



GROWING THE FUTURE TOGETHER



2011/12

ZESPRI GLOBAL STATISTICS

● Indicates where ZESPRI® Kiwifruit is available around the world.

Statistics, unless stated otherwise, include ZESPRI® Kiwifruit, both New Zealand-grown and non-New Zealand-grown, and collaborative marketing sales.

ANNUAL REVIEW

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New Zealand's largest organic produce exporter with total organic sales revenue of \$61.7 million



The Americas



New Zealand's largest horticultural exporter with global kiwifruit sales of

\$1.62 billion

Since ZESPRI Group Limited was created in 2000, ZESPRI's success, which has seen it grow into a world-leading horticultural marketing company, has relied on a strong industry network of supportive and committed growers, post-harvest operators and other suppliers, distributors and customers – with a focus on continued global growth and success.



Europe,
including the Middle East,
purchased over
55.4 million
trays of ZESPRI® Kiwifruit



Asia
(excluding Japan)



purchased over
32.5 million
trays of ZESPRI® Kiwifruit

Japan
purchased over

18.6 million
trays of ZESPRI® Kiwifruit

Oceania
purchased over

2.2 million
trays of ZESPRI® Kiwifruit



2,662 growers

produced ZESPRI® Kiwifruit in

New Zealand

ABOUT

ZESPRI



In 1999, the Government created new kiwifruit industry and export legislation and, in 2000, ZESPRI Group Limited was created, thereby establishing the modern industry structure we know today.

ZESPRI is a limited liability company owned by current and former New Zealand kiwifruit growers and cooperatively controlled solely by producing kiwifruit growers.

ZESPRI's headquarters are located at Mount Maunganui in the Bay of Plenty, the heart of New Zealand's kiwifruit industry.

The ZESPRI® Brand was established in 1997 and since then global volumes sold have grown from 61.5 million trays to 116.5 million trays and revenues have increased from \$746.2 million to \$1.62 billion.

ZESPRI, as we know it today, is not only a leading global fruit brand; it is an integrated marketing system, comprising long-term partnerships between growers, post-harvest operators, port and shipping companies, distributors, wholesalers and retailers, all focused on delivering the highest-quality kiwifruit to consumers.

When combined with the commitment of ZESPRI® Kiwifruit growers to delivering a consistently excellent eating experience with stable storage attributes, this integrated supply chain ensures proven reliability which is the foundation for future growth.



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This consistent performance creates the confidence for investment in orchards, infrastructure, innovation, promotion and the people necessary to drive future growth and deliver sustainable returns to growers and their partners.

ZESPRI, in partnership with Plant & Food Research and the New Zealand Government, invests around \$25 million a year in kiwifruit-related research and innovation. This investment is a crucial driver in maintaining the long-term growth of the industry.

The ZESPRI system, owned and controlled by New Zealand kiwifruit growers, creates the environment that makes ZESPRI® Kiwifruit the world's best. Together, we are creating the future which is about delivering consistently great-tasting, nutritious kiwifruit to global consumers, marketing health benefits, developing new markets and creating new products.

Highlights



Season Overview

- ZESPRI global kiwifruit sales increased by **7.2 percent** to **\$1.62 billion**, from \$1.51 billion in 2010/11.
- Volumes of kiwifruit sold during 2011/12 were **116.5 million trays**, 109.1 million from New Zealand and 7.4 million from other production regions.
- New Zealand-grown fruit and service payments (including the loyalty premium) increased from **\$883.3 million** to **\$980.4 million**.

- New Zealand average Orchard Gate Return (OGR) per hectare increased by **8.1 percent** to **\$45,206**.

	2011/12	2010/11	Variance
New Zealand-grown fruit and service payments (including the loyalty premium)	\$980.4 million	\$883.3 million	11%
– Per tray supplied	\$8.61	\$8.68	-1%
Net profit after tax	\$20.5 million	\$7.3 million	181%
New Zealand-grown Orchard Gate Return (OGR) per hectare	\$45,206 (average)	\$41,830 (average)	8%
– GREEN	\$33,125	\$32,234	3%
– ORGANIC GREEN	\$35,527	\$37,541	-5%
– GOLD	\$90,911	\$83,785	9%
Equity	\$85.2 million	\$71.9 million	18%
Dividend per share (cents)			
– Interim	2.0	4.0	
– Final	8.0	4.0	
– Total	10.0	8.0	
Percentage of available profit	71%	70%	
ZESPRI global kiwifruit sales	\$1.620 billion	\$1.511 billion	7%
Export earnings (New Zealand-grown)¹	\$1.122 billion	\$1.014 billion	11%
ZESPRI global volume (trays sold)	116.5 million	106.8 million	9%
New Zealand-grown	109.1 million	98.1 million	11%
– GREEN	73.3 million	69.9 million	5%
– ORGANIC GREEN	3.5 million	3.3 million	6%
– GOLD	29.1 million	21.1 million	38%
– OTHER	3.2 million	3.8 million	-16%
Non-New Zealand-grown	7.4 million	8.7 million	-15%
– GREEN	4.5 million	4.7 million	-4%
– GOLD	2.9 million	4.0 million	-28%

¹ Export earnings reflect offshore revenues less offshore costs from sales of New Zealand-grown kiwifruit sold by ZESPRI and Kiwifruit New Zealand-approved collaborative marketing programmes.

Notice of Annual Meeting

The Annual Meeting of shareholders of ZESPRI Group Limited will take place at 1.00pm on Wednesday 18 July 2012 at Baycourt Theatre, Durham Street, Tauranga.

Financial Calendar

Financial year-end:	31 March
Annual Report issued:	15 June 2012
Deadline for receipt of proxies for Annual Meeting:	1.00pm, 16 July 2012
Annual Meeting:	18 July 2012
Indicative dates for dividend payments:	December (interim) and August (final)

For full Financial Statements, please refer to the separate Annual Report, available on www.zespri.com

Report

ZESPRI
CHAIRMAN AND
CHIEF EXECUTIVE OFFICER'S

John Loughlin and Lain Jager



This past year will be remembered as one of significant challenge as the industry contended with Psa (*Pseudomonas syringae pv. actinidiae*), a kiwifruit vine disease, a large crop of lower-dry-matter fruit and continued market weakness following on from the 2008 global financial crisis.

It is in the tougher years that the integrated industry structure has its greatest value and this was proven again as resilient returns per hectare reflected price and promotion stability, the value of ZESPRI's foreign exchange policy and an orderly approach to the longer selling season. This relative stability would not be achievable without our single point of entry structure.

Change is inevitable and healthy. The New Zealand kiwifruit industry is currently undergoing a substantial shift as we steadily transition to a multi-variety future with its risks and rewards. Post-harvest consolidation continues and we are beginning to see some generational movement as older industry members reduce their participation and newer industry entrants take an increasing role. With its significant impact on industry asset values, Psa has challenged our self-belief and fortitude in this changing environment.

Even in this time of uncertainty the recipe for our future success remains clear. We must innovate faster than the competition to rapidly recover from the impact of Psa and restore confidence; we must pull together to leverage the tremendous strength of our unity; and we must continue to invest in delivering the highest-quality kiwifruit through the premium ZESPRI® Brand.

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A Glance at Our Strategy

As the global category leader, ZESPRI's objective is to grow kiwifruit from less than 1 percent of global fruit consumption to be a mainstream product eaten regularly by consumers globally. We are working towards this by:

- Marketing the health benefits of kiwifruit to consumers with a particular focus on more developed markets to recruit a greater number of regular kiwifruit eaters to the category and increase the consumption level of current regular eaters.
- Introducing high-quality ZESPRI® Kiwifruit to consumers in high-growth markets such as China, Southeast Asia, India, Brazil and Russia.
- Bringing new kiwifruit products to market, which will offer consumers an exciting portfolio of product choices and bring growth and vitality to the kiwifruit category.
- Working with leading retailers and trade partners to consistently deliver the best ready-to-eat kiwifruit eating experience available to consumers globally.

This clear, high-level strategy is supported by a number of global trends:

- The forecast growth of the world's population from 7 billion people currently to over 9 billion people by 2050.
- A rising middle class across much of Asia, India, Brazil and Russia.
- An increased focus on health by an ageing population and a population battling obesity, diabetes and other weight-related problems.
- Pressure on food production systems globally as a function of climate change and resource depletion.

With the combination of our unified industry structure, a clear long-term strategy and a global environment which will support demand for high-quality ZESPRI® Kiwifruit, the long-term outlook is bright.



Psa

The 2011 year will be remembered as one when Hort16A orchards in the Bay of Plenty were devastated by Psa and industry confidence was overshadowed by this crippling disease.

We estimate that around 800 hectares of Psa-infected Hort16A canopy will have been cut out by the end of the 2012 harvest. In addition, over a third of New Zealand's kiwifruit orchards now have some level of Psa infection and the vine disease is primarily responsible for a forecast 30 percent fall in the ZESPRI® GOLD volume in 2012.

Every level of the kiwifruit industry has been affected and we are all currently working to survive in the new operating reality imposed by Psa.

