

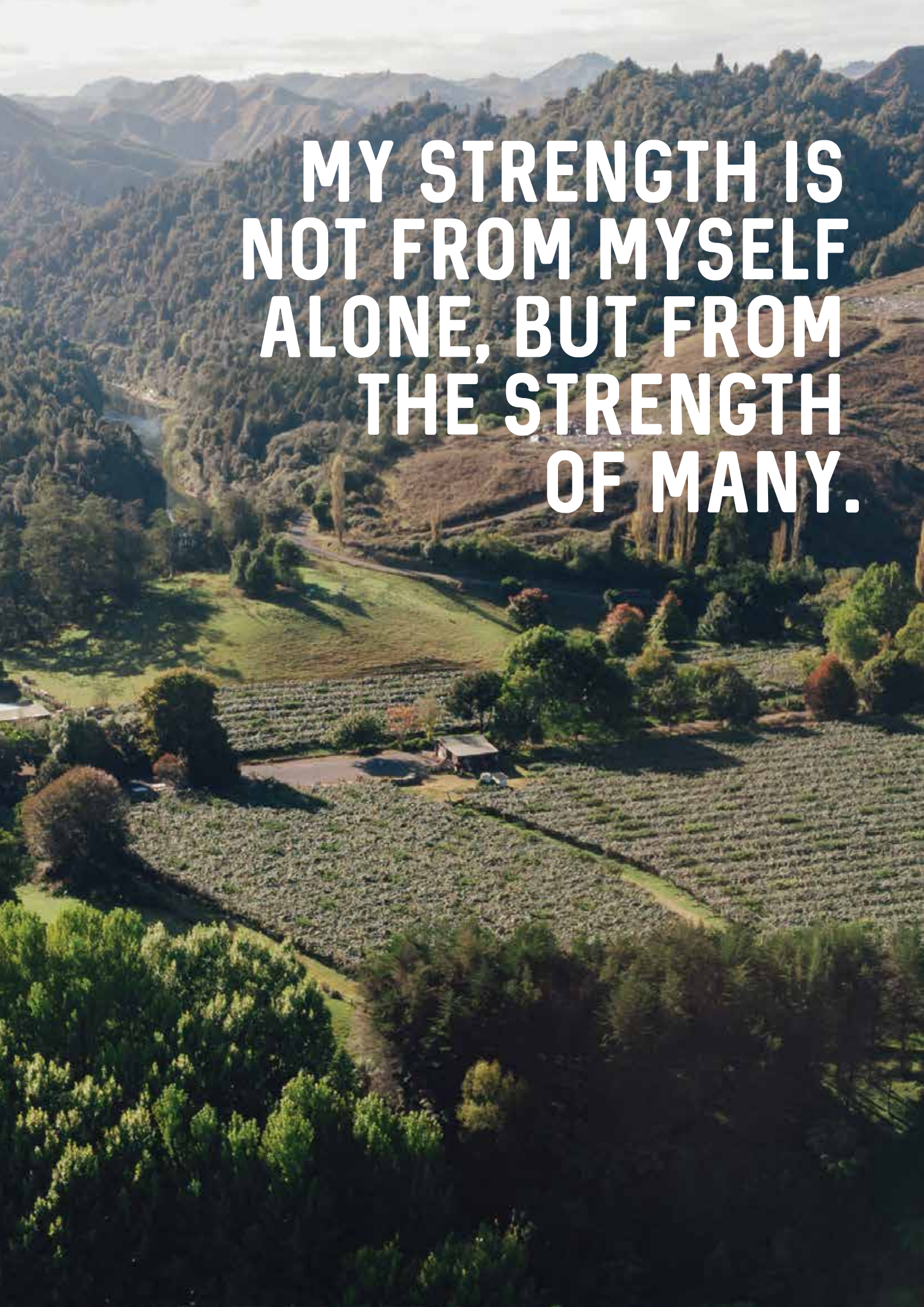


GROWING TOGETHER

Annual Review
2018/19





An aerial photograph of a valley. In the foreground, there are green fields and a small building. A river flows through the middle ground. The background shows rolling hills and mountains under a clear sky. The text is overlaid in the upper right quadrant.

**MY STRENGTH IS
NOT FROM MYSELF
ALONE, BUT FROM
THE STRENGTH
OF MANY.**

**HELPING OUR PEOPLE,
OUR COMMUNITIES
AND THE ENVIRONMENT
AROUND THE WORLD
THRIVE THROUGH THE
GOODNESS OF KIWIFRUIT.**



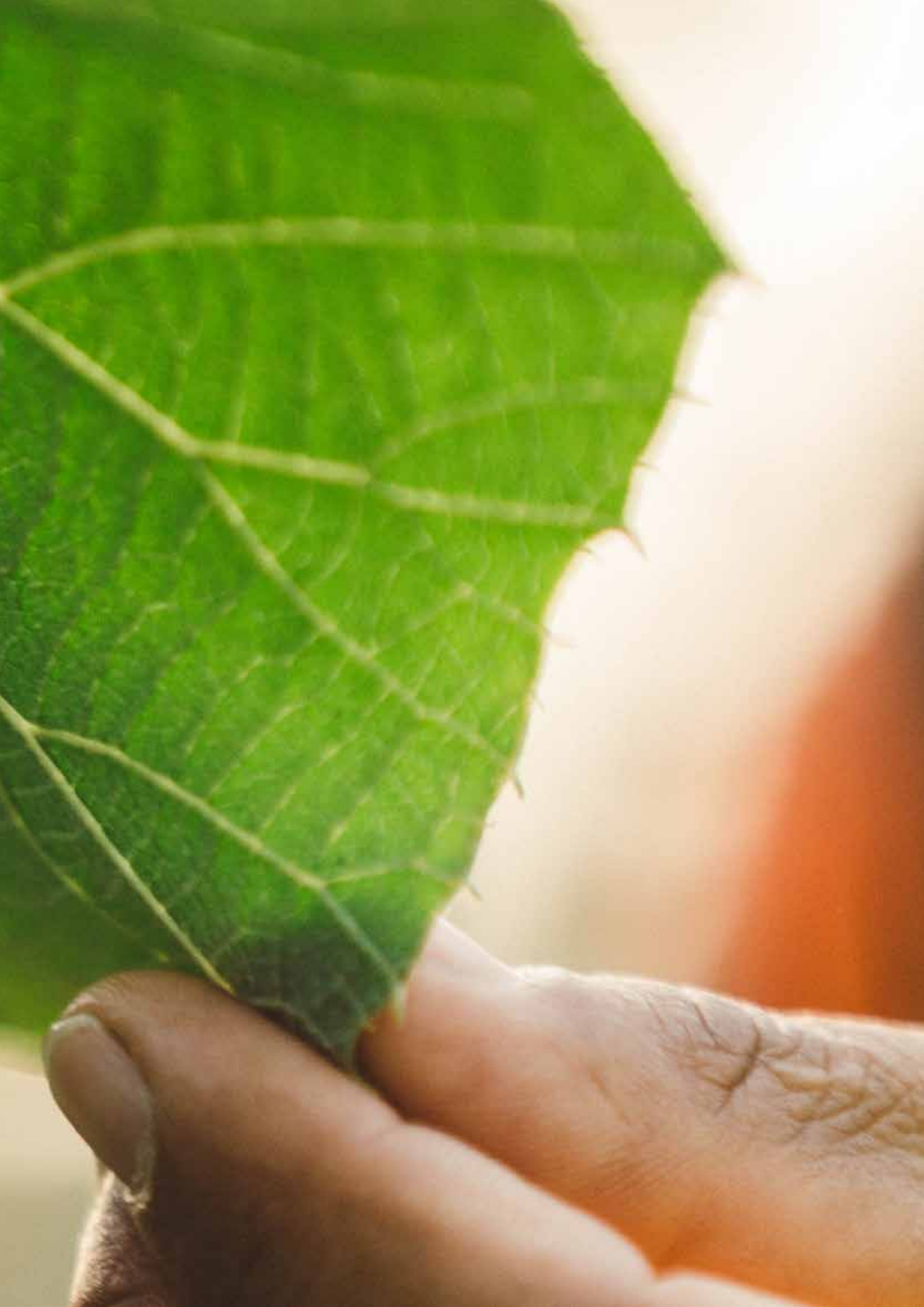




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SEASON OVERVIEW

A YEAR OF GROWTH IN VOLUME AND VALUE WITH INTERNATIONAL DEMAND CONTINUING TO SUPPORT STRONG RETURNS.

Zespri's returns to growers and the industry reached higher levels in 2018/19. This stemmed from strong growth in both volume and value, with total operating revenue from our global kiwifruit sales and licence release exceeding \$3 billion for the first time.

Total sales volumes reached 167.2 million trays in the 2018 season, a 21 percent increase on the 138.6 million trays sold in the previous season. Global revenue generated by fruit sales and our SunGold licence release also increased to \$3.1 billion, while Zespri's total fruit and service payments (including the loyalty premium) to New Zealand growers was up 24 percent to \$1.8 billion in 2018/19.

Growers have also seen an increase in 2018/19 average Orchard Gate Returns (OGR). This included a 6 percent increase in the average per-hectare return for Green to \$63,622, and a 28 percent increase in the average per-hectare return for SunGold to \$145,991. While SunGold also returned record levels on a per-tray basis, Green returns per tray were down due to higher-than-expected volumes and the associated extended sales window and greater fruit loss. Strong yields and a growing demand for organic kiwifruit saw average returns per hectare for Green Organic increase by 40 percent to \$73,350. The increased returns are expected to help growers meet the rising operational costs they face including labour.

Zespri's net profit after tax in 2018/19 was \$179.8 million, up from the \$101.8 million recorded last season. This reflected the strong season results and was further boosted by revenue from the ongoing SunGold licence release process and increased earnings from new cultivar royalties.

Gross revenue of \$192.6 million was generated by the 2018/19 round of SunGold licence release – the second in a five-year programme of annually releasing 700 hectares of conventional SunGold and 50 hectares of Organic SunGold licence to New Zealand growers (subject to annual review).

Zespri charges a royalty of 3 percent to licensed growers which is split between Zespri and Plant & Food Research. Zespri's share of those royalties was \$28.4 million in 2018/19, an increase of 37 percent from the previous year reflecting both higher volume and value earned on sales this season.

The total dividend per share in the 2018/19 financial year is expected to be \$0.92 versus the \$0.50 recorded in 2017/18. These dividend figures take into account the impacts of the targeted share issue and buy-back and three-for-two share split transactions during the financial year which were aimed to better align the ownership of shares with Zespri growers.

In 2018/19, the final element of the Kiwifruit Industry Strategy Project was completed. Producers voted overwhelmingly to support proposals for Zespri to continue with its 12-month supply strategy and maintain ownership of Plant Variety Rights (PVRs). Both these activities have underpinned our successful strategy of the past 20 years and helped us deliver a premium product to the market and positive returns for growers.

Overall, this has been another strong year for Zespri with continued growth in our largest markets including Japan, China and Spain, and in newer areas like the US. We remain committed to driving greater value through a continued focus on building our brand and supplying the world's best kiwifruit year-round.

FINANCIAL HIGHLIGHTS

	2018/19	2017/18	Variance
New Zealand-grown fruit and service payments (including loyalty premium)	1,821.8 million	1,468.1 million	24%
– Per tray supplied	\$11.83	\$11.80	0%
Net profit after tax	\$179.8 million	\$101.8 million	77%
Normalised profit after tax	\$180.1 million	\$104.5 million	72%
New Zealand-grown Orchard Gate Return (OGR) per hectare	\$96,033 (average)	\$79,361 (average)	21%
– Green	\$63,622	\$59,981	6%
– Organic Green	\$73,350	\$52,375	40%
– Gold	\$145,991	\$114,345	28%
– Green14	\$44,549	\$38,937	14%
Equity	\$213.9 million	\$168.3 million	27%
Dividend per share (cents) ¹			
– Interim	75.0	38.0	
– Final	17.0	12.0	
– Total	92.0	50.0	
Percentage of available profit	85%	88%	
Zespri global operating revenue²	\$3.138 billion	\$2.493 billion	26%
Zespri global kiwifruit sales (net)	\$2.944 billion	\$2.392 billion	23%
Export earnings (New Zealand-grown)	\$2.106 billion	\$1.708 billion	23%
Zespri global volume (trays sold)	167.2 million	138.6 million	21%
New Zealand-grown	148.8 million	123.2 million	21%
– Green	76.5 million	64.4 million	19%
– Organic Green	3.5 million	2.7 million	26%
– Gold	65.4 million	52.1 million	26%
– Green14	0.9 million	1.2 million	(27%)
– Other	2.5 million	2.8 million	(9%)
Non-New Zealand-grown	18.4 million	15.4 million	19%
– Green	7.8 million	9.1 million	(14%)
– Gold	10.6 million	6.3 million	68%

¹ Prior year and current year dividend per share figures have been amended to reflect the impact of the targeted share issue and buy-back transactions in November 2018 and the three-for-two share split in March 2019.

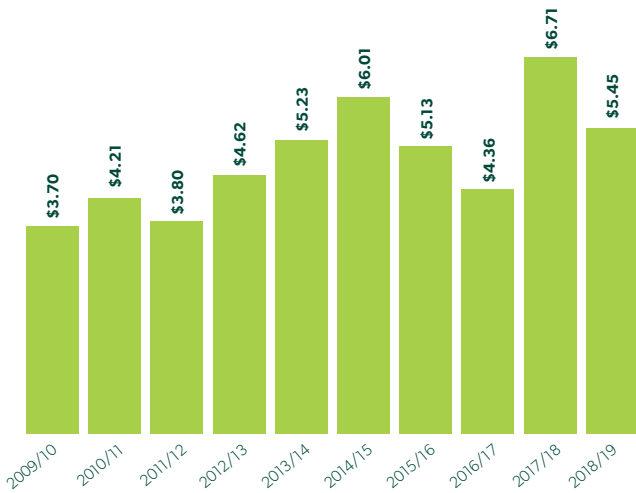
² Global operating revenue equals global kiwifruit sales plus new cultivars licence revenue as presented in the Alternative Revenue Statement, see page 64.

ORCHARD GATE RETURNS

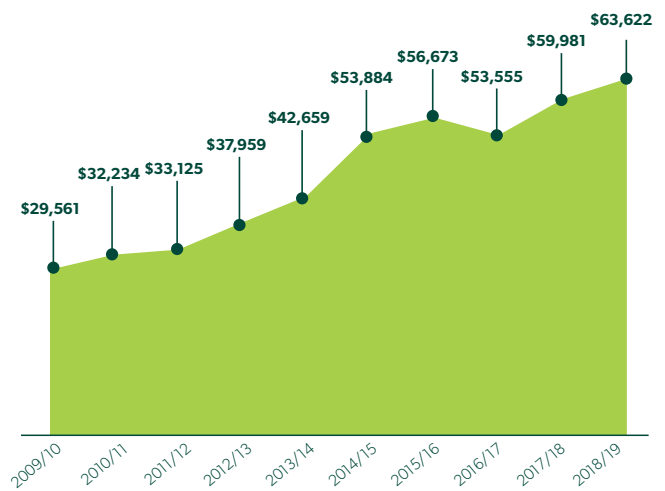
ZESPRI GREEN KIWIFRUIT

New Zealand-grown kiwifruit

\$5.45 AVERAGE ORCHARD GATE RETURN PER TRAY



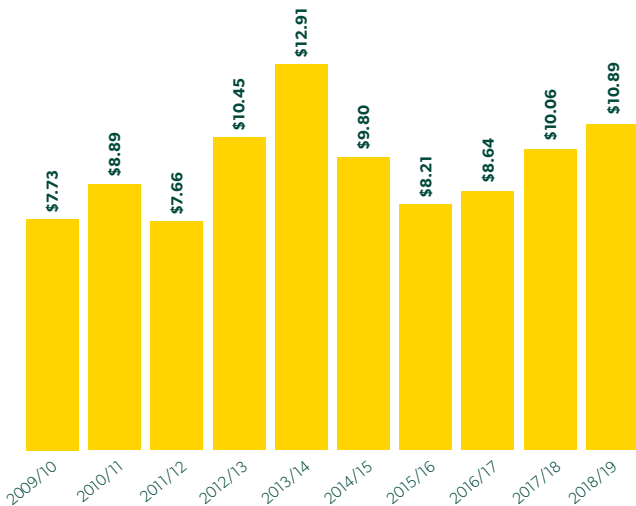
\$63,622 AVERAGE ORCHARD GATE RETURN PER HECTARE



