

Wools of New Zealand Shareholder Communication No. 71
26 June 2016

From the Chief Executive

Keith Sutton

Wools of New Zealand director Keith Sutton has resigned from the Board effective as of the end of June. Keith has been closely involved in the wool sector for more than a decade and has been a director of WNZ since 2012. He is departing to pursue other business opportunities, requiring that he resign from a number of his directorships. His involvement in a diverse range of farming businesses and background in investment banking and corporate finance has proven to be an invaluable combination for the board and as chairman of the audit committee. We are grateful for his immense contribution to our young company and we wish him well in the future.

WNZ will shortly be calling for nominations for the role of WNZ director though in the interim we will appoint an independent person to take on the role of chairman of the audit committee.

Brexit

This week's referendum result with the UK public voting to leave the EU has potentially serious trade implications for sheep and beef farmers given the value of the EU and UK to our sheep meat markets. The UK is also an important market for coarse wool, so the appreciation of the NZD against the UK and EU currencies is an obvious area of concern.

In that respect we will be working with our UK based clients, with whom we have strong relationships, to understand how we are best to operate in this evolving market.

B+L NZ has issued an overview of the Brexit process, which I share with you now:

- There will be no immediate change to any access conditions until the UK officially 'exits' the EU which will take around two years, if not longer
- The departing Member State must notify the European Council (the leaders of each Member State) that it has decided to leave, and after this the departing Member State and the remaining Member States must negotiate the terms of exit
- The terms of exit must be agreed between the departing Member State, and a qualified majority of the remaining Member States. A qualified majority means 55% of remaining Member States, representing 65% of the remaining EU population
- European Union membership will automatically cease two years after the departing Member State gave notice of withdrawal if no agreement is reached. However, if there is unanimous agreement from all Member States, the negotiation process can be extended

Under the WTO rules, the UK and EU would be legally obliged to retain New Zealand preferential access conditions (quotas) for red meat, however how this would be achieved is a cause for concern for the sector.

Staple 2016/17

You will be receiving the latest Staple annual wool production indicator in the post in the coming weeks. Staple is a critical tool for our business, allowing us to match the supply profile of our growers with the requirements of our brand partners. Further, those who sign up to Staple will benefit from:

- Preferential access to WNZ and Laneve supply contracts
- Immediate communication on contract supply options and specifications as they become available
- Participation in the WNZ 'Grower of the Year' Award.

I would therefore urge you to update your supply profile as accurately as possible, or contact your Grower Liaison if you have any questions around the programme. If you have transacted wool with WNZ the past year, your Staple production indicator may look something like this:

Please complete the table below with your proposed wool supply for the July 2016 - Jun 2017 period based on kg. Please note: Actual figures are from your AA 2016 - 2016 period.													
Type	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	Total
Full Fleece - actual 2016/16													
- estimated 2016/17													
2nd Shear - actual 2016/16	2388kg						1708kg						
- estimated 2016/17													
Hogget - actual 2016/16													
- estimated 2016/17													
Lamb - actual 2016/16							748kg						
- estimated 2016/17													
Other - actual 2016/16	489kg						184kg						
- estimated 2016/17													

A Shared Passion

Finally, I have shared a link to the UK's Camira website which supports the strength of our relationship with Camira, one of the world's leading fabric companies and a promoter of sustainable wool products:

We're passionate about wool, and of course it's one of our most important raw materials. It's the ultimate performance fibre with multiple smart attributes unmatched by man-made fibres. A microscopic armour-like coating ensures wool looks beautiful for longer, it has "feel good" breathable properties able to regulate moisture and it's difficult to ignite so has high levels of inherent fire safety.

Alongside its unique technical properties, wool is highly sustainable, completely natural, rapidly renewable and biodegradable. Wools of New Zealand share our passion for this wonder fibre and together we've been in partnership since

2012 to bring fully traceable, premium wool into interiors. Certified and audited for environmental best practice, animal welfare and stringent standards of quality, Wools of New Zealand work closely with over 1000 different farms and growers to establish the highest standards of sustainable farming and a complete chain of custody from farm to finished fabric.

Some of these farms can have around 40,000 sheep with breeds developed to specifically grow white clean wool for interiors. They are also the only holders of an EU Ecolabel certificate for "greasy" wool (wool prior to being scoured), which involves stringent non-use of pesticides on farms.

<https://www.camirafabrics.com/blog/shared-passion-sustainable-wool>

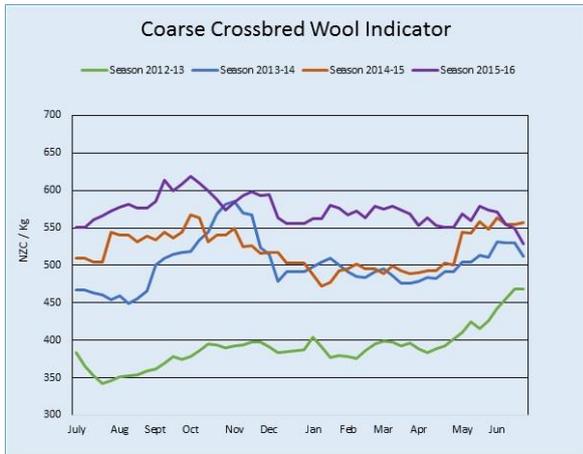
Regards
Rosstan Mazey

Market Report

The strong New Zealand dollar, restricted offshore interest and high volumes of one wool category on offer this week saw local prices ease. Of the 12,180 bales on offer from the predominantly short second shear wools in the North Island, 77% sold. Compared to the similar offering of North Island wools on 9th June:

- Fine Crossbred Shears were 2 to 4 % cheaper
- Coarse Crossbred Full Fleece were firm to 3.5 % easier
- Coarse Shears were down 3 to 6 % with the shorter types affected the most
- Short First Lambs were 2 to 4 % softer
- Coarse Short Oddments were 2.5 to 5.5 % cheaper.

Next sale on 30 June comprises approximately 11,300 bales from the South Island.



Contact Us

Please contact your regional Supplier Liaison Officer (SLO) directly if you wish to discuss anything.

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