Zespri Kiwifruit	**ZESPRI GROUP LIMITED** **Zespri NZKGI Scorecard 2017 Season – APRIL 2018**

ZESPRI NZKGI SCORECARD 2017 SEASON

Summary

This paper notifies the Board of the NZKGI Scorecard that Zespri Management submit to NZKGI at the end of each season. The 2017/18 Season Scorecard is appended to this paper.

It has the following contents:

- Season Overview
- DIFOTIS
- Onshore Fruit Loss
- Wharf ECPI Checks
- Offshore Fruit Loss
- Pack Transfers
- Premium Prices
- Brand Awareness
- Shipped and Sales Volume
- Returns per TE and Volumes – by market – by variety
- Gross Price to Net Price.

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Appendix: Zespri NZKGI Scorecard – 2017 Season

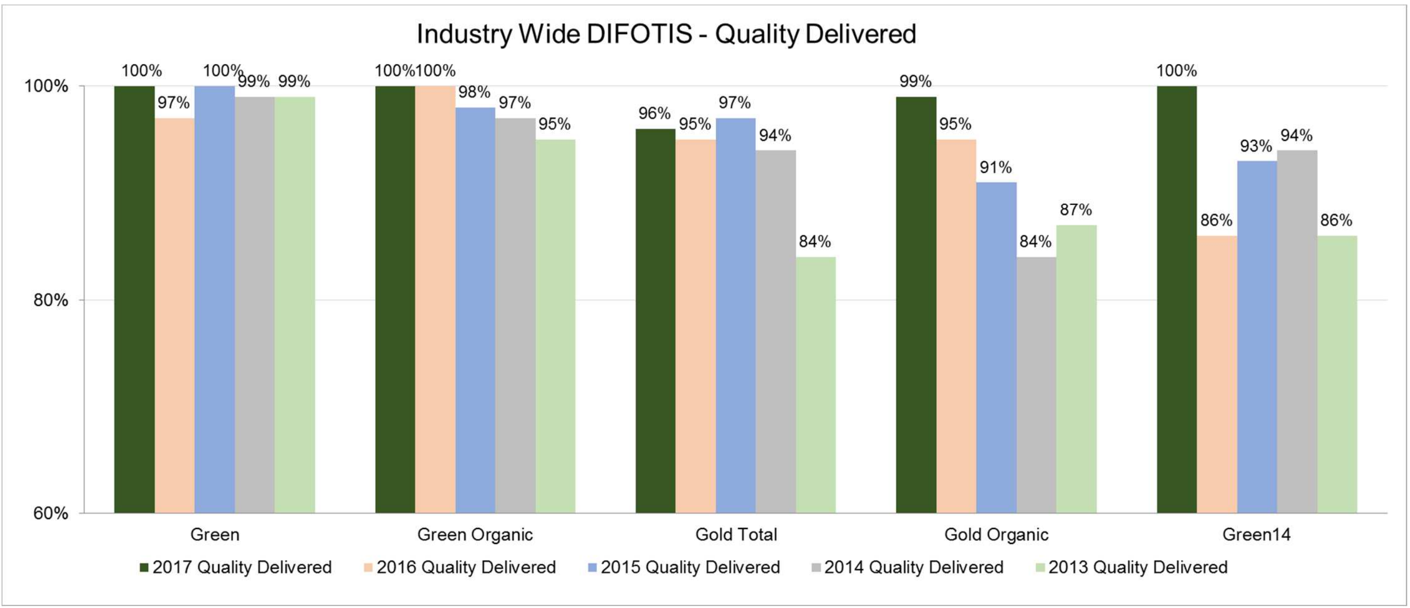
Season Overview

The 2017/18 season began relatively late. High autumn rainfall, warm temperatures and low sunshine hours impacted both Green and SunGold dry matter accumulation, slowing down clearances and harvest, and contributing to a significantly larger size profile. Green was characterised by greater-than-expected yield volatility. The 2017/18 crop volume reduced to 65 million trays, compared with a record crop of 91 million trays in the 2016/17 season. The reduction in supply impacted our ability to meet customer expectations on sales programmes, but we were able to extract value from a lower volume. The industry also achieved a good quality out-turn. The result for SunGold gives us confidence in our long-term outlook, with an increase in average returns at the same level as continuing growth in volumes.

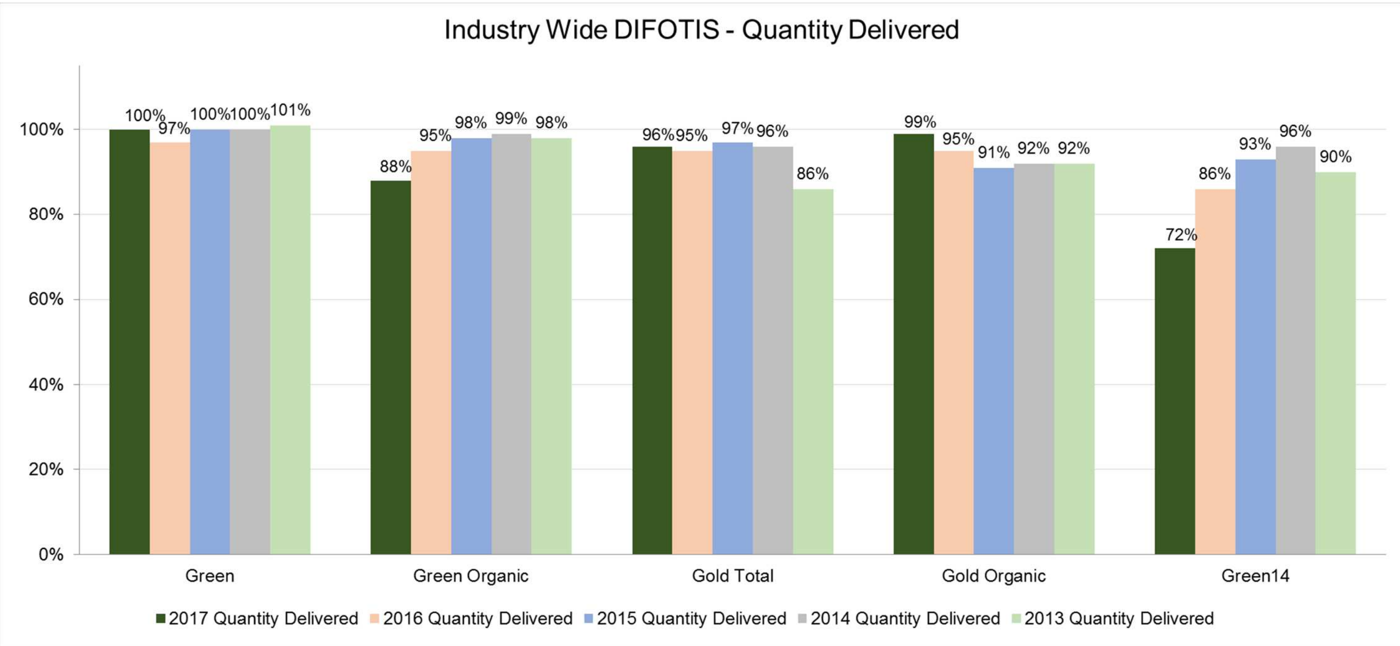
DIFOTIS

DIFOTIS stands for **D**elivery **i**n **F**ull **o**n **T**ime and **I**n **S**pecification. It measures whether the fruit is received in the right boxes and correct sizes according to the market requirements (Quality Delivered) and/or that the correct volume of fruit is received (Quantity Delivered). A figure of 100% represents meeting the required standard 100% of the time, any figure less than 100% is the percentage the standard was met. A figure over 100% (in terms of Quantity delivered) represents extra fruit received over officially released orders i.e. ZESPRI accepted extra fruit not ordered as there was space on an awaiting vessel. A figure of above 90% is the target set. Suppliers are penalised if they cannot meet the order they have been issued.

As can be seen in the following tables the DIFOTIS target was achieved in all fruit groups, for both quality and quantity delivered except for Green14 and Green Organic. The decrease for Green Organic was due to late maturity in 2017 which caused a number of missed orders at the start of shipping as well as a low taste year which made it difficult to get supply for Japan. Green 14 also had a late start which meant planned shipping at the beginning of the season could not be met. It was also difficult getting Green 14 supply for Japan due to the number of market access restrictions on inventory. In addition, approximately 500k TE of Green14 had to be held onshore for a period of seven days before being shipped due to being harvested under fruit drop dispensation, affecting some orders.



