



AUSTRALIAN VINTAGE LTD



ANNUAL GENERAL MEETING  
23 NOVEMBER 2011

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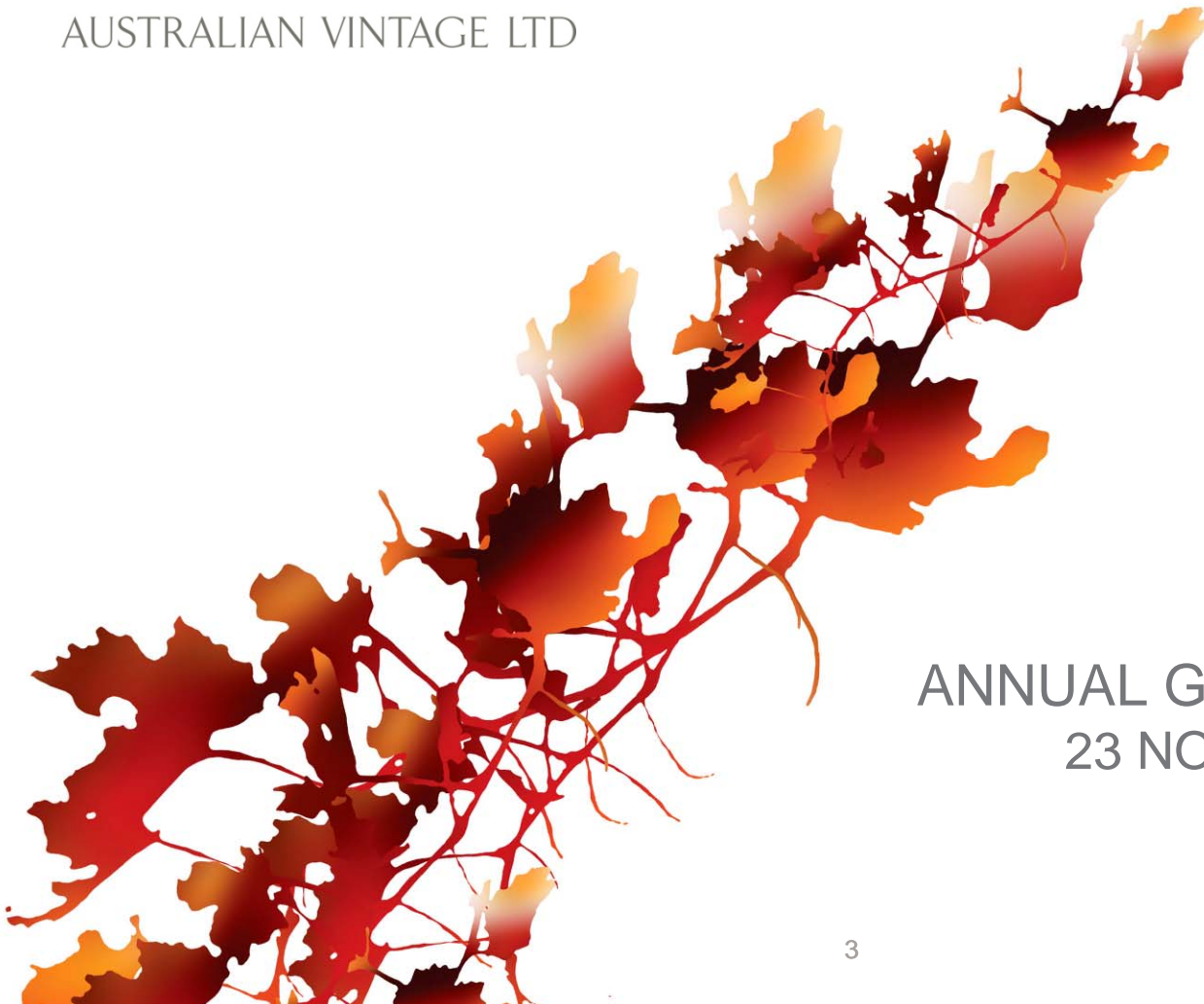
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# Today's Agenda