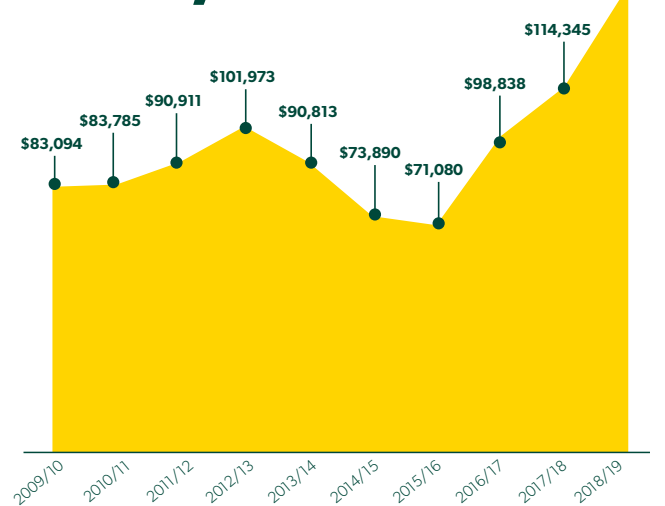
ZESPRI GOLD KIWIFRUIT

New Zealand-grown kiwifruit

\$10.89 AVERAGE ORCHARD GATE RETURN PER TRAY



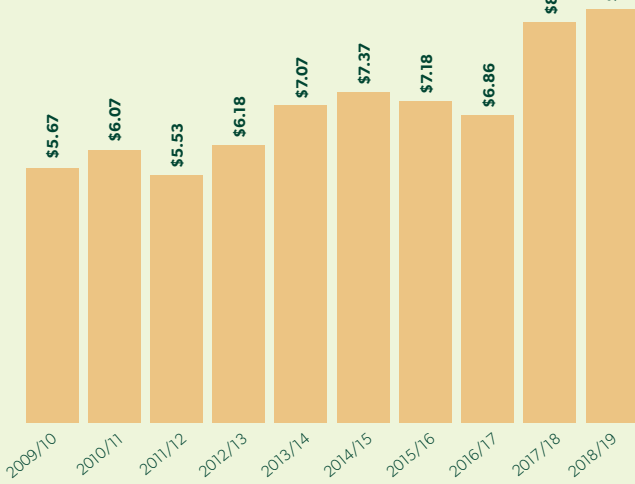
\$145,991 AVERAGE ORCHARD GATE RETURN PER HECTARE



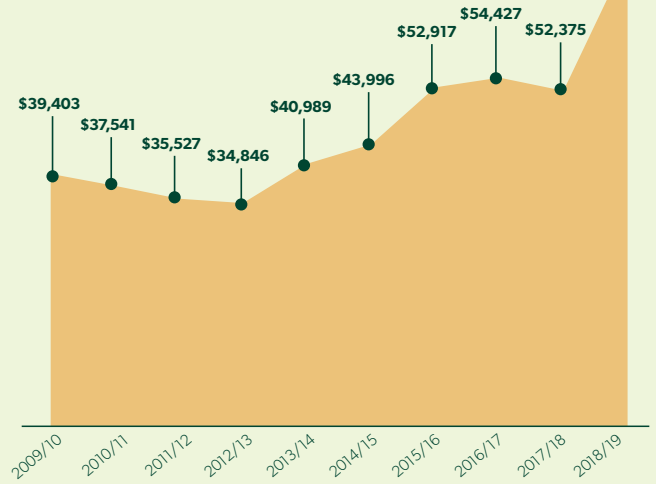
ZESPRI ORGANIC GREEN KIWIFRUIT

New Zealand-grown kiwifruit

\$9.22 AVERAGE ORCHARD GATE RETURN PER TRAY



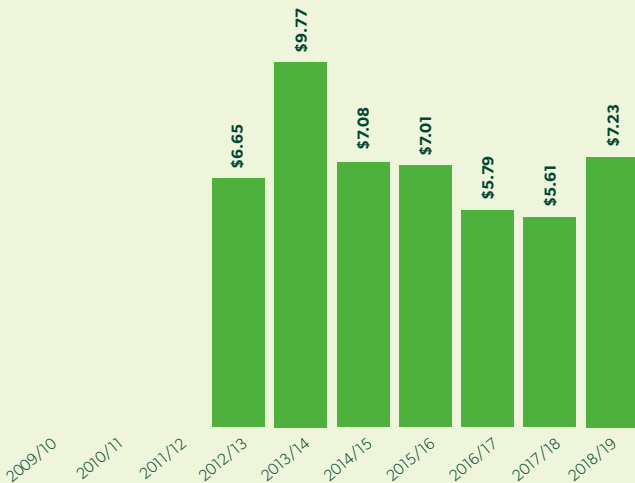
\$73,350 AVERAGE ORCHARD GATE RETURN PER HECTARE



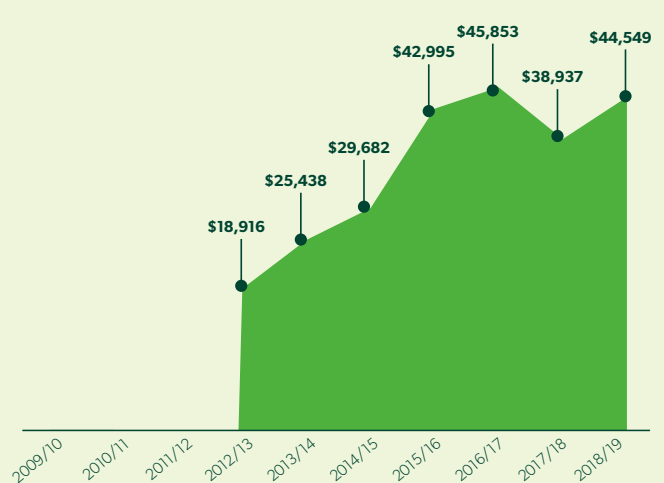
ZESPRI SWEET GREEN KIWIFRUIT

New Zealand-grown kiwifruit

\$7.23 AVERAGE ORCHARD GATE RETURN PER TRAY



\$44,549 AVERAGE ORCHARD GATE RETURN PER HECTARE



GOODNESS STARTS HERE

**AS AN INDUSTRY, WE'RE VERY GOOD AT LOOKING FORWARD.
AND THAT'S HOW IT SHOULD BE. WE'RE AMBITIOUS AND INNOVATIVE.**

We're constantly looking at how we can grow our returns and our productivity, at getting ahead of issues and how we can expand our markets and our consumer base. That's a big part of what's driving our success.

Orchard Gate Returns (OGRs) per hectare and tray volumes are at record levels and our innovation work continues to create excitement, in particular Zespri Red which is in commercial trials and tastes great.

But although our industry is doing well we should recognise that there's hard work ahead of us and we should never rest on our laurels. We must keep innovating, keep striving to do better and keep leading the world in the production of high-quality, healthy-tasting fruit, grown in a way which looks after the environment and our people.

And while our eyes must remain forward, we should also take some time to reflect on our history as an industry to truly appreciate how far we've come, because it's quite a long way.

Our evolution – from the moment an amateur horticulturalist brought the seeds of a strange Chinese fruit to New Zealand 115 years ago to a multi-billion-dollar industry today – shows what's possible when hard-working people get stuck in, when they refuse to limit themselves and when they work together with a shared purpose.

During this time, we've experienced some real highs and some tough lows, from the successful planting of Chinese gooseberries in New Zealand to Hayward Wright bringing us his namesake, to the industry crash which ultimately led to the creation of Zespri and Psa taking its torrid toll on our vines and SunGold helping to bring them back.

Over the years we've evolved from growing on T-bars to covered orchards growing varieties developed through our industry innovation programme. And we've gone from our first export shipment of 1,500 crates to London in 1952 to this year's

154 million supplied trays of New Zealand fruit going to more than 50 countries. This has generated more than \$2.6 billion in kiwifruit sales from New Zealand. When combined with licence release proceeds, Zespri's operating revenue was \$3.1 billion – passing \$3 billion for the first time ever. For the 2019/20 season, also for the first time ever, SunGold volume might just exceed that of Green. These are more milestones on a journey we believe is really just starting to pick up its pace.

We've built a platform and our challenge is now to continue building on this. From orchards in the Bay of Plenty, Northland, Gisborne, Hawke's Bay and Nelson to fruit bowls in Guangzhou, China, and Madrid, Spain, and everywhere in between, our global footprint is growing strongly, underpinned by strong commercialism focused on creating more value for growers.

Our industry is reaping the rewards of the hard work and ambition of our more than 2,700 New Zealand growers (including lessees) and 1,500 Northern Hemisphere growers, and the vision and nous of people who have taken our fruit to the world and into the homes of millions of customers.

We're exporting New Zealand-grown goodness to the world and, through that, directly contributing more than 25,000 jobs during peak season and supporting many more, as well as adding billions of dollars to communities around the country.

With over 2,500 hectares of SunGold in Northern Hemisphere soil and 18.4 million trays of offshore-grown Zespri Kiwifruit sold this season, our offshore business is stronger than ever. We now have growers throughout New Zealand, in Japan, Korea, Italy and France, and today people of more than 30 different nationalities are employed at Zespri.

Through it all we've evolved and grown together. And there's much more to be done. Yes, we've come a long way but that should just serve as a reminder of how far we can go. Think of what we can achieve and overcome when we work together with a common purpose – to help communities thrive through the goodness of kiwifruit, increasing our returns to growers and setting us up for sustained success.



Our ambition remains to reach \$4.5 billion in global kiwifruit sales by 2025, to grow our market share and to create more demand for our fruit around the world. And when we achieve that we'll establish challenging new goals.

We need to be ready to meet the demand we are creating and to continue to give consumers a world-class, high-quality, healthy and sustainable product that so many are now seeking every time they visit the supermarket. Zespri is preparing to do that, including by overhauling the way we operate, to make sure we can scale up to meet the demand and grow into the future.

We'll do that by staying true to our values, challenging ourselves, embracing new opportunities and markets and ideas, taking the best of them so our industry continues to succeed. As the new Chair, I believe we'll also do it by making sure all growers have the same opportunity to succeed, that while we remain true to our roots we ensure the future of our industry by attracting new blood and new capital to fulfil our growth ambitions and that we continue to focus on value over volume.

That's my focus as Chair and Zespri's focus as the conduit between growers and consumers around the world. I'm excited by the change and by the opportunity. It's our job to make the most of it and to grow together.

BRUCE CAMERON
Chair

THE OPPORTUNITY AHEAD



“WE HAVE PERFORMED WELL THROUGHOUT SUCCESSIVE SEASONS, DELIVERING GROWTH IN VOLUME AND VALUE, BUT WE CAN BECOME SO MUCH BETTER THAN WE ARE TODAY.”

INTRODUCTION

Zespri and the kiwifruit industry together achieved record results in 2018/19, with strong growth in volumes and increases in per-hectare returns across all categories.

Our strategy to provide the world's best kiwifruit to consumers 12 months of the year, supported by investing in the Zespri brand and creating demand, shows incredible potential. We have performed well throughout successive seasons, delivering growth in volume and value, but we can become so much better than we are today.

Our potential is supported by the strength of our industry structure. Zespri is part of an interdependent system, connecting the grower to the consumer and creating opportunities for value. Ultimately, we aim to help our people, our communities and the environment around the world thrive through the goodness of kiwifruit.

This is highly motivating, but we cannot fulfil our purpose without delivering results for our growers and shareholders. Last season, we worked to sustain value in a year of higher volumes, including a **jump in supply of Green by 16 million trays**. We strengthened the capacity of Zespri to support a much larger industry, and we are on track to reach \$4.5 billion in global kiwifruit sales by 2025.

We also strengthened the foundations of our industry, by increasing grower ownership of Zespri and through producer support for our investment in 12-month supply and ownership of PVRs.

All in all, Zespri and the New Zealand kiwifruit industry are at an exciting stage. The opportunity ahead for growth and value is extraordinary.

RESULTS

Corporate results

Zespri sold 167.2 million trays of New Zealand and non-New Zealand kiwifruit in 2018/19 – a 21 percent increase on the previous season. Global revenue from kiwifruit sales increased by 23 percent to \$2.944 billion. The total fruit and service payment to New Zealand growers, including the loyalty premium, increased by 24 percent to \$1.822 billion.

Our net profit after tax was \$179.8 million, versus \$101.8 million in the previous year. This was driven by revenue from the 750 hectares of conventional and organic SunGold licence release in April 2018. Excluding total licence revenue, net profit after tax would have been \$39.8 million, compared with \$28.6 million in 2017/18.

Zespri conducted a share split on 15 March 2019 which provided an additional share for every two shares on issue. The increase in shares on issue enables greater alignment between production and share ownership as volumes grow. As a consequence, the Zespri share cap has also increased from a limit of four shares per one tray of production to six shares per tray.

Allowing for the changes in the number of shares in the 2018/19 financial year, the total dividend per share is expected to be \$0.92, versus \$0.50 in 2017/18.

Each year, we report the ratio of full-time employees to both revenue and sales volume. This is a way of measuring value and return from our overhead investment. During 2018/19, revenue per full-time employee equivalent was \$6.0 million, versus \$5.2 million in 2017/18. Trays sold per full-time employee equivalent was 316,000 trays, versus 290,000 trays in 2017/18. These improvements reflect the impact of growth in both volume and value.

“THE NEW ZEALAND KIWIFRUIT SEGMENT GENERATED REVENUE OF \$2.63 BILLION IN 2018/19. THIS COMPARES WITH \$2.13 BILLION IN 2017/18.”

Looking at our operating segment performance, we consider four areas: New Zealand kiwifruit; non-New Zealand supply; new cultivars; and other.

The New Zealand kiwifruit segment generated revenue of \$2.63 billion in 2018/19. This compares with \$2.13 billion in 2017/18. New Zealand kiwifruit sales accounted for 89 percent of total global sales volume and generated \$34.8 million of segment profit before tax.

The non-New Zealand kiwifruit segment generated sales revenue of \$311.7 million, versus \$263.5 million in 2017/18. Profit before tax for this segment was \$8.1 million (2017/18: \$9.2 million).

Revenue from licensing, royalty streams and co-funded new cultivar research is recognised under our new cultivar segment. Zespri charges a royalty of 3.0 percent for SunGold, with 1.35 percent paid to Plant & Food Research and 1.65 percent being an income stream for Zespri. The segment generated revenue of \$227.7 million in 2018/19 and segment profit before tax of \$207.4 million.

The 2018 licence round generated gross licence revenues (excluding GST) of \$192.6 million, with other licence income for the year accounting for a further \$1.8 million. Revenues for future licence rounds will depend on the performance of SunGold in each successive season, the number of hectares licensed, and the value bid for the licence by growers.

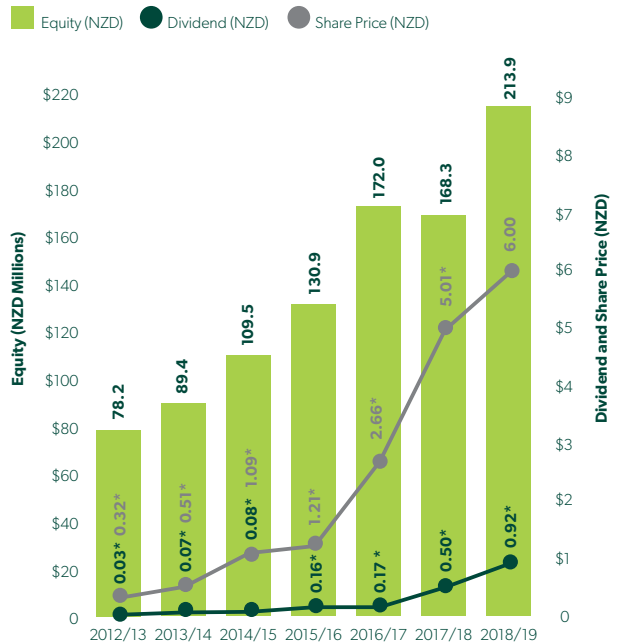
The ‘other’ segment profit before tax of \$5.3 million comes from activities that do not belong to the other three segments, such as interest revenue and land and buildings profit.

Category performance

We had a long season with teams working hard across the industry in New Zealand and in our markets to manage quality, drive sales and finish the year as cleanly as possible. A challenge was to manage the 24 percent rise in Green supply to 81 million trays, sustaining run rates while minimising fruit loss. The result is a credit to the effort of our partners right across the supply chain.

The average Green per-tray return decreased to \$5.45. However, the average per-hectare return for Green was \$63,622, the highest result ever achieved for the Green category. This is the result of strong demand and higher orchard productivity with average yields of 11,668 trays per hectare.

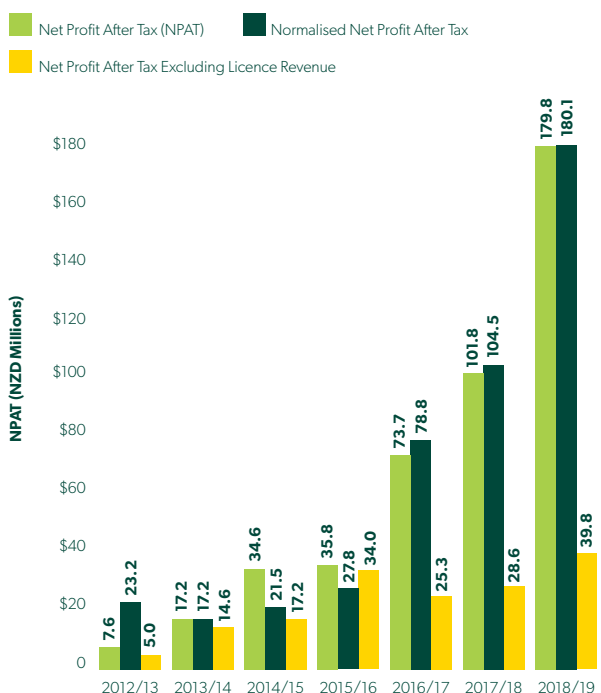
ZESPRI GROUP LIMITED EQUITY, DIVIDEND RETURNED AND SHARE PRICE – 7 YEARS



* Adjusted to reflect the impact of the targeted share issue and buy-back transactions in November 2018 and the three-for-two share split in March 2019.

Over a five-year period from 1 April 2014 to 31 March 2019 Zespri has achieved a compound annual total shareholder return of 76 percent. This measure reflects a combination of the increase in share price and gross dividend during the period.

ZESPRI GROUP LIMITED PROFITABILITY – 7 YEARS



We extended the sales window for Green because of higher volumes than expected and this exposed us to higher fruit loss at the end of the season. As quality deteriorated faster than expected, suppliers and Zespri teams around the world worked hard to achieve an optimal result. Ideally, we believe a steady volume increase of around two million trays (from a base of 70 million trays) is optimal in enabling us to hold value.

