of information on the Offer Register is available on request to the Registrar. The Offer Register can be accessed at <https://disclose-register.companiesoffice.govt.nz/>, Offer number: OFR12458.

Further information relating to Zespri is also available on the public register at the Companies Office of the Ministry of Business, Innovation and Employment. This information can be accessed on the Companies Office website at <https://companies-register.companiesoffice.govt.nz/>.

As a company listed on USX, Zespri has ongoing disclosure obligations. You can obtain this information free of charge by searching under Zespri's stock code "ZGL" on the Unlisted website: <https://www.usx.co.nz/>.

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HOW TO APPLY

You should read this PDS and other available information carefully before applying for Shares.

You can apply for Shares by completing the Application Form accompanying your Letter of Entitlement. If you have lost your Application Form, please email shares@zespri.com to request a replacement.

Please note that by sending back the Application Form you confirm to Zespri that prior to the Settlement Date, there would not be a change of circumstances that would lead to your Alignment Entitlement being inaccurate on the Settlement Date.

12.1 Privacy Policy

If you apply for Shares, you will be asked to provide personal information (as set out in the Application Form) to Zespri, the Share Registrar and their respective agents who will collect and hold the personal information provided by you in connection with your Application.

Your personal information will be used:

- for considering, processing and corresponding with you about your Application;
- in connection with your holding of Shares, including sending you information concerning Zespri, your Shares and other matters Zespri considers may be of interest to you by virtue of your holding of Shares; and
- for conducting an audit or review of the activities contemplated above.

To do these things, Zespri or the Share Registrar may disclose your personal information to:

- each other;
- their respective related companies; and
- agents, contractors or third party service providers (including auditors) to whom they outsource services such as mailing and registry functions. However, all of these parties will be bound by equivalent privacy policies used by Zespri and the Share Registrar.

In addition, if you elect to pay for Shares by one-time direct debit, the Share Registrar will communicate with your nominated bank (including providing your personal information) for the purposes of processing your payment. Failure to provide the required personal information may mean that your Application Form is not able to be processed efficiently, if at all.

Where Zespri and the Share Registrar hold personal information about you in such a way that it can be readily retrieved, you have a right to obtain from Zespri and the Share Registrar confirmation of whether or not they hold such personal information, and to access and seek correction of that personal information under the Privacy Act 1993 by contacting the privacy officers of Zespri and the Share Registrar at their respective addresses shown in the Directory.

You can also access your information on the Share Registrar's website at www.computershare.co.nz or contacting Zespri's Share Registry Officer at Shares@zespri.com, or by logging into your account on the Industry Portal: www.industryportal.zespri.com.

Zespri**Contact Information**

400 Maunganui Road
Mount Maunganui
New Zealand
Phone: +64 (7) 572 7600
Email: Shares@zespri.com

Share Registrar**Computershare Investor Services Limited**

Level 2, 159 Hurstmere Road
Takapuna
Auckland 0622
New Zealand
Phone: +64 (9) 488 8777
Email: enquiry@computershare.co.nz

**Legal Advisers – Offer and Share
Buy-Back****MinterEllisonRuddWatts**

88 Shortland Street
Auckland 1010
New Zealand
Phone: +64 (9) 353 9700

Tax adviser – New Zealand**Deloitte**

Deloitte Centre
Levels 12-18
80 Queen Street
Auckland, 1010
New Zealand
Phone: +64 (9) 303 0700

Tax adviser – Overseas**EY**

EY Building
2 Takutai Square
Britomart
Auckland 1140
Phone: +64 (9) 377 4790



SALE
ズエッピグリーン
1パック 1,000円

SALE
ズエッピグリーン
1パック 1,000円

SALE
ズエッピグリーン
1パック 1,000円

SALE
ズエッピグリーン
1パック 1,000円

ミックスパケツ
7コ入り 1,080円
ズエッピグリーン
1パック 400円

ズエッピグリーン
1パック 1,000円

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GLOSSARY

1:1 Ratio	Has the meaning in Section 1.3
Alignment Entitlement	Has the meaning in Section 5, under “Calculation of Entitlement”
Applicant	A Producer who applies for Shares
Application	An application to acquire Shares under the Offer
Application Form	The Application Form accompanying your Letter of Entitlement to acquire Shares under the Offer
Application Monies	The monies payable on Application
Assumed Production	For KPIN’s on greater than half a hectare (and in the case of New Plantings, has been planted or grafted between 1 January 2015 and 1 July 2018), production at a rate of 10,500 Trays a hectare for Zespri Green Varieties and 14,000 Trays a hectare for Zespri Gold Varieties
Best Average	Has the meaning in Section 5, under “Calculation of Entitlement”
Board or Board of Directors	The board of directors of Zespri
Business Day	A day on which USX is open for trading
Calculation Date	3 August 2018
Class B Shares	The shares referred to in clause 22 of the Constitution
Closing Date	19 October 2018
Constitution	The constitution of Zespri
Deemed Production	Has the same meaning as in the Constitution

