

Other material information relating to the Offering of Ordinary Shares in Zespri Group Limited

Dated 15 August 2018

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Capitalised terms used but not defined in this document have the meaning given to those terms in Section 14 (**Glossary**) of the Product Disclosure Statement dated 15 August 2018 relating to the Offering of Ordinary Shares in Zespri Group Limited. The information in sections 1 to 3 below forms part of the PDS.

1. REGULATORY

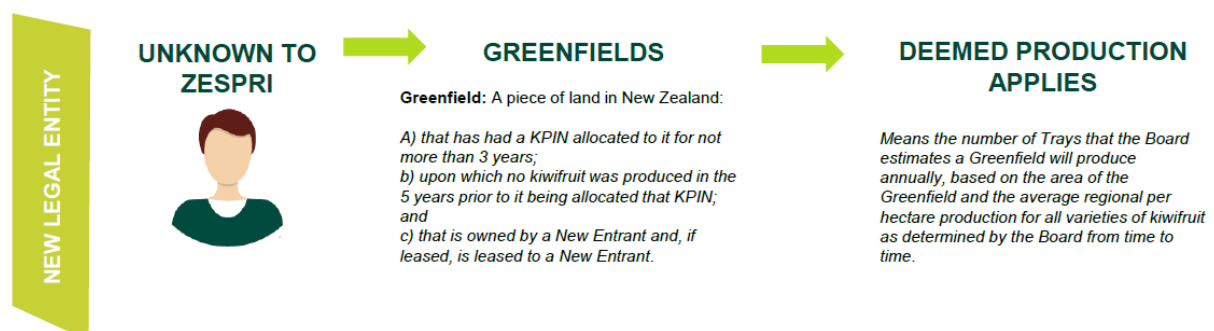
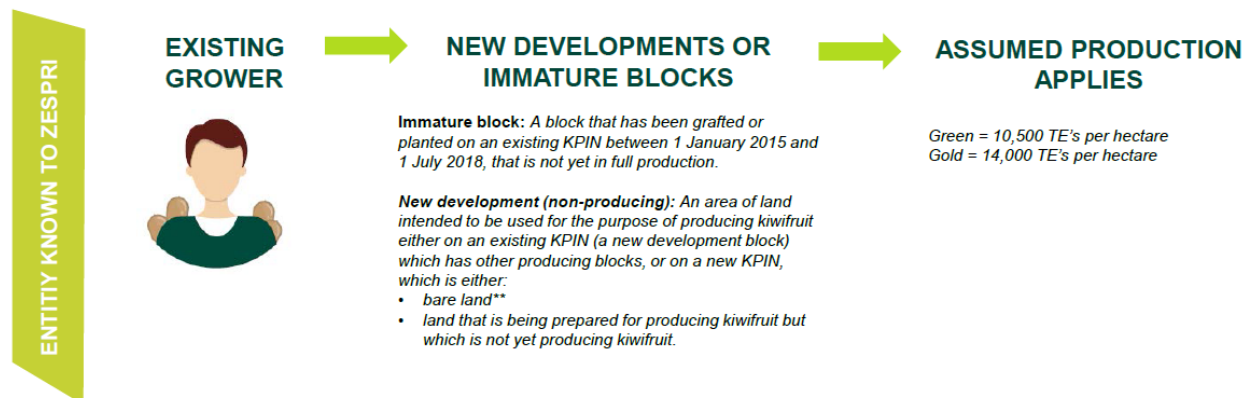
The Kiwifruit Regulations set out what Zespri's "core business" can be and a number of mitigation measures to deal with the potential costs and risks arising from its position. The PDS contains a description of Zespri's "core business" in Section 2.5. Set out below is a summary of the mitigation measures set out in the Kiwifruit Regulations:

- Zespri must not discriminate between suppliers and potential suppliers in relation to the decision to purchase kiwifruit or the terms of purchase. Discrimination may however be justifiable if it is on commercial grounds (such as product features, quality, quantity, timing, location, risk or potential returns).
- Zespri must notify KNZ before carrying out any activities that are not core business, but do support the core business. An activity supports the core business if it is likely to enhance the performance of the core business and poses no more than a low risk (if any) to the interests of Producers.
- Zespri cannot carry out any activities that are not the core business and do not support the core business unless Producer approval has been obtained via a vote under the Kiwifruit Regulations.
- Zespri must publicly disclose Financial Statements in accordance with the Kiwifruit Export Information Disclosure Handbook. Zespri provides these disclosures to KNZ and the public each year together with the required auditor's certification. Zespri must also publicly disclose the terms of purchase of kiwifruit for each season, including certain statistics and methodology in that regard. KNZ also has the power to compel Zespri to provide other information.
- Zespri's corporate form must remain a company registered under the Companies Act 1993 and must not have voting shares other than ones that are fully tradeable (not based on any supply criteria) at least among Producers.
- There are strict provisions which restrict the changes that can be made to the Constitution. In particular, the Constitution cannot be altered to include rules about maximum shareholding unless the rules are based on the amount of kiwifruit supplied to Zespri and only apply to Producers. Any such amendment must be approved under the Kiwifruit Regulations where all Shareholders can vote with one vote per share and have minority buy-out rights under the Companies Act 1993 following a vote altering Shareholders' rights and the Constitution.
- Further, the rights attaching to Shares issued under the share allocation plan under the Kiwifruit Industry Restructuring Act 1999 can only be changed through the Constitution in certain ways. Voting rights can only be limited based on supply of kiwifruit to Zespri, dividend rights can only be changed in respect of non-Producer holders. With respect to dividend rights, any such change to the Constitution must be approved as set out in the preceding bullet point.
- Zespri must enter into collaborative marketing contracts with individuals or organisations that are approved by KNZ to undertake collaborative marketing with

Zespri. KNZ also has the power to allocate a certain volume of kiwifruit to be available for these arrangements in the current season.

2. TERMS OF THE OFFER

As noted in Section 5 of the PDS under “Calculation of Entitlement for New Developments, New Plantings and Greenfields”, set out below is a diagram describing the difference between treatment of New Developments/New Plantings and Greenfields and a table showing what Deemed Production is for the purposes of determining Alignment Entitlements for Greenfields.



Deemed Production table:

Region	Deemed Production per hectare
Northland	7,481
Auckland	8,887
Bay of Plenty:	
Katikati	8,916
Ōpōtiki	10,486
Tauranga	9,599
Te Puke	10,465
Waihi	7,071

Whakatāne	9,528
Waikato	7,291
Poverty Bay	9,399
Hawke's Bay	7,757
Lower North Island	8,463
South Island	7,101

3. RISKS TO ZESPRI GROUP'S BUSINESS AND PLANS

These risks are additional to those described in Section 8 (Risks to the Zespri Group's business and plans) in the PDS. You should consider such risk factors together with the other information in the PDS when reading this section.

3.1 Environmental risk

Description of the risk and its significance	As a horticultural product, kiwifruit is subject to environmental factors which can impact on the quantity and quality of the production. Adverse environmental conditions can affect the amount of suitable kiwifruit available for Zespri to sell and therefore its financial performance.
Zespri's assessment of likelihood, nature and potential magnitude of the risk	<p>Environmental risks affect Zespri indirectly as they primarily impact growers in terms of how much kiwifruit they can produce and its quality. The environmental factors that can impact kiwifruit production vary widely from growing conditions (rainfall, temperature and sunshine hours) to adverse weather events (such as frost and hail) to severe geological events (such as the spread of volcanic ash, earthquakes and flooding). They can happen over a period of time or be one-off events.</p> <p>The effects of the events on Zespri's financial performance may be adverse but would correspondingly vary. Growing conditions will impact the quality and taste of kiwifruit and therefore the price at which Zespri can sell that kiwifruit and its preferred market. However, more severe events will impact the quantity of kiwifruit that exists to be sold, such as frost, hail (to which ZGS from the northern hemisphere is susceptible, such as in Italy), heavy wind or rain, or volcanic ash.</p> <p>More generally, changing weather patterns impact the quantity of other fruits and vegetables available. If adverse weather events become more frequent (for example, due to climate change), it can be expected that the supply of kiwifruit could be unfavourably affected and therefore Zespri's growth plans may be adversely impacted.</p>