The Organic Green average return per tray was \$9.22 with a record average per-hectare return reaching \$73,350. The result reflects strong yields and growing demand for organic kiwifruit.

The SunGold average return per tray was \$10.89 and the average return per-hectare was a record \$145,991. This was achieved not only due to the increase in average yields as SunGold orchards come into full production, but also through stronger consumer demand supporting pricing – helping to increase average returns on a per-tray basis even with more supply.

The result supports our confidence in the category and the opportunity to increase supply to fulfil strong demand. Zespri's 2018 release of 700 hectares of conventional SunGold and 50 hectares of Organic SunGold had good participation with 372 successful bidders. It was also positive to see a good regional spread with allocations in Northland, Auckland, Hawke's Bay and the South Island.

Zespri issued a further 700 hectares of conventional SunGold licence and 50 hectares of Organic SunGold licence in 2019 via a closed tender bid. As previously communicated, we intend to continue this process through to 2022. This is subject to annual review, including considering any potential new risks to our demand outlook.

Sweet Green achieved an average return per tray of \$7.23 and an average return per hectare of \$44,549. The result was helped by market mix improvements, which helped offset the impact of a reduction in average yields, of 11 percent to 6,159 trays per hectare. The reduction in yields, alongside reduced productive

hectares, has seen Sweet Green volumes supplied decrease from 1.2 million trays in 2017/18 to just under 900,000 trays in 2018/19. Zespri is continuing to manage Sweet Green as an earlier and sweeter proposition to Hayward in order to maximise the value of this variety.

Zespri Global Supply

The non-New Zealand business is critical in helping us to maximise long-term sustainable returns for our (New Zealand and non-Zealand) producers. Our absence from the market leaves space for competing fruits and it is costly to win back share for New Zealand supply. Our Northern Hemisphere supply supports the shoulders of our New Zealand season as holding shelf space becomes increasingly challenging with a range of seasonal fruits entering the market. It is a complementary strategy for New Zealand kiwifruit sales.

During 2018/19, Zespri Global Supply sales reached 18.4 million trays, up from 15.4 million trays in 2017/18. We achieved targeted growth in sales, particularly in Europe and China, supported by a substantial increase in SunGold volumes supplied from Italy.

We are continuing with the release of 1,800 hectares of SunGold licence in Europe, with Italy a strong focus for expanding production to fulfil demand. SunGold supply from Italy increased by 88 percent in 2018/19, which is an excellent result. A continuing priority for us in Europe is to work with suppliers to improve storage of SunGold and to maintain fruit quality right throughout the season.

Zespri is building capability and supporting conversion from Hort16A to expand SunGold supply in Japan and South Korea, with a focus on meeting demand in those local markets during the non-New Zealand season. We are working with growers to support them to increase orchard yields.

ZESPRI GROUP NORMALISED PROFIT AFTER TAX

Zespri provides a normalised profit view to reflect normal operating profit. Normalised profit is derived by adjusting net profit after tax for significant extraordinary items. Extraordinary items adjusted below are historical and relate to: a historical China provision; pre-2013 Psa funding; and specific pre-2016 licence revenue.

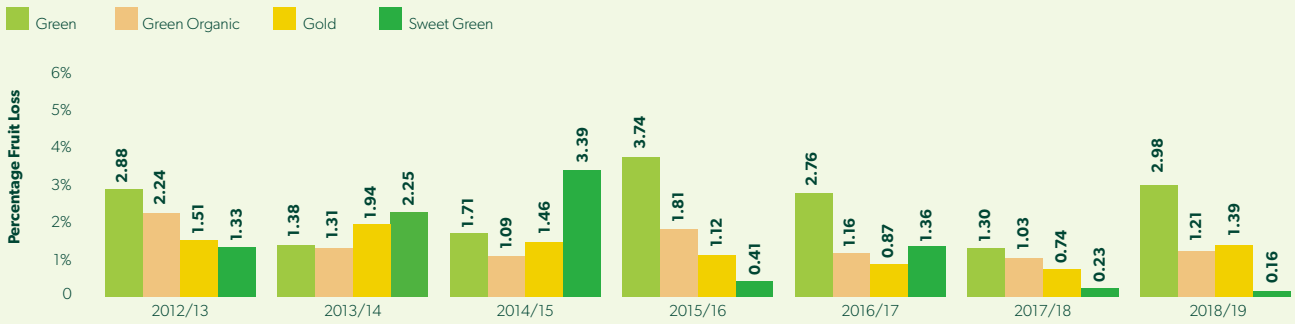
	2019 \$m	2018 \$m	2017 \$m	2016 \$m	2015 \$m	2014 \$m	2013 \$m
Net profit after taxation	179.8	101.8	73.7	35.8	34.6	17.2	7.6
China provision	-	-	-	(13.0)	-	-	12.5
Psa funding	-	-	-	-	-	-	3.1
Licence revenue*	0.3	2.7	5.1	5.0	(13.1)	-	-
Normalised profit after taxation	180.1	104.5	78.8	27.8	21.5	17.2	23.2

* The licence revenue adjustment relates to a change in revenue recognition for licences, subject to a specific Psa clause. The reduction from profit in 2015 is brought back over time as the revenue is received. The final adjustment has been made in 2019. Licence revenue releases from 2016 do not have these clauses and are not adjusted in normalised profit.

FOREIGN EXCHANGE AND OIL HEDGING GAIN/LOSS

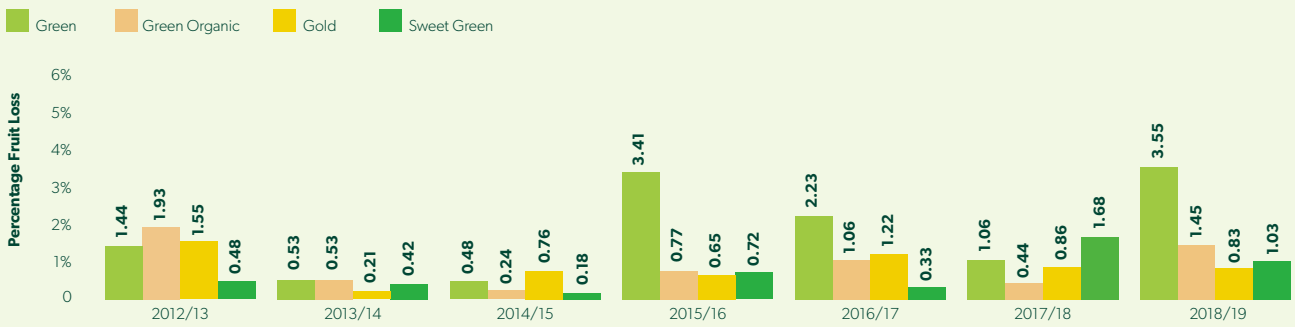


ONSHORE FRUIT LOSS – 7 YEARS

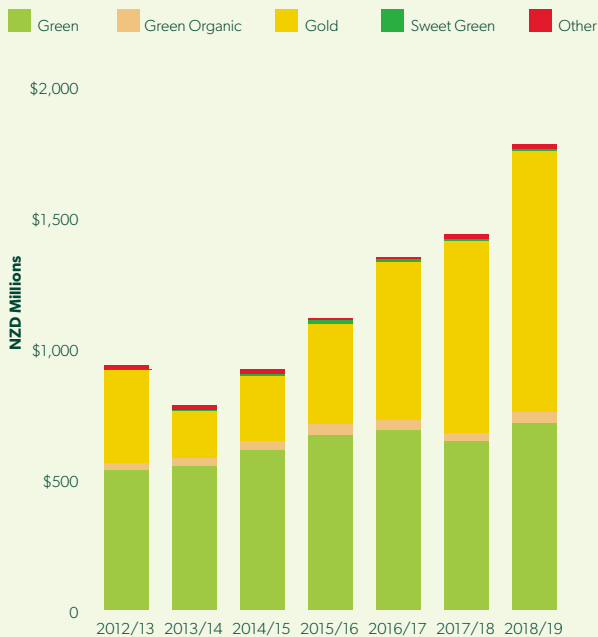


These fruit-loss percentages do not include crop-management trays.

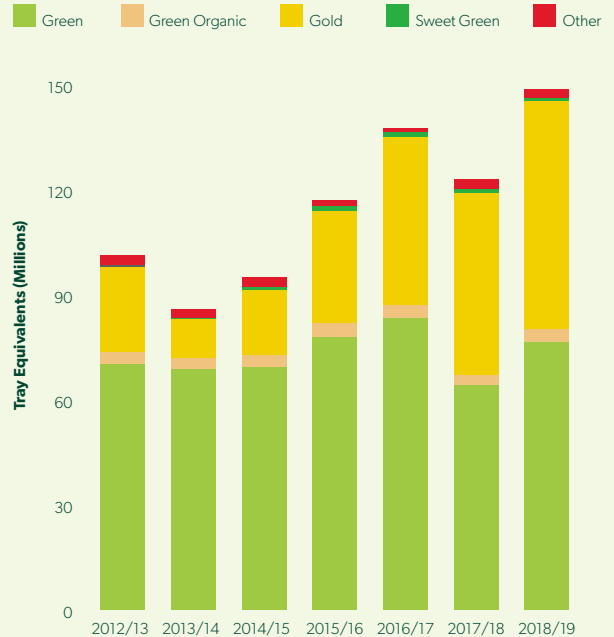
OFFSHORE FRUIT LOSS – 7 YEARS



TOTAL FRUIT AND SERVICE PAYMENTS New Zealand-grown kiwifruit (excluding loyalty premium)



TOTAL VOLUME SOLD – 7 YEARS New Zealand-grown kiwifruit



In China, we completed a three-year trial to explore the potential to grow and supply Zespri Kiwifruit and we are continuing to invest in research and in varietal assessment in this region to inform any future plans.

Zespri has now started production trials in Oregon and California in the US, which has become one of Zespri's most significant new growth markets due to demand for SunGold.

Collaborative marketing

During 2018/19, a total of 18 companies operated 25 collaborative marketing sales programmes, selling 3.2 million trays of New Zealand kiwifruit.

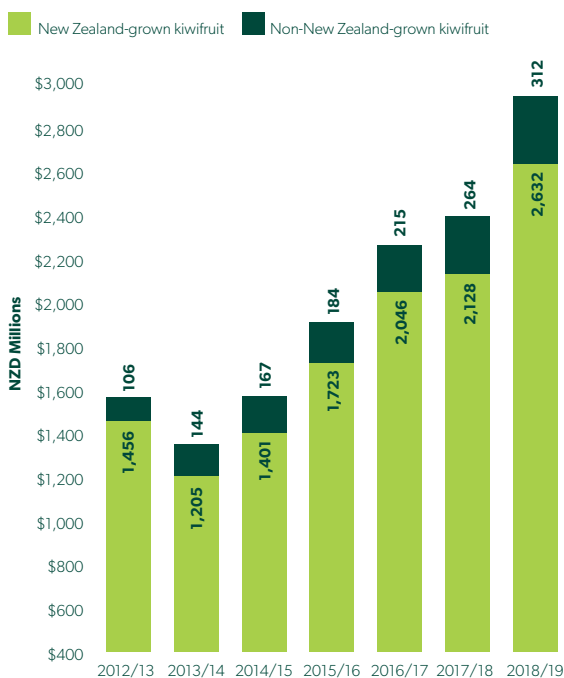
Zespri supports collaborative marketing as it offers an alternative channel for those individuals or companies that believe they can deliver sustainable wealth for New Zealand kiwifruit producers from sales programmes, in collaboration with Zespri.

In recent years, Zespri has initiated a programme of partnering with other fruit export companies to undertake market development in selected markets using Zespri-branded Hayward and SunGold. In 2018, the collaborative marketing programmes extended to Europe, Russia, China, South-East Asia, the US, the Pacific Islands, India and the Indian Ocean, and the Caribbean.

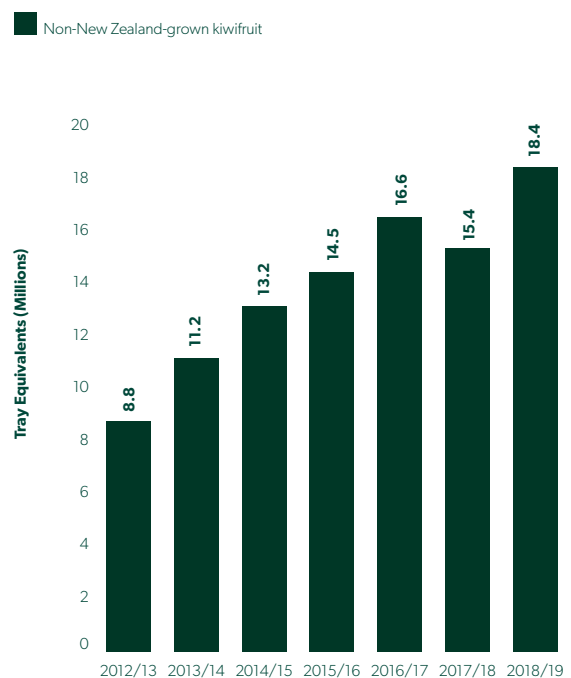
“THE NON-NEW ZEALAND BUSINESS IS CRITICAL IN HELPING US TO MAXIMISE LONG-TERM SUSTAINABLE RETURNS FOR OUR [NEW ZEALAND AND NON-NEW ZEALAND] PRODUCERS.”

Region	Number of Programmes
Europe	5
Russia	1
China	1
South East Asia	6
India, Mauritius, Réunion Island, Caribbean	4
US	3
Pacific Islands	5

GLOBAL KIWIFRUIT SALES – 7 YEARS



TOTAL VOLUME SOLD – 7 YEARS





Brand and market development

We invested \$170 million in advertising and promotion during 2018/19. This equates to 5.8 percent of global sales revenue, versus 5.9 percent in 2017/18.

The largest portion of our investment was in consumer marketing, at 58 percent of the total. This mainly covered advertising but we also increased spend on market research. This is guiding and informing how we develop and validate our creative campaigns and helping to improve how we measure our marketing effectiveness.

The increase in marketing investment was concentrated in our larger markets, particularly Europe, China, the US and Japan, commensurate with the increase in sales volume. For example, in Europe we increased our marketing spend by \$13.5 million to support sales growth of both New Zealand and non-New Zealand fruit of \$155.7 million.

During the New Zealand season, the average cost of promotion for Green increased from \$0.63 per tray in 2017/18 to \$0.67 per tray in 2018/19. This was driven by the need to grow consumer demand, given the larger crop, and by the need to drive run rates throughout the season. Promotion costs per tray for SunGold fell to \$1.54 per tray, down from \$1.65 per tray for the Gold pool in 2017/18, reflecting an improvement in promotion spend efficiency. Our measure for unaided brand awareness increased from 19 percent to 22 percent in 13 key markets.

The marketing team's priorities in 2018/19 have continued to focus on five aspects: understanding consumers and shoppers; growing one meaningful global brand; tracking and optimising investment; winning at the moment of purchase; and building a best-in-class marketing team. For further information, see page 34.

We have continued our focus on sales excellence, increasing demand through growth in distribution coverage and development of more direct relationships with retailers.

This has required ongoing investment in resource. We have a good outlook for growth in the US market, led by demand for SunGold, and we are expanding our local capability in sales and marketing through people who understand the market well. We have appointed Krown Su as our Head of Global Sales Excellence – a new role that is building consistency and driving improvement in our execution of both short-term plans and long-term strategy. Krown is based in Singapore as part of the Sales and Marketing Centre of Excellence team and brings 18 years of experience from Proctor & Gamble based in China, Europe, South Korea and Singapore.

Elsewhere, we are continuing to invest strongly in the China market to support expansion. In Japan, Zespri has had another stellar season and we are working to build our brand recognition amongst even more consumers in this vital market. In Spain and Portugal we sold a record volume of just over 20 million trays in 2018/19, reflecting the potential we have for growth in already well-established markets.

Our market development strategy is governed through a framework of four stages: Explore, Launch, Establish and Enhance. As an example, Taiwan is an established market that will have different objectives and investment versus an explore market such as Vietnam. The framework guides how resources are allocated but this is not a static process, in part because supply volumes are dynamic. We need flexibility in market choices, spare demand headroom, and agility in responding to fluctuating yields and seasonal supply variations.

Innovation

In 2018/19, Zespri, together with Plant & Food Research, invested around 1.6 percent of New Zealand revenue in innovation. Total investment on kiwifruit innovation, including from our research partners, was \$44 million, of which Zespri contributed \$31 million. New cultivar development forms the biggest share of our innovation programme. The development of new products in our portfolio, with strong consumer appeal and great agronomics, will help create ongoing value for the industry.

Zespri is continuing with stage-three pre-commercial trials for a red and a new green kiwifruit variety. Our criteria for approving the commercial release of new varieties are multi-faceted, based on orchard, supply chain and market factors.

We are excited about the potential of a red and a new green variety in our portfolio, but further work is needed to develop more robust data before a commercialisation decision can be made later in 2019. Both varieties will remain in pre-commercial trials during 2019/20.

Innovation's purpose is to create better ways of delivering value. We have a strategy centred on meeting consumer needs through developing new products, raising productivity sustainably, optimising fruit quality, protecting against pests and disease, and proving the health attributes of the amazing kiwifruit that we market to consumers.

As part of our focus on protection against pests and disease, we supported the development of a new biocontrol product to combat Psa. AureoGold™, developed by Plant & Food Research in collaboration with Arysta LifeScience, is a natural yeast strain that reduces the growth and spread of Psa. Zespri helped to fund the development and supported field testing. It was approved for use by the Ministry for Primary Industries (MPI) in November 2018 and provides another option in the toolbox to enable growers to manage this bacterial disease.