Director	A director of Zespri
Disqualifying Relationship	Has the same meaning as in the Constitution
Dry Shareholder	A Shareholder who is not a Producer
EBITDA	Net profit after tax plus interest, tax, depreciation, and amortisation
ELTL Leaseholder	A holder of an Existing Long Term Lease (ELTL)
Enduring Funding EBIT	New Zealand supply earnings before interest and income tax, excluding net interest attributable to NZ kiwifruit pools
EU	European Union
Excess Shares	Has the meaning in Section 5, under “Adjustment and Verification
Existing Long Term Lease or ELTL	Has the same meaning as in the Constitution
FMC Act	Financial Markets Conduct Act 2013
FMC Regulations	Financial Markets Conduct Regulations 2014
FOBS	Stowed on board the ship or aircraft on which the kiwifruit is exported
FY20XX (e.g. FY2018)	A financial year ending 31 March 20XX (e.g. 2018)
Glasgow Lease	A lease that: <ul style="list-style-type: none"> • has a term of 21 years or more; and • is renewable at the option of the lessee; and • is a lease of bare land with lessee improvements
Glasgow Leaseholder	A holder of a Glasgow Lease
Glossary	This glossary of key terms
Grandfathered Shareholder	Has the same meaning as in the Constitution
Greenfield	Has the same meaning as in the Constitution
Historical Production	Has the same meaning as in the Constitution
IAC	Industry Advisory Council
Independent Director	Has the same meaning as in the Constitution
ISG	Industry Supply Group

Kiwifruit Regulations	Kiwifruit Export Regulations 1999
KPIN	Kiwifruit Property Identification Number
KPIN Cap	Has the meaning in Section 5, under “Individual KPIN 4:1 Cap”
KVH	Kiwifruit Vine Health Inc
Lease	A lease over all or part of a Property leased by a Lessee
Lessee	Has the same meaning as in the Constitution
Letter of Entitlement	Has the same meaning as in Section 5, under “Timing of Calculation”
MTP	Has the same meaning as in Section 2.4
MTS	Has the same meaning as in Section 2.4
New Development	<p>An area of land that is greater than 0.5 contiguous hectares in size and is intended for the purpose of growing kiwifruit for supply to Zespri either on an existing KPIN (a new development block) which has other producing blocks, or on a new KPIN, which is either:</p> <ul style="list-style-type: none"> • bare land; or • land that is being prepared for growing kiwifruit but which is not yet producing kiwifruit.
New Entrant	Has the same meaning as in the Constitution
New Planting	A block that is greater than 0.5 contiguous hectares in size and has been grafted or planted on an existing KPIN between 1 January 2015 and 1 July 2018, that is not yet in full production
NZD or NZ\$ or \$	New Zealand Dollar
Offer	The offer of ordinary shares under this PDS
Offer Price	\$8.00 per Share
Offer Register	The entry for the Offer in the register of offers of financial products required under the FMC Act and FMC Regulations available at https://disclose-register.companiesoffice.govt.nz/
Ordinary Lease	A Lease of a term of one year or more and which is not a Glasgow Lease or a ELTL
Ordinary Leaseholder	A holder of an Ordinary Lease
Overshared	Has the same meaning as in the Constitution
Owner	Has the same meaning as in the Constitution

PDS	This Product Disclosure Statement
PFR	The New Zealand Institute for Plant and Food Research Limited
Producer	Has the same meaning as in section 2 of the Kiwifruit Regulations
Production	Means the number of Trays determined as the sum of: <ul style="list-style-type: none"> the average of the best two of the last five seasons (including 2017) of Trays for each KPIN owned or leased by a Producer; plus for New Entrants that own or lease only Greenfields: the number of Trays that the Board deems the Greenfield will produce annually, based on the area of the Greenfield and the average regional per hectare production for all varieties of kiwifruit as determined by the Board from time to time or, if higher, as calculated under the preceding bullet point; plus for Producers who own or lease an Orchard and have a New Development and/or New Planting: the Assumed Production for their New Development or New Planting, as applicable, as adjusted to remove actual production attributable to New Plantings in the Best Average years so that “double counting” of Trays of Production does not occur
Property	Has the same meaning as in the Constitution
Psa	Pseudomonas syringae pv. actinidiae
PVR	Plant Variety Right
Settlement Date	5 November 2018
Share/Shares	Convertible ordinary shares in Zespri
Shareholder	The holder of a Share
Share Buy-Back	The offer, to be made on or about 17 September 2018, by Zespri to Dry Shareholders for all of their Shares and to Producers with 1.5 Shares per Tray or more of Historical Production, for those Shares they hold in excess of 1 Share for each Tray of Historical Production
Share Cap	Has the same meaning as in the Constitution
Share Registrar	Computershare Limited
Standard Property	Has the same meaning as in the Constitution
SunGold	The PVR identified under ZESY002
Tray	A tray equivalent of kiwifruit as determined by Zespri
TZG	Has the same meaning as in Section 2.4

Unlisted or USX	The share trading platform operated by Efficient Market Services Limited
Zespri	Zespri Group Limited
Zespri Gold Varieties	Zespri SunGold, Zespri Organic SunGold and Zespri Gold
Zespri Green Varieties	Zespri Green, Zespri Organic Green and Zespri Sweet Green
Zespri Group	Zespri and its wholly owned subsidiaries (as defined in the Companies Act 1993) as at the date of this PDS
ZGS	Zespri Global Supply