**Performance Summary**

**Ian Ferrier**

**Business Update**

**Neil McGuigan**

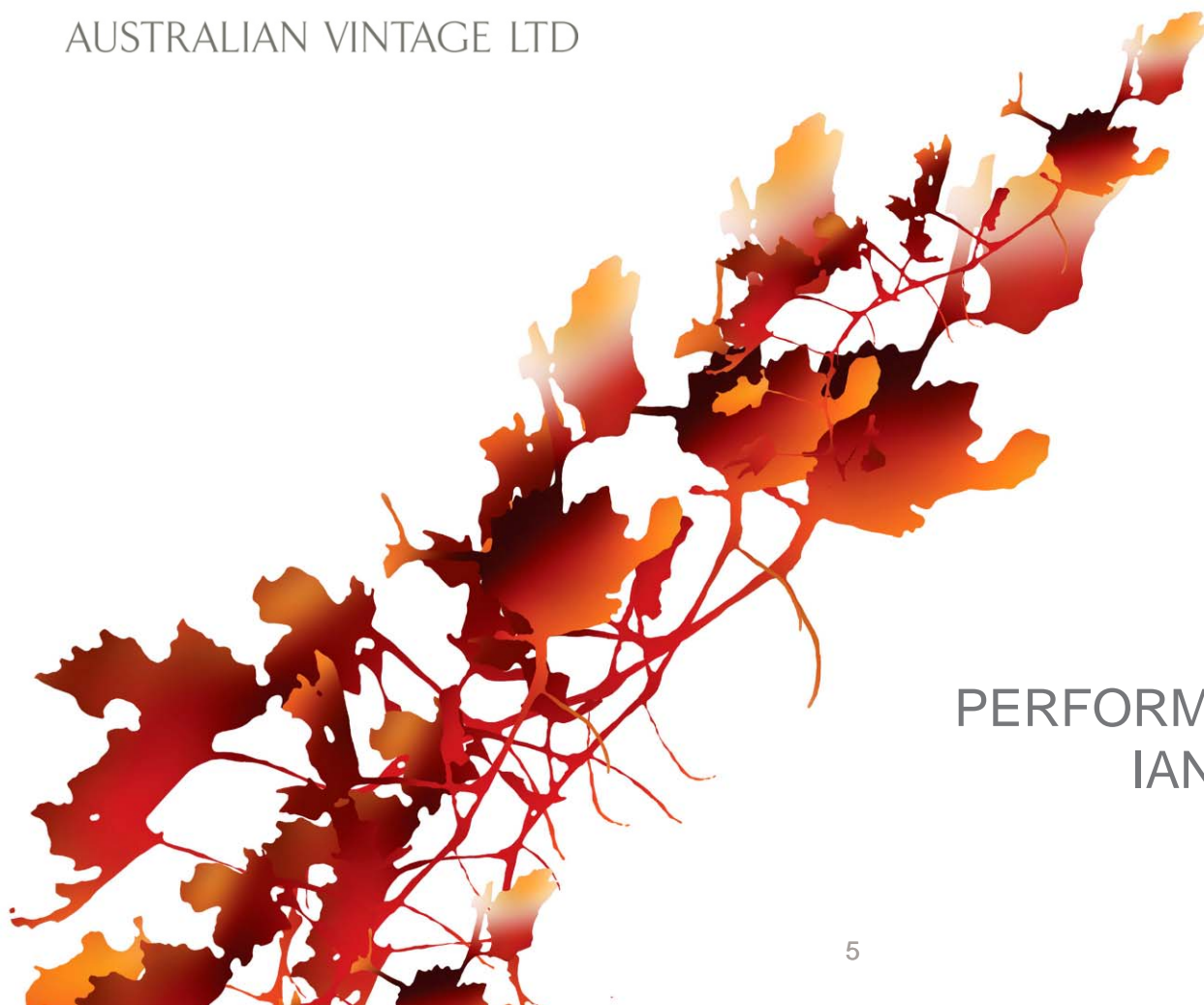
**Formal Proceedings**

**Ian Ferrier**





AUSTRALIAN VINTAGE LTD



## PERFORMANCE SUMMARY IAN FERRIER

## Dividend returned with improved Operating Profit

1. Net profit (before significant items) up 72% to \$10.2m
2. EBIT margin increased 30% to 13%
3. Significant items after tax negative \$3.7m including Loxton Winery impairment of \$3.1m
4. Net Profit (after significant items) \$6.6m v \$9m prior year
5. 2.5 cent fully franked dividend declared, paid 18 November 2011
6. Dividend Reinvestment Plan reinstated



# Higher value Branded Sales drive Revenue

## Full Year Sales

	Dollar Sales (\$'000)		
	2009/10	2010/11	% Change
<b>Domestic Wine</b>			
Branded Bottled	40,239	42,165	5
Branded Cask	8,516	6,976	(18)
Private Label – Bottled	151	-	na
Private Label – Cask	23,376	23,030	(1)
	<b>72,282</b>	<b>72,171</b>	<b>0</b>
<b>Export Wine</b>			
Branded	74,717	77,361	4
Private Label	23,725	17,325	(27)
Bulk	27,245	23,501	(14)
	<b>125,687</b>	<b>118,187</b>	<b>(8)</b>
<b>Cellar Door</b>	<b>7,135</b>	<b>6,975</b>	<b>(2)</b>
<b>Domestic Bulk Wine &amp; Processing</b>	<b>24,976</b>	<b>24,922</b>	<b>0</b>
<b>Vineyards</b>	<b>7,583</b>	<b>3,522</b>	<b>(54)</b>
<b>Total</b>	<b>237,663</b>	<b>225,777</b>	<b>(5)</b>
<b>Volume Sold ('000 Litres)</b>	<b>137,719</b>	<b>121,796</b>	<b>(11)</b>



## 2011: Crush slightly higher than expected. Some price increases

1. 2011 final crush higher than expected at around 1.6m tonnes taking into account weather conditions
2. Estimated 0.1m tonnes utilised for concentrates to address low baume's reducing final crush to 1.5m tonnes
3. Industry addressing prior period inventory problem with major wine companies continue to reduce supply either by way of contract renegotiation or exit
4. Pockets of Australian wine increasing in price domestically and overseas despite strong Australian dollar





## Managing the environment with strong revenue performance and cost control

1. Operating revenues \$225.8m despite unfavourable exchange rate movements of \$14.4m
2. Operating Cash Flow positive
3. Net debt \$161m - bulk wine purchase \$10m and settlement of operating leases amounting to \$15.3m
4. Bank funding secured for another two years
5. Underutilised Loxton Winery sold for \$25m and used to repay debt after 30 June 2011
6. Lenswood winery and adjacent vineyard sold for \$2m
7. Continue to exit high cost 3rd party contracts
8. Future annual tonnage intake below anticipated sales giving financial and operating flexibility



## Strategic platform strengthening business

1. Continued focus on branded sales
2. Continue to control cash flow and expenditure
3. Take advantage of our enhanced reputation as a low cost premium wine producer