Proportionally, the highest cost burden is carried at orchard level, whether it is from lost production, increased operating costs to protect an orchard from Psa, or significantly devalued assets.

While the impact of Psa has been every bit as severe as we feared, it is important to balance our collective sense of crisis by focusing on some of the positive aspects of the situation:

- The Hayward variety appears to be relatively robust to the disease.
- Within 18 months, the global Psa research and development programme managed by ZESPRI on behalf of Kiwifruit Vine Health Inc (KVH) has begun to deliver. We have a much deeper understanding of the disease and the tools to progressively support the proactive management programme that will be required in the future.
- At this early stage, it appears that three of ZESPRI's new varieties, including two gold varieties, are relatively less sensitive to Psa than Hort16A.

In this context, we are optimistic that we have the means of our recovery at hand.

It is important that we take this opportunity to acknowledge the work of KVH in leading the Psa response effort and, particularly, the outstanding leadership contributions of KVH Chairman Peter McBride and former KVH General Manager John Burke.

On a similar note, ZESPRI acknowledges the work of New Zealand Kiwifruit Growers Incorporated (NZKGI) in developing support networks, which will assist in keeping growers and other experienced and skilled people in our industry through this time of challenge.

When KVH was established the New Zealand kiwifruit industry committed \$25 million in funding, matching a \$25 million contribution from the New Zealand Government. As at 31 March 2012, \$20.75 million of that industry funding had been spent or committed. The \$25 million of industry funding comprised \$10.8 million from ZESPRI corporate and \$14.2 million funded from New Zealand kiwifruit growers.

Results Overview and Global Economic Environment

Ironically, as the industry focused on falling volumes and asset values as a consequence of Psa, ZESPRI had its hands full selling a record volume crop in a challenging market environment. Global revenue increased by 7.2 percent, from \$1.51 billion to \$1.62 billion in 2011/12, on the back of a 9 percent rise in ZESPRI's global kiwifruit volume from 106.8 million trays in 2010/11 to 116.5 million trays in 2011/12.

Total fruit and service payments for New Zealand fruit (including the loyalty premium) increased from \$883.3 million in 2010/11 to \$980.4 million in 2011/12.

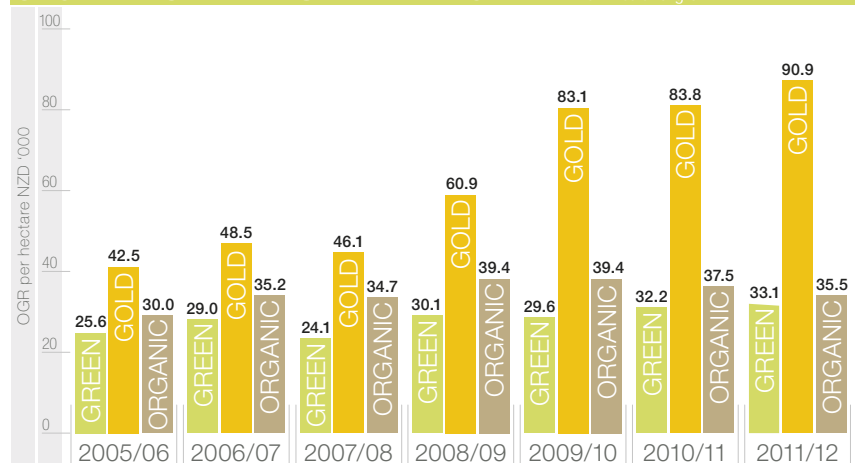
Global revenue 2011/12
PERCENTAGE INCREASE

7.2%

Total fruit and service payments for New Zealand fruit – 2011/12
(including loyalty premium)
PERCENTAGE INCREASE

↑11%

ORCHARD GATE RETURN PER HECTARE – New Zealand-grown



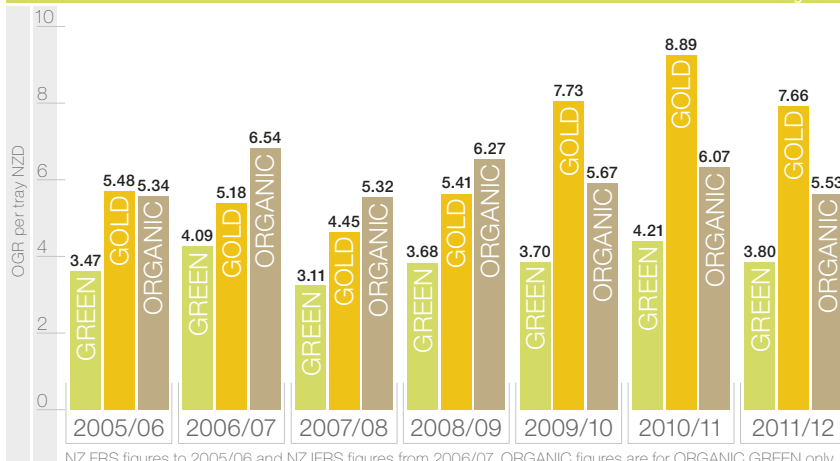
NZ FRS figures to 2005/06 and NZ IFRS figures from 2006/07. ORGANIC figures are for ORGANIC GREEN only.

ZESPRI's net profit after tax was \$20.5 million, compared to \$7.3 million in 2010/11.

There was a mix of both upside and downside factors which influenced the net profit result, as outlined below:

- The ZESPRI margin from New Zealand-grown kiwifruit increased by \$9.3 million, from \$127.6 million to \$136.9 million. This growth was mainly due to the increase in volume, particularly from the New Zealand GOLD pool, although this was offset by unfavourable foreign exchange movements. As a percentage of New Zealand-grown kiwifruit net pool revenue, this reflects a slight decrease from 9.2 percent to 9 percent or, on a net basis (net of loyalty premium), a drop from 7.4 percent to 7.2 percent.
- Research and innovation investment increased by \$5.6 million. This was mainly a result of focusing available scientific resources to work on projects to help the industry cope with the presence of Psa. This increase in expenditure was partly offset by an additional \$3 million of research co-funding, predominately co-funded by KVH.
- To secure sufficient volumes of New Zealand GREEN Class 2 kiwifruit, ZESPRI corporate paid a subsidy to encourage supply. This subsidy was new in 2011/12 and cost ZESPRI corporate \$0.5 million.
- Total overheads relating to New Zealand-grown kiwifruit remained stable at \$83.2 million, however as a percentage of New Zealand-grown revenue this dropped from 6 percent to 5.5 percent.
- The loyalty premium is at the same rate as 2010/11 of \$0.25 per Class 1 tray. Because of the increase in volume, total loyalty premiums increased from \$24.4 million to \$27.7 million.

ORCHARD GATE RETURN PER TRAY SUBMITTED – New Zealand-grown



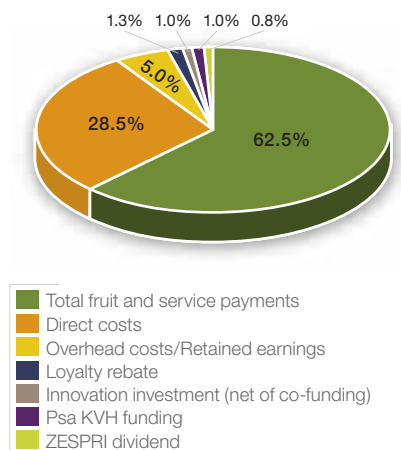
- Funding for the New Zealand industry's \$25 million contribution to KVH is being spread over three financial years. The \$25 million industry contribution is funded by \$10.8 million from ZESPRI corporate, and \$14.2 million collected from the industry. The total industry contribution of \$14.2 million was collected in the 2011/12 season; however, only \$8.5 million was committed as an expense to KVH during that year. The different timing between industry funding (shown as ZESPRI corporate revenue) and KVH committed costs (shown as ZESPRI corporate expenses) has had a significant timing effect on the corporate profit over the last two years. This timing effect will also continue into future years. A summary of the Psa funding-related inflows and outflows is shown below:

Table 1.

	2010/11 \$m	2011/12 \$m	Future Year's \$m	Total \$m
Psa NZ industry co-funding (income to ZESPRI)	-	14.2	-	14.2
Psa funding paid to KVH (expense to ZESPRI)	(12.2)	(8.5)	(4.3)	(25.0)
Net income/(expense) before tax to ZESPRI	(12.2)	5.7	(4.3)	(10.8)

Therefore, the timing of the KVH funding has lowered ZESPRI corporate profit before tax by \$12.2 million in the 2010/11 year, but has increased corporate profit before tax in 2011/12 by \$5.7 million. This KVH funding timing effect on ZESPRI's before tax profit is a positive \$17.9 million when comparing the 2010/11 and 2011/12 years. This

ZESPRI Class 1 GREEN GROWER – New Zealand-grown



positive movement of \$17.9 million almost solely explains the increase in ZESPRI corporate profit before tax of \$17.5 million between the two years.

A further cost to ZESPRI for KVH funding of up to \$4.3 million will be recorded in future years. If the above mentioned timing effect of Psa was removed from both the 2010/11 and 2011/12 financial results, then the 'normalised' profit after tax would have been approximately \$16 million, as shown below:

Table 2.

