



MARLBOROUGH WINE ESTATES GROUP LIMITED (NXT: MWE) – NXT Market Announcement

Date: 30 January 2018

MWE Key Operating Milestones - Second Quarter (October - December) Business Update

General Commentary

AUCKLAND, NEW ZEALAND, 30 January 2018 – The board of Marlborough Wine Estates Group Limited (NXT: MWE) is pleased to announce the quarterly performance of the business to December 31, 2017, compared to the company's Key Operating Milestone (KOM) targets for the year ending June 30, 2018.

Success of New Products

The new products MWE launched into the O:TU Classic range for the 2017 vintage have proven popular in both international and domestic markets. MWE has started working with many additional outlets with the new products and our international partners have also shown an increased interest in our products. We are looking forward to a strong year ahead of us in terms of business growth and business development.

MPI Update

MWE understands that the dispute between the Ministry for Primary Industries (MPI) and MWE's former wine processor remains unresolved and the timing for a resolution remains uncertain. Based on legal advice received, MWE considers that it has a strong basis for claiming damages from its former processor. MWE will update the market as and when more information becomes available.

OIO Update

MWE continues to work with the Overseas Investment Office (OIO) regarding the retrospective consent application, as previously outlined in the listing document and subsequent updates. The timing for a final decision from the OIO remains uncertain. MWE will update the market when it receives the OIO's final decision.

Future Vineyard Development

MWE has started the work required for Pinot Noir planting in its Donaldson block. Marlborough Pinot Noir is proving to be an important wine export for New Zealand and is growing steadily in popularity. MWE will initially plant approximately 5 ha of Pinot Noir and further planting of Pinot Noir and Pinot Gris are planned for the next 2 – 3 years.

Performance Against Key Operating Milestones

In accordance with the requirements of Rule 49 of the NXT Market Rules, the Board of Marlborough Wine Estates Group Limited is pleased to report the following Key Operating Milestone performance for the second quarter of FY2018:

Key Operating Milestones	Q1 (Jul – Sep 2017) Business Update	Q2 (Oct - Dec 2017) Business Update	Year to Date FY 2018	Full year FY2018 Targets
Gross Harvest (tonnes)	0	0	0	1,600
Bulk Grape Sales (tonnes)	0	0	0	1,200
International Wine Sales Revenue	\$467,349	\$288,408	\$755,757	\$2,000,000
New Zealand Bottled Wine sales revenue	\$71,343	\$86,728	\$158,071	\$233,750

Commentary regarding KOMs

Gross Harvest:

Gross Harvest is a seasonal metric which is normally reported in the last quarter of the financial year (April to June) following the annual harvest of the grapes. As such, there was no gross harvest tonnage for the quarter ended December 31, 2017. The climatic and growing conditions have been normal and in line with expectation, and the fruit is developing naturally and in accordance with its seasonal schedule.

Bulk Grape Sales:

Actual sales and delivery of bulk grapes are made after the grapes are harvested, which is normally in the period of April to June. The nil Bulk Grapes Sales Revenue in the second quarter is in line with expectations.

New Zealand sales

MWE has enjoyed a strong quarter in the domestic market and the newly launched Rosé and Pinot Gris products are proving very popular with new retail outlets.

MWE will continue to work with its current retail partners to grow sales and is also putting additional focus into on-premise outlets which helps with building a stronger brand presence.

International Sales

The international wines sales are in line with expectation with exports going to China, Japan and USA in the second quarter.

MWE's main focus in FY2018 is to expand its international markets to other major markets such as the UK, Canada and Australia.

Future Events

Half Year Result Due	28/02/2018
Half Year Report due	31/03/2018
3 rd Quarter Business Update due	28/04/2018
2018 Year End balance date	30/06/2018

ENDS

Authority for this announcement

Name of senior manager or director authorised to make this announcement:	Catherine Ma
Contact phone number:	09 215 6650
Contact email address:	catherine.ma@otuwines.com
Date of release:	30 January 2018

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.

FURTHER INFORMATION REGARDING KOMS

All NXT companies are required to set Key Operating Milestones (KOMs) and targets and must report against those targets on an ongoing quarterly basis. A KOM is a metric for measuring and reporting on the performance of MWE. The KOMs must meet the NXT standard. This means that the KOMs, when taken together, address the most significant factors by which the performance of MWE's business should be assessed and monitored and will result in understandable reporting for investors.

The rationale for MWE's KOMs expressed in the table above, together with the manner in which the respective KOMs have been calculated, is as follows:

1 Gross Harvest:

This is an annual measurement of grape production from the vineyards and shows the vineyards growth and grape supply capacity. For FY2018, with increased irrigation and provided weather conditions remain favourable, MWE is forecasting a 10% increase in Gross Harvest from FY2017 levels.

Harvest yields are also expected to increase from the existing vines until they matured. Increased gross harvest is important to meet expected demand for bulk wine and satisfy bottled wine sales growth. In particular, it demonstrates the ability of MWE to meet growth in sales without a need to reduce or cease bulk grape sales in the short term.

Gross Harvest is a seasonal metric which is normally reported in the last quarter of the financial year (April to June) following the annual harvest of the grapes.

2 Bulk Grape Sales:

Grape supply agreements have been signed to supply bulk grapes from certain vineyard blocks and MWE is expecting to see an 8% increase in bulk grape sales for FY2018.

Due to the factors outlined in the Gross Harvest KOM, and increased operating efficiency, MWE expects a lift in gross harvest volumes for FY2018. The Bulk Grape Sales measurement shows the bulk grape allocation of the total harvest under the first KOM (Gross Harvest) with the remaining harvest being processed for bottled wine and bulk wine sales. MWE's key strategy is to significantly increase exports of bulk and bottled wine that will be supported over time by more allocation of grapes to bulk and bottled wine processing

3 The International Wine Sales Revenue:

This will capture all revenue that is earned by MWE in connection with the sale of wine outside of New Zealand, including both bottled wine sales and bulk wine sales. The restated KOM provides MWE the opportunity to adapt its international exports (whether bottled wine or bulk wine) to meet current market conditions and demand, while maintaining its key strategies of seeking new opportunities in international markets and increasing bottled wine sales. MWE's view is that bulk wine sales can generate new opportunities for bottled wine sales given that it builds product familiarity and is a means of establishing new distribution channels and arrangements.

4 New Zealand Bottled Wine Sales:

New Zealand Bottled Wine sales revenue grew strongly in the last financial year and MWE is budgeting on 25% growth in sales for FY2018. MWE's new products will help capture additional market share in an increasingly competitive domestic market.