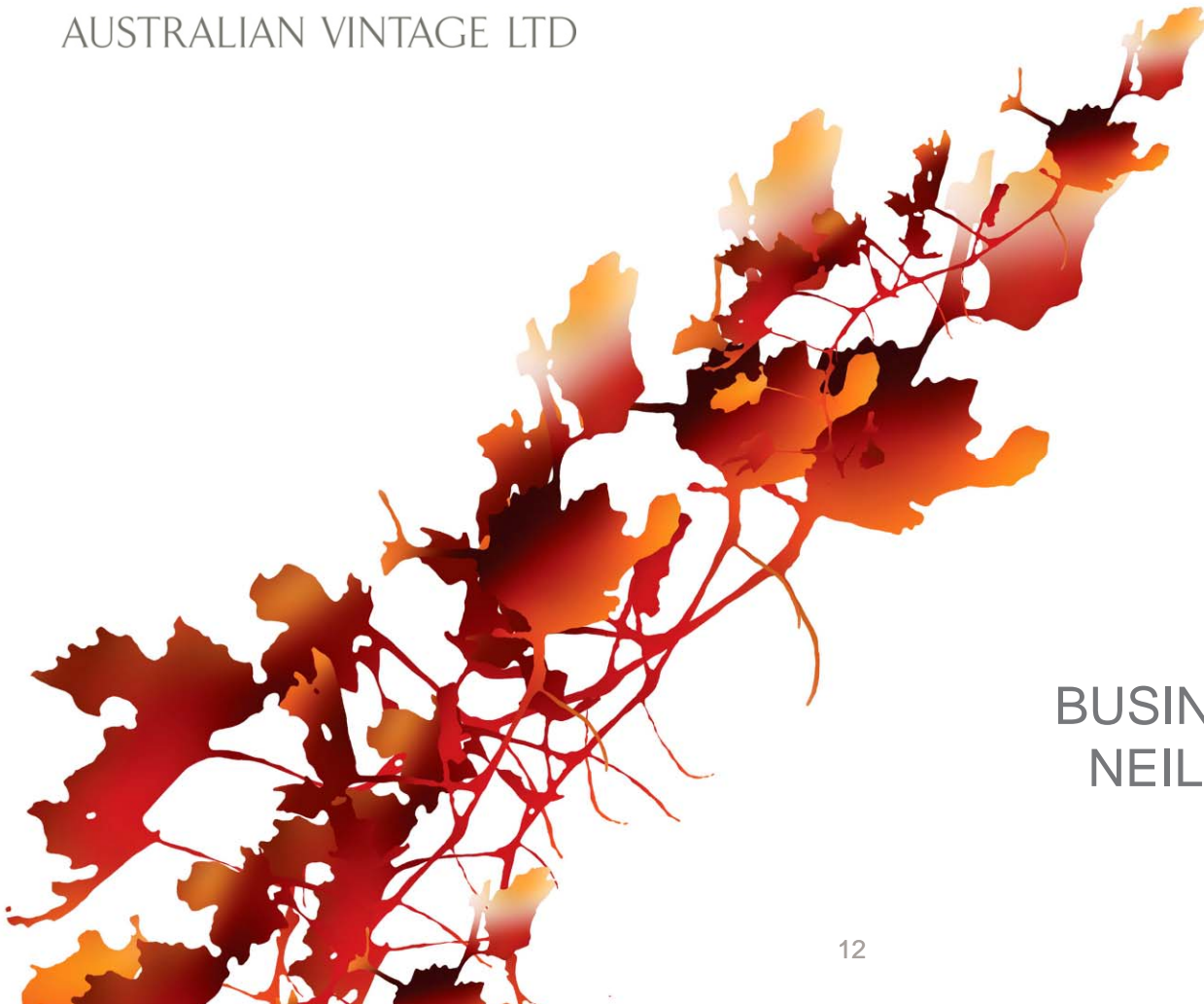
# Outlook

- **Industry remains challenging**
  - oversupply exists but problem continues to reduce
  - competition fierce across Australia and overseas markets
  - individual countries and markets impacted by global financial uncertainty and this is slowing recovery of the wine industry
- **Australian Vintage Steady Performance**
  - expect to grow the export segment
  - domestic sales remain flat
  - debt levels and costs will decline with the sale of Loxton and expected positive cash flow in 2011/12
  - realistically cautious about any near term growth
  - trading for the first 4 months above last year
  - assets and people right sized to manage and respond profitably





AUSTRALIAN VINTAGE LTD



BUSINESS REVIEW  
NEIL MCGUIGAN

# Vision for the future is consistent to previous years and will underpin our success

- It's all about:
  - Putting the “wine” back in the wine business.
  - Making the “wine” the hero and the business will follow. This is important with all facets of our business, including the branded business, private label, exclusive label and contract winemaking services.
  - Treating wine with respect and removing the “commodity” attitude to wine.
  - Putting the personality and romance back into wine.
- Wine is about image, expectation, desire and confidence.
  - By building quality and brand equity you can build profitability.