	2010/11 \$m	2011/12 \$m
Actual reported net profit after tax	7.3	20.5
After-tax impact of Psa-related expense/(income)	8.5	(4.1)
Profit after tax excluding Psa expense/(income)	15.8	16.4

Therefore without the effect of Psa, the underlying 'normalised' profit after tax was similar in both the 2010/11 and 2011/12 financial years.

> Net revenue from new variety licences decreased from \$5 million to \$3.5 million due to a lower number of hectares being issued in 2011/12, mainly as a result of the uncertainty created by Psa.

> Also impacting net profit was a fall in 12-month supply profitability of 19.6 percent to \$4.6 million, due to Italian and French Gold volumes being impacted by Psa, a delay to the start of the European Green season and unfavourable exchange rates.

Market Performance

It is clear that the global economy has yet to emerge from the grip of the 2008 global financial crisis.

Global trade and industrial production lost momentum during the second quarter of 2011 and, as a result, global growth in 2011 was weaker than forecast. While consumption in emerging market economies remained strong due to expanding employment and incomes, consumption and consumer demand continued to be soft in developed economies.

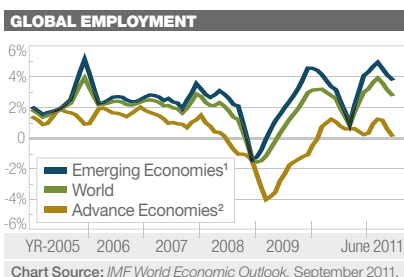
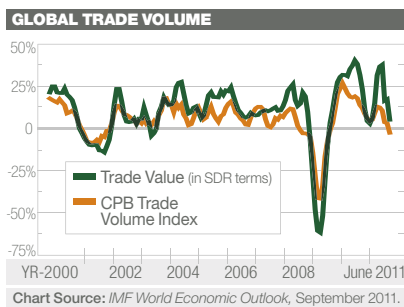
Japan delivered a modest improvement in sales volumes and returns despite the challenging trading conditions due to the 2011 earthquake and subsequent tsunami.

Europe and the United States continue to wrestle with long-term structural debt, high unemployment and weak short-term economic growth forecasts. Therefore, the global economy remains fragile and this vulnerability, particularly in Europe where 46.4 percent of ZESPRI's volume is sold, continues to weigh on customer confidence and spending.

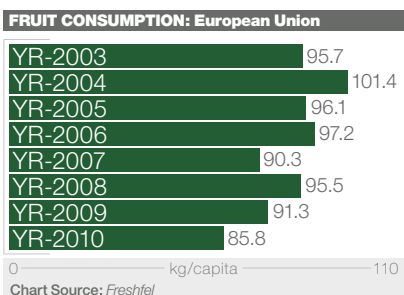
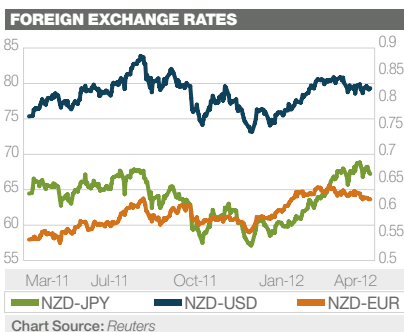
In Europe, an impact of this consumer uncertainty is a fall in demand for fresh fruit, with fruit consumption diminishing per capita. The *E. coli* outbreak in May 2011 also dampened the demand for fresh products.

This instability will continue to be a significant headwind for our business, impacting on customer confidence, spending in our markets and the volatility of foreign exchange rates.

Against this global backdrop, ZESPRI sold 5 percent more trays of New Zealand-grown GREEN and 38 percent more trays of New Zealand-grown GOLD in 2011/12 than it did in 2010/11. The large volume did create some pressure, which had to be carefully managed to ensure pricing remained strong.



1: Argentina, Brazil, Bulgaria, Chile, China, Colombia, Hungary, India, Indonesia, Latvia, Lithuania, Malaysia, Mexico, Peru, Philippines, Poland, Romania, Russia, South Africa, Thailand, Turkey, Ukraine and Venezuela.
2: Australia, Canada, Czech Republic, Denmark, Euro area, Hong Kong SAR, Israel, Japan, Korea, New Zealand, Norway, Singapore, Sweden, Switzerland, Taiwan Province of China, United Kingdom and United States.



A summary of performance of New Zealand-grown kiwifruit by region is as follows:

> **Europe:** European sales were steady in the context of pressure on the broader fruit market. Despite early storage concerns, the quality was better than for 2010/11, resulting in a 3.1 percent increase in the volume of trays sold. Total market return from the region increased by 5.1 percent. Spain, the largest European market, increased from 10.8 million to 11.5 million. Other European markets with strong increases in sales volumes included Belgium 9 percent, Germany 6.8 percent and Italy 5 percent.

> **Japan:** The devastating March 2011 earthquake and resulting tsunami caused great uncertainty at the start of the season and delayed shipments of fruit. The volume of fruit shipped increased by 2.9 percent, and market returns increased by 3 percent.

> **Korea:** This market continues to grow strongly. Volumes sold increased by 12.5 percent and market returns by 24.4 percent.

> **China:** A customs investigation into one of ZESPRI's independent importers meant we had to work closely with all parties concerned to ensure fruit supply was not adversely impacted. This was achieved, and sales volumes increased by 26.3 percent (a record amount of sales into China) and market returns by 45.2 percent.

> **Taiwan:** This was another strong performer and as such absorbed a large amount of the increased crop volume. Despite a 29 percent increase in volume, pricing held firm, resulting in an increase of 30.3 percent in total market returns.

> **Southeast Asia:** The focus on this region as a developing market continues to deliver strong growth. Sales volumes increased by 37.2 percent and market returns by 57.1 percent.

> **North America:** This area had a robust yet challenging season as North America has traditionally been a consignment market although, in 2011/12, the structure was changed to one of fixed-price sales. The volume of sales increased by 8.8 percent and market returns by 21.7 percent.



Other Industry Achievements

- An agreement between the New Zealand and Mexico Governments to end the tariff on New Zealand kiwifruit exports to Mexico will return more than \$1 million per annum to the kiwifruit industry. Until the agreement was signed in November 2011, New Zealand was the only kiwifruit-producing country to face a tariff on its kiwifruit exports to Mexico. ZESPRI closely supported the work of the New Zealand Government in achieving this goal.
- During the 2011 season, ZESPRI filled 63 chartered vessels as well as a further 7,845 containers, with 111.5 million trays of New Zealand-grown kiwifruit.
- In June 2011, a New Zealand kiwifruit industry record was set with the loading of 160 refrigerated containers, containing 832,000 trays of kiwifruit, for export, in a 12-hour period. This new shipping record for the industry meant that over the 12-hour period, a container was loaded with kiwifruit every four-and-a-half minutes.
- The Momentum Kiwifruit Industry Conference 2011, Overcoming Challenges Through Innovation, attracted an outstanding turnout and was a rare opportunity to stand back from our day-to-day work to develop perspective and insight into the challenge of Psa. The international presenters gave the industry an opportunity to look outwards to learn from other industries and to draw on expertise from around the world.

We remain committed to competing as hard as we can in every market to ensure the best return is made for our growers.

- The 2011 allocation for licensed varieties saw the allocation of 283 hectares of Gold3 licences and 180 hectares of Green14 licences.
- In May 2011, ZESPRI and the wider New Zealand kiwifruit industry went to Parliament to formally thank the New Zealand Government for its long-term support of the kiwifruit industry. The event, held in Wellington at Parliament's Beehive Banquet Hall, was hosted by Tauranga MP Simon Bridges and attended by Prime Minister John Key, cross-party Members of Parliament, senior government officials, business leaders and kiwifruit industry leaders.

2011 Challenges

As always, every season brings specific challenges and 2011/12 was no different.

In May 2011, confirmation that a New Zealand kiwifruit orchard worker had contracted typhoid led to around 100,000 trays of kiwifruit being withdrawn from market. While the fruit presented an extremely low risk to ZESPRI consumers, the decision was made to contain and dispose of all potentially contaminated fruit in New Zealand to give full confidence to consumers in ZESPRI's commitment

to food safety. A small amount of fruit which had been exported, was also contained and disposed of in-market prior to delivery to customers.

The majority of the estimated \$1 million loss incurred from the disposal of the fruit was met by insurers, with a small component met by the New Zealand Grower Pool following industry discussions and agreement by the New Zealand Industry Advisory Council (NZIAC).

The arrest of one of ZESPRI's independent import partners in China attracted significant public attention, particularly with the erroneous claim that 30,000 tonnes of New Zealand kiwifruit had been seized by Chinese customs officials. ZESPRI cooperated with Chinese officials and no fruit was seized as part of the inquiry, although on occasion there were small delays in fruit being cleared off the wharves in China due in part to the investigation. All accounts receivables from China have been collected for the 2011/12 season. ZESPRI exported a record amount of fruit into China in 2011/12, up from 7.3 million trays in 2010/11 to 9.2 million trays.

