



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

Date: 1 May 2018

MWE Key Operating Milestones (KOMs) - Third Quarter (January - March) Business Update and Reset of KOM Targets

AUCKLAND, NEW ZEALAND, 1 May 2018, – The Board of Marlborough Wine Estates Group Limited (NXT: MWE) is pleased to announce the quarterly performance of the business to 31 March 2018 (Q3), compared to the company’s Key Operating Milestone (KOM) targets for the year ending June 30, 2018 (FY18).

Also, as advised to the market on 20 April, the Company’s performance against three of its KOM targets for FY18 is likely to vary by more than 10% and the Board has reset these targets following receipt of further information. Details of the revised KOM targets for FY18 are outlined later in this announcement.

Q3 Performance Against Key Operating Milestones

Key Operating Milestones	Q1 (Jul–Sept 2018) Business Update	Q2 (Oct-Dec 2018) Business Update	Q3 (Jan-Mar 2018) Business Update	Year to Date FY 2018	Full year FY18 Targets
Gross Harvest (tonnes)	0	0	785	785	1,600
Bulk Grape Sales (tonnes)	0	0	587	587	1,200
International Wine Sales Revenue	\$467,349	\$288,408	\$296,690	\$1,052,447	\$2,000,000
New Zealand Bottled Wine Sales Revenue	\$71,343	\$86,728	\$66,222	\$224,293	\$233,750

Commentary on Q3 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.

In the 2018 vintage, due to favourable climatic and growing conditions, the harvest season started slightly earlier than usual. Therefore, there was a portion of grapes harvested before the end of March.

The remaining grapes are harvested during April.

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. Due to the slightly earlier harvest season this year, there was some Bulk Grapes Sales Revenue in the third quarter, with the majority of Bulk Grape Sales Revenue expected in the fourth quarter.

International Wine Sales Revenue

MWE has focused on international markets outside of China this year and has enjoyed some early success with exports to USA and Japan. MWE is also likely to start exporting to the UK, Australia and Canada in the coming months.

The Bulk wine supply agreement MWE signed with its USA importer is likely to be increased for the 2018 vintage. More details will be announced once the new supply agreement has been finalised.

New Zealand Bottled Wine Sales Revenue

MWE has steadily grown bottled wine sales in the Auckland region and has now started to expand its sales network and channels outside of Auckland.

The products MWE has launched this year have proven to be popular and MWE is launching a new Pinot Noir product which should further boost sales in New Zealand market.

Success of New Products

Marlborough Pinot Noir has become significantly more popular in global markets and MWE has launched a new Marlborough Pinot Noir into its OTU Classic range. The OTU Classic range is now a very attractive offering to grocery and supermarket outlets and MWE has plans to expand this range further.

Recent Awards

MWE's products have performed very well in recent global wine competitions, receiving medals in the below competitions during the third quarter:

- Double Gold, OTU Sweet Sauvignon Blanc 2017, China Wines and Spirits Awards, best value 2018
- Gold, OTU Classic Marlborough Pinot Gris 2017, China Wines and Spirits Awards, best value 2018
- Double gold, OTU Classic Marlborough Sauvignon Blanc 2016, the 5th Sakura Japan Women's Wine Awards
- Gold, OTU Classic Marlborough Pinot Gris 2017, the 5th Sakura Japan Women's Wine Awards
- Gold, OTU Single Vineyard Marlborough Sauvignon Blanc 2016, the 5th Sakura Japan Women's Wine Awards

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. Marlborough Pinot Noir is proving to be an important wine export for New Zealand and is growing steadily in popularity.

MWE will initially plant more than 5 ha of Pinot Noir and further planting of Pinot Noir and Pinot Gris are planned for the next 2 – 3 years.

Reset of FY18 KOM Targets

In accordance with the requirements of Rule 47 of the NXT Market Rules and following a review of trading to date, MWE has reset the FY18 KOM targets for Gross Harvest, International Wine Sales Revenue, and New Zealand Bottled Wine Sales Revenue as follows:

Key Operating Milestones	Full Year FY18 Target	Full year FY18 Target - Reset	Impact of Target Reset
Gross Harvest (tonnes)	1,600	1,790	Increase - 190 tonnes
International Bottled Wine sales revenue	\$2,000,000	\$1,300,000	Decrease - \$700,000
New Zealand Bottled Wine sales revenue	\$233,750	\$315,000	Increase – \$81,250

Commentary on Reset of FY18 KOM Targets

1 Gross Harvest KOM:

MWE set a target for a gross harvest of 1600 tonne of grapes for the financial year ending June 30, 2018. MWE now expects the actual gross harvest to be around 1790 tonnes.

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

- Improvements to water irrigation with the completion of the Donaldson Block Dam in 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.

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 the actual international wine sales revenue to be around \$1,300,000.

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

- The growth of the wine market in China has not grown 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. MWE is likely to be sending its first order to Australia and Canada in the next few months, but the majority of these exports are unlikely to be captured in the current financial year.

MWE expects that this will result in an increase in MWE's inventory.

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 the actual New Zealand bottled wine sales revenue to be around \$315,000.

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 and supermarket chains

- A 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 revenue from International Wine Sales.

Future Events

2018 Year End balance date	30/06/2018
4 th Quarter Business Update	27/07/2018
Annual KOM Targets Due	31/08/2018
Full Year Preliminary Result Due	31/08/2018

ENDS

Authority for this announcement

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Date of release: 1 May 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.