# A number of challenges but the outlook remains positive

- What we can't change:
  - Foreign exchange rate
  - Global over production
- What we can change:
  - Building value in our existing brands
  - Evolving Australian wines styles
  - Capitalising on domestic and global opportunities
  - Expanding our current channel offer
  - Quality



# Impact of Foreign Exchange Movements on Results and Business

- With approximately 60% of our total export sales in GBP, 5% in Euro and 1% in CAD, AVL's exposure to exchange rates is significant.
- The average weighted GBP in 10/11 was 62.2 compared to 53.5 the previous year. This represents a negative movement of 16% and resulted in a negative impact on 2010/11 UK sales of \$13m.
- The impact of the higher exchange rates has had a negative impact of \$9.8m on EBIT.
- AVL has adopted a number of strategies to reduce the impact of the high GBP including:-
  1. Shifting most of the export product packaging and bottling from Australia to the UK
  2. Additional hedging
- For 2011/12 and based on our current hedging strategy, any GBP movement of 1 point above or below 62.0 will result in a \$200k(approx) movement in our EBIT.

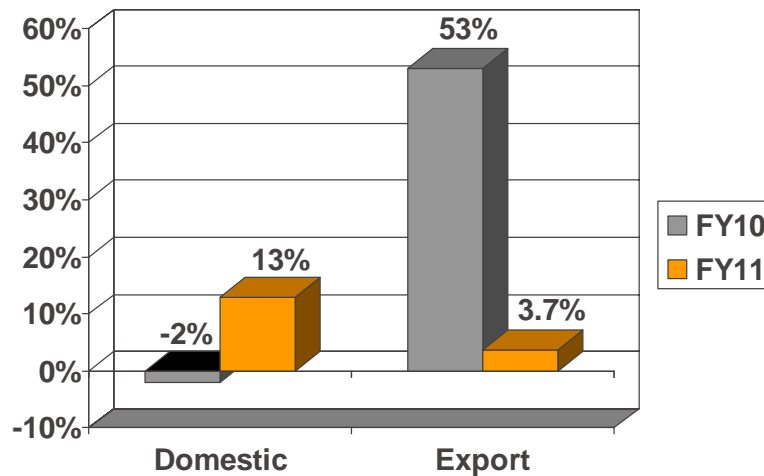


## McGuigan continues solid annual growth globally increasing its value sales by \$3.5m

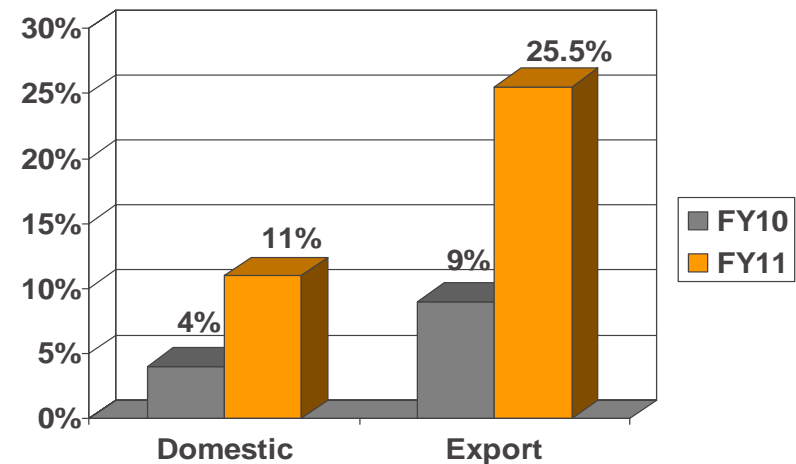
- Black Label Red No. 1 selling brand by volume in the Australian market
- McGuigan is now the 14<sup>th</sup> largest wine brand in the UK market
- McGuigan No. 1 Australian brand in Ireland and No. 2 brand overall.



