



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

**Date: 20 April 2018**

### **MWE Interim Update – Variance to three Key Operating Milestones (KOMs)**

The Board of Marlborough Wine Estates Group Limited (NXT: MWE) has just completed an initial review of trading to date and, as a result of this review, advises that the Company's performance against three of its key operating milestones' (KOMs) targets for the financial year ending June 30, 2018 are likely to vary by more than 10%.

#### **1 Gross Harvest KOM:**

MWE set a target for a gross harvest of 1600 tonne for the financial year ending June 30, 2018.

The harvest of all of MWE vineyards has now been completed for the 2018 vintage and while the exact tonnage is still being calculated and finalised, MWE expects that it will exceed the 1600 tonne target by more than 10%.

MWE attributes the increased tonnage for the 2018 vintage to the following factors:

- Improvements to water irrigation with the completion of Donaldson Block Dam in early 2017
- Vines are more productive as they mature
- Weather conditions for the 2018 vintage and harvest season were favourable

MWE expects that this increase means it will have more grapes available for wine production than it had previously anticipated. MWE expects that, once the final harvest tonnage is confirmed, it will reset its target upwards for the Gross Harvest KOM for the current financial year.

#### **2 International Wine Sales Revenue KOM:**

MWE set a target for international wine sales revenue of \$2,000,000 dollars for the financial year ending June 30, 2018.

MWE now projects that its actual international wine sales revenue for the financial year ending June 30, 2018, will be lower than the \$2,000,000 target by more than 10%.

MWE attributes the lower international wine sales revenue to the below factors:

- The growth of the wine market in China has not been as much as MWE projected, with red wine still dominating the market
- MWE has focused on other international markets such as the USA, Japan, UK, Canada and Australia. The early results are promising with exports to the USA and Japan increasing compared to the previous financial year, and MWE is likely to be sending its first order to Australia and Canada in the next few months, but these may not be captured in the current financial year.

MWE expects that this will result in an increase in MWE's inventory. MWE is currently reviewing its target for the International Wine Sales Revenue KOM and will advise the market in accordance with the NXT Listing Rules when the new target KOM has been finalised.

#### **3 New Zealand Bottled Wine Sales Revenue KOM:**

MWE set a target for New Zealand bottled wine sales revenue of \$233,750 for the financial year ending June 2018.

MWE now projects that it will exceed this target by more than 10%.

MWE attributes the increased New Zealand bottled wine sales revenue to the below factors:

- Improved product variety and portfolio. MWE now offers a large range of highly rated white and red wines. The offer has proven to be popular with major New Zealand grocery chains
- Larger focus on marketing and business development, as MWE works closely with retail outlets, prospective clients and marketing experts to improve its brand awareness and reputation

MWE expects that this increase will offset to some extent the reduction in anticipated revenue from International Wine Sales. MWE is currently reviewing its target for the New Zealand Bottled Wine Sales Revenue KOM and will advise the market in accordance with the NXT Listing Rules when the new target KOM has been finalised.

#### **Reset KOMs**

As part of the KOM review process, the Board is seeking further information and will update the market further in the Q3 business update, which is due for release by May 1, 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:	20 April 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](http://www.nxt.co.nz).