Risk management

Health and safety are of utmost importance to us all across the New Zealand kiwifruit industry. We are an interdependent industry and we have overlapping duties in terms of health and safety between orchard owners, contractors, post-harvest and Zespri.

In 2017, WorkSafe New Zealand accepted an enforceable undertaking from Zespri relating to a fatal quad bike incident on an orchard in 2016. The regulator acknowledged that Zespri's alleged failures did not directly cause the worker's death and noted that our undertaking aims to provide long-term health and safety improvements in the workplace. Zespri committed to 12 initiatives of which six are now complete. These include providing training on health and safety, audits of on-orchard contractors and supporting health and safety research. A focus in 2019 and 2020 is to promote public awareness and seasonal worker awareness of health and safety, in co-ordination with industry partners.

Health and safety is a priority for Zespri with a focus on critical risks that could cause serious injuries or fatalities. In 2018/19, Zespri ran a campaign called 'Handle With Care' to promote awareness of these critical safety risks within our industry.

Zespri's lag indicator for health and safety performance is Total Reportable Injury Frequency Rate and in 2018/19 the rate was 1.62 per 200,000 hours worked. We are committed to doing better as we expect every worker to go home safely at the end of each day.

During 2018, Zespri continued efforts to strengthen compliance and ethics awareness across the company. This includes promotion of our speak-up culture and Code of Conduct, and compulsory training on anti-corruption and on cyber security.

Another critical risk is biosecurity, as highlighted by the finds of Queensland Fruit Fly in Auckland in February. Any biosecurity incident is a worry for the horticultural sector. We're confident that Kiwifruit Vine Health (KVH) has the right processes and plans in place to lead our industry's response and we support the work

they are doing alongside MPI and Horticulture New Zealand to manage biosecurity situations.

During 2018/19, Zespri took legal proceedings against a New Zealand-based grower for breaching our SunGold licence agreement and our PVR Act rights. This claim related to alleged unauthorised use of SunGold plant material and related rights, which may have facilitated plant material being planted in China without authorisation. No decision had been received at the time of writing. Also in the course of the year, Zespri took action in Italy in relation to an unauthorised planting of SunGold, which resulted in its removal. Zespri is committed to protecting the interests of its stakeholders through enforcement of intellectual property rights in all jurisdictions.

STRENGTHENING OUR FOUNDATIONS

Targeted share issue and buy-back

Zespri has made progress in strengthening alignment and grower ownership and control of the company through a targeted share issue and buy-back programme. A good number of growers took up the opportunity to become shareholders in Zespri or to increase their shareholdings in line with their entitlements.

The issue and buy-back closed in October 2018 and the headline results were as follows:

- 427 applications to buy more than 12 million shares for a total of over \$95 million.
- More than half of the applications were from previously unshared growers and the percentage of total shares in Zespri held by growers has increased to 85 percent.
- 257 applications for the buy-back involving nearly nine million shares for a total of over \$70 million.
- The number of former growers holding Zespri shares was reduced by 30 percent.

"...A GOOD NUMBER OF GROWERS TOOK UP THE OPPORTUNITY TO BECOME SHAREHOLDERS IN ZESPRI..."



The producer vote on 12-month supply and PVRs

In March, Zespri asked producers to vote to protect two activities that are vital in delivering strong, sustainable returns over the long term. These are Zespri's investment in 12-month supply ownership of PVRs.

These are the key points about the process:

- The vote stems from the 2017 amendments to the Kiwifruit Export Regulations and the definition in the regulations of what is Zespri's 'core business'. Investment in 12-month supply and ownership of PVRs were excluded.
- The vote enables Zespri to continue to invest in these two vital activities with confidence.
- The regulations require that Zespri minimises any risks arising from these activities, over which Kiwifruit New Zealand (KNZ) will have oversight.
- Zespri excluded from the vote on 12-month supply the commercial growing and procuring of kiwifruit in China and Chile, recognising the unique circumstances of these activities.

The result was 84 percent of producers representing nearly 86 percent of fruit weight voting for 12-month-supply and 85 percent of producers representing 87 percent of fruit weight voting for PVRs. The turnout was 71 percent of production weight. This reflects the industry's tremendous endorsement of Zespri's model.

BUILDING OUR CAPABILITY

Leadership of the organisation

During 2018/19, we had a significant change at Board level with Peter McBride stepping down as Chair after serving on the Board since 2002. Peter served during a period of change and expansion; this includes the industry's return to growth following the impact of Psa. He has overseen a premium brand-led strategy and the expansion of SunGold to meet rising demand. It was also a time of progress in strengthening grower ownership and control of Zespri, achieved through industry consultation, amendment to the Kiwifruit Export Regulations and changes to Zespri's Constitution.

We had a further change in the Board with the retirement of Tony de Farias and the election of Tony Hawken. Tony brings considerable experience to the role through his decades of involvement in the kiwifruit industry.

Within the Zespri Executive Team, we appointed Richard Hopkins as Chief Financial Officer. Richard brings a wealth of experience from his former role as CFO of Ballance Agri-Nutrients. In addition, we also appointed Michael Jiang as General Manager for Greater China. Michael has had a long career with Johnson & Johnson and help various sales leadership roles in international Fast-Moving Consumer Goods (FMCG) companies.

Zespri is continuing with changes in its executive organisation to align leadership with our strategy. This includes bringing the voice of customers and consumers to top-level decision-making. We have also made changes that recognise the global nature of the supply function within the business and centralise strategy development and best-practice sales and marketing under a global growth function.

A new head office and hub for the industry

Stage one of Zespri's new head office in Mount Maunganui was completed in April. The development provides the facilities needed to support the industry's growth, with the former office insufficient in space and services. The new building is a hub for the kiwifruit industry with facilities to host growers and sufficient office space for other kiwifruit organisations. It is also a fitting venue to host international trade, government and media delegations on behalf of the industry.

We have invested in a building that is more efficient and sustainable, including a smart façade, efficient heating and air conditioning services, and water recycling. We are implementing activity-based working – a flexible approach that allows staff to use different workspaces for different work. This approach helps to improve productivity and collaboration and reduces the physical footprint of the building.

Zespri's operating model

Meeting demand and fulfilling our growth potential require a focus on transformation within Zespri. Our internal operating model – the organisation, systems, processes and technologies, which together, determine how our company works – needs to be set up to scale as efficiently as possible to support a much larger business.

The company has changed from being export-led to becoming a demand-driven organisation. We now capture more value by working further down the value chain and by partnering with our customers.



We source fruit from multiple international locations and our workforce is becoming more global. However, the challenge we face today is that our systems and processes haven't kept up to date. We need an operating model that will enable us to scale to \$4.5 billion and beyond, driven by volumes of around 245 million trays from both New Zealand and non-New Zealand supply.

Ultimately, we aim to transform the organisation to be agile, consumer-centric and insights-led. This will require Zespri to be better enabled through technology, in particular through having accurate and reliable data and easily accessible information at our fingertips so that every team can access the information they need and collaborate with others to enable them to make fast, well-informed decisions.

Sustainability

Sustainability is both an opportunity and a challenge the industry must respond to. This especially includes strong consumer attention on plastics in packaging with the drive to reduce plastics gaining momentum, especially in Europe but also in other countries also.

It is important to note that while stronger performance in terms of our impact on the environment, as well as our contribution to our communities and the economy will create value, it will also require strong investment by Zespri on behalf of the industry.

We need to underpin the profitable growth of our industry through sustainable business practices that earn the trust of our consumers and of our people and to strengthen our brand. For information about our sustainability commitment, see page 45.

Culture

A strategic priority for Zespri in transforming our organisation is improving our culture. This is about the shared assumptions that drive thinking, behaviour and action within our company. A winning culture, role-modelled by excellent leadership, will lift the performance of a diverse, connected and highly-engaged global workforce.

Our people systems, processes and culture need to support and enable employees to be accountable and empowered to

think and act in ways which support the performance outcomes we seek. We must leverage the significant diversity of skills and perspectives we have within the business.

During 2018/19, we engaged the entire organisation in thinking about our purpose and values and the behaviours that show Zespri at its best. We identified the elements of our culture we need to embed in order to achieve our strategy, including a focus on our purpose, on delivering results and on building better connections with each other. Deeply embedding these aspects in our norms, processes and systems will take time and will be supported by our approach to leadership, recruitment, performance management and recognition.

CONCLUSION

We are in a period of creating stronger demand and several factors underlie our confidence. We have developed good-quality demand through market development, brand and category growth – underpinned by high-quality Green, the popularity of SunGold, and strong sales and marketing. An unrelenting focus on taste and quality continues to place us above the competition.

At the same time, we are continuing to transform our business. Zespri's current internal operating model – the organisation, systems, processes and technologies which, together, determine how our company works – will be set up to support a much larger and significantly different type of business than we were just a few years ago.

It is an exciting outlook but, as ever, growers need to be mindful of the inherent risks of horticulture and primary production and configure their businesses accordingly. These risks include factors such as biosecurity, market access, brand reputation, growing conditions, competition and labour supply.

As well as risk, there is of course opportunity. We can become not just a great brand in fresh fruit, but also a great healthy food brand and company. We can be an even better company, more strongly connected to our customers and our growers and to each other, and even more commercially driven and grounded by our shared value of guardianship for our people and the environment.

CULTIVATING STRONG CONNECTIONS

THIS YEAR ZESPRI HAS GROWN ITS COMMUNITY INVESTMENT – TAKING DIABETES NURSES INTO PRIMARY SCHOOLS IN WHANGAPARĀOA AND OMAIO, TO TEACH OUR TAMARIKI ABOUT NUTRITION, AND INVESTING IN THE OTANEWAINUKU KIWI TRUST AND SURF LIFE SAVING NEW ZEALAND.

Our industry's foundations lie in the people who choose to be a part of our broader kiwifruit family. We know that without their collective efforts, whether that be on orchard, in the supply chain, or within one of our market-facing roles here at Zespri, the kiwifruit industry would not be able to achieve the success it does today.

This sense of community defines our industry and it's important that we protect and enhance it. At Zespri, this means making sure that we continue to support organisations and projects that help strengthen our people and our communities.

As our business and footprint across the world grows, so too must the contribution we make. That's started with the strengthening of our relationship with Surf Life Saving New Zealand.

Our partnership recognises that whether it's a grower watching their grandchild compete at a local Nippers carnival or a European backpacker cooling off after a day of summer pruning, time at the beach is a central element of the kiwifruit lifestyle.





**"THIS YEAR WE WERE
THRILLED TO SOLIDIFY
OUR RELATIONSHIP
WITH THE TRUST BY
NAMING A FEMALE BIRD.
'IZZY' IS NAMED AFTER
ISABEL FRASER..."**





As Primary Partner – Eastern Region for Surf Life Saving, Zespri is proud to have funded almost 300 new volunteer surf lifeguards across the Bay of Plenty, Coromandel, East Cape and Gisborne and provided almost 4,000 hours of free training. That's a significant increase from the 2,800 hours available when we became involved, and it's meant that more lifeguards have improved skills around search and rescue, tube and board rescues, first aid and working on helicopter rescues to help keep our beaches safer.

In addition, the three Zespri Clubs of the Year Awards, won in 2018 by Papamoa (Beach), Waihi (Beach) and Waikanae Surf Lifesaving Clubs, have provided new equipment to a few of the many deserving clubs in each of the three areas the Eastern region encompasses. We will continue to help out at club days and carnivals across the Eastern region's beaches.

Beyond the beaches, we've also been working closely with community volunteer group, the Otanewainuku Kiwi Trust, to help restore and regenerate our local kiwi population. The annual \$45,000 donation we make allows the Trust's volunteers to focus

on their main job – increasing bird survival rates for our most precious native bird. Our support helps secure crucial transmitting gear for tracking, funds helicopters to assist with egg recovery operations in inaccessible parts of the forest and covers the cost of egg hatching at Rainbow Springs.

This year we were thrilled to solidify our relationship with the Trust by naming a female bird. 'Izzy' is named after Isabel Fraser, the pioneer responsible for bringing the first kiwifruit seeds to New Zealand back in 1904, and will hopefully positively contribute to the repopulation of kiwi.

As an industry leader, we know that we also need to invest in attracting new talent and future-proofing our industry. That's why Zespri continues to offer a range of scholarships and awards to help develop the skills and knowledge of our future leaders.

This support starts at the earliest levels through the opportunity we provide primary and intermediate students from low-decile schools to attend a House of Science holiday programme and hopefully fall in love with science and innovation.



Outstanding secondary school students can access the \$10,000 scholarships and mentoring we provide for those seeking future careers in the horticultural sector. Zespri also offers fellowships of up to \$30,000 for Honours, Masters and PhD scientific research students to encourage further industry research.

At a broader industry level, we're sponsors of the Young Fruit Grower of the Year award, the NZ Kiwifruit Industry Innovation award, the Kellogg Rural Leadership Programme, and the Bay of Plenty Balance Farm Environment Awards. In each of these initiatives, the judges adopt a holistic approach considering environmental management, productivity and profitability through to family and community involvement.

A desire to engage more closely with all industry participants has seen us also work closely with the Māori Kiwifruit Growers Forum in the last year.

The relationships we've formed with Māori kiwifruit growers, growing participants in our industry, has provided an important opportunity to learn more about values like kaitiakitanga (guardianship) and how we can apply this to our industry's practices. Our shared knowledge will ensure we can protect our natural resources for future generations.

We also have an important role to play to help improve health and nutrition within our communities. That's why we've partnered with Good Neighbour, a food rescue and community-building organisation looking to transform communities. Together we're distributing food – that's good enough to eat and would otherwise have gone to waste – to some of the country's leading charities. And it's why, in late 2018, we launched Zespri's flagship diabetes and community awareness programme near Te Kaha in Whangaparāoa and Omaio, a small East Coast community of around 400 people.

With few employment opportunities and a low socio-economic environment in these areas, the kiwifruit industry is helping create jobs and raise incomes, and gives locals a reason to stay in their home community following the conversion of 200 hectares of maize to kiwifruit.

And our association with these communities has enabled us to make a real difference to the health of local children and their parents. We've worked closely with local schools Te Kura o Te Whānau-ā-Apanui and Te Kura Mana Māori o Whangaparāoa to promote healthy eating and highlight the importance of a balanced diet in combating Type 2 Diabetes.

Our activities included Zespri spending time in the community to host a free healthy breakfast, run a community games day, deliver free blood sugar testing, and distribute science and health career information to local families. This has also delivered an important message that our presence can develop deeper connections with those communities who lie at the heart of our industry's future growth. The connection we've formed in Te Kaha provides a model that we look forward to expanding across New Zealand and beyond.

Internationally, we're still considering how we can best use our resources for maximum effect. This includes reviewing our European Fruit in Schools programme where more than 3,000 schools across Spain, the Netherlands and Belgium have registered to receive free kiwifruit, fruit recipes and online games that promote healthy eating.

We know that there's more for us to do, and we're looking forward to helping our communities thrive in the coming years.

**WE'VE WORKED CLOSELY
WITH LOCAL SCHOOLS
TO PROMOTE HEALTHY
EATING AND HIGHLIGHT
THE IMPORTANCE OF
A BALANCED DIET
IN COMBATING
TYPE 2 DIABETES.**





FOCUS ON GROWERS

THE KIWIS BEHIND TE KAHA'S KIWIFRUIT

FOR TE KAHA-BORN RONGO PUHA,
THE COLLECTIVE DECISION
TO CONVERT WHĀNAU LAND TO
ORCHARDS HAS BEEN KEY
TO CREATING OPPORTUNITIES
FOR FUTURE GENERATIONS.



“WE ARE ASSISTING WITH TERTIARY EDUCATION SCHOLARSHIPS AND MANAGEMENT JOBS FOR OUR YOUNG PEOPLE. WE HAVE HELPED NEARLY 50 PEOPLE UP-SKILL IN HORTICULTURE OVER THE PAST EIGHT YEARS.”

“**Growing up in Te Kaha**, kaimoana was plentiful and the soil was fertile but we found it hard to make a living off our family land and I was 15 when I was sent away from home. A lot of us went to Māori trade training because there was no work for young people in Te Kaha. Later, I had my own building company and now I have a directional drilling company with 33 staff, but I have always gone back to the coast to help my whānau.

There has been a lot of unemployment but kiwifruit has changed that for my whānau and for the wider community, too. We’re creating work and education opportunities for this new generation.

My whānau had made the mistake of leasing our land long-term to citrus growers, so we were wary when investors and Opotiki Packing and Coolstorage Ltd (OPAC) started talking to us about a 50/50 partnership. But they said we could retain land ownership and they would provide the expertise and investment. We’d never heard of a joint venture but we didn’t want another lease. We’d vowed never ever to let that land go again.

The model was so successful, it was adopted by other families on other blocks. There are six Māori land blocks in the Te Kaha Growers (TKG) group, which we formed nearly 20 years ago. I find it exciting, all the things going on now. We have developed about 40 hectares of SunGold in that time. Initially we had some Hayward but it wasn’t as successful here in Te Kaha as the SunGold is. So we converted those blocks to SunGold.

We have a nursery, a spraying company and a new transport business. We are also assisting with tertiary education scholarships and management jobs for our young people. We have helped nearly 50 people up-skill in horticulture over the past eight years. The orchards employ about 30 of them year-round, as well as lots of local and international seasonal workers.