Industry Wide DIFOTIS - Quality Delivered
100%
80%
60%
100% 97% 100% 99% 99%
100% 100% 98% 97% 95%
96% 95% 97% 94% 84%
99% 95% 91% 84% 87%
100% 86% 93% 94% 86%
Green
Green Organic
Gold Total
Gold Organic
Green14
2017 Quality Delivered
2016 Quality Delivered
2015 Quality Delivered
2014 Quality Delivered
2013 Quality Delivered



Industry Wide DIFOTIS - Quantity Delivered
100%
80%
60%
40%
20%
0%
100% 97% 100% 100% 101%
88% 95% 98% 99% 98%
96% 95% 97% 96% 86%
99% 95% 91% 92% 92%
72% 86% 93% 96% 90%
Green
Green Organic
Gold Total
Gold Organic
Green14
2017 Quantity Delivered
2016 Quantity Delivered
2015 Quantity Delivered
2014 Quantity Delivered
2013 Quantity Delivered

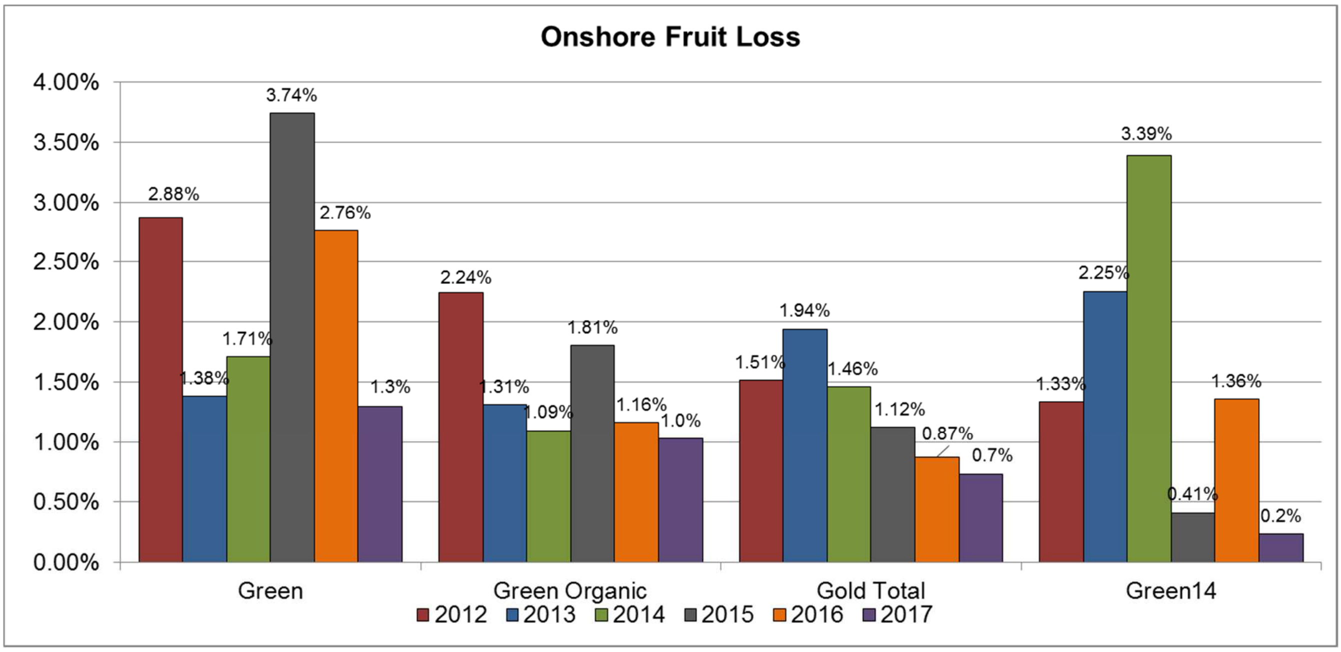
Onshore Fruitloss

Onshore Fruit Loss is the percentage of gross submit volume that is subsequently not shipped as a result of fruit loss.

Onshore fruit loss for all categories showed an improvement in 2017. For Green varieties this was in part due to the reduced crop.

For Hayward Organic and Gold3 Conventional potential fruit loss was mitigated by the strategy to ship as much fruit as possible as packed rather than pack transfer, as double-handling of fruit would have increased fruit loss rates. This was particularly important for Gold3 Conventional where fruit harvested in Period 1 had soaked up the rainfall from the March/April storms and had the potential to further increase the fruit loss from additional handling.

Green14 fruit loss improved from 2016 as a result of the use of a Fruit Drop Dispensation to allow fruit to be harvested early where failure to do so could have compromised fruit quality.



ECPI

ECPI is **E**xport **C**onsignment **P**roduct **I**nspections (Wharf Checks). These checks are performed by Zespri staff before fruit is loaded onto the vessel. Organics are not disclosed separately as pallet checks are not differentiated between Organic and Conventional. The measure shows the number of pallets and the percentage of pallets that were checked that failed the test.

In 2017 there were significantly less Wharf checks performed due to a change in location of the ECPI team at Harvard Way. Less than half of fruit destined for charter loading was stored at

Harvard Way temporary buffer and thus had limited pallets through this location. A proportion of wharf audits were therefore exchanged for container and coolstore audit types in 2017 to ensure a relative amount of pallets were still being inspected. Only 13% of audits were conducted at the wharf in 2017 versus 55% in 2016, making the comparison of pallet failures to prior periods less valid. Taking into account audit results at wharf, container and coolstores 2017, overall pallet failures were in line with 2016.

2017 Wharf ECPI Checks									
	Number of Pallets checked	Pallet failure %				2017: Number of facilities with			
	2017	2017	2016	2015	2014	0 pallet failures	<10% failures	10 - 20% failures	>20% failures
Green	3,850	3.53%	4.61%	6.43%	4.72%	15	29	4	1
Gold	21	4.76%	3.33%	5.77%	4.08%	3	1	0	0
GA	4,486	3.77%	3.17%	6.05%	6.10%	8	31	1	2
Overall	8,357	3.73%	4.06%	6.34%	4.86%	12	38	2	2

Offshore Fruit Loss

Offshore Fruit Loss is the percentage of fruit in the market that is not sold and lost due to quality reasons. Overall, fruit loss was lower across Green, Gold and Green Organic pools for the 2017 season compared to the 2016 season. Fruit loss was however higher for the Green 14 pool. Europe, Japan and China are the major markets that hold in-market inventory which results in offshore fruit loss as fruit is re-worked ex inventory for delivery to the customer. All other markets transact claims for any quality issues within the claims period after the customer has taken delivery. 2017 was the first year that inventory was held in China, with only a portion of the fruit being managed through an ‘inventory’ model and the remainder sold direct to the customer under a ‘back to back’ model.

Europe saw lower offshore fruit loss for Green and Green Organic in 2017 compared with 2016. This was mainly due to lower total volume and as a result of this, significantly less volume was sold in the latter part of the season. Offshore fruit loss for Gold remained relatively stable in comparison to 2016.

In Japan, a late start to Green Class 1 saw more volume later in the year than in the previous season, resulting in higher fruit loss rates late in the season. In addition, Green 14 continued to have problems with stains and over-ripe fruit. An early finish to Gold 3 helped keep losses down in 2017.

Offshore fruit loss was low in China in 2017. The majority of offshore fruit loss in Gold was derived in the early season from fruit of inconsistent firmness levels being loaded and conditioned under one regime (conditioning is required for season start, to allow the fruit to be at a saleable firmness at arrival). In Green the losses predominantly were in the later season (as traditionally expected) and derived from loss at repacking.

Offshore fruit loss has been adjusted for crop managed trays and insurance incidents.