3.2 Competition risk

Description of the risk and its significance	If growers outside New Zealand produce kiwifruit of the same or better quality as Zespri, it may have a significant impact on Zespri's profitability, as it would lessen Zespri's ability to charge a premium for the Zespri-quality kiwifruit.
Zespri's assessment of likelihood, nature and potential magnitude of the risk	<p>The main source of competing exported supplies of kiwifruit to Zespri during the New Zealand sales season is Chile. Italy, France, Greece and, to a lesser extent, China (which is not yet a significant exporter of kiwifruit) are core production regions during the northern hemisphere supply season.</p> <p>In the current market, with the premium offered on Zespri Gold Varieties compared to higher volume Zespri Green Varieties, Zespri considers that the greatest risk of competition in the near future is with respect to Zespri Gold Varieties. At present, Zespri does not consider that its competitors produce gold kiwifruit that matches Zespri in quality. Further, current production of Zespri Gold Varieties is below market demand, particularly in China. Accordingly, although competitors are expanding their gold kiwifruit production, this is not expected to be at a level that would impact Zespri's financial performance in the immediate future.</p> <p>However, as quantity and quality of competitors of Zespri Gold Varieties improve, the price Zespri can obtain for them may decline, especially if there is significant supply consolidation covering both hemispheres. In this respect, volumes coming out of China (including competing gold varieties) may become such that during the next decade China may become a material exporter of kiwifruit, particularly in Asia. Further, if other gold varieties are successful, Zespri may also face competition for the best growers and orchards. In such a case, Zespri's financial performance may be adversely affected.</p> <p>Outside of Zespri Gold Variety competition, Zespri is not aware of competing green or red varieties that will significantly impact Zespri in the immediate future. Nonetheless, producers globally are also trying to establish green varieties that better suit consumer needs and to grow suitable red varieties. So with time the competitive landscape for green and red varieties could change.</p>

3.3 Currency risk

Description of the risk and its significance	The Zespri Group operates internationally, and so it is exposed to currency risk from various activities conducted in the normal course of business. There is a particular risk for an exporter arising from an unfavourable movement in the foreign exchange rates in the market.
Zespri's assessment of likelihood, nature and potential magnitude of	The Zespri Group procures and exports fruit, incurs selling, marketing and administrative costs, and carries cash denominated in foreign currencies. As a result of these transactions, exposures to fluctuations in foreign currency exchange rates occur. The

the risk	<p>foreign currencies in which the Zespri Group primarily deals are Euro, Japanese Yen, United States Dollars, Chinese Renminbi and Korean Won.</p> <p>The Zespri Group's primary objective in managing foreign exchange risk is to mitigate excess volatility in the New Zealand Dollar return to Shareholders and the New Zealand kiwifruit industry arising from foreign currency movements.</p> <p>The Treasury Management Policy provides guidelines within which Zespri Group enters into contracts to manage the expected net exposures. The Treasury Management Policy is reviewed by the Board of Directors and is approved annually. As part of the foreign currency hedging strategy, the Zespri Group has entered into forward foreign exchange contracts and options, so as to manage the above risks as appropriate. The Treasury Management Policy contains counterparty exposure limits with respect to banking and foreign exchange currency partners, and these limits are actively monitored and reported.</p>
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3.4 Concentration of customers (i.e. distributors) in key markets

Description of the risk and its significance	<p>In China, Japan and Europe Zespri relies on a small number of key distributors on short term contracts which may be terminated for convenience. If the distributors were lost, and considering these are key markets for Zespri, it may be unable to efficiently reallocate that supply.</p>
Zespri's assessment of likelihood, nature and potential magnitude of the risk	<p>The impact of the loss of a key distributor is dependent on how much notice is received.</p> <p>If the supply cannot be redirected to another distributor (in the same or different market) at the same price, Zespri's financial performance could be materially adversely affected, depending mostly on the amount of kiwifruit that needs to be redirected and the market where the issue arises.</p> <p>Zespri is working to build closer relationships with retailers directly so as to transition supply from distributors and, where appropriate, diversifying supply away from one or two larger distributors to a network. This is expected to decrease reliance on a few distributors and the risk of one or more of them not being available.</p>

