



100% New Zealand Grower Owned



Wools of New Zealand Shareholder Update No. 98, 6 July 2018

FROM THE CHAIR AND CHIEF EXECUTIVE



Mark Shadbolt
Chairman



Rosstan Mazey
Chief Executive

A New Era for Wools of New Zealand

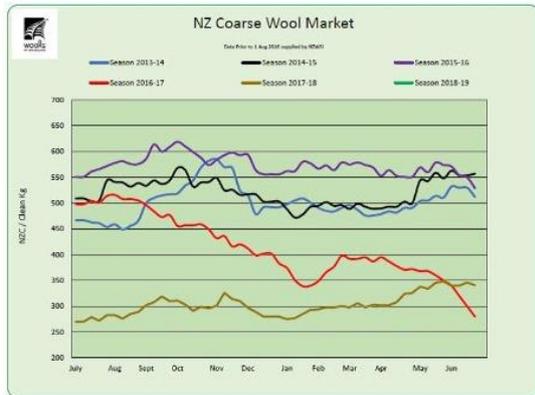
- 1 July marked a critical point in your company's development, as we moved onto a fully commercial footing. We have been able to do this due to the support of our grower shareholders and the commercial opportunities that we have developed
- Grower shareholders who have continued to support the Wool Market Development Commitment (WMDC) for the past five and a half years and were up to date with their WMDC at 30 June 2018 will be allocated additional WNZ shares over the coming weeks
- This level of commitment by shareholders has enabled the company to develop the business and strategies to a point where the Board has the confidence to operate WNZ as a fully commercial business
- *We will continue to focus on:*

- developing our D2S model and growing the volumes of wool we handle from shareholders and other suppliers,
- continued development of value add contracts and sales options such as the Natural Fibre Exchange (NFX)
- investment in new innovations and uses for wool such as Glacial XT and our collaboration with DuPont.
- We are excited about the future commercial potential of our initiatives which are all underpinned by the Wools of New Zealand brand.
Your Brand.

The Market

You will be aware that market conditions for wool over the past two years have been very challenging. Average coarse wool prices have been around the 300c/kg level, only recovering some ground recently.

Our challenge is to build value back into your wool.



Market Insights

We have recently completed an in-market visit to Europe and have identified a number of commercial opportunities.

The key findings reiterated in several of our meetings is a heightened interest from manufacturing and carpet and upholstery brands for products that contain ethically sourced and sustainable natural fibres, while large retailers and buying groups are now seeking out products that can verify the origin of the fibre. This is positive news for Wools of New Zealand and our relationship with Oritain.

The issue of micro-fibre and plastic pollution in the world's oceans has been given prominence in the media and is a very real consumer concern. See the attached link to article "Europe sets rules to reduce single-use plastics". <http://www.iwto.org/news/single-use-plastics>

Coupled with this is concern over the cost of textile manufacture in terms of fossil fuels (see graph below). These two factors put wool in an increasingly positive position with the consumer and it is our strategy to ensure we leverage commercial benefit from wool's environmental pedigree.



Contract – Second Shear 2-4”

WNZ is pleased to announce a Second Shear contract for 2-4” Wool:

Specifications:

- Length: 2-4” (includes 3-4”) – delivery must include 4” wool
- Micron: 35-38
- Colour Y-Z 2.5 max
- VM: 0.1 max

Price:

- \$3.55/kg clean – 25c above current market price

Delivery:

- November 2018 – April 2019

Payment:

- 60 days from delivery due date noted on contract

Contact your Grower Liaison for more information.



The NFX has now had four successful trading events with good volumes of wool on offer from a number of New Zealand's major wool sellers. The trading manager, CRA International, has reported strong interest from all the participating bidders, who are becoming more comfortable with the online bidding process.

The NFX offers independent price discovery through regular fortnightly trading events, with a focus on improving the efficiency of selling significant volumes of wool. As a commodity focused sales option, it also provides an objective reference price from both buyers and sellers. We are also pleased to report that Progressive Leathers, Progressive Meats, Ovation, Te Kuiti Meats and Taylor Preston have committed to the NFX as shareholders, along with WNZ and Alliance.

Fees and Charges

We've listened to our grower shareholders regarding charges, in particular small line charges and have reviewed these in line with our new commercial model. The main focus has been on standardising and simplifying the fee structure for all our growers.

From 1 July 2018 the following fees apply (greasy wool):

- Handling fee - 13.5c/kg
- Transaction fee – 16.5c/kg
- Sampling and testing - actual cost passed on
- Freight - actual cost passed on
- Gross fee – 30c/kg

Storage

Effective 1 July 2018 storage will be charged to grower shareholders from 30 days of receipt of wool at the store. The rate remains unchanged, at 11 cents per bale per day. It is a timely reminder that when you submit your wool via D2S, to either the tender or the NFX, that your wool is up for sale. Our model is about providing our growers with an efficient flow of wool for presentation for prompt sale – we have not invested in bricks and mortar to provide growers with a long-term storage option.

The best support you can give your company as Grower/Shareholders is by transacting your wool through WNZ and generating returns from the opportunities we have on offer.

Contact Us

Please contact your regional Grower Liaison (GL) directly if you wish to discuss anything.

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Regards
Mark and Rosstan