

Wools of New Zealand Shareholder Communication No. 74
8 August 2016

From the Chairman

Rural News

It was disheartening today to read a prominent article in the Rural News, with a number of inaccurate comments in relation to the past and future performance of Wools of New Zealand. In a letter to the editor, former Chief Executive Ross Townshend apparently claimed that when WNZ loses its WMDC funding in mid-2018 it will "almost certainly" fail. He also believes the directors should be "called to account" based on its performance versus prospectus.

One of the main objectives of WNZ was to build the company within five years to be a fully commercial grower-owned sales and marketing business. Strong progress has been made, particularly over the last 12 months, with forward contracts and overall volumes of grower shareholders wool being transacted, which have helped improve grower returns and the overall performance of the company. As a result of this, WNZ is projecting a maiden profit for the year ended 30 June 2016. WNZ's financial performance is also very much aligned with prospectus forecast up to the end of the financial year 2014.

We don't see any benefit to debating this matter in the media as it reflects poorly on the wool industry as a whole. However we have been in contact with the Rural News and will be publishing a true version of the facts around our results and financial performance in next week's edition.

While WNZ is focused on commercial opportunities and the new D2S model (each discussed below), WNZ and the directors are also considering, and taking advice, on the legal options available given the nature of these untrue statements.

I am happy to discuss this with any concerned shareholder.

Innovation and Technology Update

Solid progress is being made with the GlacialXT scouring and Kiteq™ dye technologies. Both of these technologies represent significant opportunities to WNZ and our grower shareholders. This is a substantial investment by WNZ in its own right and to help accelerate the commercialisation of these technologies, WNZ and its coalition partners (The Merino Company and Oritain) has applied for and been successfully granted a three-year funding stream from New Zealand Trade & Enterprise's International Growth Fund.

Key manufacturing partners are excited about the design potential and product performance attributes that both GlacialXT and Kiteq™ look to offer and are eager to work with WNZ to get to market with innovative new products.

Direct 2 Scour Model Improvements and Tender Launch

WNZ recently launched the revamped Direct-2-Scour model in the South Island this past week with the North Island to go-live 15th August 2016. The changes to the model are focused on creating further efficiencies through the supply chain and more competitive tension for your wool. The launch in the South Island has gone well with the first Wool Tender receiving strong interest from purchasers.

Mark Shadbolt

Contact Us

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