In November, the Korea Fair Trade Commission found ZESPRI to have wrongly sought favourable positioning from certain supermarket chains for its



Dr Jack Bacon, futurist, presenting at the Momentum Conference 2011

products, in comparison to kiwifruit from competing producers. As a result, our company was fined approximately KRW424 million (NZ\$457,250). ZESPRI will never deliberately contravene any international or local laws, some of which vary from one jurisdiction to another. On this occasion, we were deemed to have overstepped the mark and have adjusted the way our business is conducted as a result. We remain committed to competing as hard as we can in every market to ensure the best return is made for our growers.

Adapting to the Psa Environment

As ZESPRI positions itself for the volume contraction expected in the 2012 and 2013 seasons, we have set a target to achieve savings of \$10 million across the business (11 percent of annual corporate overhead costs) for the 2012 season. This will be achieved largely through reductions in employee-related costs, investment budgets, and lower and deferred expenditure on information processes and systems.

The ZESPRI Board and Executive Team remain focused on the need to continue to adapt to the changing Psa environment, while maintaining the core strengths of the business to ensure capacity for future growth.

Market Development

Taking the many opportunities in high-growth markets is one of the key pillars of ZESPRI's long-term growth strategy.

In 2011/12, we continued to invest and drive hard to expand our presence in developing markets with very pleasing results. In China and Southeast Asia, despite a number of challenges, sales again grew sharply, while good sales in Mexico and Brazil gave us a very positive indication of what the future holds for ZESPRI® Kiwifruit in this region.

In 2012/13, recognising the huge growth potential in these markets as well as the other BRIC (Brazil, Russia, India and China) countries, ZESPRI will continue to intensify our investment to build an appropriate resource base and capability to make sure the most is made of these increasing opportunities.

Taking the many opportunities in high-growth markets is one of the key pillars of ZESPRI's long-term growth strategy.

Supply Chain

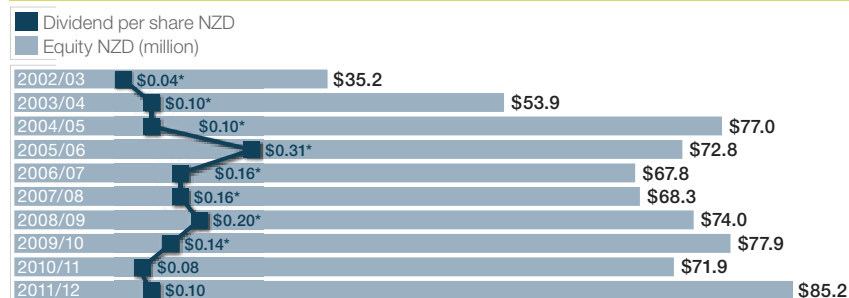
In 2011, ZESPRI embarked on what is expected to be a multi-year supply chain change programme. The aim of this initiative is to develop the best kiwifruit supply chain globally by drawing on world-class knowledge and practice. This will optimise the New Zealand kiwifruit supply chain both globally and by market for the purpose of maximising grower returns.

The programme will cover all aspects of the supply chain including: point of purchase, quality management responsibility, cool chain design and integrity, shipping modes and arrangements, measurement and metrics reporting, the in-market fruit-handling process, facilities and infrastructure.

Thirty positions have been disestablished across the business (from a total of approximately 300 global staff). The reduction in personnel was achieved mostly through a combination of redundancies (some voluntary) and natural attrition.

ZESPRI Group Limited

EQUITY AND DIVIDEND RETURNED



NZ FRS figures to 2005/06 and NZ IFRS figures from 2006/07.

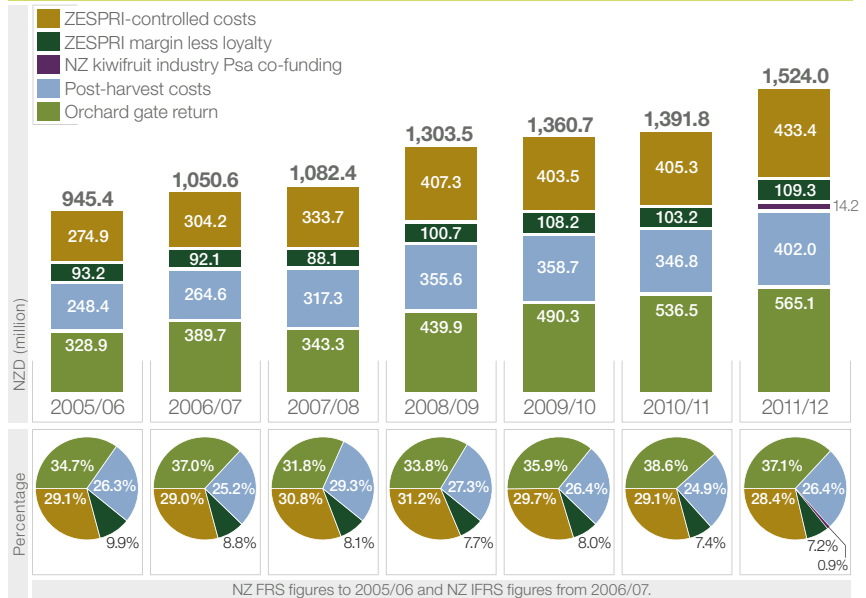
* Adjusted for 5:1 share split in 2010.

Health Platform

Marketing ZESPRI® Kiwifruit based on health benefits forms the fundamental core of our marketing campaigns. The nutrient density of kiwifruit, its ability to support natural digestive health and its role as part of a healthy diet are all messages that resonate with ZESPRI consumers across mature and developing markets. The relevance of our health messaging has increased consumption rates and purchase frequency.

Global growth of the kiwifruit category will continue to be driven in the future by marketing the health benefits of kiwifruit. People who are aware of these benefits are among our most loyal consumers, are most likely to include kiwifruit as a daily part of their diet, and appreciate the high quality and superior taste attributes of ZESPRI® Kiwifruit.

NET REVENUE TO ORCHARD GATE RETURN – New Zealand-grown



There continues to be robust demand for our high-quality products. This, combined with talented, passionate people at all levels of our industry, means we have the foundation, flexibility and strength to pursue long-term growth opportunities.

ZESPRI® Brand

Research results from 2010 demonstrate that our consumers remain committed to the ZESPRI® Brand. This is because the brand consistently delivers on its promise of premium quality, enabling ZESPRI to capture the premium end of the market. The visual recognition of the ZESPRI® Brand on our fruit labels is a trigger for purchase for our loyal consumers and, in 2012, this will be further enhanced through a new fruit label design and a packaging redesign.

Promotional support of the ZESPRI® Brand remains a key focus, to drive sales and further increase consumer demand. In all markets, this has included seasonal programmes of in-store sampling, roadshows, and consumer and trade promotions. There has also been strong consumer advertising on television, in magazines and online, as well as outdoor media and public relations programmes in our more significant and developing markets.

Outlook

While the future remains bright, it is important we recognise a number of challenges which will confront us in the coming seasons, as described below:

- The strong New Zealand Dollar relative to the currencies of our major trading partners. The strength of the New Zealand Dollar is currently supported by weakness in the United States Dollar and the Euro, resilient commodity prices supported by growth in developing economies, and relatively high interest rates in New Zealand.
- Implementing the recovery pathway from the Psa vine disease and managing rapidly recovering GOLD volumes.
- Potential market weakness, particularly in the important European region.
- Growing through the inevitable and expensive learning curve associated with commercialising our three new varieties, Gold3, Gold9 and Green14.

- Anticipated green and gold volume growth from both Chile and Italy, resulting in associated supply pressure and potential pricing weakness by these suppliers.

In summary, ZESPRI faces the future with some confidence while acknowledging there are considerable obstacles to navigate in the short term. However, there continues to be robust demand for our high-quality products. This, combined with talented, passionate people at all levels of our industry, means we have the foundation, flexibility and strength to pursue long-term growth opportunities.

John Loughlin
CHAIRMAN

Lain Jager
CHIEF EXECUTIVE OFFICER



2011/12
MARKET

Category

Performances



Emerging market sales grew by **15%**



ZESPRI® GREEN Kiwifruit - New Zealand-grown

KEY HIGHLIGHTS

The 2011 season was characterised by high yields with average volumes per hectare increasing from 7,660 to 8,709 resulting in an increase in total trays sold to 73.3 million.

- An increased yield meant OGR per hectare increased by 2.8 percent.
- Late-season sales were strong and customer demand was retained through a focus on fruit quality.
- Despite the global green kiwifruit industry becoming increasingly competitive, ZESPRI® GREEN still maintained a 30 to 100 percent price premium over its competitors in its markets.
- ZESPRI® GREEN sales in emerging markets grew by 15 percent.

Slower maturity meant that we were about one week later to market than is usual and the season was characterised by steady sales in Europe, with strong growth in China and Southeast Asia.

returns were \$3.66, compared to \$3.80 in 2010/11. The higher yield offset the drop in per-tray returns with OGR per hectare increasing to \$33,125 in 2011/12 compared to \$32,234 in 2010/11.