McGuigan Brand (% Growth)



Black Label (% Growth)





## We are achieving our business objective of “growing branded wine sales” through remaining relevant with consumers



### McGuigan Bin Range re-launched:

- 66% growth on PY by value (domestic)
- Bin UK 30% growth on PY by value



### Tempus Two Varietal Range re-launched:

- Sparkling Blanc de Blanc launched and sold out in 6 months
- 48% growth by value in domestic market
- Total Tempus Two brand up 31% on prior year (domestic)



## Continued focus on evolving relevant & compelling wine styles – launch of McGuigan “The Semillon Blanc”

- A new millennium white burgundy style
- Floral, fresh, crisp and lively
- Aromatics and lift on the nose
- Special commendation award for best launch: Drinks Magazine in UK
- Launch of product into UK has doubled Semillon sales in that market alone
- Over 26,000 cases sold in Year 1

– “This is the most exciting white wine to come out of Australia in the last 5 years. It’s got the flavours, it’s got the style...” Dan Jago – Tesco UK



## Rekindling of the Miranda Brand

Innovation and point of difference is driving Miranda growth, we are creating opportunities through NPD to be first to market.

### Summer Hues

Launched nationally in July 2011 - aligned with leading lifestyle group, Weigh it Up. Provides health conscious wine drinkers with a fresh, full flavoured low alcohol option. Our patented winemaking processes delivers low calories, lighter alcohol and low GI. Health focused wine drinkers no longer need to sacrifice on flavour.  
*Love those longer, lighter days...*

### Picked At Noon

Launched as a trial in Queensland in July 2011.  
A wine symbolic of the sweet summer fruits that blossom in the warmer climate.  
Created to tap into fast growing segment of consumers that enjoy ripe upfront sweetness.  
Innovative varietals - Moscato, Sparkling Zibbibo and Dolce Syrah.



# Marketing Initiatives

## McGuigan – Sydney Festival 2012

Official wine sponsor of Sydney Festival, which attracts 650,000 people with 55,000 glasses of wine enjoyed.

Fantastic awareness platform, and sales opportunity.

Through-the-line activation, that ultimately drives consumer back to the wine aisle.

## Tempus Two – SABA Promotion

Strategic value added promotion with fashion retailer SABA to drive consumer purchase and retail distribution through \$30 SABA gift card GWP.

Aligned with similar like-minded brand to create equity and reinforce stylish positioning.

## Nepenthe – Gourmet Traveller Cookbook Promotion

Value added promotion to reinforce the food and wine matching credentials of Nepenthe.

Purchase two Nepenthe Altitude wines, receive complimentary Gourmet Traveller Annual

Cookbook - drive consumer purchase and retail distribution.

## Cellar Door – Wine Clubs

Introduction of, and greater focus on continuity wine clubs as key marketing opportunity through cellar door.

## McGuigan City Vineyard

Sydney in 2007; Melbourne and London in 2008..... In 2012 the McGuigan City Vineyard hits Dublin.



# Our award success is a critical success factor in driving 3<sup>rd</sup> party endorsement that flows directly through to the consumer



**SUPER-TALENTED** Neil McGuigan has taken on the might of New Zealand's sauvignon blanc producers with a cool wine he believes they eventually will significantly into the Marlborough region's dominance with the variety.

On a visit to London two years ago, McGuigan was asked by one of the UK's leading retail chains that Australia urgently needed to create an exciting new style to challenge the awesome appeal of Marlborough sauvignon blanc. Last year, McGuigan returned to the OMA Dart with a 100 per cent semillon-based wine produced from vintage 2001 in the old white burgundy style that ruled the roost in Australia four decades earlier.

Consequently, he labelled it The Semillon Blanc, in what amounts to an Australian ambush to cash in on the sauvignon blanc bonanza. More than 15,000 dozen sales later, it's now being hailed as Britain's top white wine discovery.

