



AUSTRALIAN VINTAGE LTD

ABN 78 052 179 932

ASX ANNOUNCEMENT

26 August 2009

AUSTRALIAN VINTAGE LIMITED (AVG) FULL YEAR RESULTS

- **Sales up 9 per cent**
- **Outperforms industry**
- **Debt reduced and longer term financing agreed**

Sales	\$ 288.3M
EBIT (before significant items)	\$ 16.5M
NPAT (before significant items)	\$ 4.3M
Operating Cash Flow	\$ 17.7M
Gearing	67 per cent
No final dividend payable	

Australian Vintage Limited (ASX: AVG) today released its results for the 12 months ending 30 June 2009.

Key points

- Australian wine industry undergoing structural transformation
- AVG has faced up to new industry model
- AVG outperforming the industry with sales up 9 per cent
- AVG delivered on financial commitments made in February 2009:
 - Cash flow turnaround of \$18.1 million for full year
 - Debt cut by \$24 million (14 per cent) in six months
- Positive outlook for FY 2010: Targeting +100 per cent growth in NPAT, before significant items
- New 2 year funding facility
- Ian Ferrier named chairman

“Today’s results clearly demonstrate that Australian Vintage is outperforming the industry with improved sales, strong cash flow and reduced debt,” said Chief Executive Dane Hudson.

“In February this year we announced that we would take a \$127 million impairment charge following a strategic review. This followed other major changes we made to the company when it became apparent three years ago that the traditional wine company model was not sustainable.

“The bottom line is that the Australian wine industry is facing a new stark reality, the old golden age has well and truly gone. Our company however is now in shape for the next chapter of the industry. We’ve rebased the business, restructured the assets, dramatically improved cash flow, created a flexible supply and operations platform and you can see the results starting to come through.

“Total sales for the year were up 9 per cent, bucking the industry trend that saw Australian wine sales steady and export sales value down 10 per cent.

“AVG’s export branded sales were up 8 per cent with growth in every market except New Zealand. Our total Australian packaged sales increased by 6 per cent in a competitive market driven by a 24 per cent improvement in sales with the major retailers. Worldwide sales of the McGuigan brand were strong with case sales growth of 15 per cent and net sales growth of 8 per cent.

“It is clear the industry’s present operating model is unsustainable as there are still too many grapes being grown and too much winery capacity. Lower demand, lower prices, the global financial crisis and a high dollar are exacerbating the issues. Our view is that grape supply and wine production capacity is at least 30 per cent higher than it needs to be.

“If the industry doesn’t want to change, the new reality will transform it anyway. On the supply side all major wine companies are reducing grape supply by exiting grower contracts and selling vineyards.

“Australian Vintage moved earlier than others in the industry. In 2006 it began restructuring and more recently undertook a strategic review. AVG has transformed its asset and cost base by exiting grape purchase agreements, selling and exiting vineyards, and reducing production by closing and selling wineries. We now have a simpler, lower cost flexible business. In the past two years winery costs have fallen by \$6.1 million and our discretionary expenses have recently been cut and will be at least \$3 million lower this financial year,” Mr Hudson said.

Today’s results demonstrated that Australian Vintage’s strategies and the actions that it has taken in the previous three years were appropriate and have created a platform for the company to meet the current challenges successfully.

The Board today confirmed that Mr Ian Ferrier has been appointed Chairman of Australian Vintage. Mr Ferrier has been Acting Chairman since December 2008. “I am honoured to continue working with Dane, the management and Board of Australian Vintage,” said Mr Ferrier. “The tough decisions have been made and the business is increasingly in the right shape to deliver shareholder value despite the industry conditions.”

Outlook

“It is hard to predict the impact of the industry’s transformational change, particularly sales of excess stock, but we anticipate further upheaval in both supply and demand. We are monitoring our export sales closely given the impact of the high Australian dollar. We will continue to operate our production facilities flexibly to meet the conditions,” said Mr Ferrier.

“The business is well placed to deliver value to shareholders as conditions improve. We have reached an agreement with our bank to extend the debt facility for a further two years.

“We do not underestimate the challenges but we are confident that we have right sized our production base and put in place flexible supply arrangements that can deliver more than 100 per cent NPAT growth for 2009/10, before significant items and assuming the Australian dollar does not strengthen further. We will further update the market on our profit forecast at the Annual General Meeting in November.”

ENDS

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