AUSTRALIAN VINTAGE LTD
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AUSTRALIAN VINTAGE HALF YEAR RESULTS TO 31 DECEMBER 2011

Key points

- Sales up 4.4% to $116.4m with a strong performance from the UK / Europe
- Net Profit prior to significant items basically in line with prior year; Net Profit after significant items down 36.5% to $3.7m
- Cash Flow from Operating activities up $1.7m
- Net debt down to $134.8m compared to $161.0m at June 2011

Australian Vintage (ASX: AVG) today reported a half year net profit (prior to significant items) of $3.7 million, and significantly reduced borrowings.

AVL chief executive Neil McGuigan said that "This result demonstrates how we have made our business more robust and capable of better withstanding the global pressures. The industry has had to weather one of the strongest AUD in decades, ongoing over production worldwide and very tight margins.

"Despite these conditions we maintained sales and profit in the period.

"We continued to refine and develop our wines and the McGuigan brand again jumped in popularity and demand, with volumes increasing by 17%. However we saw a slump in second tier branded products.

"In the period we were honoured for the second time in three years, to be named International Wine Maker of the Year at the 2011 International Wine and Spirits Competition, where McGuigan was also named Australian Producer of the Year, and as having the best International Semillon.

"Our cost reduction focus continues and in the period we reduced debt and improved cash flow. Net debt is down to $134.8 million, compared to $161 million as at June 2011 due to the sale of Loxton Winery in August 2011 to TWG Australia II Pty Ltd. Cash flow from operating activities was up $1.7m to $2.5 million as a result of careful control over working capital."

Sales

Overall, our sales in the period were up 4.4% due mainly to improved UK/Europe packaged wine sales and Australasia/North America bulk wine sales.

Australasia/North America packaged sales were down 10% due mainly to the removal of low margin secondary brands.

UK/Europe sales were up 9% despite a record high dollar. Sales to the UK and Ireland continue to grow despite the difficulties associated with the record high Australian dollar.

Australasia/North America bulk wine sales grew 55% due to increased sales to the US, while vineyard sales were up 41% due to additional vineyard management activities.

Australian Vintage will continue to drive its branded business with a particular focus on the McGuigan, Tempus Two, Nepenthe and Miranda brands. For the period, total branded sales volume declined by 2% due to the decision to focus on key brands.

This strategy has resulted in the McGuigan branded volumes increasing by 17% during the period with the McGuigan brand now one of the top 10 wine brands in the UK.

The business continues to look at new opportunities with a particular focus on establishing a long-term distribution partner in China.

	Half year ended 31/12/2011	**Half year ended 31/12/2010**	**Variation**	
	$000	**$000**	**$000**	**%**
Sales by segment				
Australasia/North America packaged	42,207	47,135	(4,928)	(10)
UK/Europe packaged & bulk	54,946	50,411	4,535	9
Cellar door	3,673	3,699	(26)	(1)
Australasia/North America bulk & processing	13,251	8,575	4,676	55
Vineyards	2,281	1,617	664	41
Total	116,358	111,437	4,921	4

During the period we simplified our business and restructured our Executive Team to reflect our marketing and distribution operations. This resulted in a change to how we report our segment results:

- *Australasia/North America Packaged*
  - *Supplies packaged wine within Australia, New Zealand, Asia and North America*
- *UK/Europe Packaged and Bulk*
  - *Supplies bottled and bulk wine in the UK and Europe*
- *Cellar Door*
  - *Supplies packaged wine to the consumer through various outlets*
- *Australasia/North America Bulk and Processing*
  - *Supplies bulk wine, concentrate and winery services throughout Australia, New Zealand, Asia and North America*
- *Vineyards*
  - *Provides vineyard management services within Australia*

Net profit (before significant items)

Net profit was down 3% to $3.7 million.

The Australasia/North America segment EBIT was down by $0.7m due to reduced sales of second tier branded products in Australia, mainly as a result of fierce price competition in supermarket sales. Pleasingly, UK contribution grew marginally despite the record high AUD / GBP exchange rate. This demonstrates how strong sales are growing in that market, particularly our McGuigan brands. Contribution from the vineyard segment increased significantly, after a scaling down in this division over the past couple of years.

Net profit (before significant items)

	Half year ended 31/12/2011 $000	Half year ended 31/12/2010 $000	Variation $000	Variation %
Australasia/North America packaged	3,631	4,381	(750)	(17)
UK / Europe packaged & bulk	5,460	5,386	74	1
Cellar door	578	829	(251)	(30)
Australasia / North America bulk & processing	1,691	1,138	553	49
Vineyards	280	116	164	141
EBIT	11,640	11,850	(210)	(2)
Unallocated (mainly finance cost)	(7,414)	(7,829)	415	5
Profit before expenses	4,226	4,021	205	5
Income tax (expense / benefit)	(493)	(181)	(312)	(172)
Profit	3,733	3,840	(107)	(3)

Outlook

Australian Vintage Chairman Ian Ferrier said “We believe that the local and international markets will remain volatile and challenging and exchange rates will continue to impact on export sales and profitability. The Australian dollar is at a record high and while we have cover for most of our firm UK sales, it will be challenging to maintain positive momentum in the UK if this continues”.

“Given the market uncertainty the Board determined it would not be prudent to pay an interim dividend for the period. However, it intends to reassess at the end of the financial year”.

“We are continuing to focus on making great quality wine and extending the penetration and recognition of our strongest brands”.

Our capital management continues to strengthen and we remain focused on reducing debt and ensuring our working capital is appropriate to meet the business needs.

The 2012 vintage has just started, and there are signs that quality is excellent but yield per hectare may be down slightly.”

ENDS

Further information

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