AUSTRALIAN VINTAGE LTD
ABN 79 052 179 932

ASX RELEASE
24 August, 2011

AUSTRALIAN VINTAGE FULL YEAR RESULTS: BRANDED SALES AND HIGHER PRICES DRIVE PROFIT GROWTH

Key points

- EBIT (before significant items) up 24% to $29.3m
- Net Profit (before significant items) up to $10.2m
- Post tax impairment of $3.1m on the Loxton Winery
- Net Profit (after significant items) $6.6m
- Positive operating cash flow
- Fully franked dividend of 2.5 cents per share
- Dividend Reinvestment Plan is being reintroduced

Australian Vintage (ASX: AVG) grew profitability in the year ended 30 June 2011 despite ongoing turmoil in industry and market fundamentals.

Australian Vintage CEO, Neil McGuigan, said "This result is the combination of effort from every part of our business – quality supply at low cost, nimble production and packaging, growing brand strength, and tight financial management."

Total sales declined by 5% to $225 million due to:

- Export sales falling 8 per cent. However, branded bottled sales were 4 per cent higher than the previous year which is a credible result given the strength of the AUD against GBP and other trading partner currencies.
- Unfavourable exchange rate movements in all currencies impacted sales by $14.4 million and EBIT by $9.8 million
- Australian sales were in line with last year at $72 million with strong bottled sales offset by falls in cask wine and vineyard income.

AVL has adopted a number of operating and financial strategies to manage the record high exchange rate challenges including additional hedging in the current financial year. It is also undertaking packaging and bottling in the UK to reduce production costs on exports.

AVL purchased $10 million of bulk wine in the year and despite this and the AUD currency issues the Company delivered positive operating cash flow of $1.3 million.

Net debt increased by $18.9 million due to payout of operating leases ($15.3 million) and the purchase of bulk wine ($10 million).

Operating costs increased slightly in 2011 but are well down on 2009.

During the financial year the Company signed a two year extension to June 2013 on our current banking facility with NAB which brings additional flexibility and confidence to manage capital in line with market conditions.

Earlier this month, the Company announced the sale of 90,000 tonne Loxton Winery to TWG Australia for $27 million. Proceeds from the sale have been used to pay down debt. This is something that AVL have been working toward for some time, but would only execute at the right price. The sale reduces costs but importantly will deliver a step change to productivity in this current year.

Production and markets

The Australian industry's final crush of 1.6 million tonnes (1.5 million tonnes wine equivalent) was significantly higher than expected, notwithstanding a portion being diverted to concentrate due to lower baume.

AVL's final crush was 147,000 tonnes compared to 158,000 tonnes last year. Given the difficult growing conditions the overall quantity and quality is very pleasing.

While AVL's supply and demand is in balance the market is still dealing with the overhang of previous year's oversupply. However, we continue to see signs that the surplus is reducing.

Restructuring continues in Australia with major wine companies buying out or not renewing contracts for grape supply and closure of wineries and vineyards. As previously reported, AVL's strategic journey to reduce costs continued with the sale of Lenswood winery and an adjacent vineyard for $2.0 million, and a further reduction in grower contracts which now total 22,000 p.a. tonnes, down from 90,000 p.a. tonnes in 2006.

Exports remain critical to AVL's growth strategy and the economic situation in our key markets, particularly the United Kingdom, continue to weigh on profitability.

In Australia, our sales were in line with last year at $72 million with strong growth in branded bottled sales. This growth was offset by a fall in cask wine which has been declining as a category.

AVL's brands continue to perform strongly with McGuigan sales increasing $3.5 million to $64.6m in 2011. It is now the number one red in Australia. AVL received more than 21 world class wine show awards across its three premier brands in 2011 including McGuigan, Tempus Two and Nepenthe.

Outlook

"It is quite obvious that global financial uncertainty and volatility continues to impact individual countries, global trade and finance," said Australian Vintage Chairman, Ian Ferrier. "Unfortunately this uncertainty is slowing the recovery of the wine industry on many levels.

"The work AVL has done to reduce its cost base and build branded sales over the past few years has delivered a robust company.

"While we remain realistically cautious about any near term recovery, the Board is confident in AVL's ability to continue to respond successfully to the challenges. We do see some slight improvement in market pricing and supply of wine.

"We have taken additional measures to reduce the impact of the higher Australian dollar which we expect to remain at historically high levels. We are now a very low cost, flexible producer with a strong stable of brands.

"Our management team is one of the most respected in the industry. They have a deep passion for the industry and are achieving a record number of awards for our wine. There is more to do in building our brand strength and this is a focus for the company.

"I am pleased to advise that Directors have declared a fully franked dividend of 2.5 cents per share and that the Dividend Reinvestment Plan will be reinstated."

"The record date for this dividend is 17 October 2011 and the dividend will be paid on 18 November 2011."

"We continue to monitor market conditions and intend to provide profit guidance at the Annual General Meeting in November."

ENDS

Further information

Neil McGuigan
Chief Executive Officer
02 4998 7400

Mike Noack
Chief Financial Officer
08 8172 8333

`