



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

Date: 27 July 2018

MWE Key Operating Milestones - Fourth Quarter (April - June) Business Update

General Commentary

AUCKLAND, NEW ZEALAND, 27 July 2018, – The board of Marlborough Wine Estates Group Limited (NXT: MWE) is pleased to announce the quarterly performance of the business to 30 June 2018 (Q4), compared to the company's Key Operating Milestone (KOM) targets for the financial year ending June 30, 2018 (FY18).

During the quarter, MWE continued to build on the strong foundation of its improving vineyard and domestic sales as it looked to focus and invest further in its global market development.

Expansion of Markets

Traditionally, MWE has focused mainly on New Zealand's Upper North Island region, centred around Auckland. During Q4, MWE launched its products in the Lower North Island region and the South Island. These two regions typically make up between 40% - 50% of the national market and will help MWE products gain nationwide distribution with key grocery and retail chains.

Recent Awards

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

- Silver Medal, OTU Classic Sauvignon Blanc 2017, Decanter World Wine Awards
- Silver Medal, OTU Classic Sauvignon Blanc 2017, Melbourne International Wine Competition

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 plantings 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 Q4 of FY18:

Key Operating Milestones	Q1 (Jul – Sep 2018) Business Update	Q2 (Oct - Dec 2018) Business Update	Q3 (Jan - Mar 2018) Business Update	Q4 (Apr - Jun 2018) Business Update	Year to Date FY 2018	Full year FY18 Targets
Gross Harvest (tonnes)	0	0	785	999	1784	1,790 (Reset)
Bulk Grape Sales (tonnes)	0	0	587	719	1306	1,200
International Wine Sales Revenue	\$467,349	\$288,408	\$296,690	\$320,527	1,372,974	\$1,300,000 (Reset)
New Zealand Bottled Wine sales revenue	\$71,343	\$86,728	\$66,222	\$115,020	339,313	\$315,000 (Reset)

Commentary regarding KOMs

Gross Harvest:

As announced in the Q3 business update, the Gross Harvest KOM was reset upwards from 1600 tonnes to 1790 tonnes.

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, with the majority of grapes harvested during April.

MWE harvested a total of 1784 tonnes of grapes for the 2018 vintage, which is very close to MWE's target after the reset.

Due to the ongoing investment in MWE's vineyard, including replanting and construction of the Donaldson Dam, MWE is expected to be able to maintain and grow its Gross Harvest in the 2019 vintage, unless there are major adverse weather events.

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 in the fourth quarter.

MWE sold 1306 tonnes of bulk grapes this year. The number is slightly higher than the target of 1200 tonnes, mostly due to the increase in the Gross Harvest.

MWE is not expecting a large increase in Bulk Grape Sales for the 2019 vintage with the business continuing to allocate more grapes to its own production to supply its international and domestic bottled and bulk wine markets.

International Sales

As announced in the Q3 business update, the International Bottled Wine sales revenue KOM was reset down from NZ\$2m to NZ\$1.3m.

MWE has spent the year focusing on international markets outside of China and has started seeing early success. MWE has shipped its first orders to the UK, Australia, Taiwan and Japan and has grown its sales in the USA.

The Bulk wine supply agreement MWE signed with its USA importer has been extended for the 2018 vintage with an increase in volumes. MWE shipped the first two containers before the end of June.

New Zealand sales

As announced in the Q3 business update, the New Zealand Bottled Wine sales revenue KOM was reset upwards from NZ\$233,750 to NZ\$315,000.

Traditionally MWE focused on the Auckland region only. Earlier this year, MWE started to expand to Waikato, Bay of Plenty and the Northland Regions and has seen steady growth in sales from these regions.

Towards the end of the fourth quarter, MWE officially launched its products in Wellington and Christchurch. MWE is expecting further growth in sales as new domestic markets develop in the next financial year.

Future Events

Annual KOM Targets Due	31/08/2018
Full Year Preliminary Result Due	31/08/2018
Annual report Due	30/09/2018
FY19 First Quarter Business Update due	26/10/2018

ENDS

Authority for this announcement

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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.