Very good fruit storage performance and a strong promotional programme enabled ZESPRI to increase pricing moderately, but this was offset by higher time-related costs, negative market mix, and foreign exchange impacts.

The strategy for ZESPRI® GREEN is to deliver superior-tasting fruit, market the health properties strongly, particularly in more developed markets, and continue to focus on growing emerging markets.

These issues were further compounded by the significant impact of the record volume of fruit. This, combined with a late start to the season, meant a much later close in some markets.

New Zealand-grown GREEN supply is anticipated to plateau over coming seasons as GREEN growers continue to diversify into higher-risk/potentially higher-return new products. As a result, returns can be expected to trend upwards as market and product mix change over the next several seasons. Excellent, reliable fruit quality and outstanding taste remain at the core of the strategy.

Per-tray OGR returns at effective foreign exchange rates were down from \$4.21 to \$3.80. On a 10-year foreign-exchange-adjusted basis, per-tray





Record-sized export crop producing over **29.1** MILLION TRAYS



KEY HIGHLIGHTS

- > A record-sized export crop of over 29.1 million trays was sold during 2011.
- > Significant volume increases were experienced in Europe and Asia where there has been a strong focus on market development of ZESPRI® GOLD, represented by a 36 percent volume increase in Europe and a 59 percent growth in Asia (excluding Japan).
- > The category maintained a strong run of profitability with an OGR of \$90,911 per hectare, compared to \$83,785 in 2010/11, an increase of 8.5 percent. Much of this increase is due to greater yield per hectare.

ZESPRI® GOLD Kiwifruit - New Zealand-grown

The 2011/12 ZESPRI® GOLD season was characterised by significantly increased supply as volume sold increased by 8 million to 29.1 million trays, demonstrating strong demand.

Demand increased in new markets and through greater penetration in existing markets. In particular, Europe increased from 5 million trays to 6.7 million trays. Southeast Asia, Taiwan, China, Hong Kong and Korea all showed considerable growth, taking an additional 4.7 million trays, increasing from 8 million to 12.7 million.

Despite favourable growth in all markets, the large crop did mean we needed to sell later and this was supported by the excellent storage quality of the fruit in 2011.

Per-tray OGR returns at effective foreign exchange rates were down from \$8.89 to \$7.66 due to an unfavourable US Dollar and Euro exchange rate, and a negative market mix due to the significantly increased volume. However, OGR per hectare increased from \$83,785 in 2010/11 to \$90,911 in 2011/12 as a result of greater yields per hectare.

Another challenge included a low-dry-matter season for all varieties.

The first commercial volumes of Gold3 (140,000 trays) and Gold9 (80,000 trays) were marketed under the SunGold label. Both of these cultivars are still in the early stages of market development and consumer acceptance testing. Volumes for 2012 are forecast to reach 2 million trays.

The forecast decrease in GOLD volume for the 2012 season as a consequence of Psa will increase per-tray returns. A key focus for 2012 is to serve key customers and maintain our market platform in anticipation of a strong recovery in volumes from 2014.

Despite favourable growth in all markets, the large crop did mean we needed to sell later and this was supported by the excellent storage quality of the fruit in 2011.



Organics
total sales
revenue of

\$61.7
MILLION



ZESPRI® ORGANIC Kiwifruit – New Zealand-grown

ZESPRI® ORGANIC GREEN reached a new sales record with 3.48 million trays sold, representing an increase of 6 percent above the 2010 season, complemented by 510,000 trays of ZESPRI® ORGANIC GOLD.

A strong performance in Japan and Europe was offset by higher time-related costs and negative foreign exchange movement with per-tray OGR returns decreasing from \$6.07 to \$5.53. Yield increased moderately but, unlike conventional GREEN, this was not enough to offset lower per-tray returns and ORGANIC GREEN delivered an OGR of \$35,527 per hectare in 2011/12, compared to \$37,541 in 2010/11.

During 2011/12, ZESPRI achieved gains in genuine organic demand through a strategic focus on broadening the distribution base to grow sales revenue with new and existing customers. Despite good distribution development, the larger crop and later start for all categories did result in a longer selling season for ORGANICS.

In 2012/13, the focus will be on maximising the key markets of Europe and Japan and ensuring niche organic market opportunities continue to be developed in markets such as China, Hong Kong, Taiwan and Southeast Asia.

ZESPRI will support key distributors and retailers to raise the profile of ZESPRI® ORGANIC GREEN and ORGANIC GOLD Kiwifruit by implementing marketing initiatives to grow brand awareness and optimise sales.

- KEY HIGHLIGHTS**
- Growth in the ZESPRI® ORGANIC GREEN supply to Japan, with sales increasing by 21 percent to 4.6 percent of total Japan sales, was underpinned by some new customers trialling organic kiwifruit.
 - Maintained volume in Europe and achieved growth in several countries, despite the harsh economic conditions and the loss of a large retail customer that decided to reduce its involvement in organics.
 - There are increasing opportunities to develop niche organic markets in China and other emerging markets as platforms for future growth, which in turn are supplementing incremental expansion in established markets.
 - ORGANIC GREEN continues to hold a premium compared to non-organic GREEN, equating to \$5.53 per tray at the orchard gate for ORGANIC GREEN compared to \$3.80 for non-organic GREEN.
 - Enhanced supply chain flexibility was delivered through the flexi-packaging initiative to efficiently respond to emerging market and customer opportunities through the season.
 - For the first time, total sales revenue from organic products reached \$61.7 million, an increase from \$57.4 million on the 2010/11 year (an increase of 7.5 percent). This was underpinned by strong growth in ORGANIC GREEN sales volumes and very strong market returns for ORGANIC GOLD.

Industry Performance

ZESPRI ALTERNATIVE REVENUE STATEMENT

ZESPRI Group Limited and Subsidiaries

Annual Report for the year ended 31 March 2012

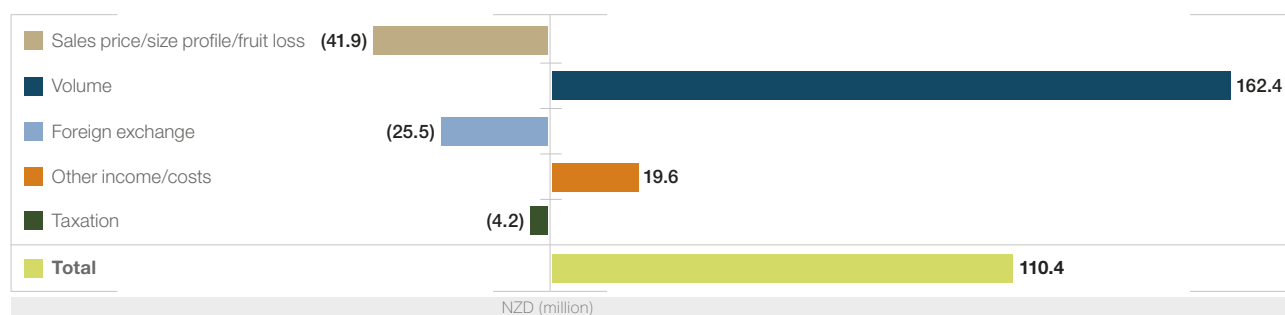
	2011/12 \$'000	2010/11 \$'000	2009/10 \$'000
Gross sales of New Zealand-grown kiwifruit	1,596,943	1,458,853	1,421,923
Promotional rebates, claims and discounts	(96,586)	(84,097)	(74,833)
Net sales of New Zealand-grown kiwifruit	1,500,357	1,374,756	1,347,090
Net fruit return through collaborative marketers	21,886	16,721	11,714
Other pool income	1,793	363	1,863
Revenue attributable to New Zealand pools¹	1,524,036	1,391,840	1,360,667
Less pool costs:			
Freight	148,429	145,582	138,335
Insurance (onshore and offshore excluding hail)	2,512	2,279	2,141
Hail self-insurance ²	188	584	2,801
IAC-approved additional hail funding ²	-	-	1,351
Duty and customs	87,167	78,463	76,120
Other direct pool costs – onshore	31,331	26,021	27,834
Other direct pool costs – offshore	70,794	66,217	67,952
Gold Psa levy	849	-	-
Promotion	92,949	85,664	86,271
Interest income ³	(899)	(606)	(277)
KNZ fees ⁴	244	234	244
NZKGI funding ⁴	751	899	722
Total pool costs	434,315	405,337	403,494
Return from fruit sales	1,089,721	986,503	957,173
New Zealand fruit and service payments	952,762	858,870	833,922
ZESPRI margin⁵	136,959	127,633	123,251
Other non-pool revenue	1,444	2,695	1,340
New Zealand kiwifruit industry Psa co-funding ^{6,9}	14,200	-	-
Research grant co-funding ⁷	5,523	2,485	171
ZESPRI income attributable to New Zealand-grown kiwifruit	158,126	132,813	124,762
Onshore costs:			
Innovation	18,018	12,420	9,062
New Zealand Psa funding ⁷	8,498	12,875	-
ZESPRI® GREEN Class 2 subsidy	506	-	-
Corporate hail funding ²	-	-	500
Onshore overheads	36,305	32,750	31,962
	63,327	58,045	41,524
Offshore costs	46,865	50,436	44,403
	47,934	24,332	38,835
Add operating surplus/(deficit) from other business units:			
Processed fruit product (before taxation) ⁸	-	103	(553)
Non-New Zealand-grown supply (before taxation) ⁸	4,591	5,710	8,552
Income from sale of ZESPRI® licences (before taxation)	3,554	4,979	5,701
EBIT before loyalty premium	56,079	35,124	52,535
Net interest income	3,276	3,501	4,238
ZESPRI profit before tax and loyalty premium	59,355	38,625	56,773
Loyalty premium ⁹	27,658	24,415	15,090
ZESPRI Group profit before taxation	31,697	14,210	41,683
Tax expense	11,170	6,953	15,793
ZESPRI Group profit after taxation	20,527	7,257	25,890
Total fruit and service payments	952,762	858,870	833,922
Loyalty premium	27,658	24,415	15,090
Total fruit and service payments (including loyalty premium)	980,420	883,285	849,012