Green

	2012	2013	2014	2015	2016	2017
China[1]						0.3%
Europe	2.3%	0.9%	0.8%	3.5%	3.4%	1.2%
Japan	1.3%	0.3%	0.5%	2.1%	1.3% [2]	2.1%
Overall	1.4%	0.5%	0.5%	2.0%	2.2% [2]	1.1%

Gold

	2012	2013	2014	2015	2016	2017
China[1]						0.2%
Europe	3.2%	1.0%	3.3%	1.6%	2.2%	2.3%
Japan	2.5%	0.2%	0.5%	0.5%	0.8%	0.7%
Overall	1.4%	0.2%	0.8%	0.5%	1.2%	0.9%

Green Organic

	2012	2013	2014	2015	2016	2017
China[1]						0.0%
Europe	3.6%	1.2%	0.5%	1.7%	2.0%	0.7%
Japan	0.3%	0.1%	0.1%	0.1%	0.1%	0.1%
Overall	1.9%	0.5%	0.2%	0.8%	1.1% [2]	0.4%

Green14

	2012	2013	2014	2015	2016	2017
Europe		0.9%	0.1%	11.0%	1.0%	1.2%
Japan	0.3%	0.5%	0.3%	0.2%	0.7%	1.5%
Overall	0.5%	0.4%	0.2%	0.4%	0.3% [2]	1.7%

Notes:

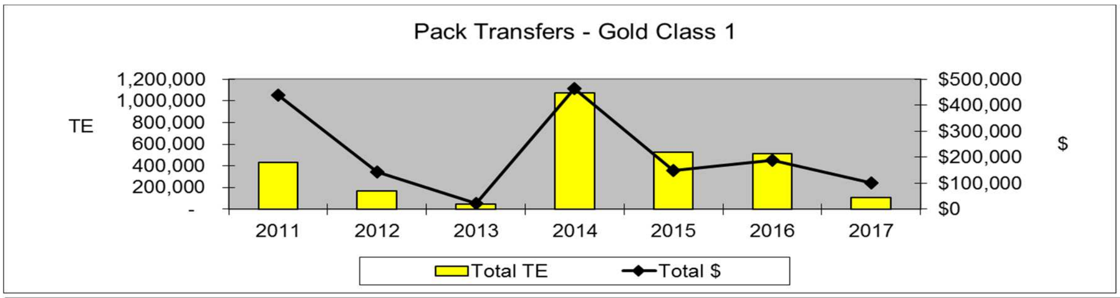
1 - China was not a full inventory model for the whole year, therefore offshore fruit loss was relatively low and likely to increase as this model progresses.

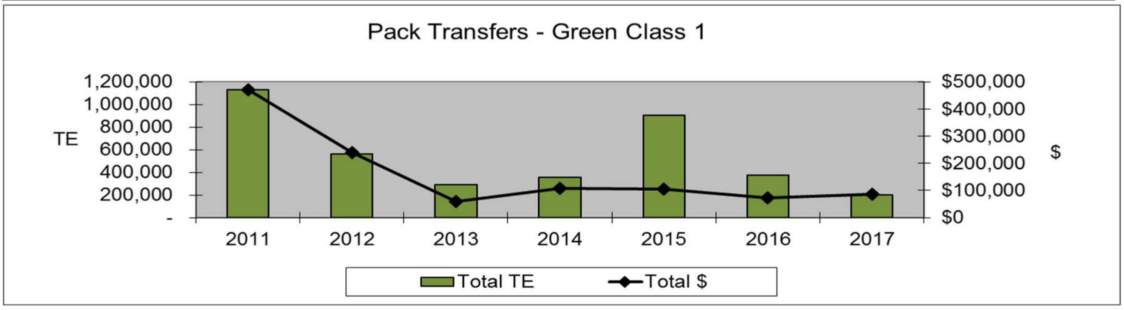
2 - Figures restated to align with March year end final data.

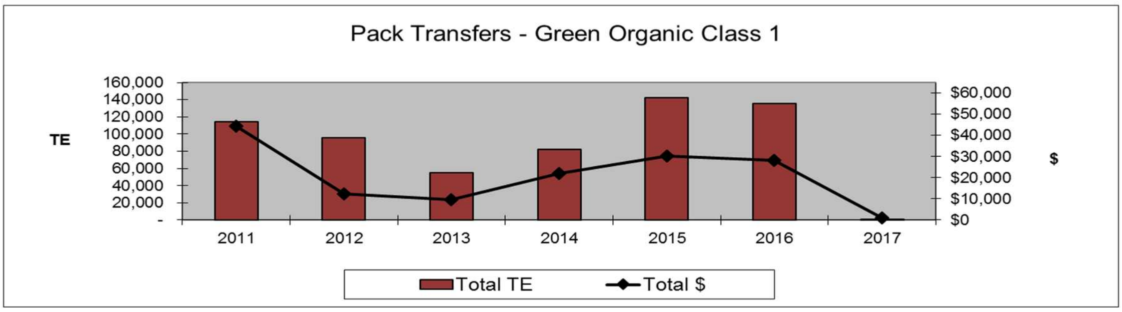
Pack Transfers by Variety

Pack Transfers represent those transfers that have been instigated by changes in market allocation, or as a result of changing demand or pack preferences within markets. Onshore Pack transfer costs for the 2017 season are lower than what the season required as markets were asked to receive fruit in un-preferred pack-types. This request arose in order to try to avoid quality impacts of pack transfers mainly due to concerns regarding the impact of March and April rain on the Gold3 Conventional crop. In total 1.03m TE was shipped in non-preferred pack-types (0.90m TE of Gold3 Conventional). Whilst this strategy does reduce the onshore pack transfer cost, it can also result in additional costs in market. For example freight inefficiencies can arise if an IT pack type is shipped rather than an MB. However, it produces a net positive benefit to the pool.

For the Gold pool pack transfers were driven by the changing taste profile in the latter half packing window with Japan supply being concentrated into the very large sizes and other markets needing to change into a smaller size profile to compensate. Green pack transfers were also largely required in order to supply fruit to Japan late in the season with fruit that had been packed for other markets. Lastly, the decrease in pack transfers for Green Organic was due to a reduction in overall volume as well as a large percentage of the fruit being repacked offshore.







Premium Pricing

Premium Pricing represents the wholesale price premium achieved in market for a 10kg box versus the next best kiwifruit competitor. Prices are measured against in-market currency. Zespri's internal target is to be at least 20%-40% above the nearest kiwifruit competitor. E.g. in Europe the target is to be above 40%, whilst in North America the target is to be above 20%.The below premiums are for Zespri® Green kiwifruit only and are based on wholesale market pricing for a 10kg box. Europe is based on Spain size 27, Asia is based on a size 36 or 33 price and North America is an average across all applicable sizes.

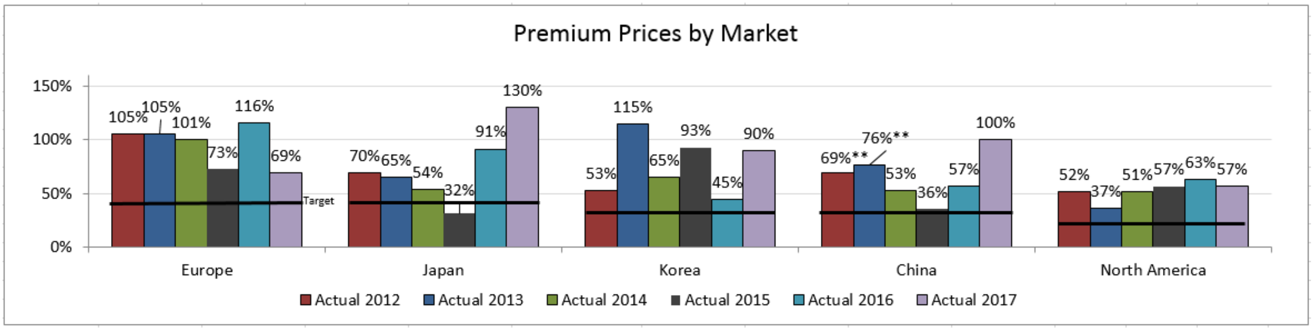
Europe - the price premium percentage for Europe decreased from 116% in 2016 to 69% in 2017, however the absolute difference in premium pricing was minimal across seasons. This was the result of an increase in the price of Zespri Green followed by an increase in the price of Chile Green, with the proportion in price differential remaining constant but reducing as a percentage of the average sales price.

Japan - a considerable size differential saw Chile get a good position in the smaller size end of the market, allowing Chilean fruit to make inroads in Japan in 2017 in terms of volume. However, poor quality hindered their ability to get a better price resulting in an increase in the price premium from 91% in 2016 to 130% in 2017.

Korea - the price premium gap between NZ Green and Chile Green increased from 45% to 90%. In 2016, Zespri set a lower price strategically to increase penetration and to expand the market for Green Kiwifruit. In addition, the FTA duty reduction had taken effect and NZ production volume had increased pushing down the price. In comparison, the price in 2017 slightly increased and was very stable throughout the season due to a reduced volume. In addition, the demand for Chile Green decreased due to a shrinking of the juice market resulting in a decrease in price.

China - the price premium increased from 41% in 2016 to 100% in 2017. A higher volume of Chilean fruit came to market early without aggressive pricing, compared to Zespri where higher prices were driven by a decrease in volume of Zespri Green (2016: 11.5M vs 2017: 7.7M).

North America - The premium reduced in 2017 vs 2016 as in 2016 Chile arrived to a wall of Italian kiwi that lasted until the end of July so pricing for Chilean was very cheap and Zespri was able to stay quite firm on price with programme sales. However, in 2017 Zespri Green was short with Italy out early and Chile selling through earlier.



**results were from a low sample size.

Market Performance – Brand Awareness

Brand awareness is the first step in engaging consumers and making them loyal to the brand. When you are a well-known product, you become ‘mentally available’ to the consumer, you get in their mind. Brand awareness is the initial step of brand equity.