When kiwifruit came along, none of us in TKG knew anything about growing it. But, over time, we saw we could learn from

the experts, every level of detail, and we have become more confident striking out on our own. Our initial vision was mainly to protect the land, to train our own people on the orchards and to provide help for our whānau and for the young people to go to university. Just in my own family, I have a niece and a nephew in kiwifruit management positions and a brother who has come back from Aussie to help run the orchard and the spraying company. Now we’ve just about ticked off everything on that bucket list, we need to make a new one.

So we’ll extend the nursery to grow seedlings for pine, mānuka oil and berries, as well as kiwifruit. We have plans to develop a new irrigation scheme. We’ve also bought an accommodation business with another trust and we’ll upgrade the lodge to create a centre of excellence and tourist accommodation, as well as cabins, a camping ground and motorhome park for more than 100 seasonal workers. And when people stay locally, they’re spending money locally.

I particularly like the kura (school) project. When I went to school, we were punished for speaking Māori but there are plans to reopen a school that will include a focus on te reo and horticulture. It’ll have its own kiwifruit block for training, and orchard income will provide sustainable funding for the kura.

In future, we’re hoping there’ll be a new service station and a grocery store. We have another 100 hectares tagged for orchard development and other landowners are planting kiwifruit, too. They’ll need managers, trucks to carry the fruit, groceries... I see a lot of work ahead, but I see the benefits as well. Where’s this going? It’s huge, absolutely huge.”

Rongo Puha is of Te Whānau-ā-Apanui descent. He is director of Essential Connections Limited, OTK, TK Gold Spraying Company and Tui Lodge Limited. He is Chair of Te Kaha 2B1 and 2B2 Trusts and TKG Limited Liability Company.



“THERE HAS BEEN A LOT OF UNEMPLOYMENT BUT KIWIFRUIT HAS CHANGED THAT FOR MY WHĀNAU AND FOR THE WIDER COMMUNITY, TOO.”

RONGO PUHA



A POINT OF DIFFERENCE

NO BUSINESS CAN AFFORD TO STAND STILL IN A COMPETITIVE WORLD AND THE SAME GOES WITH BRANDS.

Our industry has invested in building a strong Zespri brand over many successive seasons, with a level of advertising and promotion that sets us apart from other competitors in kiwifruit. This has enabled us to create one of the most distinctive brands exported from New Zealand. It is a major reason why we have built such a respected, recognisable and sought-after brand and why our sales volumes and returns to growers continue to climb.

That investment adds immense value, focused on the basic goal each season of 'selling trays' – short-term campaigns to activate sales. Over time, we have increased our target towards a second, more long-term element, which is 'building the brand'. The best types of campaigns achieve both.

Sales from New Zealand increased by 26 million trays during 2018/19, at the same time as improving OGRs per hectare for all pools. This was despite strong competition from late supply of Italian fruit and a big domestic summer fruit seasons in the Northern Hemisphere. We invested \$161 million in marketing during the New Zealand season – an increase of 20 percent over 2017/18, driven by the large rise in supply volume and the need to sell more fruit.

Our investment and campaigns are targeted and tailored to markets and led by insights. In the US, for example, our ethnographic research led us to think about how mothers are constantly bombarded with the unattainable idea of being a 'perfect parent', faultless in the way they raise their kids. They also want to have food that is fun and enjoyable but also healthy. These ideas were conveyed through a targeted digital campaign that built on the idea that real life is not perfect. Just like Zespri SunGold, parenting isn't always pretty on the outside, but it's always real. The campaign helped to drive a 44 percent increase in SunGold sales year-on-year.

Another priority is to win at the moment of purchase, to ensure we stand out in supermarkets. In Singapore, for example, there is increasing price competition from all fresh fruits including premium berries. There was also a general reduction in display space in fresh produce departments in retail last season, with more focus on non-fresh groceries. The Zespri Singapore team responded with large booths and pop-up panels in stores, which created disruption and helped to increase brand recall among people surveyed.





“WE NEED A CONSUMER-CENTRIC APPROACH IN THE WAY WE POSITION OUR PRODUCTS.”

The objective of growing one meaningful global brand is fundamental to our sales and marketing strategy. A reflection of this is the drive for fewer, bigger campaigns that we can implement across many markets. During 2016, we ran 20 campaigns in local markets, but we reduced this to 14 campaigns in 2018. This has benefit, such as driving scale and improving spend efficiency. Most importantly, it helps us to create a consistent, well-defined brand identity in consumers’ minds.

The 2018/19 season showed progress in brand awareness of Zespri with our scores in our 13 key markets increasing compared with the prior year. From 2019, we will start to measure our brand equity adopting the same methods used by leading FMCG companies, looking at brand power and brand premium. We’ll continue to focus on fewer marketing activities delivering bigger results. Tracking and optimising our marketing investment is another of our ongoing priorities.

We are also working to make our brand more distinctive in consumers’ minds. In brand marketing terminology, we use the phrase ‘mental availability’, which is the ease with which the brand is noticed, thought of and remembered. We are competing for ‘mind space’, as well as ‘shelf space’. In a world where consumers are exposed to so much advertising, it’s essential to communicate a brand that stands out from the crowd.

The Zespri brand is an asset we feel rightly proud of. Its original design included some key elements – the vibrant green and the red lettering with connotations of health and well-being. It was designed to be eye-grabbing when reduced to the size of a thumbnail. Since its launch in 1997 it has helped us to create a premium, differentiated position, supported by the industry’s significant investment. We have become a top-five fruit brand in many of our key markets.

Along the way, we have evolved how we express our brand in terms of the tone we use and the personality we represent. We have focused in 2018/19 on conveying the dynamic, self-assured, humble and playful nature of our brand more consistently across all our campaigns.

Our brand identity itself will also evolve in line with our ambition for growth. Through consumer research, we know we have an opportunity to create a better-defined global emotional positioning.

We will continue with this work during 2019/20 and will provide more information to growers and industry on the changes ahead. We know that meaningful and different brands consistently generate higher returns. We believe that greater recognisability and a better-defined emotional positioning in the consumer’s mind will help attract more consumers to choose Zespri more times a year, at the same time as maximising value for growers.





ALICE CAVENDER,
BORDEAUX, FRANCE – MOTHER, MUSEUM EXECUTIVE,
MARATHON RUNNER AND MINDFUL CONSUMER

Since my two children were born (they're both under five), I've become even more aware of the importance of taking as much care of the Earth as possible. We need to leave this place in the best shape possible for them, and this means acting more sustainably in every aspect of life – including eating and what we choose to purchase.

For me, sustainable product development is about several things.

Firstly, the quality of the product is very important to me. I really look into what I want to buy and what I choose to buy.

Secondly, I like to buy products that are 'respectful' – not only in the sense they've been produced in a way that respects the environment, but also respect for the people who have produced them. I like to know that these people are given fair wages for what they do and that they're treated respectfully.

Finally, I like products that can be taken loosely, without needing to be covered in packaging. When it comes to kiwis, I know I'm getting a quality product because the product resembles exactly what it is. And I like the fact that I know where the kiwis I buy are from, and I know who has produced them.



A MODEL FOR TRANSFORMATION

OUR SUCCESS TODAY IS NOT GUARANTEED
IN THE FUTURE. WE MUST CONTINUALLY EVOLVE
TO STAY RELEVANT AND AHEAD OF OUR COMPETITORS.

Our success as an industry has been supported by not taking our single point of entry for granted. We have focused on quality, invested substantially in innovation and created a brand position that resonates with consumers. We have also redefined our industry through the innovation of SunGold, benefited from the deep know-how of our industry and the generations of experience of our growers, and made significant investment in talented people to supply and market our kiwifruit to customers and consumers around the world.

However, the global trading environment is more challenging than in the past, and the industry needs to continue to evolve to stay relevant and ahead of our competitors. At the same time, we know we have an opportunity to achieve so much more.

Our aspiration is to grow sales volumes by more than 50 percent to 2025 while sustaining value. We believe that striving for this target is necessary because Zespri's long-term investment in building demand for kiwifruit means there is more potential than ever before. Failing to capture demand runs the risk of falling behind our competitors. This requires commensurate growth in supply in New Zealand and particularly in our non-New Zealand locations where the supply-versus-demand gap is significant.

For Zespri to operate effectively and efficiently in this context, we need to build a fit-to-win organisation with systems and processes that can scale to a much bigger business from where we are today.

Known as our target operating model, this involves a fundamental review of how our resources are organised and operated. We have six programmes of work: creating a winning organisation, market focus, sales and marketing excellence, global supply, creating advantage from our intellectual property, and modern processes and systems.

One of the first projects in our transformation is to develop a future-proof blueprint for our digital systems and processes. The need is urgent. For example, our inventory interface system and parts of our finance systems were set up long ago for a much smaller business exporting Green mainly to Europe and Japan. Our industry has evolved dramatically in scale and complexity but our investment in systems hasn't kept pace.

The project extends beyond inventory data to consider all functions across the business. It will require significant investment. We need to build one combined global business, which means looking at how much standardisation we have through systems and procurement practices. Building our insights capability and being data-led creates opportunity for a step change in, for example, how we track fruit quality from the orchard to the consumer. Across our systems and processes is the opportunity to develop efficiency and simplicity and real-time feedback from our partners throughout our supply chain.

Our market focus is guided by a development framework that supports decisions on resource allocation for each market, focusing investment in some markets to build depth and efficiency. We define every market by its stage of growth and tailor the level of investment and marketing to its needs. The US market, for example, has a positive outlook, led by SunGold. Having become importer of record in the US in 2018, Zespri has continued to invest in a strong local team in this 'launch' market, to build closer

relationships with retailers and distributors, and to extend sales and build the brand through supply of Zespri Italian SunGold during the non-New Zealand season. By comparison, we have several markets in the 'explore' category where we are investing to build distribution and increase consumption and to explore the potential of the market.

Under our market focus programme, an important project is to position our business in China for further growth. The mainland China market today accounts for 16 percent of global volume and 22 percent of global revenue and it represents a significant portion of our incremental growth ahead. To deliver to our potential, we need to redesign our market development approach with a focus on accelerating distribution and penetration. We will look at the future distribution centre and cold-room capacity that we need. We will also develop our resourcing and organisational capability in China, with tight integration into Zespri's global sales excellence programme on sales channels and partner management.

Together with our partners, we aim to develop a sales force at Zespri that creates competitive advantage across the fruit bowl. Zespri employs close to 100 people in sales-related positions and this will increase as we expand the volume we supply direct to retail and launch in new markets. The sales capability framework, which covers skills such as sales planning, order management, and analysis of customer data, will allow us to identify where we have gaps and to address these through training and resourcing. To be successful overall, we need to have alignment with our strategy at the most senior level of our company. This is about creating a winning organisation.

Consequently, we are redesigning our executive-level and extended leadership structure. This includes regional general manager consolidation and the establishment of a global supply function and growth function. This is a vitally important change for our company in terms of leadership and organisation. It proposes to bring the voice of customers and consumers to top-level decision-making. It recognises the global nature of the supply function within the business. It centralises strategy development and best-practice sales and marketing under a global growth function.

Underpinning everything we want to achieve in transforming our business is our culture, reinforced by the shared values we have across the company. We are making changes at an organisational level and our investment in the operating model reflects the desire to strive for more, to take advantage of our strengths and never be comfortable with what we have achieved so far. We want every single member of the Zespri team to embrace this attitude.

We have an incredible opportunity ahead. We can become not just a great brand in fresh fruit, but a great healthy and sustainable food brand too. We can be a great company and an inspiring place to work. It's about our diverse team around the world being even more strongly connected to our consumers, growers, customers, suppliers and partners across the supply chain. We need to be even more commercially driven and grounded by our shared value of guardianship for our people, our communities and the environment.



FOCUS ON GROWERS

INNOVATION THROUGH CURIOSITY

FOR ANDREW AND JENNY NATUSCH,
INNOVATION ISN'T ABOUT BIG MOVES.
INSTEAD, THEY'RE OPEN-MINDED
AND CONSTANTLY MAKE SMALL
TWEAKS TO IMPROVE RETURNS.



“OF COURSE, THESE AREN'T OUR IDEAS. WE'VE ALWAYS MADE AN EFFORT TO GET OUT PAST THE ORCHARD GATE, TO ZESPRI FIELD DAYS AND PACKHOUSE FIELD DAYS, TO FIND OTHER GROWERS WHO SEEM TO BE ACHIEVING RESULTS.”



“I don't know whether we're any more curious than other people but we both love to test new ideas. We always like to have a little trial block or two going here. I've been mucking round with girdling and pollination and lately I've had a few late nights, looking at how night spraying affects drying times. Jenny's a biochemist so her scientific training helps us both take a more analytical approach to the business. We like to challenge ourselves and each other, to see if we can get better results, a better-quality product.

It's not about big, drastic changes: it takes a lot of little steps to increase productivity. They say insanity is doing the same thing over and over again but expecting different results, whereas we are always trying to improve what we're doing and ask why things happen.

I suppose I've thought this way all my life, always looking for better ways to do things. Agriculture and forestry were the norm when I was growing up here but when we bought part of the farm, I made sure we trialled a new breed of sheep, then a different breed of cattle. Dad wasn't too happy when we commandeered the best hay paddock to plant kiwifruit in the early 1980s. Then we bought the farm next door and converted our farm to dairy.

This latest spur pruning trial we're doing is showing some pretty interesting results for our Zespri SunGold. We've been working closely with Dr Ben van Hooijdonk, from Plant & Food Research in Hawke's Bay. The idea is to improve plant efficiency and maximise fruit production by utilising spurs, which naturally terminate growth. This has come out of the apple and viticulture industries.



STRONG RELATIONSHIPS SUPPORT SUCCESS

One of the other keys to Andrew and Jenny's ongoing success has been their long-term relationship with their orchard manager Jiten Limbu. Fondly known as Jee, he came to New Zealand from Nepal 17 years ago, when he was so shy he would "run away when people talked to me". Now filled with confidence, he plays a vital role in the trials that are run on orchard. Jee is in constant contact with Andrew and Jenny as they tweak processes, and has become part of the Natusch family, who are delighted that his wife, Dilu Subba, joined them in Pongakawa last year.



You're trying to achieve that sweet spot in vine growth – enough leaves to support the fruit on the fruiting lateral and not a lot to spare, so the plant then naturally directs more carbohydrate into the fruit.

Why did we take part in the trial? Well, we tend to take a fairly low vigour approach anyway and I was curious, I suppose. I thought it was taking our approach a step further. This is the third year of a three-year trial and I think we'll keep going with it. I don't think we've found the full potential yet but we're seeing more consistency in the fruit. Basically your worst fruit are better and of course, less variability in fruit translates to better storage. It's not just the consistency of quality; though, it's also the potential to increase production. We should be able to have more trays, higher productivity.

When you're trying to improve outcomes, you have to tweak every little thing. Of course, these aren't our ideas. We've always made an effort to get out past the orchard gate, to Zespri field days and packhouse field days, to find other growers who seem to be achieving results.

We believe you can always improve. We see innovation as picking up on the collective ideas of others, then experimenting with and adapting those ideas on our own orchard."

Andrew Natusch speaking with Zespri. The Natusch kiwifruit orchard is 1.6 hectares Green and 29 hectares SunGold, split into two orchards. The dairy farm has a 200-hectare milking platform carrying 640 cows.





STRIVING FOR A BETTER FUTURE

FORGING A PATH TOWARDS A SUSTAINABLE FUTURE – BUILDING OUR NEW SUSTAINABILITY FRAMEWORK.

The essence of Zespri's commitment to sustainability lies in the roots of our industry.

Over the years, we've enjoyed excellent growing conditions, the kiwifruit we produce are in demand around the world for their great taste and the nutritional boost they offer, we tread relatively lightly on the land and as an industry and we've built strong, thriving communities in New Zealand and across the globe.

But we know there's more for us to do. Our consumers, our communities and our environment expect this of us – as we do of ourselves.

There are many challenges ahead – for example, temperatures are on track to rise by three to five degrees Celsius by 2100.* This means we will see more extreme weather events, a decline in the population of many of the world's natural species, and less frosts and more hot days in New Zealand. There is also increasingly visible pollution in our air, on our lands and across our seas. As a result, conversations across the world are changing. No longer is there a need just for awareness, but also for urgent and unprecedented action.

More and more consumers want to connect with companies that produce their food, to understand how and where it is grown, as well as how sustainability is embraced throughout the supply chain.

That's why today sustainability sits at the heart of our company purpose – to help our people, our communities and the environment around the world thrive through the goodness of kiwifruit.

Our purpose shapes how we're addressing some of the significant environmental and societal challenges we're facing today. Within the kiwifruit industry, these include making sure that we're adapting to climate change, reducing our carbon footprint, minimising the use of plastics in packaging and leading the way in preserving access to water and its quality.

* World Meteorological Organization – <https://public.wmo.int/en/media/press-release/wmo-climate-statement-past-4-years-warmest-record>

There's also a need for us to be continually improving our industry's labour conditions, fostering our sector's talent and making a positive contribution to not only the lives of our growers and consumers but also to the wider communities we operate in, both in New Zealand and beyond.

We will start by releasing our sustainability strategic framework this year. Anchored by our sustainability principles, the framework outlines our commitment to work in partnership with our key stakeholders to enhance the environment and bring value to our communities for generations to come.

It demonstrates our intention to create real connections so that our industry works together to address our challenges and opportunities with openness and honesty. And it reinforces that Zespri will account for environmental and social impacts in all the business decisions we make.

This framework has been driven by the conversations we've had this year, speaking both with our teams and our industry partners, to understand what matters most and identify how we can deliver value to our customers, consumers, and our industry. We've taken some time to do this to make sure that the work we do meets the needs of the present without compromising the needs of our future generations, and also to ensure that it is genuine and authentic to our company and our people.