The Alternative Revenue Statement is used for management information and is the basis for the calculation of the Supplier Return. Foreign exchange gains and losses are allocated differently from the way that they are allocated in the Financial Statements in that they are apportioned to the relevant line items above. The Alternative Revenue Statement is consistent with the business segment analysis in Note 30 of the Financial Statements.

Notes 1 to 9: Refer to page 16.

CAUSE OF CHANGE

- 2011/12 vs 2010/11



	\$'000
Total fruit and service payments 2010/11 (including loyalty premium)	883,285
Add ZESPRI net profit after tax 2010/11	7,257
Return to industry 2010/11	890,542
Movement due to change:	
Sales price/size profile/fruit loss	(41,865)
Volume	162,458
Foreign exchange	(25,530)
Other income/costs	19,559
Taxation	(4,217)
Return to industry 2011/12	1,000,947
Total fruit and service payments 2011/12	952,762
Add ZESPRI loyalty premium 2011/12	27,658
Total including loyalty premium 2011/12	980,420
Add ZESPRI net profit after tax 2011/12	20,527
Return to industry 2011/12	1,000,947

New Zealand pool costs as a percentage of pool revenue

	2011/12 (%)	2010/11 (%)	2009/10 (%)
ZESPRI margin (net of loyalty premium) ⁵	7.2%	7.4%	7.9%
Freight	9.7%	10.4%	10.2%
Insurance	0.2%	0.2%	0.5%
Duty and customs	5.7%	5.6%	5.6%
Other onshore direct costs	2.1%	1.9%	2.0%
Other offshore direct costs	4.6%	4.8%	5.0%
Gold Psa levy	0.1%	-	-
Promotion	6.1%	6.2%	6.3%
Interest ³	(0.1%)	0.0%	0.0%
KNZ/NZKGI ⁴	0.1%	0.1%	0.1%
Total fruit and service payments (including loyalty premium)	64.3%	63.4%	62.4%
	100.0%	100.0%	100.0%
Revenue attributable to New Zealand pools (\$'000) ¹	1,524,036	1,391,840	1,360,667

¹ Net revenue attributable to the pools includes sales of New Zealand-grown kiwifruit, income from collaborative programmes and other pool income as noted in the Alternative Revenue Statement.

² In 2009/10, pool and corporate contributions to hail-affected growers came from the following three sources: \$2.8 million from the self-insured facility, \$1.4 million additional pool funding approved by the Industry Advisory Council (IAC) and a ZGL Corporate contribution of \$0.5 million.

³ The 2011/12 interest income is made up of the following: interest income of \$1.5 million, interest paid of \$0.1 million and an interest charge from ZESPRI of \$0.5 million. This results in an overall interest income to the pools of \$0.9 million.

⁴ Kiwifruit New Zealand (KNZ) is the statutory board funded under regulation 39 of the Kiwifruit Export Regulations 1999. New Zealand Kiwifruit Growers Incorporated (NZKGI) is the kiwifruit grower representation body. NZKGI funding includes industry-good activities of \$70,229. Refer to Note 29 of the Financial Statements.

⁵ The ZESPRI margin is calculated in accordance with the New Zealand Supply Agreement, being 6 percent of net sales (excluding collaborative marketing programmes) and 6 percent of fruit payments to suppliers for all three years.

⁶ Co-funding collected from the New Zealand kiwifruit industry to support the New Zealand response to Psa.

⁷ Costs to contain Psa in New Zealand (refer Note 20 of the Financial Statements).

⁸ Further analyses of non-New Zealand-grown supply and Aragorn (processed fruit product) are available within the segment reporting in Note 30 of the Financial Statements. ZESPRI Group wound down its direct involvement in the processed fruit business in 2010/11.

⁹ Gross contracted loyalty premium due to growers. For 2011/12 and 2010/11, this was paid at 25 cents per Class 1 tray supplied. For 2009/10 the applicable rate was 15 cents per Class 1 tray supplied. The loyalty premium and 2011/12 Psa co-funding from the New Zealand industry are contractually separate items, and are recorded separately in the Alternative Revenue Statement.

REGIONAL PRODUCTION ANALYSIS

- New Zealand-grown Kiwifruit
Trays supplied to ZESPRI (FOBS)

	Producing hectares*	TE supplied per ha	Producing hectares	TE supplied per ha	Producing hectares**	TE supplied per ha	Producing hectares	TE supplied per ha
	2011/12		2010/11		2009/10		2008/09	
ZESPRI® GREEN Kiwifruit								
Northland	235	6,948	256	6,411	283	6,576	291	5,839
Auckland	419	8,920	443	6,921	456	7,415	471	7,409
Bay of Plenty								
- Katikati	1,214	8,133	1,288	7,445	1,254	7,618	1,294	7,411
- Opotiki	565	8,882	594	8,259	585	7,384	559	8,502
- Tauranga	1,205	8,254	1,270	7,502	1,310	8,178	1,305	8,125
- Te Puke	3,891	8,937	4,142	8,002	4,026	8,133	3,904	8,451
- Waihi	167	6,212	168	6,420	168	6,691	179	6,810
- Whakatane	620	7,149	650	5,953	620	5,628	523	6,040
Waikato	250	6,905	262	5,600	255	6,351	264	5,770
Poverty Bay	129	6,285	151	7,445	166	6,299	176	5,173
Hawke's Bay	116	6,013	134	5,008	117	5,989	125	4,868
Lower North Island	73	7,325	78	5,094	88	6,617	91	3,886
South Island	452	6,678	501	4,712	543	5,245	584	6,509
Total producing hectares	9,336		9,937		9,871		9,766	
Average TE supplied per hectare		8,273		7,330		7,495		7,649
ZESPRI® ORGANIC GREEN Kiwifruit								
Northland	5	3,633	5	1,800	5	1,887	2	755
Auckland	1	5,601	2	3,046	-	-	2	1,640
Bay of Plenty								
- Katikati	32	6,914	30	6,665	27	6,769	27	6,211
- Opotiki	24	4,676	20	5,367	20	4,705	20	2,482
- Tauranga	255	6,548	240	6,195	210	7,106	210	6,793
- Te Puke	86	7,107	89	6,898	85	6,884	80	7,112
- Waihi	7	5,091	7	7,942	3	7,043	-	-
- Whakatane	5	5,610	6	2,661	6	4,355	3	2,971
Waikato	134	5,223	132	5,708	122	6,732	108	5,134
Poverty Bay	6	6,276	6	6,408	6	7,081	6	5,936
Hawke's Bay	1	2,794	1	2,900	1	4,582	1	933
Lower North Island	4	6,929	4	2,950	4	4,576	4	4,096
South Island	16	4,411	16	2,515	16	4,158	17	5,131
Total producing hectares	576		558		505		480	
Average TE supplied per hectare		6,147		5,993		6,661		6,088
ZESPRI® GOLD Kiwifruit								
Northland	216	11,133	208	8,149	195	8,788	182	9,951
Auckland	80	12,079	73	8,411	68	10,413	69	10,233
Bay of Plenty								
- Katikati	183	9,304	170	7,930	155	8,609	152	10,950
- Opotiki	267	11,756	208	11,351	192	11,907	189	10,655
- Tauranga	280	11,862	273	9,155	272	10,737	271	11,804
- Te Puke	1,141	12,694	1,062	9,904	975	10,776	955	11,150
- Waihi	20	10,142	19	9,475	17	8,178	18	10,629
- Whakatane	81	12,813	65	8,402	58	9,676	41	10,662
Waikato	85	8,784	75	5,882	67	9,916	66	9,537
Poverty Bay	120	6,740	94	6,790	79	7,949	78	7,967
Hawke's Bay	74	8,938	46	6,723	40	8,958	38	6,896
South Island	43	9,498	37	7,916	31	9,179	32	9,963
Total producing hectares	2,590		2,330		2,149		2,091	
Average TE supplied per hectare		11,538		9,203		10,287		10,761

TE/ha = tray equivalents supplied per hectare. 'Producing hectares' includes all hectares producing fruit in the relevant season.