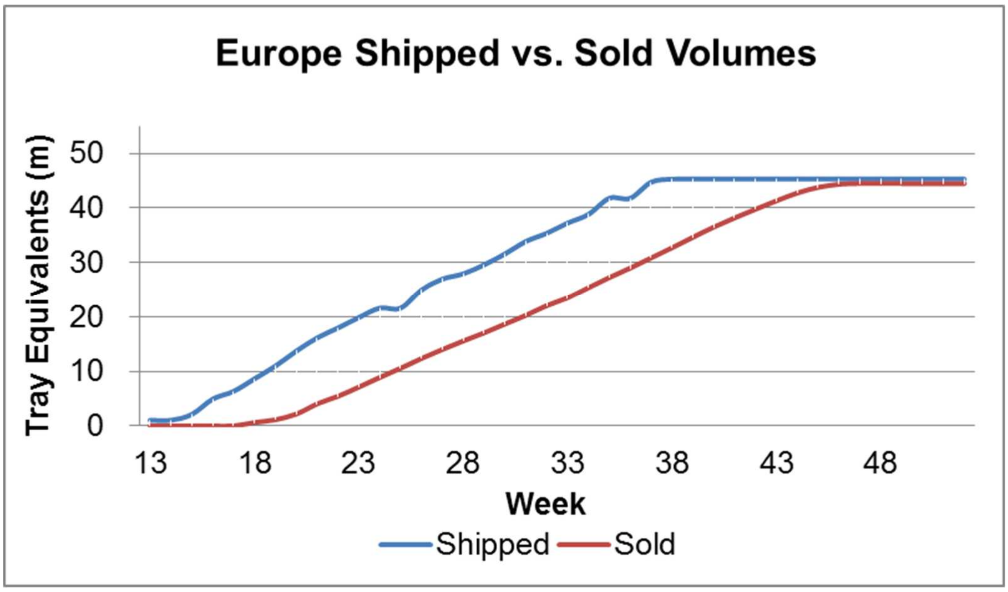
2017 was a challenging supply constrained season, particularly for Green. Despite the challenge, many markets not only managed to deliver improved value through aggressive pricing, but also delivered improvements in Brand performance measure.

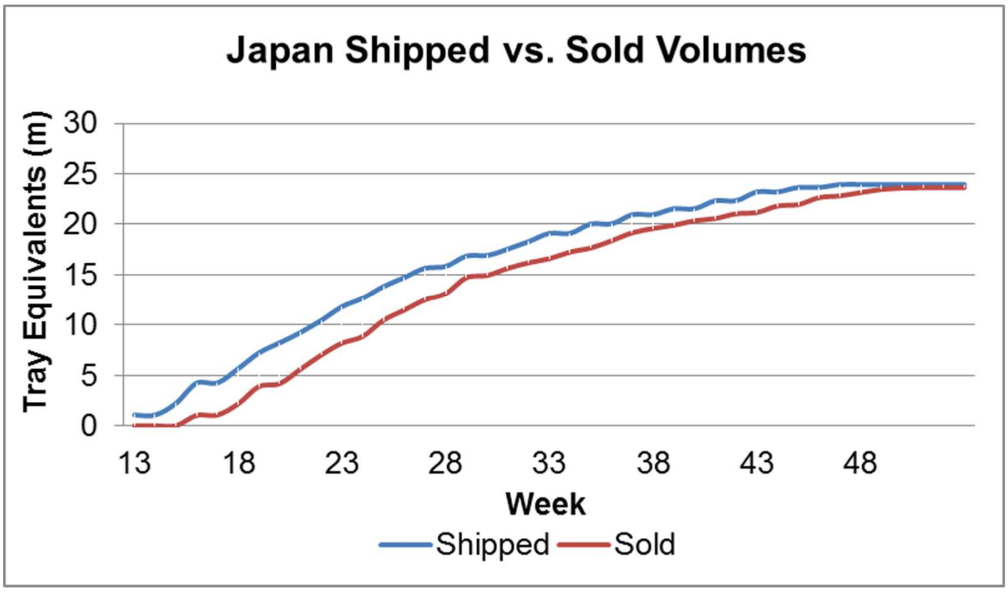
Brand Awareness				
		2015	**2016**	**2017**
Top 10 markets*	Aided		57%	63%
Rest of the World**	Aided		36%	44%
Taiwan	Unaided	9%	19%	22%
	Aided	97%	96%	99%
South Korea	Unaided	16%	15%	19%
	Aided	79%	78%	81%
China (Tier 2 Cities)	Unaided	5%	18%	35%
	Aided	54%	73%	77%
China (Tier One Cities)	Unaided	13%	21%	35%
	Aided	80%	86%	80%
Japan	Unaided	10%	9%	10%
	Aided	54%	54%	53%
Singapore	Unaided	23%	18%	18%
	Aided	56%	67%	75%
Malaysia	Unaided	19%	15%	17%
	Aided	49%	58%	67%
Australia	Unaided	1%	1%	11%
	Aided	18%	11%	18%
Vietnam	Unaided	6%	n/a	18%
	Aided	10%	10%	34%
Thailand	Unaided	2%	n/a	1%
	Aided	13%	13%	14%
Hong Kong	Unaided	3%	6%	11%
	Aided	74%	83%	83%
Netherlands	Unaided	12%	17%	19%
	Aided	75%	76%	79%
Belgium	Unaided	26%	22%	24%
	Aided	69%	72%	76%
Spain	Unaided	21%	27%	32%
	Aided	65%	75%	76%

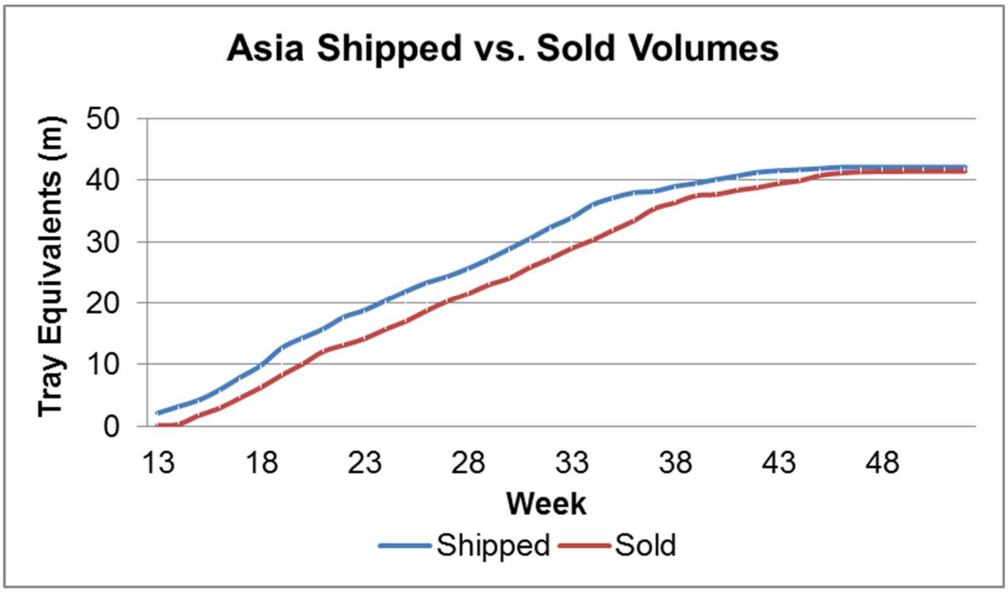
Germany	Unaided	2%	5%	5%
	Aided	35%	44%	47%
Italy	Unaided	2%	9%	6%
	Aided	28%	47%	39%
France	Unaided	3%	3%	5%
	Aided	31%	35%	36%
United Kingdom	Unaided	0%	0%	0.3%
	Aided	19%	12%	18%
Sweden	Unaided	0%	1%	1%
	Aided	25%	25%	30%
Norway	Unaided	0%	0%	n/a
	Aided	19%	19%	n/a
Austria	Unaided	n/a	2%	n/a
	Aided	n/a	30%	n/a
Switzerland	Unaided	n/a	1%	n/a
	Aided	n/a	35%	n/a
USA	Unaided	1%	1%	1%
	Aided	17%	19%	17%
Canada	Unaided	1%	1%	1%
	Aided	17%	19%	14%
Mexico	Unaided	n/a	1%	7%
	Aided	n/a	22%	46%
Brazil	Unaided	n/a	0%	n/a
	Aided	n/a	12%	n/a
UAE	Unaided	n/a	3%	5%
	Aided	n/a	38%	41%
South Africa	Unaided	n/a	2%	n/a
	Aided	n/a	26%	n/a
Kingdom Saudi Arabia	Unaided	n/a	0%	6%
	Aided	n/a	23%	41%
India	Unaided	n/a	7%	11%
	Aided	n/a	44%	66%
Indonesia	Unaided	10%	6%	7%
	Aided	36%	25%	29%

Shipped and Sales Volumes

The Shipping and Sales Volumes graphs show the week fruit was shipped versus the week the fruit was sold. The gap between the two lines represents the shipping time and time in offshore storage. Europe and Japan are importer of record markets that hold in-market inventory so the customers are invoiced at a point in time after the goods arrival in market, with Europe invoicing on delivery to customer and Japan invoicing on order (rather than on delivery to customer which is a few weeks later). Sales in Europe will always lag at least four weeks behind shipping but inventory builds towards week 40 as the last ships arrive. In Asia there is a very small lag between shipped and sold volumes as these are not all importer of record markets and customers are invoiced quite soon after the ship has sailed from NZ or they have back to back arrangements with customers when the fruit arrives. In Japan, as mentioned above, as sales are recorded on order, the lag in shipped vs. sold is similar to that for Asia.