We know that's the mark of a successful approach to sustainability. As well as providing an opportunity to hear about the positive practices that many of our industry leaders already have underway, these conversations have given us an important insight into the sustainability aspirations of our people and growers over both the short and long term. Our ambition is to ensure that as we grow, we do so in a way that enhances the environment and builds strong social foundations in our communities around the world.

There are four fundamental elements that underpin our commitment to sustainability – the need to foster health and well-being, optimise resources, respect and enhance nature, and strengthen society. These are guiding the long-term goals we will engage with our industry on over the coming months.

Conscious of the need to take immediate action, this year we've prioritised areas where we know there are some significant gains to be made. This includes packaging, where the actions we are taking today are part of our commitment to help create a circular economy. This means moving away from society's traditional 'take, make and dispose' model of production to one that ensures we minimise waste and make the most use of our resources by recovering and regenerating other products and materials from them.

It's also about building on some of the progress we've already made. In 2018, ninety-five percent of the packaging that our kiwifruit travel to market in, is cardboard. Zespri is proud to have been the

first fruit company in the world to introduce compostable eco-labels across all of our organic kiwifruit. And from the 2019/20 season, we're rolling out a reduction in the weight of the plastic liners in our cardboard transport packs by almost 20 percent. Trialling alternative packaging for plastic pocket-packs is also underway.

More broadly, we're making sure we're aligned with global best-practice. Zespri has joined some of the world's biggest brands this year in signing up to the New Plastics Economy Global Commitment, and our team in Belgium has implemented recycling systems for almost all of our packaging.

We're also committed to making sure that, as a company, we're improving our energy efficiency and reducing our waste. This is evident in the construction of our new headquarters in Mount Maunganui. The building is designed to meet a 5-Star Green-Star rating, considering Energy, Water, Materials, Indoor Environment Quality (IEQ), Transport, Land Use and Ecology, Management, Emissions, and Innovation measures.

Our new home has a range of sustainable design features including smart facades to assist with sun shading minimising temperature control, water-efficient plumbing fittings and recycling of rainwater. It also includes localised occupant sensor control lighting, rooftop solar panels and enhanced recycling options for waste management. We believe this will be a fantastic home – not just for Zespri but for our industry too, and is a physical demonstration of our commitment to sustainable practice.

One of the challenges ahead is how we benchmark our performance and show progress on our sustainability measures in the coming years. Historically we haven't done this as well as we'd like, so we're putting effort into updating the carbon footprint of a kiwifruit, understanding the amount of soil carbon we store, investigating water quality and agreeing targets for the material used in our packaging and how much of it is reused, recycled and composted.

We also expect to have improved tools to demonstrate the health benefits our kiwifruit bring, the number of jobs our industry creates and the contribution we make to regional development across the country. These are important steps towards what we know is an enduring commitment to becoming a more sustainable organisation.

We look forward to continuing engagement with our industry and stakeholders on our sustainability framework with a view to developing a comprehensive sustainability strategy in February 2020. This will feature what we believe are ambitious but achievable targets to help guide our sustainability initiatives in the years ahead and to lead our industry's adoption of more sustainable practices.

It's up to all of us to take action, and Zespri looks forward to playing its part and further helping our people, our communities and the environment.

THE FUNDAMENTAL ELEMENTS OF OUR COMMITMENT TO SUSTAINABILITY

FOSTER
HEALTH
AND
WELL-BEING 

OPTIMISE
RESOURCES 

RESPECT
AND
ENHANCE
NATURE 


STRENGTHEN
SOCIETY

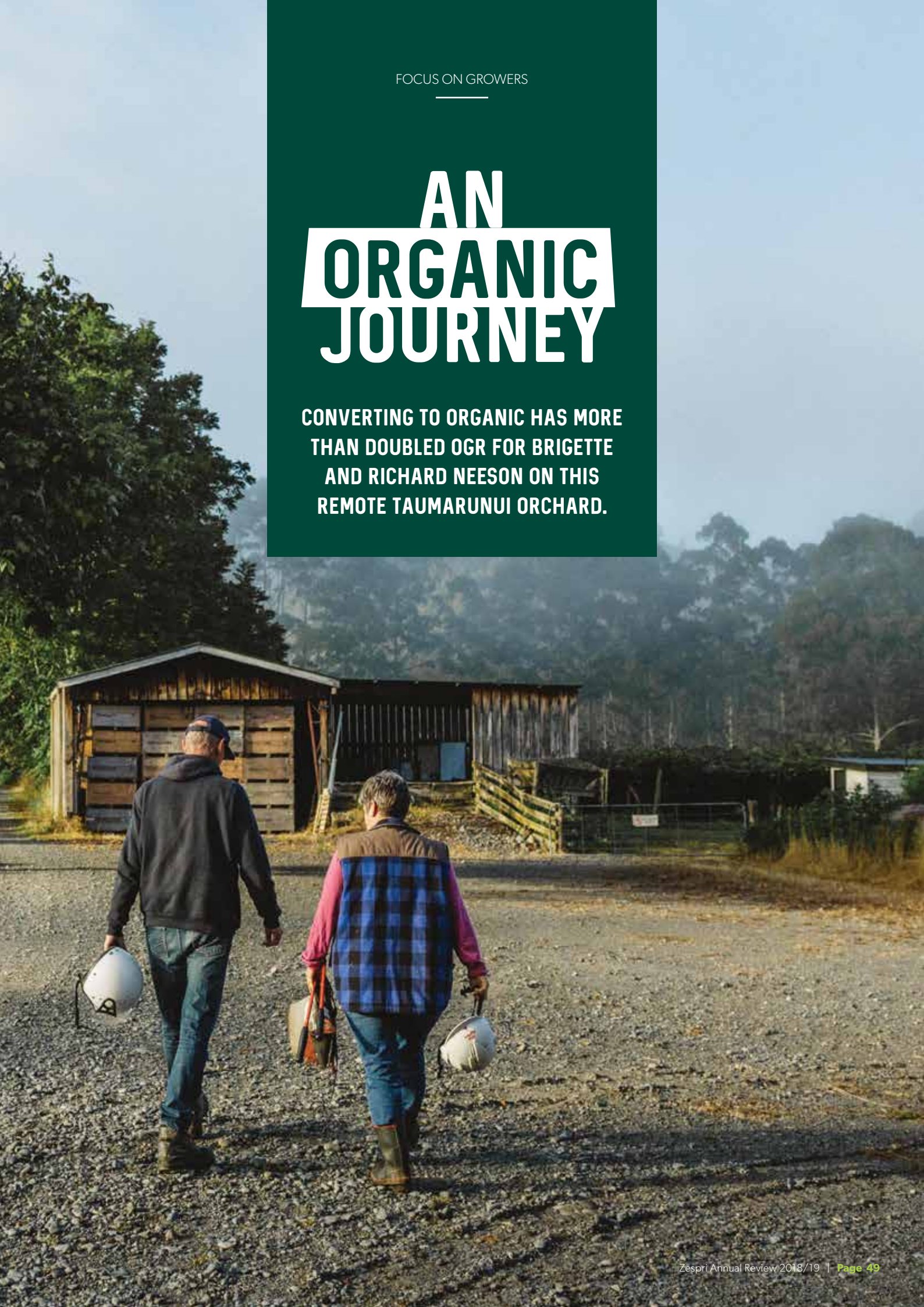




FOCUS ON GROWERS

AN ORGANIC JOURNEY

CONVERTING TO ORGANIC HAS MORE THAN DOUBLED OGR FOR BRIGETTE AND RICHARD NEESON ON THIS REMOTE TAUMARUNUI ORCHARD.







“WE REPLACED THE EXISTING T-BAR SYSTEM WITH PERGOLAS AND CONVERTED TO ORGANIC AND WE’VE MORE THAN DOUBLED OUR ORCHARD GATE RETURN.”

“It’s true that we’re a long way from anywhere here. The Whanganui River and Department of Conservation land wrap around us on three sides and there’s a gravel road on the other.

We also have a 400-hectare hill-country sheep and beef farm four kilometres away and that’s our nearest neighbour. My husband, Richard, runs the farm and I manage the orchard, where we’re growing four canopy hectares of certified organic Hayward.

Our youngest daughter, Eilish, is home from Japan so she’s been working with me but all four of our children have helped out on the orchard over the years, during weekends or school or university holidays. They’re all tall and they claim they’re not built for kiwifruit work but they always seem to find their way back here. During harvest, one or two will often take annual leave or come home between jobs or overseas travels.

Most of the year, it’s just me. I probably work 30 hours a week for about a third of the year and full-time the rest, though a local woman, Wendy, comes in once a fortnight to help on the orchard.

The orchard was planted in 1975 and, when we bought it 12 years ago, we came into it totally green. I was given one sheet of paper that said ‘this is all you need to do; it’s about 80 hours’ work a year’. We weren’t quite that ignorant but we didn’t really know anything about growing kiwifruit.

We did know about caring for the land, though, and we understood local conditions; we’ve lived in this valley for 25 years. I had to learn quickly after leaf roller took a chunk of our first crop. I think we got fewer than 4,000 trays a hectare or something disgraceful that first year. When we took it over, there was no trunk girdling and it was totally sprayed out underneath. We replaced the existing T-bar system with pergolas and converted to organic and we’ve more than doubled our Orchard Gate Return.

Our isolation kept Psa away from us but this location also makes labour tricky. Not everyone will travel 3.5 hours from Te Puke to work on a remote property with no cellphone coverage or easy access to town and a lot of rain and fog in winter. But once they’re here, our overseas workers love the scenery and all the birdlife. Their accommodation is communal but it’s clean and tidy and has a lovely outlook, within just a minute’s walk from the river. Anyone who stays more than a couple of days gets a jetboat trip on the river. Or maybe a hunting trip, or a visit to the farm to see a sheep being shorn. We often put a leg of mutton in the freezer, too.

As well as working on the farm and orchard, Richard has spent a lot of time renovating the old ski lodge and restaurant we bought in Raurimu. It’s busy. Often, we barely see each other, just try to catch up in the evenings. But it’s lovely living and working in this place, with freedom to plan my day. I love the challenge of working with nature and the satisfaction of growing really good food really well, in a sustainable way.”

**THE REGULAR FOG IN
TAUMARUNUI PROTECTS
THE KIWIFRUIT FROM
FROST, WHICH ENABLES
THE NEESONS TO GROW IN
THIS UNUSUAL LOCATION.**

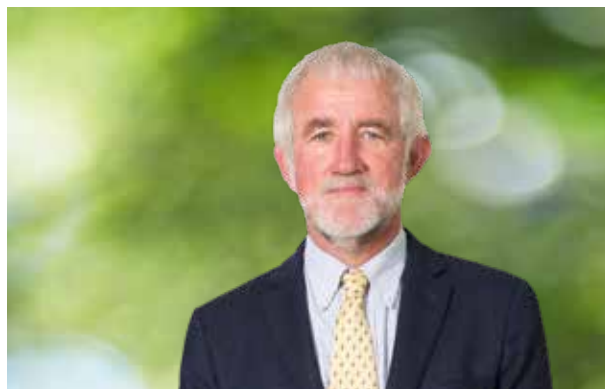


ZESPRI BOARD



BRUCE CAMERON
CHAIR

- › ZGL/ZIL Director since August 2010
- › Zespri Chair since February 2019



PAUL JONES
DEPUTY CHAIR

- › ZGL/ZIL Grower Director since July 2014
- › Deputy Chair since February 2019
- › Chair of the People and Culture Committee*
- › Member of the Industry Advisory Committee
- › Member of the Board Innovation Subcommittee



TERESA CIPRIAN
DIRECTOR

- › ZGL/ZIL Director since November 2014
- › Member of the People and Culture Committee
- › Member of the Board Innovation Subcommittee



NATHAN FLOWERDAY
DIRECTOR

- › ZGL/ZIL Director since July 2012
- › Chair of the Board Innovation Subcommittee
- › Member of the Audit and Risk Management Committee
- › Zespri Board – appointed Director of Kiwifruit Vine Health (KVH)

* In 2018/19 the Organisation and Administration Committee was renamed the People and Culture Committee.

**ZESPRI'S EIGHT BOARD MEMBERS BRING A WIDE RANGE OF EXPERIENCE,
FROM INTERNATIONAL MARKETING AND CORPORATE GOVERNANCE TO
INDUSTRY KNOWLEDGE AND FINANCIAL EXPERTISE.**



TONY HAWKEN
DIRECTOR

- › ZGL/ZIL Grower Director July 2018
- › Chair of the Industry Advisory Council



JONATHAN MASON
DIRECTOR

- › ZGL/ZIL Independent Director since May 2013
- › Chair of the Audit and Risk Management Committee
- › Member of the People and Culture Committee



PETER MCBRIDE
PAST CHAIR

- › ZGL/ZIL Grower Director since 2002
- › Zespri Chair from May 2013 to February 2019
- › Director of Zespri Innovation since 2002



PETER SPRINGFORD
DIRECTOR

- › ZGL/ZIL Independent Director since May 2017
- › Member of the Audit and Risk Management Committee

EXECUTIVE TEAM



DANIEL (DAN) MATHIESON
CHIEF EXECUTIVE OFFICER

Dan was appointed as Chief Executive Officer in September 2017, following a 15-year career with Zespri and international roles in Japan, South Korea, Belgium and Singapore. Prior to his appointment as CEO, he was President of Global Sales and Marketing, where he delivered a demand-led strategy that helped Zespri grow in its mature markets and diversify into new ones. Dan also led the development of Zespri's sales and marketing function, overseeing an increased focus on consumer insights, distributor and retailer relationships, and marketing excellence.



DAVID (DAVE) COURTNEY
CHIEF GROWER AND ALLIANCES OFFICER

Dave joined Zespri in 2011 and has been responsible for addressing some significant challenges, including overseeing the Kiwifruit Industry Strategy Project which has strengthened grower ownership of Zespri and reconfirmed the business' ability to invest in its 12-month supply strategy and ownership of PVRs. He has previously held roles as Communications Manager and Special Projects Manager. Before joining Zespri, Dave worked for the New Zealand Defence Force and the Ministry of Foreign Affairs and Trade, and as a journalist working both in New Zealand and overseas.



MATT CRAWFORD
ACTING CHIEF TRANSFORMATIONAL OFFICER

Matt joined Zespri in 2010 and was appointed Acting Chief Transformation Officer in January 2019. He is responsible for delivering Zespri's "Must Win" initiatives and ensuring that Zespri is well positioned to capitalise on growth opportunities. Matt has previously held a range of roles within the business including Head of Corporate Relations where he was based in China, and Business Strategy Manager where he was based in the United States. Before joining Zespri, he worked for the New Zealand Ministry of Foreign Affairs and Trade.



BLAIR HAMILL
CHIEF SUPPLY CHAIN OFFICER

Blair joined Zespri in 2000 and has developed a deep understanding of Zespri's global supply chain from the range of roles he has held both domestically and offshore. This included a secondment to the non-New Zealand supply side of the business where he focused on our Northern Hemisphere supply in Italy and France, and in 2011 he was appointed as General Manager Global Supply, based in Italy. In 2014, Blair was appointed as General Manager of Supply Chain and before joining Zespri, he worked in chartered accountancy and as a management accountant.



BRETT HARTMAN
ACTING CHIEF DIGITAL OFFICER

Brett joined Zespri in June 2016 and as Acting Chief Digital Officer he is responsible for Zespri's Digital Strategy, Technology Platforms and User Experience. Prior to joining Zespri, Brett worked at KiwiRail where he established and led the company's Business Intelligence function. Having been based in London for five years, his career has included a variety of marketing and finance roles for a diverse range of companies including Mercedes-Benz, Dell Computers and World Duty Free.



RICHARD HOPKINS
CHIEF FINANCIAL OFFICER

Richard joined Zespri in March 2019 as Chief Financial Officer. He is responsible for the organisation's finance, corporate performance, compliance and legal services functions. Prior to joining Zespri, Richard was CFO at Ballance Agri-Nutrients and he has significant experience in the financial services industry having previously held senior roles with Credit Suisse, HSBC Samuel Montagu and Westpac Institutional Bank.



SHEILA MCCANN-MORRISON
CHIEF INTERNATIONAL PRODUCTION OFFICER

Sheila joined Zespri in 2016 and has extensive experience in the global fruit industry where she has worked across several continents. A former General Manager for Dole where she began her corporate career in Costa Rica, she has also held Innovation and Packaging and Regional Directorship roles at Chiquita Brands in Latin America and Europe. Sheila is from the US and speaks several languages.



LINDA MILLS
CHIEF MARKET PERFORMANCE OFFICER

Linda joined Zespri in 2009 and is responsible for market allocation and optimisation, and sales and operations planning. She is also involved in market development and longer-term strategic demand planning. Before joining Zespri, Linda worked in the kiwifruit industry for over 15 years in a variety of roles, ranging from grading kiwifruit to being General Manager of the G6 Kiwi Supply Group.



TRACY SHERLOCK
EXECUTIVE ASSISTANT

Tracy joined Zespri in April 2010 as the Executive Assistant to the CEO and Board of Directors, and is responsible for managing the CEO's Office. Prior to joining Zespri, she spent almost a decade working at the Bay of Plenty District Health Board supporting the GM of Planning and Funding, the Chief Medical Director and Director of Nursing. Tracy has more than 20 years administrative experience within the horticultural, health and hospitality industries and is Group President for the Tauranga Association of Administrative Professionals NZ Inc.