4. PAYMENTS AND INCOME EXPLAINED

Set out below is a summary about how Zespri earns and spends its money across the segments of its business. The information in this diagram is derived from the audited financial statements for the year ending 31 March 2018. A copy of those financial statements is available on the Offer Register at: <https://disclose-register.companiesoffice.govt.nz/> (Offer number: OFR12458).

PAYMENTS AND INCOME EXPLAINED

Zespri reports corporate profit by each individual revenue stream. The operating segments reflect the key business activities and are : New Zealand Kiwifruit, Non-New Zealand supply, New Cultivars and Other. Clarity of sources of value and sources of funding is important given the kiwifruit industry's strong growth to date and projected growth. The infographic provided here outlines how money flows through the industry using the 2017/18 Corporate results: Zespri's revenue streams, pool costs, fruit payments to growers, corporate costs and how Zespri distributes the profit made.

GLOBAL REVENUE \$2528 MILLION



Kiwifruit sales \$2391 million



Other revenue \$136 million

NEW ZEALAND KIWIFRUIT	NON-NEW ZEALAND SUPPLY	NEW CULTIVARS	OTHER
\$ 2,128	\$ 263		
\$ 7	\$ 0	\$ 125	\$ 4

Kiwifruit sales globally - \$2391 million from 139.9 million trays supplied. Other revenue driven by SunGold licence release of \$101.7 million and plant variety rights royalties of \$20.7 million, along with external co-funding and interest and rental income.

POOL COSTS \$518 MILLION



NEW ZEALAND KIWIFRUIT	NON-NEW ZEALAND SUPPLY	NEW CULTIVARS	OTHER
\$ 485	\$ 33	-	-

Includes freight, insurance, duty and customs, logistics and promotion costs

PAYMENTS FOR FRUIT INCLUDING LOYALTY \$1672 MILLION

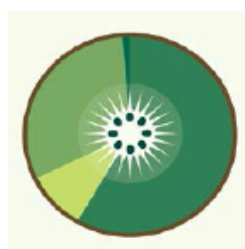


NEW ZEALAND KIWIFRUIT	NON-NEW ZEALAND SUPPLY	NEW CULTIVARS	OTHER
\$ 1,468	\$ 203	-	-

\$1468 million paid to New Zealand growers for fruit payments including \$34 million for loyalty payments. \$203 million paid to non-New Zealand based growers for fruit purchased.

CORPORATE REVENUE \$338 MILLION

- Included in Global Revenue



After the loyalty rebate, \$181.9 million earned from \$2.1 billion in kiwifruit sales. The Zespri margin under KISP has a target of 1% of 'New Zealand Kiwifruit EBIT' after loyalty payments. Given the 2017/18 margin was greater than 1% an additional loyalty payment of \$3.7 million or 3 cents was paid.

\$27.4 million in corporate revenue earned from \$263 million in kiwifruit sales.

* \$101.7 million revenue from 400 hectare SunGold licence release plus treasury and shelter belt releases.
* \$20.7 million royalty income from PVR (Plant variety rights) sales.
* \$2.3 million of external research funding received.

Interest income and land and building rental income

CORPORATE COSTS \$193 MILLION



Innovation costs \$25 million



Overhead costs \$168 million

NEW ZEALAND KIWIFRUIT	NON-NEW ZEALAND SUPPLY	NEW CULTIVARS	OTHER
\$ 12	-	\$ 13	-
\$ 145	\$ 18	\$ 4	\$ 1

PROFIT BEFORE TAX \$146 MILLION

NEW ZEALAND KIWIFRUIT	NON-NEW ZEALAND SUPPLY	NEW CULTIVARS	OTHER
\$ 25	\$ 9	\$ 108	\$ 3

TAXATION \$44 MILLION

\$ 44			
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PROFIT AFTER TAX \$102 MILLION

RETAINED EARNINGS
Increase in retained earnings \$10 million.
- Earnings reinvested into the business for assets, working capital and financial stability.