Japan Shipped vs. Sold Volumes
Tray Equivalents (m)
30
25
20
15
10
5
0
13
18
23
28
33
38
43
48
Week
Shipped
Sold

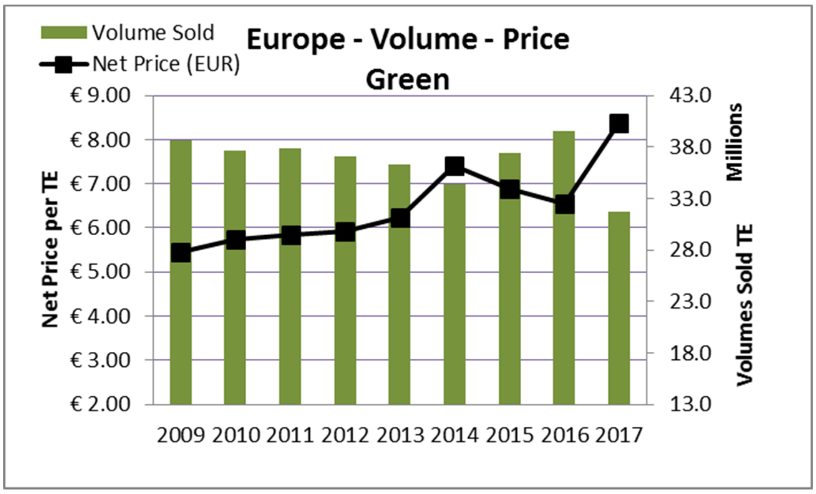

Asia Shipped vs. Sold Volumes
Tray Equivalents (m)
50
40
30
20
10
0
13
18
23
28
33
38
43
48
Week
Shipped
Sold

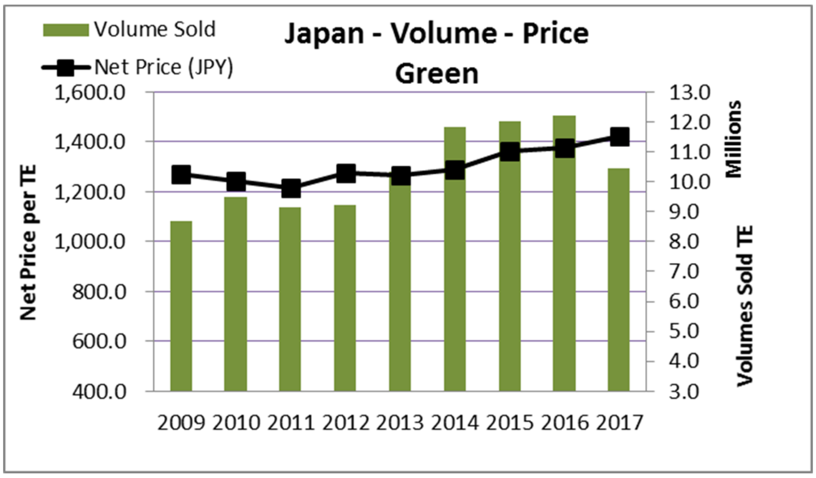
Returns per TE versus volume sold – by market – by variety

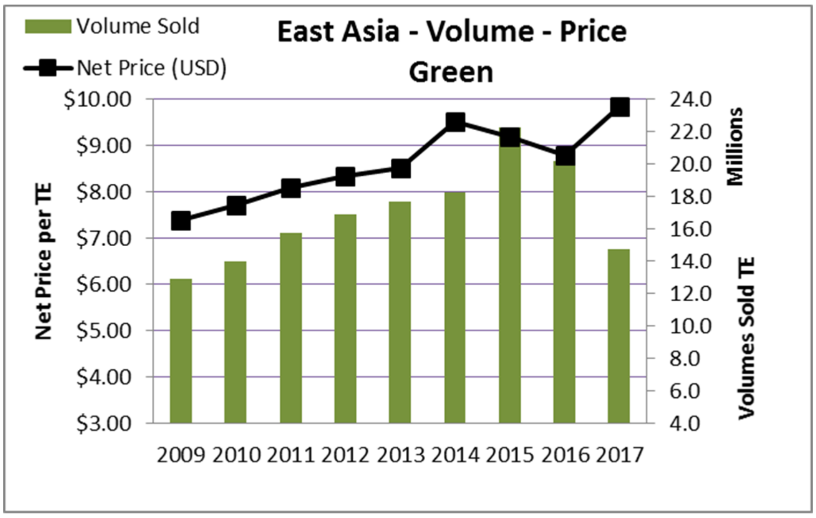
Volume and Price shows the relationship of the sales price for an increase or decrease in the volume of fruit sold. Volume is not the only driver of price although supply and demand dynamics are a key driver. Sales price is size specific and price by size changes based on the average size for the crop in any given year, therefore profile mix by market mix combinations impact on the average global price in a given year. In addition, market conditions – including other fruit volumes, and market economy - especially local currencies against the USD, influence pricing positions in market in any given season.

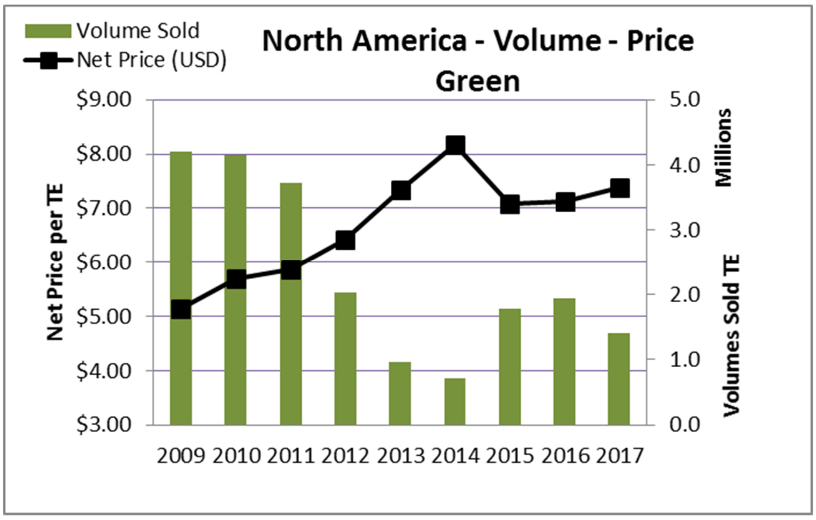
The 2016 season saw a record total volume shipped and sold for Green, and as a result pricing reduced. 2017 was the reverse for with a significant drop in yield meaning additional value was captured via strong pricing, particularly in Europe. Green Organic sees a big uplift in pricing following a similar theme to conventional Green. Due to very strong demand for SunGold, pricing was generally able to be improved despite an 18% increase in supply.