* Producing hectares for 2011/12 exclude the following new cultivar hectares in production: Green14: 19.5 ha, Gold3: 15.2 ha and Gold9: 11.3 ha.

** Hectares that were 100 percent affected by hail in the 2009/10 season have been excluded from the productive hectares.

New Zealand

TOTAL FRUIT AND SERVICE PAYMENTS

(including loyalty premium)

	Return \$m 2011/12	\$ per TE 2011/12	\$ per TE 2010/11	\$ per TE 2009/10	\$ per TE 2008/09
ZESPRI® GREEN Kiwifruit					
Total tray equivalents supplied (m)		77.2	72.9	75.0	74.7
Fruit payments	334.1	4.33	4.27	4.26	4.26
Fruit incentives	89.2	1.15	1.79	1.47	1.47
Service payments	125.0	1.62	1.25	1.27	1.24
Loyalty premium	19.3	0.25	0.25	0.15	0.17
Total fruit and service payments (including loyalty premium)	567.6	7.35	7.56	7.15	7.14
ZESPRI® ORGANIC GREEN Kiwifruit					
Total tray equivalents supplied (m)		3.5	3.3	3.4	2.9
Fruit payments	20.5	5.79	5.30	5.55	5.76
Fruit incentives	6.9	1.97	2.87	2.33	2.63
Service payments	3.8	1.06	0.91	1.08	0.87
Loyalty premium	0.9	0.25	0.25	0.15	0.17
Total fruit and service payments (including loyalty premium)	32.1	9.07	9.33	9.11	9.43
ZESPRI® GOLD Kiwifruit					
Total tray equivalents supplied (m)		29.9	21.4	22.2	22.5
Fruit payments	195.9	6.56	6.17	5.90	4.92
Fruit incentives	80.7	2.70	4.76	3.94	2.76
Service payments	79.1	2.65	1.72	2.29	2.01
Loyalty premium	7.5	0.25	0.25	0.15	0.17
Total fruit and service payments (including loyalty premium)	363.2	12.16	12.90	12.28	9.86
Family Kiwi™ GREEN Kiwifruit					
Total tray equivalents supplied (m)		1.9	1.8	0.7	1.6
Fruit payments	7.5	4.00	4.11	4.54	3.55
Service payments	0.2	0.11	0.33	0.48	0.57
Total fruit and service payments	7.7	4.11	4.44	5.02	4.12
Family Kiwi™ ORGANIC GREEN Kiwifruit					
Total tray equivalents supplied (m)		0.0	-	-	0.1
Fruit payments	0.2	4.15	-	-	4.93
Service payments	0.0	0.22	-	-	0.59
Total fruit and service payments	0.2	4.37	-	-	5.52
Family Kiwi™ GOLD Kiwifruit					
Total tray equivalents supplied (m)		0.6	0.5	0.2	0.2
Fruit payments	3.2	5.25	6.18	6.06	4.58
Service payments	0.4	0.66	0.59	0.66	0.68
Total fruit and service payments	3.6	5.91	6.77	6.72	5.26
Non-standard supply					
Total tray equivalents supplied (m)		0.8	1.8	0.5	0.6
Fruit payments	4.9	6.36	3.74	6.62	6.14
Fruit incentives	-	-	2.33	-	-
Service payments	1.1	1.46	1.39	1.59	0.79
Total fruit and service payments	6.0	7.82	7.46	8.21	6.93
Total all pools					
Total tray equivalents supplied (m)		113.9	101.7	102.0	102.6
Fruit payments	566.3	4.97	4.69	4.67	4.45
Fruit incentives	176.8	1.55	2.42	2.02	1.75
Service payments	209.6	1.84	1.32	1.48	1.39
Loyalty premium	27.7	0.25	0.25	0.15	0.17
Total fruit and service payments (including loyalty premium)	980.4	8.61	8.68	8.32	7.76
Total fruit and service payments 2010/11	883.3				
Total fruit and service payments 2009/10	849.0				
Total fruit and service payments 2008/09	795.5				

The 2011/12 New Zealand Industry Psa co-funding contribution of \$13.4 million is excluded from the above numbers.

New Zealand

INDUSTRY STATISTICS

	2011/12	2010/11	2009/10	2008/09	2007/08	2006/07	2005/06
Distribution to growers/suppliers							
Fruit and service payments (excluding loyalty premium)	8.36	8.43	8.17	7.59	6.83	7.81	6.72
Loyalty premium	0.25	0.25	0.15	0.17	0.10	0.26	0.10
Total payments per tray	8.61	8.68	8.32	7.76	6.93	8.07	6.82
Crop volumes ('000)							
Trays submitted (gross)	119,452	105,869	107,034	109,386	102,012	89,919	87,752
Trays supplied	113,932	101,712	102,010	102,644	95,364	81,099	84,669
Trays sold	109,129	98,117	98,550	99,969	92,436	80,060	82,283
Trays sold as a percentage of trays supplied	96%	96%	97%	97%	97%	99%	97%
General statistics							
Production per hectare (trays submitted)	9,556	8,255	8,546	8,866	8,371	7,514	7,655
Producing hectares	12,500	12,825	12,525	12,337	12,186	11,967	11,464
Orchard Gate Return per hectare (average)	\$45,206	\$41,830	\$39,142	\$35,655	\$28,169	\$32,566	\$28,687
Number of producers	2,662	2,706	2,711	2,710	2,727	2,754	2,748
Average number of trays supplied per producer	42,799	37,588	37,628	37,876	34,970	29,448	30,811
Number of orchards registered							
0 - 2 hectares	913	867	871	912	926	946	833
2 - 5 hectares	1,521	1,512	1,479	1,490	1,472	1,450	1,460
5 - 10 hectares	577	602	582	561	566	543	585
Over 10 hectares	138	153	148	147	142	138	147
Total (KPINS)	3,149	3,134	3,080	3,110	3,106	3,077	3,025
Average orchard size (hectares)							
ZESPR [®] GREEN	3.7	3.8	3.8	3.7	3.7	3.7	3.5
ZESPR [®] GOLD	3.2	3.0	2.8	2.7	2.7	2.6	2.5
Number of packhouses used							
0 - 500,000 trays	20	24	25	25	26	39	38
500,000 - 1,000,000 trays	10	11	12	12	17	13	17
1,000,000 - 2,000,000 trays	12	15	16	15	14	17	13
Over 2,000,000 trays	21	17	18	19	18	11	15
Total	63	67	71	71	75	80	83
Average trays packed per packhouse ('000)	1,896	1,580	1,507	1,541	1,360	1,124	1,057
Number of coolstores used							
0 - 500,000 trays	34	40	32	44	34	48	43
500,000 - 1,000,000 trays	14	13	14	16	17	11	13
1,000,000 - 2,000,000 trays	9	12	13	13	15	17	15
Over 2,000,000 trays	22	18	18	19	17	11	14
Total	79	83	77	92	83	87	85
Average trays stored per coolstore ('000)	1,512	1,276	1,390	1,189	1,229	1,034	1,032
Number of employees							
New Zealand based (excludes seasonal employees)	138	140	136	132	136	127	117
Non-New Zealand based	115	118	110	100	100	88	85
Total	253	258	246	232	236	215	202
Global revenue per employee (\$'000) – excluding seasonal employees	\$6,523	\$5,916	\$6,165	\$6,323	\$4,994	\$5,306	\$4,985
Global revenue (adjusted to 31 March 2012 10-year average foreign exchange rates) per employee (\$'000) – excluding seasonal employees	\$6,443	\$5,558	\$5,750	\$6,302	\$5,390	\$5,209	\$5,200
Onshore seasonal employees per year	15	25	26	26	27	26	14

Psa

R&D Update



A review of the KVH and ZESPRI Psa Research and Development programme during 2011/12 must start with a snapshot of the industry's knowledge of Psa when the disease was first confirmed in New Zealand in November 2010.

At that point, the knowledge of Psa was limited due to the following factors:

- > It was not known that there were different haplotypes – the virulent (Psa-V) and less-virulent (Psa-LV) – of the disease.
- > There was little understanding of product efficacy against the disease with initial spray recommendations based on product testing completed through in-vitro laboratory screening.
- > There was no ability to rapid-test Psa samples. A test to confirm the presence of Psa took more than three weeks; it now takes a few hours.
- > There was no knowledge of the various levels of tolerance to the disease between cultivars.
- > There was little insight as to the importance of weather conditions in spreading the disease.
- > Our base understanding of kiwifruit plant defences was limited.

Today, our knowledge has increased considerably to the point where the three strands to any successful response to Psa – namely, tolerant cultivars, new tools and new orchard management practices, and the right growing environment – are now better understood and this understanding is progressing.

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Psa-tolerant Cultivars

The high susceptibility of Hort16A, compared to other cultivars, to Psa has been the biggest setback from the spread of the Psa disease, but it has shown that there is an obvious range of Psa tolerance between varieties. This range of tolerance has been demonstrated in bioassay tests and through on-orchard observation, and gives us a key foundation on which to build a viable industry in a Psa environment.

