



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

Date: 26 October 2017

MWE Key Operating Milestones - First Quarter (July - September) Business Update

General Commentary

AUCKLAND, NEW ZEALAND, 26 October 2017 – The board of Marlborough Wine Estates Group Limited (NXT: MWE) is pleased to announce the quarterly performance of the business to September 30, 2017, compared to the company's Key Operating Milestone (KOM) targets for the year ending June 30, 2018.

Awards

MWE's products have also received critical acclaim with O:TU Sauvignon Blanc recently receiving awards in the below prestigious international wine competitions:

- O:TU Prestige Sauvignon Blanc 2013 Double Gold Medal in the China Wine & Spirits Awards
- O:TU Single Vineyard Sauvignon Blanc 2015 Gold Medal in the China Wine & Spirits Awards

New Products Launched

MWE launched a new Marlborough Pinot Gris into its O:TU Classic range. Combined with the recently launched O:TU Classic Rosé and Merlot Cabernet Sauvignon, and the O:TU Classic Sauvignon Blanc, O:TU Classic range is now a very attractive and competitive offering to many retailers as these four varietals are usually considered the top sellers in most supermarkets and liquor stores.

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.

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. A retrospective consent will effectively cure the technical breaches of the Overseas Investment Act 2005 that occurred as part of MWE's internal restructuring to prepare for listing on the NXT Market. If the consent application is declined, the OIO would then determine what action it would take in respect of the breaches. Currently, MWE has no indication from the OIO that it would seek any materially adverse remedies.

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 export of New Zealand and is growing steadily in popularity.

MWE will initially plant approximately 5 hectares of Pinot Noir and further planting of Pinot Noir and Pinot Gris are planned for 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 first quarter of FY2018:

Key Operating Milestones	Q1 (Jul – Sep 2017) Business Update	Full year FY2018 Targets
Gross Harvest (tonnes)	0	1,600
Bulk Grape Sales (tonnes)	0	1,200
International Wine Sales Revenue	\$467,349	\$2,000,000
New Zealand Bottled Wine sales revenue	\$71,343	\$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 September 30, 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 first quarter is in line with expectations.

New Zealand sales

MWE had a strong start to the year in the domestic market. The strong first quarter is primarily driven by newly launched Rosé product and growth in numbers of retail outlets.

MWE will continue to work with its current retail partners to grow sales and at the same time, focus on development of more retail outlets ahead of the busy Christmas shopping season.

International Sales

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

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

Future Events

Event	Date
Annual General Meeting	14/12/2017
2 nd Quarter Business Update Due	31/01/2018
Half Year Result Due	28/02/2018
Half Year Report due	31/03/2018
3 rd Quarter Business Update due	28/04/2018

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.

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.