

Marlborough Wine Estates Group Limited
Results for Announcement to the Market

Preliminary unaudited financial results for the full year ended 30 June 2017

| | |
|----------------------------------|----------------------------|
| Reporting Period | 1st July to 30th June 2017 |
| Previous Reporting Period | 1st July to 30th June 2016 |

| | Amount for this reporting period | Amount for previous reporting period |
|--|---|---|
| Revenue from ordinary activities | \$3,821,799 | \$7,423,536 |
| Profit(loss) from ordinary activities after tax attributable to shareholders | (4,381,727) | (896,017) |
| Net profit (loss) attributable to shareholders | (4,381,727) | (896,017) |

| Interim/Final Dividend | Amount per share | Imputed amount per share |
|-------------------------------|-------------------------------|---------------------------------|
| | No dividend has been declared | No dividend to be paid |

| | |
|------------------------------|----------------|
| Record Date | Not applicable |
| Dividend Payment Date | Not applicable |
| Comments | |



MARLBOROUGH WINE ESTATES GROUP LIMITED (NXT: MWE) 2017 Preliminary Unaudited Full Year Results

Dear Shareholders:

Today we are releasing our unaudited results for the financial year ended 30th June 2017. It was the first full year for Marlborough Wine Estates Group Limited (MWE) as an NXT listed company and the company has focused on growth and expansion of both international and domestic markets, and developing strong relationships with potential business and distribution partners.

The company's total sales for the year ended 30th June 2017 was \$3,821,799. This is lower than the total sales from the previous financial year, due to a large amount of one-off bulk wines sales in the previous financial year.

The company's year ended with net loss after tax of \$4,381,727. This was due to the company recognising one-off impairment loss on intangible assets and inventory write down. After adjusting for all the one-off transactions and impairments, the company's normalised EBITDA for the year ended 30th June 2017 is calculated to be \$499,054. Please refer to Appendix 1.

Major one-off nature adjustments

Impairment loss

The distribution rights were acquired on 31 March 2015 for amount of \$5.15 million and are estimated to have a 10-year useful life. During the year, sales under this distribution agreement was adjusted from \$3m to \$1.3m, based on this and future sales forecast, the management has concluded that an impairment of \$2.6 million attributable to the distribution rights. Please refer to note 13 in the unaudited Financial Statement for details.

Inventory write down

Included in the inventory balance as at 30 June 2017 there is approximately \$1,200,000 of bottled wine (Inventory) which is yet to receive certification from Ministry of Primary Industries (MPI). On 30 June 2017, the management performed an impairment test on the bottled wine in dispute, and a provision was recognised for the bottled wine. Please refer to note 10 in the unaudited Financial Statement for details.

Audit

The attached Consolidated Financial Statements are in the process of being audited. They are not considered likely to be subject to qualification.

Key highlights for the year ended 30th June 2017

Harvest season

The company's gross harvest tonnage was within the 10% of the annual target. The Marlborough region endured two devastating storms during harvest season that turned what was expected to be a great season, into a difficult one for many vineyards. With some hard work from its vineyard staff, the company only suffered a minor loss of grapes and was still able to harvest some high-quality grapes.

Vineyard development

The company has completed the construction of the Donaldson block dam in early 2017. The dam is now functional and greatly improves the irrigation of McKee block and Donaldson block, where there were significant irrigation issues affecting tonnage of these blocks.

With the irrigation issue behind us, the company has shifted its investment and capital expenditure focus to new vineyard development and planting. The company is developing and planting 5 ha of non-Sauvignon Blanc varieties in 2018 and more in 2019 – 2020. The company is also replenishing its existing blocks where vines have died.

Improved sales strategy and product portfolio

Over the past year, the company has focused on improving its product portfolio and optimising its sales strategy. The company has released a new Syrah, Rose, Merlot Cabernet Sauvignon and is looking to further improving the variety of wine products in its portfolio. The new products have proven to be popular and will assist the company in developing markets where it was previously difficult to tap into.