JIUNN SHIH
CHIEF MARKETING OFFICER

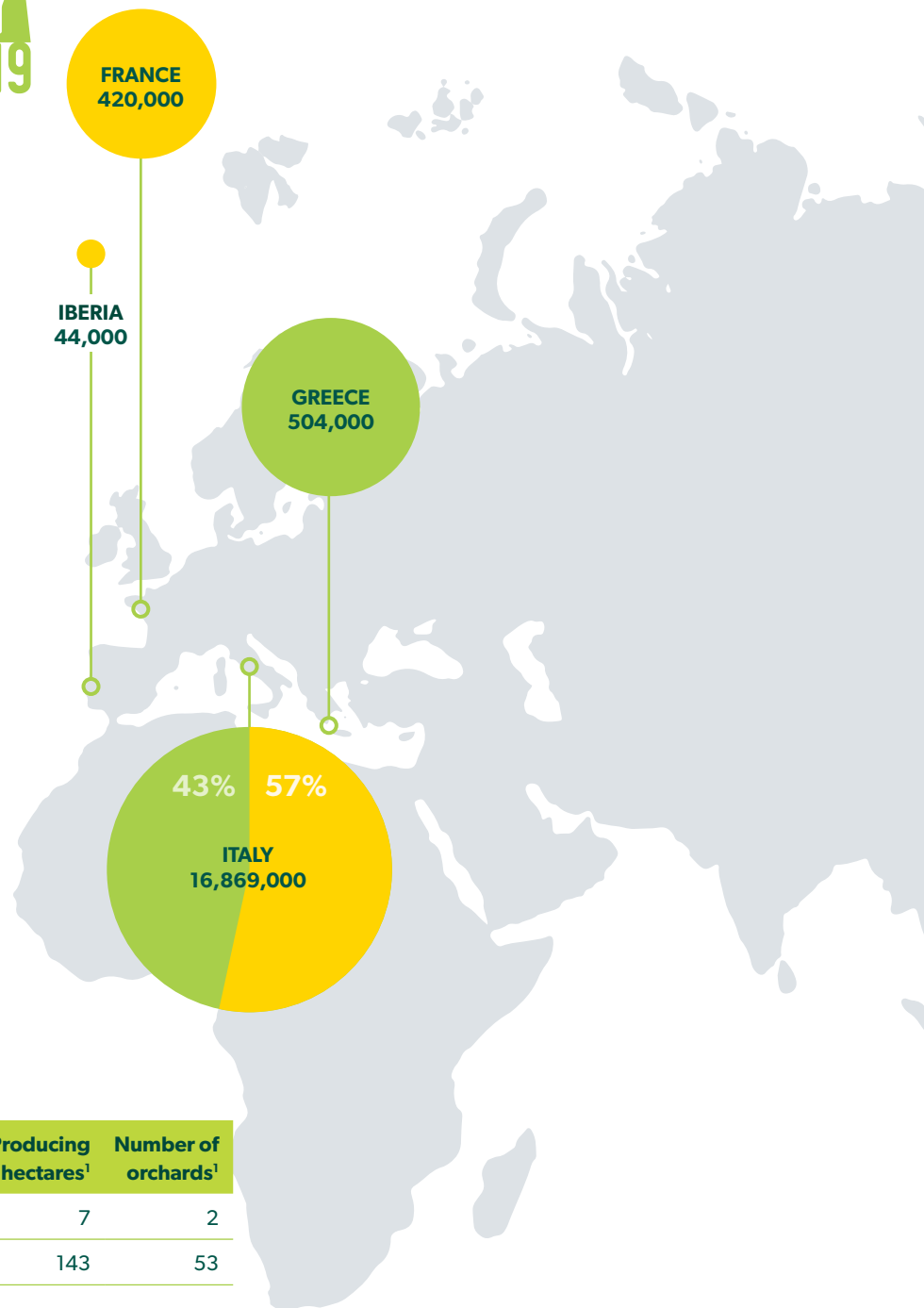
Jiunn joined Zespri in 2016 as the Global General Manager Marketing. Prior to joining Zespri, he was a Senior Global Category Director on the Global Beverages Executive Team at Unilever where he led brand development for brands such as Lipton and Carte D'Or. His career has also seen him work across Latin America, Asia and Europe, marketing some of the world's biggest consumer brands.



CAROL WARD
CHIEF INNOVATION AND SUSTAINABILITY OFFICER

Carol joined Zespri in 2002 and has held a number of roles within the company. Having spent time based in Belgium, Taiwan and Singapore, she is a former Global Marketing Manager for Gold, Director Corporate and Grower Services, and General Manager Marketing. Prior to joining Zespri, Carol held marketing and sales roles at Carter Holt Harvey Tissue and in divisional management at Hanimex (NZ) Limited, New Zealand Dairy Foods and NZKGI.

ZESPRI GLOBAL SUPPLY STATISTICS 2018/19



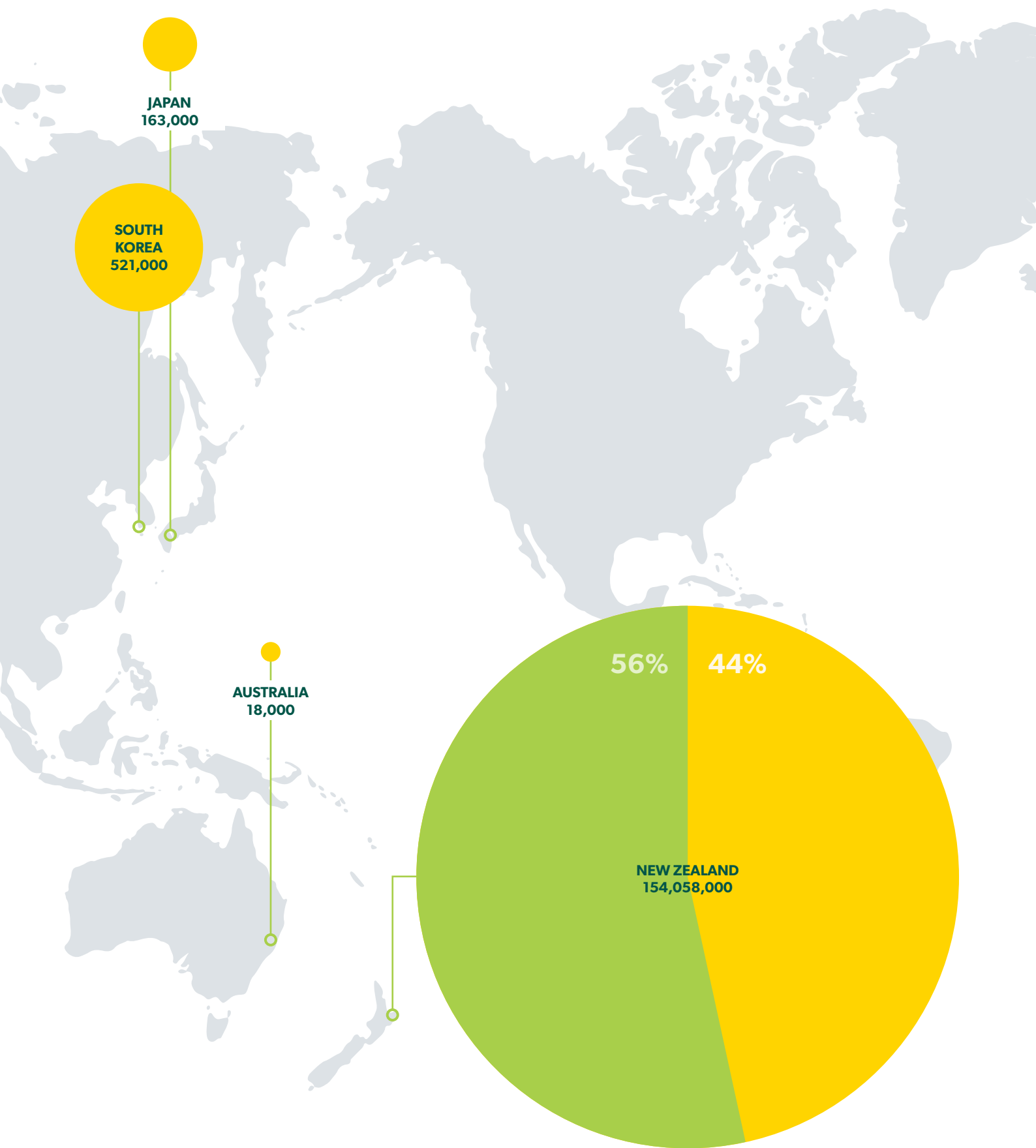
PERCENTAGE OF GREEN TRAYS SUPPLIED



PERCENTAGE OF GOLD TRAYS SUPPLIED

Region	Trays supplied ('000)	Percentage of supply	Producing hectares ¹	Number of orchards ¹
Australia	18	0.0%	7	2
France	420	0.2%	143	53
Greece	504	0.3%	-	-
Iberia	44	0.0%	8	6
Italy	16,869	9.8%	1,608	598
Japan	163	0.1%	64	428
South Korea	521	0.3%	84	254
New Zealand	154,058	89.3%	12,747	3,201

¹ Zespri Global Supply producing hectares and orchards figures for regions other than New Zealand represent supply of Zespri licenced varieties only. Legacy trial areas in Iberia and Australia currently produce supply for the Zespri Global Supply business. The intention is that these will be phased out over the coming years as Zespri focuses on major growing regions. Zespri also has a number of trial sites in the US.



GRAPHIC IS NOT TO SCALE

INDUSTRY PERFORMANCE

REGIONAL PRODUCTION ANALYSIS – NEW ZEALAND-GROWN KIWIFRUIT

Tray Equivalents (TEs) supplied to Zespri	2018/19		2017/18		2016/17		2015/16	
	Producing hectares	TE supplied per ha	Producing hectares	TE supplied per ha	Producing hectares	TE supplied per ha	Producing hectares	TE supplied per ha
ZESPRI GREEN KIWIFRUIT								
Northland	106	8,498	109	5,779	113	9,559	116	7,666
Auckland	262	9,974	273	7,719	272	9,502	273	8,099
Bay of Plenty								
– Katikati	859	9,882	940	7,678	966	11,972	973	9,748
– Ōpōtiki	455	11,315	457	8,917	464	11,758	469	10,756
– Tauranga	1,087	12,014	1,086	9,193	1,116	12,533	1,090	10,135
– Te Puke	3,292	12,380	3,419	9,641	3,508	13,088	3,524	12,204
– Waihi	138	9,858	100	6,569	100	8,701	105	7,604
– Whakatāne	366	10,541	402	7,728	439	9,889	438	8,248
Waikato	203	9,076	200	8,339	204	9,664	206	8,867
Poverty Bay	52	7,745	54	8,366	54	5,828	55	6,605
Hawke's Bay	45	7,358	43	6,620	45	7,290	47	8,265
Lower North Island	70	9,291	70	8,696	65	7,056	69	6,186
South Island	223	7,258	229	5,663	258	7,246	250	6,158
Total producing hectares	7,158		7,382		7,604		7,614	
Average TE supplied per hectare		11,320		8,812		11,933		10,590
ZESPRI ORGANIC GREEN KIWIFRUIT								
Northland	–	–	–	–	–	–	–	–
Auckland	1	5,364	1	2,614	1	5,856	1	3,983
Bay of Plenty								
– Katikati	30	9,061	30	6,593	31	9,208	30	8,037
– Ōpōtiki	21	7,493	22	5,786	22	8,616	22	7,404
– Tauranga	182	8,604	203	6,033	210	8,652	231	8,054
– Te Puke	38	8,775	42	6,979	38	10,408	57	8,841
– Waihi	22	6,589	19	3,964	20	4,219	20	4,808
– Whakatāne	4	4,594	4	4,197	4	5,323	3	5,171
Waikato	148	6,885	151	5,310	151	6,536	153	6,148
Poverty Bay	1	4,042	1	3,676	2	4,637	2	5,284
Hawke's Bay	–	–	–	–	–	–	–	–
Lower North Island	2	4,439	2	5,552	2	6,524	2	6,365
South Island	–	–	–	–	21	4,516	16	2,873
Total producing hectares	448		475		502		537	
Average TE supplied per hectare		7,863		5,802		7,841		7,254
ZESPRI SUNGOLD AND ORGANIC SUNGOLD KIWIFRUIT (GOLD3)								
Northland	356	12,327	319	8,044	189	9,069	122	6,104
Auckland	214	12,143	206	10,701	187	8,928	139	5,694
Bay of Plenty								
– Katikati	497	13,531	525	11,299	501	12,302	423	7,521
– Ōpōtiki	520	13,871	506	12,172	478	11,028	403	8,298
– Tauranga	476	14,100	437	12,320	413	12,484	367	8,073
– Te Puke	1,811	13,744	1,655	12,390	1,516	12,746	1,262	9,220
– Waihi	92	12,811	53	9,168	51	11,027	43	8,828
– Whakatāne	240	11,931	211	13,211	206	11,175	167	8,861
Waikato	192	10,712	183	7,937	157	7,029	125	3,295
Poverty Bay	244	11,937	208	9,740	146	8,728	103	8,586
Hawke's Bay	152	10,840	149	8,263	131	6,815	80	9,562
Lower North Island	2	5,955	2	7,799	2	5,349	1	5,227
South Island	200	14,135	176	8,693	139	9,635	103	8,758
Total producing hectares	4,996		4,630		4,116		3,339	
Average TE supplied per hectare		13,216		11,292		11,366		8,234

Tray Equivalents (TEs) supplied to Zespri	2018/19		2017/18		2016/17		2015/16	
	Producing hectares	TE supplied per ha	Producing hectares	TE supplied per ha	Producing hectares	TE supplied per ha	Producing hectares	TE supplied per ha
ZESPRI GOLD AND ORGANIC GOLD KIWIFRUIT (HORT16A)								
Northland	-	-	11	8,615	52	12,721	172	12,133
Auckland	-	-	-	-	1	5,822	15	12,969
Bay of Plenty								
- Katikati	-	-	-	-	-	-	1	10,618
- Ōpōtiki	-	-	-	-	-	-	-	-
- Tauranga	-	-	-	-	-	-	1	4,712
- Te Puke	-	-	-	-	-	-	-	-
- Waihi	-	-	-	-	-	-	1	13,777
- Whakatāne	-	-	-	-	-	-	-	-
Waikato	-	-	-	-	1	9,394	15	8,802
Poverty Bay	-	-	-	-	48	9,245	69	8,365
Hawke's Bay	-	-	2	7,793	12	11,484	55	11,667
Lower North Island	-	-	-	-	-	-	-	-
South Island	-	-	17	10,647	47	9,349	64	10,796
Total producing hectares	-	-	30		161		394	
Average TE supplied per hectare		-		9,689		10,561		11,077
ZESPRI SWEET GREEN KIWIFRUIT (GREEN14)								
Northland	1	5,809	1	3,041	1	7,210	1	4,243
Auckland	18	4,916	14	5,238	14	6,256	13	5,336
Bay of Plenty								
- Katikati	8	5,871	11	7,377	15	8,571	16	6,331
- Ōpōtiki	8	8,003	12	7,790	14	9,758	18	6,507
- Tauranga	4	7,254	6	5,845	8	6,899	10	5,892
- Te Puke	59	6,944	80	7,711	88	9,148	115	6,564
- Waihi	-	-	-	-	-	-	-	-
- Whakatāne	17	6,863	18	7,550	20	5,984	15	4,960
Waikato	11	5,032	15	5,428	18	5,686	16	3,175
Poverty Bay	3	5,298	4	6,985	4	6,072	4	6,888
Hawke's Bay	8	3,682	8	4,415	8	4,363	8	8,358
Lower North Island	4	2,602	4	6,486	4	3,679	4	5,505
South Island	2	4,013	2	2,789	1	6,506	1	5,280
Total producing hectares	145		175		195		223	
Average TE supplied per hectare		6,150		6,925		7,813		6,109
ALL ZESPRI KIWIFRUIT								
Northland	463	11,440	440	7,481	355	9,755	420	9,089
Auckland	494	10,716	494	8,887	475	9,165	456	7,463
Bay of Plenty								
- Katikati	1,395	11,140	1,505	8,916	1,513	11,991	1,458	9,022
- Ōpōtiki	1,004	12,533	996	10,486	978	11,302	923	9,528
- Tauranga	1,750	12,215	1,733	9,599	1,747	12,029	1,707	9,376
- Te Puke	5,200	12,767	5,197	10,465	5,150	12,900	4,965	11,275
- Waihi	253	10,656	172	7,071	171	8,871	170	7,629
- Whakatāne	626	10,940	634	9,528	669	10,141	624	8,317
Waikato	554	8,978	549	7,291	531	7,860	519	6,551
Poverty Bay	300	11,123	267	9,399	254	8,135	234	8,003
Hawke's Bay	205	9,802	203	7,757	196	7,110	192	9,795
Lower North Island	78	8,720	78	8,463	73	6,810	77	6,141
South Island	426	10,473	425	7,101	466	8,046	435	7,331
Total producing hectares	12,747		12,693		12,578		12,180	
Average TE supplied per hectare		11,883		9,579		11,500		9,726

TE/ha = tray equivalents of supplied class 1 standard supply sizes per hectare.
Producing hectares includes all hectares producing fruit in the relevant season.
Producing hectare amounts are not rounded to whole numbers;
therefore, rounding differences may apply to totals.