Green Conventional

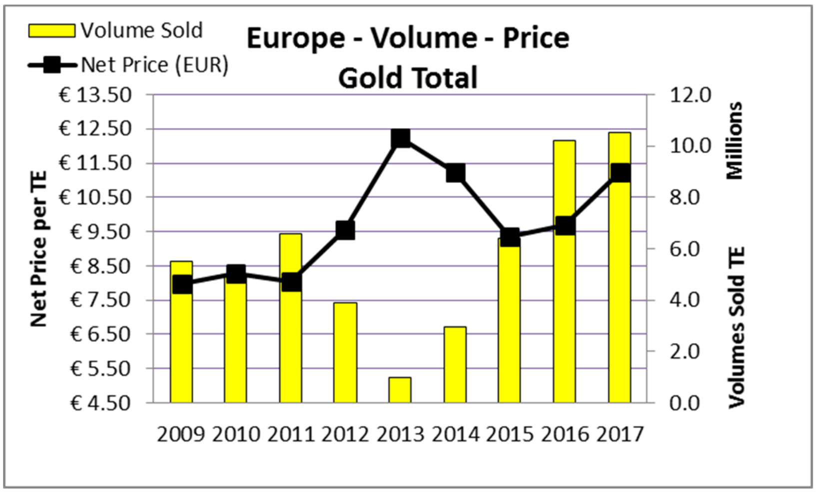


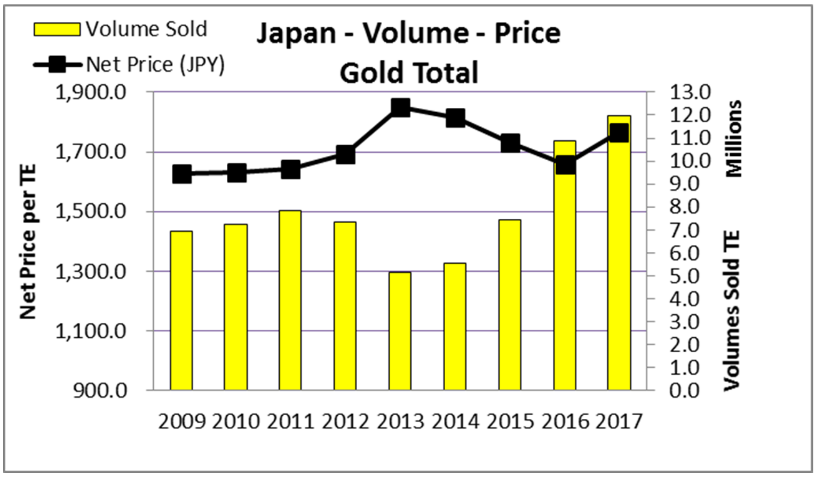



Volume Sold
Net Price (USD)
East Asia - Volume - Price
Green
$10.00
$9.00
$8.00
$7.00
$6.00
$5.00
$4.00
$3.00
Net Price per TE
24.0
22.0
20.0
18.0
16.0
14.0
12.0
10.0
8.0
6.0
4.0
Millions
Volumes Sold TE
2009 2010 2011 2012 2013 2014 2015 2016 2017

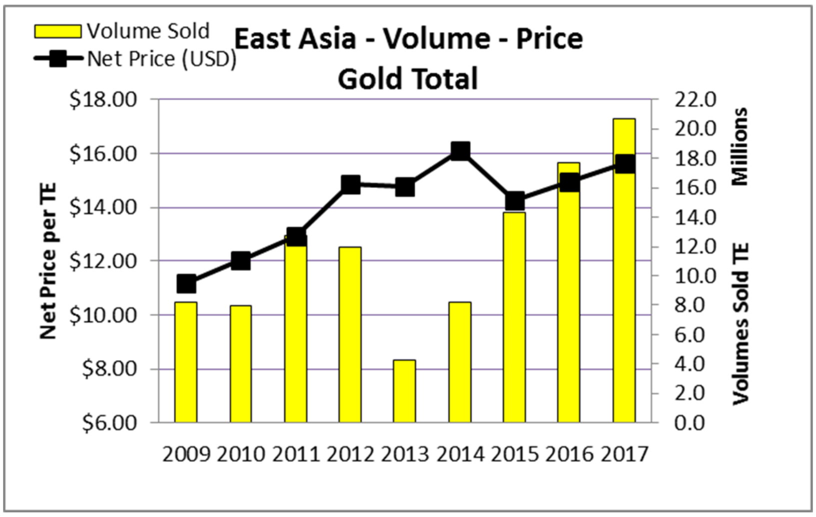

Volume Sold
Net Price (USD)
North America - Volume - Price
Green
$9.00
$8.00
$7.00
$6.00
$5.00
$4.00
$3.00
Net Price per TE
5.0
4.0
3.0
2.0
1.0
0.0
Millions
Volumes Sold TE
2009 2010 2011 2012 2013 2014 2015 2016 2017

Gold Total

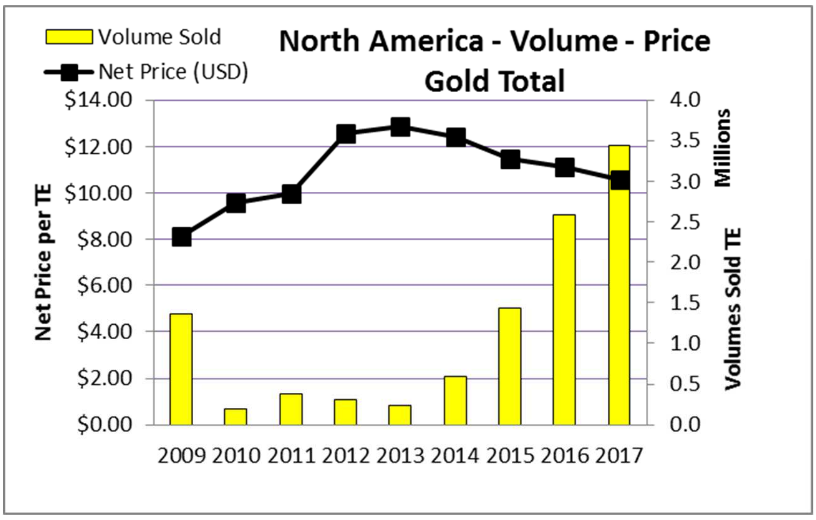

Volume Sold
Net Price (EUR)
Europe - Volume - Price
Gold Total
€ 13.50
€ 12.50
€ 11.50
€ 10.50
€ 9.50
€ 8.50
€ 7.50
€ 6.50
€ 5.50
€ 4.50
Net Price per TE
12.0
10.0
8.0
6.0
4.0
2.0
0.0
Millions
Volumes Sold TE
2009 2010 2011 2012 2013 2014 2015 2016 2017



Volume Sold
Net Price (JPY)
Japan - Volume - Price
Gold Total
Net Price per TE
1,900.0
1,700.0
1,500.0
1,300.0
1,100.0
900.0
13.0
12.0
11.0
10.0
9.0
8.0
7.0
6.0
5.0
4.0
3.0
2.0
1.0
0.0
Millions
Volumes Sold TE
2009 2010 2011 2012 2013 2014 2015 2016 2017

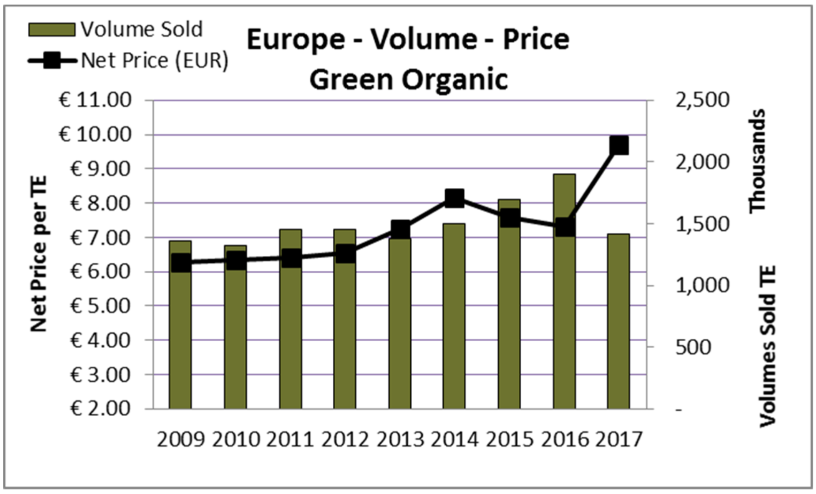


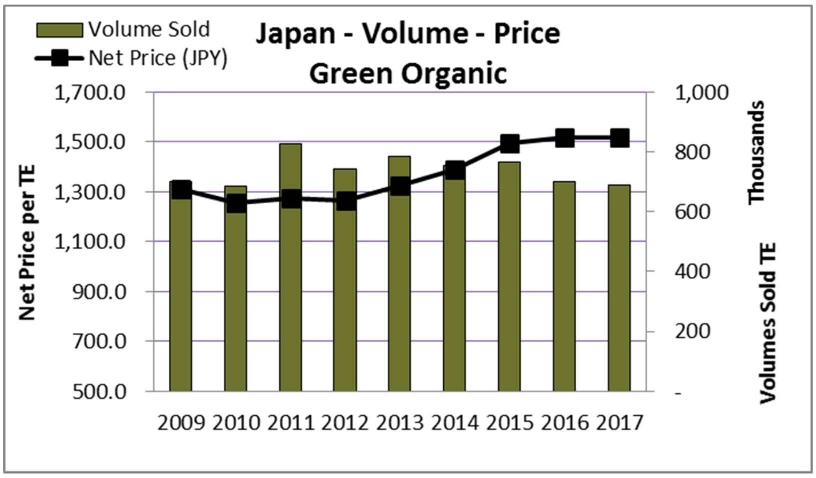
Volume Sold
Net Price (USD)
East Asia - Volume - Price
Gold Total
Net Price per TE
$18.00
$16.00
$14.00
$12.00
$10.00
$8.00
$6.00
22.0
20.0
18.0
16.0
14.0
12.0
10.0
8.0
6.0
4.0
2.0
0.0
Millions
Volumes Sold TE
2009 2010 2011 2012 2013 2014 2015 2016 2017