DIVIDENDS
Dividends to be paid \$92 million or \$0.76 cents per share. Paid to shareholders - current dividend policy is 70-90 percent of the distributable profit profile.

5. CURRENT LITIGATION

In May 2014, Zespri's former importer in China and a related company brought proceedings against Zespri in the New Zealand High Court seeking damages of approximately \$33 million. The amount was reduced to approximately \$25.5 million following a successful application by Zespri to reduce the damages on the principle of *ex turpi causa* as the importer was seeking to recover amounts it paid in fines following its criminal conviction for smuggling. The remaining amounts are claims for unpaid duty of approximately \$8m that the importer was required to pay following its conviction, and approximately \$17.6 million in relation to a coolstore which the importer and related company allege Zespri agreed to fund the construction and guarantee use of. Zespri has counterclaimed on the basis that if it is liable to reimburse the plaintiffs for duty (which it denies), then the plaintiffs are liable to Zespri for VAT paid to the importer during the course of the relationship, which Zespri believes was falsely reported to and claimed from it. A 6 week trial date has been set for 1 July 2019.

6. TOTAL ESTIMATED COSTS OF OFFER AND ISSUE/SALE

The total estimated costs of the issue and sale are approximately \$1.6 million. Of this:

- \$1.1 million is an estimate of the total amount to be paid by Zespri for legal services from Baker & McKenzie LLP, Franco Baudino e Associati, Cooney Lees Morgan and MinterEllisonRuddWatts and from Deloitte and Ernst Young as tax advisers on the Offer. The total amount to be paid to MinterEllisonRuddWatts will have an element of contingency depending on a number of factors, including the number of Shares issued under the Offer relative to the 1:1 Ratio; and
- \$75,000 is an estimate of the total amount to be paid by Zespri to Cameron Partners Limited (being an expert under section 60 of the FMC Act) as fees in respect of its valuation report of the Zespri Group that was provided solely to the Board of Zespri to assist the Board to establish a price for the Share Buy-Back/Offer, a summary of which is contained in the Offer Register.

7. FORECAST CORPORATE PROFIT RANGE AND DIVIDEND PER SHARE RANGE

As announced on USX on 19 June 2018, the forecast range of corporate net profit after tax for FY2019 is \$172 million to \$177 million including licence release income. The final dividend for 2017/18 and the dividend related to the receipt of 2018 SunGold licence release income was announced on USX on 26 July 2018.

The full announcements can be obtained here: <https://www.usx.co.nz/symbol/zgl> under the "Announcements" tab.

8. SHARE BUY-BACK DISCLOSURE DOCUMENT

As noted in Section 3 of the PDS, this Offer is being conducted simultaneously with the Share Buy-Back. A copy of the Share Buy-Back Disclosure Document has therefore been included on the Offer Register.

9. CAMERON PARTNERS SUMMARY REPORT

As referred to in Section 5 of the PDS, a copy of the Cameron Partners Limited's Summary Report (which is a summary of an independent valuation of Zespri provided to the Board of Zespri to assist the Board to establish a price for the Share Buy-Back/Offer) has been included on the Offer Register. Cameron Partners Limited were not engaged to provide any

advice or assistance to any particular Shareholder or Producer and neither the summary (or the fact that it is being made available to Shareholders or Producers) nor the valuation to which it refers are intended to provide, and should not be considered or construed as providing, any advice to any particular Shareholder or Producer on the value of Zespri or its Shares, the merits of, or whether to participate in, the proposed Share Buy-Back and Offer, or whether to buy, sell or hold Zespri Shares. No party other than Zespri (and then only strictly in accordance with the terms of Cameron Partners Limited's engagement) may rely on the Cameron Partners Limited's valuation in any circumstances. Cameron Partners Limited have consented to this statement and to the release of the summary only on this basis.