INDUSTRY PERFORMANCE [CONTINUED]

NEW ZEALAND KIWIFRUIT INDUSTRY STATISTICS









	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12
Distribution to growers/suppliers								
Fruit and service payments (excluding loyalty premium)	11.52	11.53	9.21	9.27	9.57	9.02	9.08	8.37
Loyalty premium	0.30	0.27	0.25	0.24	0.24	0.24	0.24	0.24
Total payments per tray¹	11.83	11.80	9.46	9.51	9.81	9.26	9.32	8.61
Crop volumes ('000)								
Trays submitted (gross)	157,715	125,822	148,902	123,763	97,304	87,725	105,580	119,444
Trays supplied	154,058	124,433	145,871	120,145	95,683	86,510	102,860	113,932
Trays sold	148,843	123,246	137,748	117,094	95,187	86,094	101,313	109,129
Trays sold as a percentage of trays supplied	96.6%	99.0%	94.4%	97.5%	99.5%	99.5%	98.5%	95.8%
General statistics								
Production per hectare (trays submitted)	12,373	9,913	11,838	10,157	8,662	8,016	8,610	9,556
Producing hectares	12,747	12,692	12,578	12,185	11,233	10,944	12,263	12,500
Orchard Gate Return per hectare (average)	96,033	79,361	68,868	60,758	57,369	49,385	51,153	45,206
Number of producers ²	2,756	2,405	2,435	2,516	2,540	2,350	2,636	2,662
Average number of trays supplied per producer	55,899	51,739	59,906	47,752	37,670	36,813	39,021	42,799
Number of orchards registered								
0 – 2 hectares	717	774	791	807	834	802	855	913
2 – 5 hectares	1,575	1,509	1,508	1,499	1,428	1,458	1,483	1,521
5 – 10 hectares	702	607	589	568	515	487	573	577
Over 10 hectares	207	165	161	147	128	126	146	138
Total (KPINs)	3,201	3,055	3,049	3,021	2,905	2,873	3,057	3,149
Average orchard size (hectares)								
Green	3.4	3.5	3.5	3.5	3.6	3.6	3.7	3.7
Gold*	2.8	2.7	2.6	2.3	1.9	2.0	2.1	3.2
* Includes Gold3 (first season producing 2012/13), Hort16A and Gold9 (decommercialised 2015/16)								
Number of packhouses used³								
0 – 500,000 trays	7	15	16	17	15	20	23	20
500,000 – 1,000,000 trays	6	6	7	5	8	9	6	10
1,000,000 – 2,000,000 trays	8	4	5	9	8	7	12	12
Over 2,000,000 trays	23	22	22	20	19	18	18	21
Total	44	47	50	51	50	54	59	63
Average trays stored per packhouse ('000)	3,584	2,677	2,978	2,427	1,956	1,626	1,792	1,896
Number of coolstores used								
0 – 500,000 trays	25	31	35	29	26	33	35	34
500,000 – 1,000,000 trays	6	8	10	5	9	8	10	14
1,000,000 – 2,000,000 trays	8	6	7	9	8	11	12	9
Over 2,000,000 trays	25	22	21	21	19	16	19	22
Total	64	67	73	64	62	68	76	79
Average trays stored per coolstore ('000)	2,464	1,878	2,040	1,934	1,577	1,291	1,391	1,512
Number of employees								
New Zealand based (includes seasonal employees)	251	239	233	194	184	163	164	173
Non-New Zealand based	279	239	203	159	133	123	122	124
Total	530	478	436	353	317	286	286	297
Global revenue per employee (\$'000), including seasonal employees	5,952	5,244	5,379	5,457	5,062	4,764	5,554	5,517
Global revenue (adjusted to 31 March 2019 7-year average foreign exchange rates) per employee (\$'000), including seasonal employees	5,556	5,033	5,173	5,215	5,296	4,552	4,820	5,004

¹ Per tray amounts are not rounded to two decimal places; therefore, rounding differences may apply to totals.

² In accordance with the revised Constitution definition of Producer, 2018/19 number of producers includes lessees. The historical numbers exclude lessees.

³ The 2017/18 figures for 'Number of packhouses used' have been restated to include only New Zealand packhouses, consistent with the figures presented for other seasons.

NEW ZEALAND TOTAL FRUIT AND SERVICE PAYMENTS INCLUDING LOYALTY PREMIUM

	Return \$m 2018/19	\$ PER TE ⁴ 2018/19	\$ PER TE 2017/18	\$ PER TE 2016/17	\$ PER TE 2015/16
CLASS 1 KIWIFRUIT					
 Total tray equivalents supplied (millions)		81.0	65.1	90.8	80.7
Fruit payments	332.1	4.10	5.35	4.19	5.30
Fruit incentives	244.2	3.01	2.96	1.84	1.42
Service payments	135.5	1.67	1.55	1.52	1.54
Loyalty premium	24.8	0.31	0.28	0.25	0.25
Total fruit and service payments (including loyalty premium)	736.6	9.09	10.14	7.80	8.51
 Total tray equivalents supplied (millions)		3.5	2.8	3.9	3.9
Fruit payments	23.7	6.74	7.72	5.96	6.36
Fruit incentives	14.4	4.10	2.84	2.54	2.41
Service payments	3.5	1.00	0.87	1.07	1.09
Loyalty premium	1.1	0.31	0.28	0.25	0.25
Total fruit and service payments (including loyalty premium)	42.7	12.14	11.71	9.82	10.11
 Total tray equivalents supplied (millions)		66.0	52.6	48.5	32.6
Fruit payments	473.7	7.17	6.86	6.00	5.39
Fruit incentives	416.5	6.31	5.76	4.98	5.08
Service payments	104.6	1.58	1.28	1.39	1.36
Loyalty premium	20.2	0.31	0.28	0.25	0.25
Total fruit and service payments (including loyalty premium)	1,015.0	15.37	14.18	12.62	12.08
 Total tray equivalents supplied (millions)		0.9	1.2	1.5	1.4
Fruit payments	5.8	6.53	5.68	6.68	6.34
Fruit incentives	3.0	3.37	2.70	2.11	3.41
Service payments	0.1	0.12	0.22	0.46	0.47
Loyalty premium	0.3	0.31	0.28	0.25	0.25
Total fruit and service payments (including loyalty premium)	9.2	10.34	8.88	9.50	10.47
CLASS 2 KIWIFRUIT (ALSO INCLUDES SOME FAMILY KIWI-BRANDED FRUIT)					
 Total tray equivalents supplied (millions)		1.4	0.7	0.4	0.7
Fruit payments	8.4	5.97	6.18	5.00	5.06
Service payments	0.1	0.04	-	0.10	0.02
Total fruit and service payments	8.5	6.01	6.18	5.10	5.08
 Total tray equivalents supplied (millions)		0.1	0.1	0.1	0.0
Fruit payments	0.6	9.86	9.67	7.15	6.30
Service payments	0.0	0.19	0.22	0.18	0.22
Total fruit and service payments	0.6	10.05	9.89	7.33	6.52
 Total tray equivalents supplied (millions)		0.7	1.1	-	-
Fruit payments	5.1	7.68	6.20	-	-
Service payments	0.1	0.08	0.13	-	-
Total fruit and service payments	5.2	7.76	6.33	-	-
 Total tray equivalents supplied (millions)		-	-	-	-
Fruit payments	-	-	-	-	4.71
Service payments	-	-	-	-	0.04
Total fruit and service payments	-	-	-	-	4.75
NON-STANDARD SUPPLY					
Total tray equivalents supplied (millions)		0.5	1.0	0.6	0.8
Fruit payments	2.6	5.60	7.66	6.24	5.97
Fruit incentives	1.3	2.79	-	-	-
Service payments	0.2	0.54	0.05	-	-
Total fruit and service payments	4.1	8.93	7.71	6.24	5.97
Total all pools					
Total tray equivalents supplied (millions)		154.1	124.4	145.9	120.1
Fruit payments	851.9	5.53	6.08	4.88	5.38
Fruit incentives	679.3	4.41	4.07	2.89	2.45
Service payments	244.1	1.59	1.38	1.44	1.44
Loyalty premium	46.3	0.30	0.27	0.25	0.24
Total fruit and service payments (including loyalty premium)	1,821.8	11.83	11.80	9.46	9.51
Total fruit and service payments 2017/18	1,468.1				
Total fruit and service payments 2016/17	1,380.0				
Total fruit and service payments 2015/16	1,143.0				

⁴ \$ Per TE Amounts are not rounded to two decimal places; therefore, rounding differences may apply to totals.

ALTERNATIVE REVENUE STATEMENT

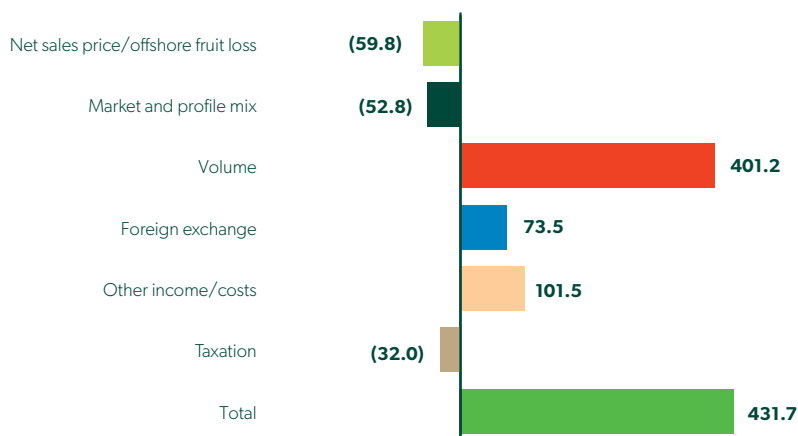
	2018/19	2017/18	2016/17
Zespri global kiwifruit sales – net (\$'000)	2,943,870	2,391,610	2,261,733
New Zealand grown kiwifruit tray equivalents supplied (millions)	154.1	124.4	145.9
Non-New Zealand grown kiwifruit tray equivalents supplied (millions)	18.5	15.5	16.8
NEW ZEALAND KIWIFRUIT SEGMENT	\$'000	\$'000	\$'000
Gross sales of New Zealand kiwifruit	2,839,871	2,298,990	2,149,786
Promotional rebates, claims and discounts	(230,270)	(188,080)	(122,595)
Net sales of New Zealand kiwifruit	2,609,601	2,110,910	2,027,191
Net fruit return through collaborative marketers	22,595	17,191	19,141
Other pool income	1,662	570	1,742
Revenue attributable to New Zealand pools¹	2,633,858	2,128,671	2,048,074
Less New Zealand pool costs:			
Freight	172,701	135,621	135,107
Insurance (onshore and offshore excluding hail)	3,591	3,534	3,159
Hail self-insurance	326	4,509	3,499
Duty and customs	94,776	78,563	80,168
Other direct pool costs – onshore ^{2&3&4&6}	78,613	62,618	61,592
Other direct pool costs – offshore	95,659	68,387	76,763
Promotion	161,180	134,090	149,597
Interest income ⁵	(1,022)	(2,364)	(810)
Total pool costs	605,824	484,958	509,075
Return from fruit sales	2,028,034	1,643,713	1,538,999
New Zealand fruit and service payments	1,775,408	1,433,956	1,343,983
Zespri margin⁷	252,626	209,757	195,016
Other non-pool revenue	2,579	3,245	2,385
Innovation funding ⁹	2,509	3,039	4,315
New Zealand kiwifruit corporate revenue	257,714	216,041	201,716
Less corporate overhead expenses:			
Innovation	15,762	12,344	11,651
Class 2 mainpack subsidy	–	96	10
Overhead costs – onshore	81,201	71,956	70,059
Overhead costs – offshore	76,950	70,742	61,781
Allocated excess taxation	2,636	1,832	–
New Zealand kiwifruit corporate overhead expense	176,549	156,970	143,501
Zespri EBIT and loyalty premium from New Zealand kiwifruit segment	81,165	59,071	58,215
Loyalty premium	46,347	34,101	36,047
Zespri EBIT from New Zealand kiwifruit	34,818	24,970	22,168
NON-NEW ZEALAND SUPPLY SEGMENT⁸			
Net sales of non-New Zealand supply kiwifruit	311,674	263,509	215,401
Less non-New Zealand supply costs:			
Direct costs including fruit purchases	277,307	236,315	189,384
Overhead costs	25,823	18,160	15,296
Other expense/(income)	463	(175)	(1,132)
	303,593	254,300	203,549
EBIT from non-New Zealand supply segment	8,081	9,209	11,852

	2018/19	2017/18	2016/17
NEW CULTIVARS SEGMENT	\$'000	\$'000	\$'000
New cultivars licence revenue	194,420	101,746	67,178
New cultivars royalty income ²	28,400	20,723	16,673
New cultivars innovation funding ⁹	4,911	2,318	3,646
Revenue attributable to new cultivars	227,731	124,787	87,497
Less new cultivars costs:			
Amortisation of new cultivars	1,323	1,950	1,917
New cultivars costs ¹⁰	19,005	14,386	14,688
	20,328	16,336	16,605
EBIT from new cultivars segment	207,403	108,451	70,892
LAND AND BUILDINGS SEGMENT			
Income	525	556	705
Overhead costs	593	1,242	966
	593	1,242	966
EBIT from land and buildings segment	(68)	(686)	(261)
Zespri Group EBIT	250,234	141,944	104,651
Net interest income	2,764	1,934	2,424
Add back allocated excess taxation	2,636	1,832	–
Zespri Group profit before taxation	255,634	145,710	107,075
Taxation	75,828	43,868	33,374
Zespri Group profit after tax	179,806	101,842	73,701
Total fruit and service payments	1,775,408	1,433,956	1,343,983
Loyalty premium	46,347	34,101	36,047
Total fruit and service payments (including loyalty premium)	1,821,755	1,468,057	1,380,030

The Alternative Revenue Statement is used for management information and is the basis for the calculation of the fruit and service payments. Foreign exchange gains and losses are allocated differently from the way that they are treated in the Financial Statements in that they are apportioned to the relevant line items above. For more detail on segment EBITs, refer to Note 30 of the Annual Report.

CAUSE OF CHANGE 2018/19 VS 2017/18

\$MILLIONS



The 'Cause of Change' chart outlines the increase in the return to the industry this season to \$2,002 million from \$1,570 million in 2017/18.

	\$'000
Total fruit and service payments 2017/18 (including loyalty premium)	1,468,057
Add Zespri net profit after tax 2017/18	101,842
Return to industry 2017/18	1,569,899
Movements due to change in:	
Net sales price/offshore fruit loss	(59,846)
Market and profile mix	(52,762)
Volume	401,244
Foreign exchange	73,525
Other income/costs	101,461
Taxation	(31,960)
Return to industry 2018/19	2,001,561
Total fruit and service payments 2018/19	1,775,408
Add Zespri loyalty premium 2018/19	46,347
Total including loyalty premium 2018/19	1,821,755
Add Zespri net profit after tax 2018/19	179,806
Return to industry 2018/19	2,001,561

NEW ZEALAND POOL COSTS AS A PERCENTAGE OF POOL REVENUE

	2018/19	2017/18	2016/17
Zespri margin (net of loyalty premium) ⁷	7.8%	8.2%	7.8%
Freight	6.6%	6.4%	6.6%
Insurance	0.1%	0.4%	0.3%
Duty and customs	3.6%	3.7%	3.9%
Other direct pool costs – onshore ²	3.0%	2.9%	3.0%
Other direct pool costs – offshore	3.6%	3.2%	3.7%
Promotion	6.1%	6.3%	7.3%
Interest income ⁵	(0.0%)	(0.1%)	0.0%
Total fruit and service payments (including loyalty premium)	69.2%	69.0%	67.4%
	100.0%	100.0%	100.0%
Revenue attributable to New Zealand pools (\$'000)¹	2,633,858	2,128,671	2,048,074

- Net revenue attributable to the pools includes sales of New Zealand-grown kiwifruit, net income from New Zealand collaborative marketing programmes and other pool income as noted in the Alternative Revenue Statement.
- Within 'Other direct pool costs – onshore' is the 3.0 percent royalty from new cultivars on net sales for Gold3 and Green14. This royalty is made up of two components: 1.35 percent of this royalty is paid to The New Zealand Institute for Plant & Food Research Limited and 1.65 percent royalty income from new cultivars in Zespri Group Limited.
- Other direct pool costs – onshore include: KVH Funding, KNZ Fees and NZKGI funding.
- Zespri Group Limited pays two different levies to Kiwifruit Vine Health Incorporated (KVH) on behalf of growers, for kiwifruit grown in New Zealand and exported to markets other than Australia: (1) a Psa levy of \$0.006 per tray and (2) a biosecurity levy of \$0.01 per tray.
- Interest income is made up of the following: interest income of \$1.66 million, interest paid of \$0.49 million and an interest charge from Zespri corporate of \$0.15 million. This results in an overall interest income to the pools of \$1.02 million.
- Zespri Group Limited is required, under Regulation 39 of the Kiwifruit Export Regulations 1999, to fund the statutory board Kiwifruit New Zealand. New Zealand Kiwifruit Growers Incorporated (NZKGI) is the kiwifruit grower representation body and Zespri Group Limited is required by The Commodity Levies (Kiwifruit) Order 2017 to pay a levy to NZKGI on behalf of growers. The rate for the 2018/19 year was \$0.01 per tray of kiwifruit grown in New Zealand and exported to markets other than Australia.
- Zespri margin is calculated in accordance with the New Zealand Supply Agreement, being 5.0 percent of net sales (excluding collaborative marketing programmes) and 7.5 percent of fruit payments to suppliers.
- Further analysis of non-New Zealand-grown supply is available within the segment reporting in Note 30 of the Annual Report.
- Innovation funding has been split between the New Zealand kiwifruit segment and the new cultivars segment based on the segment activity (refer to Note 2(b) and Note 30 of the Annual Report).
- New cultivars costs include overhead costs and innovation costs (refer to Note 30 of the Annual Report).

**AT ZESPRI,
WE BELIEVE
GOODNESS COMES
FROM WITHIN
OUR KIWIFRUIT,
BUT ALSO FROM
OUR LAND
AND OUR
COMMUNITIES.**