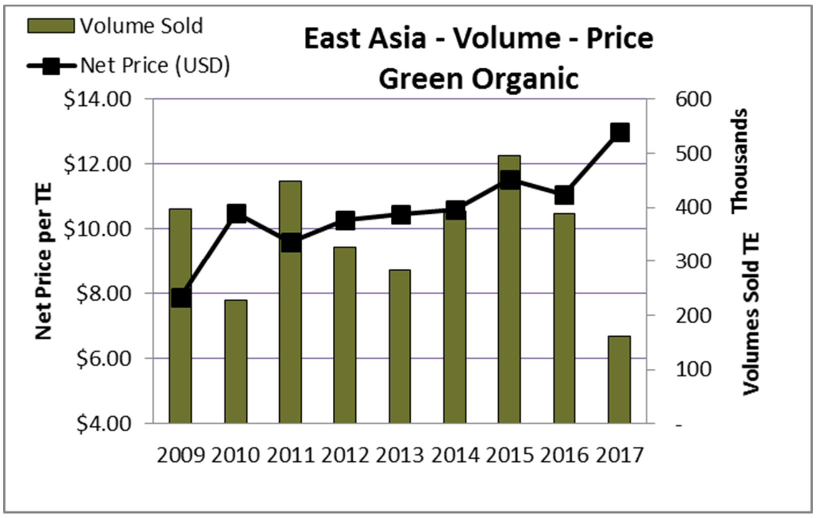


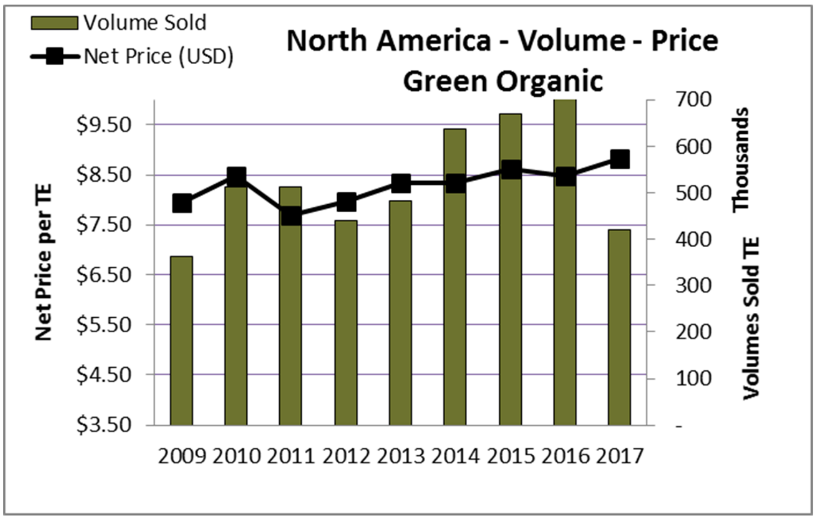
Volume Sold
Net Price (USD)
North America - Volume - Price
Gold Total
Net Price per TE
$14.00
$12.00
$10.00
$8.00
$6.00
$4.00
$2.00
$0.00
4.0
3.5
3.0
2.5
2.0
1.5
1.0
0.5
0.0
Millions
Volumes Sold TE
2009 2010 2011 2012 2013 2014 2015 2016 2017

