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2 April 2020

Circular to Shareholders

Dear Sir/Madam

McWilliam's Wines Group Ltd ACN 000 024 108 ('MWG')
Mount Pleasant Wines Pty Ltd ACN 000 024 813 ('Mount Pleasant')
(Both Administrators Appointed) (Collectively referred to as 'the Group')

I refer to the appointment of Tim Mableson, Ryan Eagle, and myself, Gayle Dickerson, as Administrators of the Group on 8 January 2020 pursuant to Section 436A of the Corporations Act 2001 (Cth) ('the Act').

We have prepared this circular to provide you with an update on the Administration.

1 Trading

We are continuing to work closely with senior management to manage the ongoing operations of the Group, particularly in light of COVID-19.

Senior management advise that despite the current economic climate and challenging conditions because of COVID-19, there has been a number of positives from trading since our last update including:

- Unprecedented and increasing demand in the short term for products from major liquor retailers (which is related to COVID-19). The Group recorded sales of \$6.1m in March 2020 which was higher than forecast for that month of \$5.7m;
- Continuing to trade in alignment with the three year strategic plan. The Group's transition to a more premium offering has received a major boost with a recent range review at Liquorland (Coles) delivering 9 new premium listings in the MCW and McWilliam's single vineyard range and the deletion of the McWilliams Inheritance range which is a sub \$10 range;
- Chief Wine Maker at Mount Pleasant, Adrian Sparks has been nominated for the Hunter Valley winemaker of the year for 2020, giving him the opportunity to go back-to-back after winning the award in 2019 (we are advised that historically the winner from the previous year is not nominated for the next year, so this is exceptional); and
- Fast-tracking updates to the McWilliam's website to ensure online sales are available direct to consumers (Mount Pleasant already has this function).

Vintage 2020

We are pleased to advise that the intake for Vintage 2020 was completed on Thursday, 26 March 2020, with a final grape intake of 12,337 tonnes. This is below the initial target of 17,000 tonnes but ultimately in line with our revised estimated intake of between 12,000 to 13,000 tonnes, which was as a result of initial yields being up to 30% lower than expectation which continued right through Vintage 2020 across the region.

Senior management advise they are extremely pleased with Vintage 2020 in terms of quality, casual wage reduction from FY19, production and Work Health and Safety despite the adverse situation faced including, bushfires, lower yields and most recently COVID-19.

As part of our ongoing assessment of the operations of the Group, which is separate to our response to COVID-19, we made the difficult decision to close the cellar door at Hanwood, effective as of Friday, 13 March 2020.

COVID-19

COVID-19 has the potential to materially and adversely affect the Group's ability to continue operations on a business as usual basis and have staff perform their roles in the usual manner. We are therefore closely monitoring the impacts of this pandemic on the Group's cash flow, day-to-day operations and wellbeing of all employees. As indicated above, there have been positives emerge from operations along with the recent announcement from the Federal Minister for Agriculture on 26 March 2020 that the wine sector has been classed as an essential service, enabling the continuation of all vineyard and winery operations (albeit some States are forcing closure of cellar doors which we have already done).

Senior management have been vigilant in their response to the impacts of COVID-19 including issuing communications to the Group's employees and ensuring that the Group continues to follow Government directives and recommendations provided by the Australian Health Protection Principal Committee.

As the situation continues to evolve, senior management has transitioned, as much as possible, to a 'remote operating' model, which has resulted in:

- Head office being temporarily closed;
- Mount Pleasant Cellar Door being temporarily closed; and
- Implementing split shifts across some of the Group's operations at Hanwood to ensure adherence to Government directives.

We are working closely with senior management to assess the impact of COVID-19, however, based on current demand forecasts, it is expected that the loss of sales from the closure of the cellar doors and on premise sales should be offset by the increase in demand from major liquor retailers (assuming that rate of demand continues) and online sales. Our sales forecast is therefore really underpinned by demand from the major retail liquor chains. We will continue to monitor the impact of COVID-19 on all aspects of the business.

2 Sale of business and recapitalisation

We have continued to progress the sale on the original timeline as detailed in our previous circular to shareholders. Interested parties were required to submit a Non-Binding Indicative Offer by 31 March 2020.

In consultation with Colliers International (NSW) Pty Ltd, we will assess the Non-Binding Indicative Offers which have been received, however, we will not be disclosing any details as we treat the next stage of the sale process as commercial in confidence. At this stage we intend to proceed to the next stage of the sale process as planned, although should it become necessary to amend our original timeframes from here, we will consult with Colliers International (NSW) Pty Ltd and advise all stakeholders.

3 Investigations and conduct of the administrations to date

Pursuant to Section 438A of the Act, we have commenced our investigations in relation to the Group's business, property, affairs and financial circumstances. This is necessary for our report to creditors which as previously advised will be issued to all creditors of the Group prior to the Second Meeting of Creditors. We note that Shareholders are not entitled to vote on the future of the Group at the Second Meeting of Creditors. However, we acknowledge that certain shareholders are also creditors of the Group, and will be entitled to vote in accordance with their position as a creditor.

4 Other

As previously advised, Voluntary Administrators are not formally required to report to shareholders on the progress or outcome of the voluntary administration. However, we will continue to provide updates to shareholders at the appropriate junctures.

In the interim, further updates concerning the voluntary administration process and KPMG, will be available from our website at www.kpmg.com/au/mcwilliams.

Should you have any questions, please contact Irene Tang of this office on (02) 9273 5594 or via email at mcwilliams@kpmg.com.au.

Yours faithfully



Gayle Dickerson
Administrator