McGuigan is now banking on the 2001 McGuigan The Semillon Blanc (\$12) making a stunning debut in Australia. Ultimately, he hopes the wine will lead consumers on the palate path to the Hunter Valley's esteemed aged semillon which ranks in the very top echelon of super-premium Australian wine.

The 2001 McGuigan The Semillon Blanc is an uncodified blend from three non-blending regions: Riverland, Semillon and Barossa Valley. When I first tasted it, I was convinced McGuigan had

smoked a little sauvignon blanc into the blend but he assured those at the launch this was definitely not the case.

It certainly has sauvignon blanc characteristics, though, that complement its fresh, flavoursome, aromatic appeal.

"Semillon is the variety that produces these defining styles – citrus, stone and white burgundy," explains McGuigan, whose winemaking team has dominated major show judgings in the UK in the past two years.

"The Semillon Blanc is a second-generation of white burgundy."

"It's our hope that once consumers give it a try they will eventually graduate to classic semillon."

john.fordham@wineglobe.com.au



**2009 TEMPUS TWO**  
**Cabernet**  
**Sauvignon (\$29)**

**IMPRESSIVE**  
**Coonawarra with**  
**elegant flavours and**  
**great length.**

**MODERN MARVEL**

**\$28**

**McGuigan 2009**  
**The Shortlist Chardonnay**  
**Adelaide Hills, SA**  
[www.mcguiganwines.com.au](http://www.mcguiganwines.com.au)



THE big question with modern chardonnay – where do the fine fruit and focused winemaking meet? This wine, like all of them, answers in its unique way, with barrel ferment and subtle oak influences to begin, beautiful textures backed up with a glimpse of lemon and curd flavour, classically white nectarine showing all the way to a long, lingering finish. Very well crafted.

**Value:**  
**Worth it**



**Food:** Portuguese  
**spiced chicken**



## TASTINGS BY HUON HOOKE

### WINE OF THE WEEK

**Nepenthe Chardonnay, Adelaide Hills 2010, \$19**

These days, Nepenthe is part of the huge Australian Vintage (formerly McGuigan-Simon) group, with Andre Bondar as winemaker. The winery was closed and winemaking moved to the Barossa but the nay-sayers have been silenced as the quality has been more than maintained. This is a lovely, fruit-driven chardonnay with great drinkability and a great price. The colour is palish, the aromas clean and simple, with herbal and melon but no obvious oaky notes, plus some grapefruit that really builds on the palate. It's soft and harmonious in the mouth, not especially complex but delicate, restrained, refined and intense. Excellent modern Australian chardonnay. Drink now to two or three years. 90/100.

**Food:** Most fish and lighter poultry dishes, especially whole snapper baked with herbs and served with a hollandaise.



Blanc check... entrepreneur Neil McGuigan with The Semillon Blanc.

20 percent alcohol, a gift of £1 and an 18th parallel. "One would be lost in the night."

Instead, the grapes are mainly from the Murray Valley (the floodplain and semillon with a little Shiraz wine, 80 x 1.3 per cent at least, but the night is higher 1.32 - who knows where the wine is and sometimes white). There is no semillon in the wine, but the grapes are from the same place and the wine is the same. The wine is a lightness with softness and a clean finish. Unlike a traditional chardonnay semillon is probably used as well but that's not the objective, the McGuigan style. "I think the day we're talking, we have 300 days left to sell."

He could have achieved a similar result. McGuigan is a white chardonnay, perhaps, but I suspect it's a point of pride to a chardonnay. The wine is all semillon, and semillon is a grape that's grown in the same place as the chardonnay. He is not. "There's a lot of semillon in the wine."

The wine is actually doing exceptionally well in the market. McGuigan's chardonnay is the UK's 12 per cent, he says.

A 2010 vintage was low in alcohol (12.5 per cent) but it was a good vintage. McGuigan's second best selling wine after white, he is a competitor.

