



AUSTRALIAN VINTAGE LTD
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**AUSTRALIAN VINTAGE REVENUE UP 8%
ON THE BACK OF STRONG BRANDED SALES**

Key Points

- 99,000 tonnes of grapes crushed in Vintage 2016 compared to 114,000 tonnes last year
- Grape yields from owned vineyards up slightly on expectation and up on last year
- Total revenue up 8% to the end of April 2016, reflecting higher branded sales in UK/Europe and Australasia/North America, partially offset by lower bulk wine sales
- Subject to no material changes in the current exchange rates, the 2016 Net Profit (before one off items) is expected to be up by 10% to 15% on last year's \$7.1 million net profit

Vintage Update

Australian Vintage (ASX: AVG) today reported that it crushed 99,000 tonnes of grapes from the 2016 vintage compared to 114,000 tonnes last year.

Neil McGuigan, Chief Executive Officer said "our total tonnes decreased by 15,000 tonnes compared to last year due to a reduction in volumes processed for external customers, the sale of some grapes and reduced volumes of grape purchases from third party growers.

Yields from owned vineyards are slightly above expectation and 16% above last year which will result in a SGARA (Self Generating and Regenerating Assets) income above last year. Total yields from leased vineyards, which included all the grapes from the recently terminated Del Rios vineyard, are marginally down on last year.

The 2016 vintage is a stand-out, with strong indications of very high quality and good yields. Timely summer rain in many regions has led to a combination of high quality grapes and above average yields in the premium grape growing regions. In the irrigated regions we have seen an average crop, but with excellent quality".

Trading Update

"Total sales to the end of April 2016 are 8% above last year due to improved sales in both the Australasia/North America and UK/Europe segments, partially offset by lower bulk sales and processing income.

Australasia/North America sales are up 8% on last year with bottled sales up 19% and cask sales down 20%. Cask sales are down due to significant pricing pressure.

Sales of our bottled product into UK/Europe are up 19% on last year due mainly to the increased sales footprint in the UK market. Bulk sales into this market are down by 77% compared to last year as we continue to focus on changing from a bulk wine producer to a branded business.

Sales of our three key brands, McGuigan, Tempus Two and Nepenthe continue to grow with sales to the end of April up 20% on last year.

AVL's commitment to quality has recently resulted in three of the McGuigan Black Label red wines being recognised in the top five selling red wines in Australia. This commitment to quality was again reinforced last week at the International Wine Challenge held in London where the McGuigan brand was awarded 4 Trophies, 5 Gold, 9 Silver and 12 Bronze medals including the Trophy for the Best Australian White Wine of Show for the 2010 Shortlist Eden Valley Riesling. AVL will continue to push the boundaries with quality wine production and vineyard innovation to continue to enhance Australia's reputation globally.

The Company has terminated the Del Rios vineyard lease and paid the \$4.9m termination fee earlier this year. This termination together with the recent expiry of other onerous third party grower contracts will provide significant savings in future grape costs.

On 3 May 2016, the Federal Government announced plans to reduce the Wine Equalisation Tax (WET) rebate and tighten eligibility rules. We believe that the measures introduced will improve the integrity of this rebate and that the proposal by the Wine Federation's (WFA) to immediately remove the WET rebate from bulk wine sales should be adopted by the Government immediately. Rebates on bulk wine transactions within Australia are distorting the true cost base of bulk wine".

Outlook

"The Company continues to focus on increasing branded sales and at the same time improving the efficiency of the business and improving the quality of our outstanding wines. We remain confident that our core strategies are correct."

"Subject to no material changes to the current exchange rates we remain confident that our 2016 net profit before one off items will be up 10% to 15% on last year's \$7.1 million net profit after tax and before one off items".

ENDS

Further information

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