The company has a continued focus on long term development of brands and premium wines, but at the same time the company realises and sees the opportunity in lower tiers of the wine markets. Over the past financial year, the company has released lower priced products to target some of the more competitive international markets. The company had already seen some success with the new products and will continue to review and optimise its sales strategy to ensure sustained long-term business and sales growth.

International market development

China continues to be the company's largest export market. The wine market in China, however, has slowed down due to the general slow down of the economy, and competition from cheaper wines from other countries. As a result, the export to China did not grow as much as the company and its distributor had originally hoped. The company will continue to work with the Chinese distributor to take advantage of the distributor's large sales network in China and capitalise on any new opportunities in the market.

The company has worked well with its US distributor to develop the US market and has secured initial orders. The US market is very competitive but the Marlborough Sauvignon Blanc is very well received and still has huge potential to grow.

The company has started to work with a major US bulk wine importer in the past year, resulting in \$288,000 of revenue. The importer has now signed new deals for the coming year with twice amount of bulk wine. The deal provides cash flow for the company and also help the company establish stronger supply relationships in the competitive US market.

The company has also shipped its first order to Japan, a market that recognises the true value of Marlborough Sauvignon Blanc. The company will continue to support its distributors around the world and hope to achieve great sales volume in the coming year.

Domestic Sales

In the year ended 30th June 2017, the company has achieved approximately 25% increase in domestic bottled wine sales compared to the previous financial year. This growth was mainly driven by improved sales strategy and sales network, the new products the company released has also proven to be popular in domestic markets.

Looking ahead

The year ended 30th June 2017 was a year of optimisation for MWE. The company is looking forward to a new year with stronger and improving product portfolio and sales strategy, a continued focus on long term brand development and international market development. The company expects significant growth in both international and domestic markets in the new year.

ENDS

Authority for this announcement

| | |
|--|---------------------------|
| Name of senior manager or director authorised to make this announcement: | Catherine Ma |
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| Date of release: | 31 August 2017 |

Marlborough Wine Estates Group Limited's shares can be traded on the NXT Market. Marlborough Wine Estates Group Limited is required to disclose information under the NXT Market Rules. Information about the NXT Market and the NXT company is available here www.nxt.co.nz.

Appendix 1

EBITDA¹ Reconciliation

| | Year Ended June 2017 | Year Ended June 2016 |
|---|-------------------------|-------------------------|
| | \$ | \$ |
| Net loss after tax per Financial Statements | (4,381,727) | (896,017) |
| Plus net interest and financing cost ² | 358,437 | 379,215 |
| Plus/(less) tax expense (benefit) per note 7 | (418,977) | 40,306 |
| Plus depreciation per note 14 | 405,657 | 353,715 |
| Plus amortisation per note 13 | 516,218 | 643,820 |
| EBITDA per Financial Statements | (3,520,392) | 521,039 |
| Plus loss on assets disposal ³ | 30,402 | - |
| Plus inventory write down per note 10 | 1,293,761 | - |
| Plus impairment loss per note 13 | 2,620,009 | - |
| Plus NXT initial listing related costs ⁴ | 62,784 | 378,158 |
| Less insurance claim settlement per note 4 | (55,641) | - |
| Plus share based payment expense per note 6 | 68,131 | 36,481 |
| Normalised EBITDA | 499,054 | 935,678 |

¹ EBITDA is the earnings before interest, tax, depreciation and amortisation.

² Net interest and financing cost is the net amount of interest income of \$8,473 made by the Group and interest and financing cost of \$366,874 incurred by the Group during the year.

³ The Group made a loss of \$30,402 during the year by disposing of the unproductive wine making assets.

⁴ The Group incurred expenses of \$62,784 during the year in relation to listing the company on NXT market, and these expenses are considered to be non-recurring.