Tolerance to Psa has now become a key consideration within ZESPRI's new variety programme, alongside key commercial considerations such as taste, storage, yield and market demand.

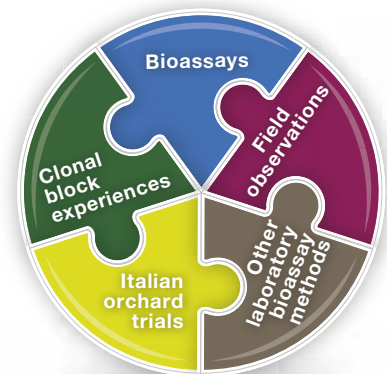
The long-running ZESPRI and Plant & Food Research new variety programme has been hit by Psa, with Plant & Food Research's Te Puke research orchard severely affected by the disease. Where once the programme had almost 100,000 cultivars prior to Psa, it now has around 70,000 cultivars that are currently showing varying levels of tolerance to Psa.

Operating a breeding programme in a Psa environment brings a number of challenges, but the reality is that for new cultivars to flourish, they must grow successfully within such conditions.

What are the Next Moves for the Programme?

The long-term focus of the new cultivar programme is to find a truly Psa-resistant germ plasm, which also has all the necessary attributes to become a successful commercial cultivar. Determining Psa tolerance and ultimately Psa resistance will require information gathered from many sources including:

- > Bioassays
- > Italian orchard trials
- > Clonal block experiences
- > Field observations
- > Other laboratory bioassay methods.





New Tools

There are now almost 300 products at varying stages within the comprehensive Psa product-testing programme. The programme's facilitators are considering a wide range of known products, as well as those suggested by growers and manufacturers.

The Psa screening programme has been developed to identify, rigorously test and then attain authorisation to use suitable products as part of ZESPRI's Crop Protection Programme (CPP) to control the spread of Psa-V and eventually to cure vines infected with Psa-V.

From the testing to date, it is becoming clear that:

- No curative has yet been found.
- There is a small number of products showing very good efficacy as Psa protectants.
- There is still much to learn on how best to use the tools showing strong efficacy against Psa. This includes how sprays should be used in isolation and in combination with other orchard management tools.

Work is already under way to further investigate how existing products could be better optimised as Psa protectants.

Meanwhile, the Psa product-testing programme will continue to accept new agrichemicals, elicitors and biological products to test for efficacy against Psa.



www.kvh.org.nz

New Orchard Management Practices

It is clear that orchard management practices have changed considerably now the industry is operating in a Psa environment. As a result, substantial resource has been invested in better understanding how orchard management practices can protect orchards from Psa.

In addition to understanding protectant agrichemical products, the key lessons for the industry include:

- Quantifying the risk beehives provide to the spread of Psa and how this can be mitigated.
- Evaluating the performance of standard sprayers and developing tools and settings to achieve effective spray coverage through winter to early summer.
- Understanding the persistence of Psa in leaf litter, allowing inoculum sources to be reduced over winter.
- Better understanding orchard hygiene measures, including: controlling the movement of plant material, using sanitisers on orchard equipment; and using protectants and plant management techniques to minimise the risk of Psa entering vines during activities such as pruning and girdling.

As our understanding of how Psa moves both on and between orchards improves, orchard management practices will change.

Of particular importance for orchard management practices is increasing the understanding of high and low risk periods and activities for disease spread.

Psa Recovery Pathway

After extensive industry consultation in March 2012, the ZESPRI Board made the decision for a wide scale release of Gold3 licences to be the future foundation of the Gold category, after the devastation caused to Hort16A by Psa.

The release was a major milestone for the industry in its response to Psa and is a significant step forward in formulating a recovery pathway from Psa.

Under the release, enough Gold3 licences were made available to meet demand from current Hort16A licence holders, Hayward growers who cut out their vines on the recommendation of KVH, and Gold9 growers.

A further fixed allocation of 300 hectares of Gold3 licences available exclusively to non-Hort16A KPINS on the same pricing terms as for Hort16A growers, and a final 100 hectares of additional licences were made available for all under a commercial tender process.

While the recovery pathway is a positive step, it is not without risk and, for this reason, the extensive R&D programme will continue. This is to ensure the best tools and management practices are delivered to growers to ensure they have a viable commercial future in a Psa environment.

ZESPRI Market DEVELOPMENT



A snapshot of the size and location of ZESPRI's markets five years ago shows our business was still very much focused on Europe (in particular Germany and Spain) and Japan.

While Europe and Japan remain critical parts of ZESPRI's future planning, a 2011/12 representation of the size and location of our markets shows the progress of our Company's long-term focus on developing and expanding markets in the world's fastest-growing economies.

The engine for global economic growth in the medium term will be as follows:

- The BRIC (Brazil, Russia, India and China) countries, which together currently account for more than a quarter of the world's land area and more than 40 percent of the world's population
- The ASEAN* countries, which account for 8.8 percent of the world's population, with its per-capita income predicted to grow significantly by 2020.

This strong growth has been a result of well-directed in-market resource to help understand the region at a much deeper level and allow for informed decision-making that best serves the needs of the rapidly growing retail sector and its consumers.

To enable ZESPRI to meet our long-term expansion plans, it is clear that we must spread our focus and direct greater investment into these key growing markets.

ZESPRI's continued investment in local expertise, education and consumer-focused marketing support is certainly helping to overcome these issues and to create strong growth in volume and value on an ongoing basis.

One such area of increasing market investment is Southeast Asia. Since 2007, ZESPRI's sales to this region have increased by more than four times.

Promisingly, there are a number of trends that make Southeast Asia a market that offers ZESPRI significant opportunity, as summarised below:

This strong growth has been a result of well-directed in-market resource to help understand the region at a much deeper level and allow for informed decision-making that best serves the needs of the rapidly growing retail sector and its consumers.

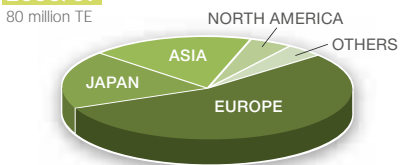
- The ongoing implementation of the ASEAN-Australia-New Zealand Free Trade Agreement, which creates a market of 600 million people, with a combined economic output of US\$2.65 trillion

Operating in this region does bring many challenges, mainly because of the underdeveloped supply chain necessary to bring consistently high-quality kiwifruit to retail. Also, the vast differences in terms of culture, language and buying behaviour across each of the countries provide extra difficulties.

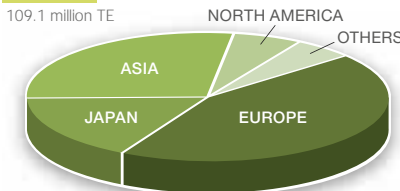
- A rapidly expanding retail sector and middle-income group of consumers growing at a rate second only to China in the Asia region

- A combined forecast economic growth rate for ASEAN countries which is considerably ahead of the forecast global economic growth rate.

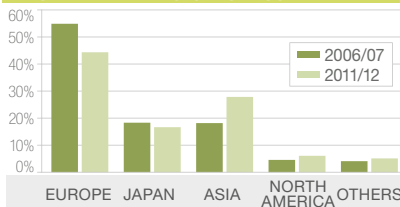
ZESPRI® Kiwifruit Sales Volumes 2006/07



ZESPRI® Kiwifruit Sales Volumes 2011/12



ZESPRI® Kiwifruit Market Mix



Over six years, in developing markets, ZESPRI® Kiwifruit sales volumes have increased by 220 percent, from 4.5 million trays in 2006/07 to 14.4 million trays in 2011/12.

↑ 220%

* The Association of Southeast Asian Nations (ASEAN) is a political and economic regional organisation consisting of: Indonesia, Malaysia, Philippines, Singapore, Thailand, Brunei, Myanmar, Cambodia, Laos and Vietnam.



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2011/12

ZESPRI GLOBAL STATISTICS

● Indicates where ZESPRI® Kiwifruit is available around the world.

Statistics, unless stated otherwise, include ZESPRI® Kiwifruit, both New Zealand-grown and non-New Zealand-grown, and collaborative marketing sales.

ANNUAL REVIEW

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New Zealand's largest organic produce exporter with total organic sales revenue of \$61.7 million



The Americas



New Zealand's largest horticultural exporter with global kiwifruit sales of

\$1.62 billion

Since ZESPRI Group Limited was created in 2000, ZESPRI's success, which has seen it grow into a world-leading horticultural marketing company, has relied on a strong industry network of supportive and committed growers, post-harvest operators and other suppliers, distributors and customers – with a focus on continued global growth and success.





Europe,
including the Middle East,
purchased over
55.4 million
trays of ZESPRI® Kiwifruit



Asia
(excluding Japan)



purchased over
32.5 million
trays of ZESPRI® Kiwifruit

Japan

purchased over
18.6 million
trays of ZESPRI® Kiwifruit

Oceania

purchased over
2.2 million
trays of ZESPRI® Kiwifruit



2,662 growers

produced ZESPRI® Kiwifruit in



New Zealand