McGuigan's wine is a blend of three varieties, he says, and the blend is a blend of three varieties. He is not. "There's a lot of semillon in the wine."

...he retorted:  
"There's not a berry of sauvignon blanc in it."

Black textured but also soft and round, with good acidity and immediate drinkability.

The Semillon Blanc influences a difference for McGuigan and the wine is a blend of three varieties. He is not. "There's a lot of semillon in the wine."

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Huon@huonhooke.com

**Av**

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## Our core brands continue to perform on the world stage across multiple varietals & price points

Brand	Awards		
<b>McGuigan</b>	Trophy	IWSC – International Semillon of the Year	2006 Bin 9000 Semillon
	Trophy	IWC - International Riesling of the Year	2004 The Shortlist Riesling
	Trophy	IWC - Australian Riesling of the Year	2004 The Shortlist Riesling
	Trophy	IWC - Eden Valley Riesling	2004 The Shortlist Riesling
	Best in Show	Cairns Wine Show	2005 Vineyard Select Semillon
	Gold	Decanter	2004 The Shortlist Riesling
	Gold	IWC	2009 Personal Reserve Shiraz
	Gold	Pacific Rim Wine Show USA	2008 Farms Shiraz
	Gold	Sydney Wine Show	2010 Discover Pinot Grigio
	Gold	Sydney Wine Show	2007 Bin Semillon
	Gold	Royal Adelaide Wine Show	2010 Hand Made Shiraz
<b>Tempus Two</b>	Trophy	IWC - International Semillon of the Year	2003 Zenith Semillon
	Trophy	IWC - Australian Semillon of the Year	2003 Zenith Semillon
	Gold	Decanter	2004 Zenith Semillon
	Gold	Decanter	2005 Zenith Semillon
	Gold	Decanter	2007 Zenith Semillon
	Gold	Pacific Rim USA	2009 Cabernet Merlot
	Gold	Pacific Rim USA	2010 Pinot Gris
	Gold	Pacific Rim USA	2008 Vine Vale Shiraz
	Gold	Brisbane Wine Show	2010 Tempranillo
	Gold	Brisbane Wine Show	2008 Botrytis Semillon
	Gold	Royal Adelaide Wine Show	2011 Pewter Semillon
<b>Nepenthe</b>	Best SA Pinot Noir	South Australian Wine of the Year Awards	2010 Good Doctor Pinot Noir
	Trophy	Brisbane Wine Show	2010 Tempranillo
	Trophy	National Cool Climate Wine Show	2010 Tempranillo
	Gold	Royal Melbourne Wine Show	2010 Ithaca Chardonnay
	Gold	Finger Lakes USA	NV Tryst Sparkling
	Gold	Brisbane Wine Show	2010 Tempranillo



## 2011 International Wine and Spirit competition U.K.

“McGuigan Wines – International  
Winemaker of the Year – again!”

“McGuigan Wines – Australian producer  
of the year – again!”

1 Trophy, 5 Gold, 19 Silver, 8 Bronze

91.9% strike rate



# Responsibility to Shareholders

1. AVL management is fully aware that we work for you, the shareholders.
2. AVL's profit has been modest over recent years and management is continually reviewing our cost base, new business opportunities and innovation to increase profitability.





## In summary

- AVL continues to review its cost base to ensure it is appropriate for the size of our business.
- AVL's branded business, private label, exclusive label business and contract winemaking services have the same level of quality commitment.
- We have streamlined our operations by centralising a number of functions.
- AVL will continue to focus on our core brands: McGuigan, Tempus Two & Nepenthe and Miranda brand.
- We will continue to evolve our wines styles, innovate with packaging and increase our category performance, particularly in sparkling wine.
- AVL is focusing our marketing activities on distribution and execution closer to point of sale.
- We will continue to capitalise on existing markets, however investment in time and resources will be increased in emerging markets e.g. China.
- We are very proud of our quality across our brands and ranges and will continue with the objective of delivering "the best quality wine at every price point". We believe that quality is what will ensure the Australian wine industry comes through its present challenges.