Green Organic









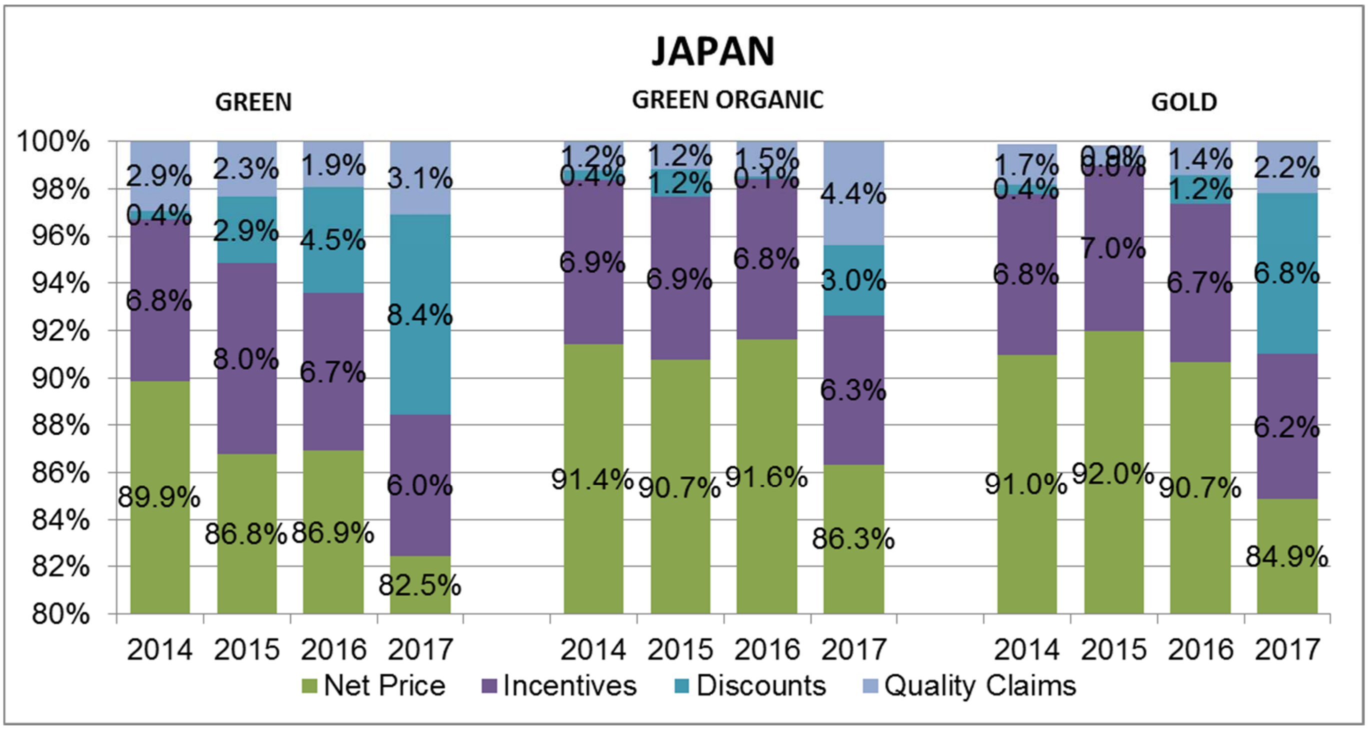
Gross Price to Net Price

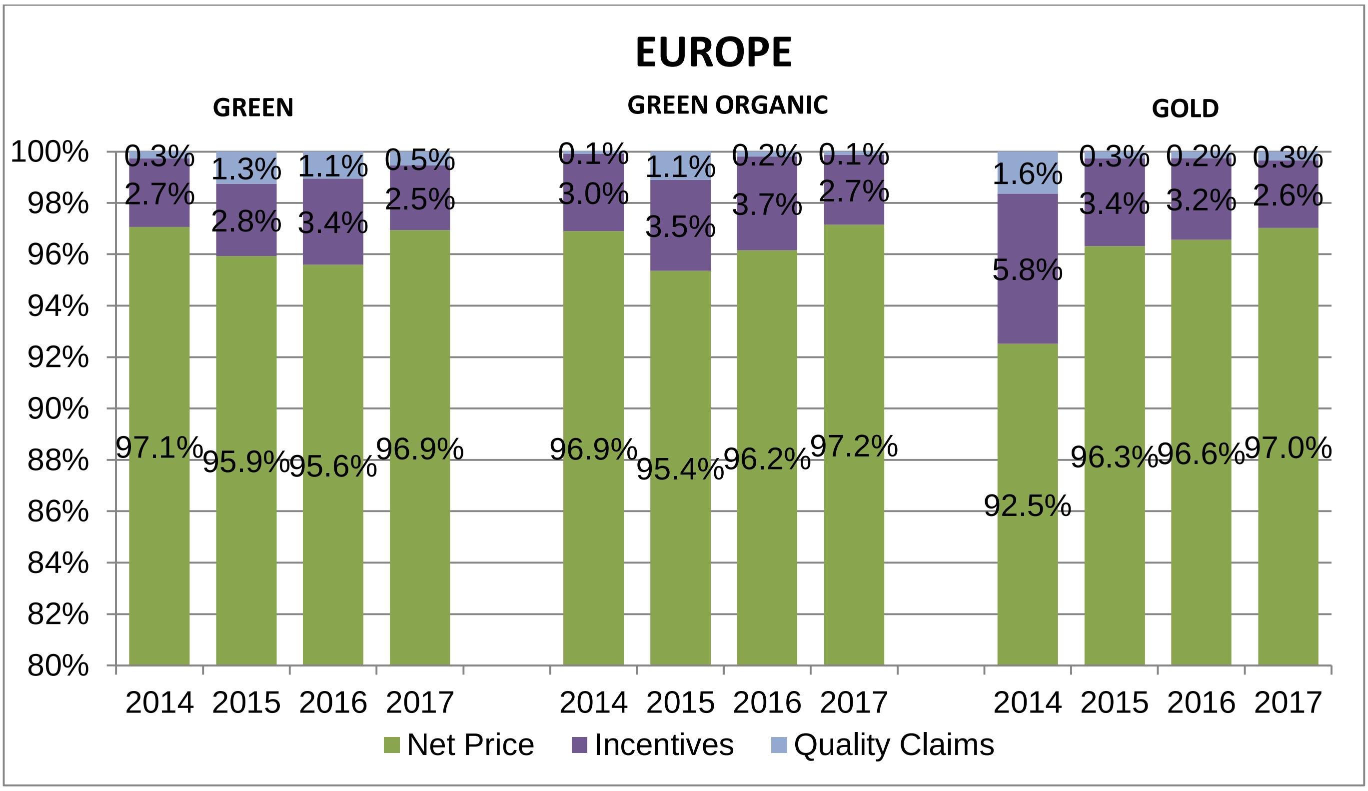
The Gross Price to Net Price graphs shows the incentives, quality claims / deductions as % of Gross Price.

Japan: The 2017 size profile had changed unfavourably from the season start plan, however higher gross prices allowed proactive price promotions. Gross price across all varieties increased in 2017, with net price increasing on a unit basis but decreasing as a percentage of gross price due to an increase in discount amounts needed to move a high volume of large sized fruit.

Europe: Average gross sales prices increased in Europe across all varieties due to higher sales prices and bigger average sizes. This corresponded with an increase in the net price across all varieties and a decrease in incentives. Better quality fruit for Green and Green Organic in 2017 as well as a decrease in volume meant there was less need for market support to push fruit into the market and almost no sales to Eastern Europe with quality deductions.

East Asia: In 2017 China changed their incentive schemes, working to deepen relationships with Tier 1 and Tier 2 participants and focused fruit-shop customers. Additional incentives were also required to push sales for the larger sized SunGold allocated to China at the start of the season. The increase in incentives in 2017 was funded by an increase in gross prices resulting in a decrease in net price as a percentage of gross price, despite net pricing in absolute terms increasing around 16% from 2016.


JAPAN
GREEN
GREEN ORGANIC
GOLD
100%
98%
96%
94%
92%
90%
88%
86%
84%
82%
80%
2.9%
0.4%
6.8%
89.9%
2.3%
2.9%
8.0%
86.8%
1.9%
4.5%
6.7%
86.9%
3.1%
8.4%
6.0%
82.5%
1.2%
0.4%
6.9%
91.4%
1.2%
1.2%
6.9%
90.7%
1.5%
0.1%
6.8%
91.6%
4.4%
3.0%
6.3%
86.3%
1.7%
0.4%
6.8%
91.0%
7.0%
92.0%
1.4%
1.2%
6.7%
90.7%
2.2%
6.8%
6.2%
84.9%
2014
2015
2016
2017
2014
2015
2016
2017
2014
2015
2016
2017
Net Price
Incentives
Discounts
Quality Claims


EUROPE
GREEN
GREEN ORGANIC
GOLD
100%
98%
96%
94%
92%
90%
88%
86%
84%
82%
80%
0.3%
2.7%
97.1%
1.3%
2.8%
95.9%
1.1%
3.4%
95.6%
0.5%
2.5%
96.9%
0.1%
3.0%
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96.2%
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1.6%
5.8%
92.5%
0.3%
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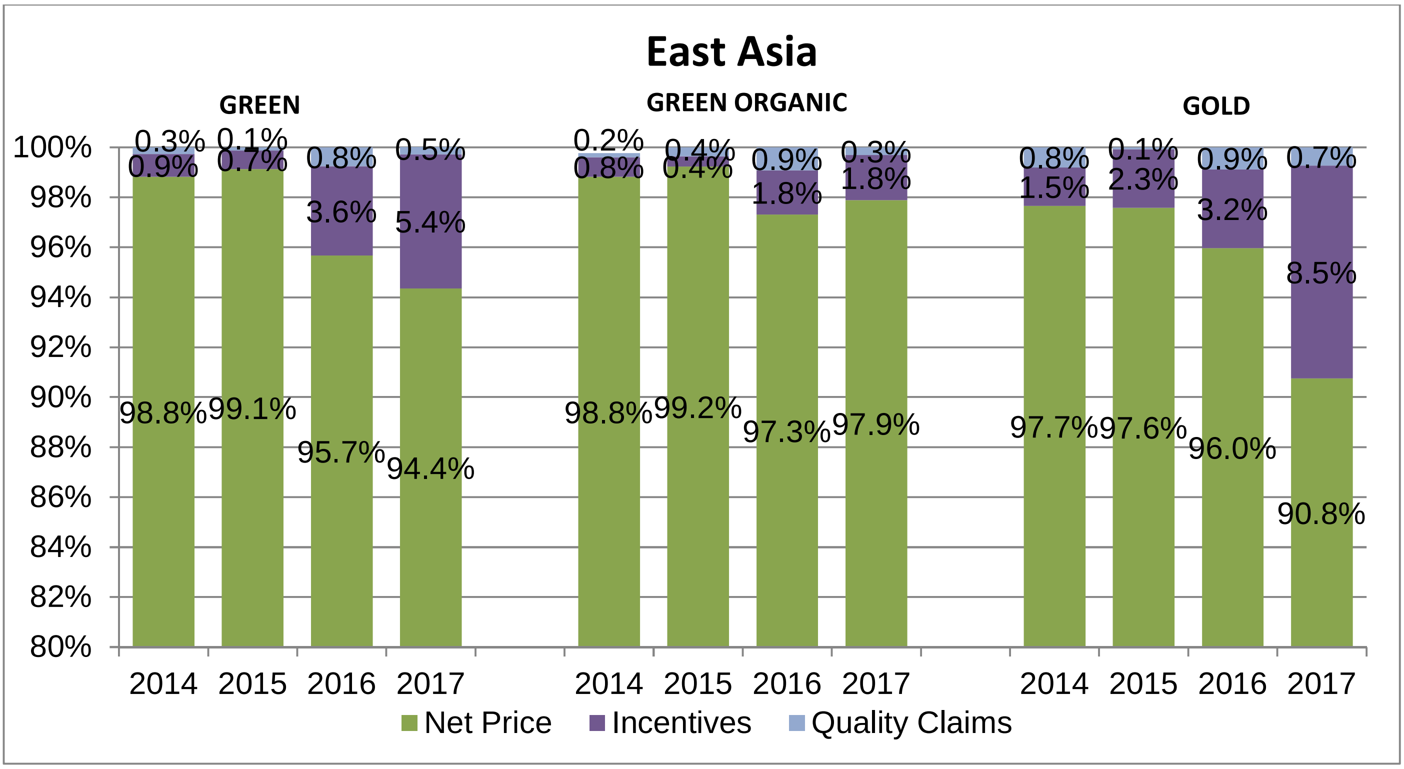
96.3%
0.2%
3.2%
96.6%
0.3%
2.6%
97.0%
2014
2015
2016
2017
2014
2015
2016
2017
2014
2015
2016
2017
Net Price
Incentives
Quality Claims


East Asia
GREEN
GREEN ORGANIC
GOLD
100%
98%
96%
94%
92%
90%
88%
86%
84%
82%
80%
0.3%
0.9%
98.8%
0.1%
0.7%
99.1%
0.8%
3.6%
95.7%
0.5%
5.4%
94.4%
0.2%
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97.6%
0.9%
3.2%
96.0%
0.7%
8.5%
90.8%
2014 2015 2016 2017
2014 2015 2016 2017
2014 2015 2016 2017
Net Price
Incentives
Quality Claims