



Wools of New Zealand Shareholder Update No. 108, 18 March 2019



FROM THE CHIEF EXECUTIVE ROSSTAN MAZEY

Market Situation and Outlook

Over the last month we have seen prices stabilise as interest from China has improved, despite the trade tariff situation with the United States. Washington and Beijing have introduced import duties on each other's products that have cost the world's two largest economies billions of dollars and disrupted manufacturing and supply chains.

The markets in the UK and Europe remain challenging as the Brexit situation is still uncertain for all; consumers, manufacturers, wholesalers and retailers alike. In the flooring sector, hard flooring growth has come at the expense of soft flooring. Within this context the opportunity for wool lies in the higher end of the market with encouraging signals demonstrated by recent investment from key spinners and manufacturers in new wool carpets and carpet tiles.

The nature/sustainability and traceability story is not merely a trend, it has become a reality and a must for apparel brands to show their commitment to a renewable, biodegradable natural fibre, and this is one of the reasons for the rising interest in wool. Although led with apparel, we are seeing growing interest from interior textiles brands and manufacturers which we are well placed to commercially support with our grower supply base, brand and credentials.

Consumer interest continues to build in the ingredients of products and natural fibres. As a 100% grower owned company, Wools of New Zealand remains committed to create new opportunities for your wool, focusing on points of difference to deliver value over time.

Lambswool Contract

Despite a challenging growing season, the majority of the lambswool is coming in within specification. We greatly appreciate the attention that growers are paying to their lambswool, and in doing so, adhering to the contract.

These efforts help to further strengthen the relationship with the customer as we position ourselves for further growth of their business and ours with natural fibres becoming more relevant in internal environments where upholstery is playing a more significant role.

WNZ Payment Terms

WNZ have three Sales Options and each of these have different payment terms - **Tender, NFX, and Contract.**

All wool comes to WNZ through our Direct-2-Scour process, this is the process your wool takes to be transported to, and stored at, the New Zealand Woolscourers' scours in Timaru or Napier.

If you send your wool to WNZ and it is not in a contract, it will be sold either in the fortnightly **Tender** or fortnightly **Natural Fibre Exchange**. Payment to growers for each of these two sales options is within 12 days of wool being sold.

Contract wool is received for forward contracts with our customers. Because this wool may not be shipped for some months, payment terms are extended and may be split, as is done for our lambswool contract. This year you will have seen us bring out a shorter term payment term for one lambswool contract at a price variation.

Sales Option	Payment Terms
Tender	Within 12 days from sell date
NFX	Within 12 days from sell date
Second Shear Contracts	100% payment made 60 days after wool is accepted into contract
Lambswool Contracts • Deferred payment terms with the option of shorter terms reviewed annually	Two contracts for 2018/19 season with different payment terms: 1. 50% payment in 60 days; 50% payment in 180 days 2. 100% payment in 30 days at variable price



The NFX has recently run the 21st Trading Event. Since commencing on 22 May 2018 and running every fortnight, this new online platform is providing sellers and buyers with an efficient and convenient way to transact wool and slipe wool.

Over time the level of support for the NFX continues to build with the number of sellers and buyers participating both increasing. Comparative analysis demonstrates the realisation of market price through time that the NFX is achieving for sellers and participating growers.

This week's Trading Event featured the highest volume offering to date, with 298,000kg clean offered. Through Wools of New Zealand's initiative, the NFX is an example of the industry collaborating to deliver a more efficient way to transact wool.

For more information go to the NFX web page:

<https://www.naturalfibreeexchange.com/>

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