



AUSTRALIAN VINTAGE LTD

ABN 79 052 179 932

**Australian Vintage Limited Annual General Meeting
Chairman's Address
Wednesday 23 November, 2011**

Welcome to the 2011 Annual General Meeting of Australian Vintage. My name is Ian Ferrier and I will chair today's meeting.

With me here today are the directors including our CEO Neil McGuigan, Richard Davis, Perry Gunner and Brian McGuigan.

Also here in person is Mike Noack our chief financial officer, and members of our management team including our head of sales Cameron Ferguson and our General Counsel Flora Saris.

I would also like to acknowledge one man who is not here with us today as he has been every other year since the company began. And that is David Clarke. David was the founding Chairman of this company and guided it through its growth, mergers, consolidation and more recently through the tumultuous periods of overplanting and oversupply. His love of wine and the people of the industry are legendary. David died earlier this year and on shareholder's behalf I acknowledge his contribution and extend our sympathies to his family.

There are three items of business on the agenda including a review of the accounts and two resolutions which require a shareholder vote.

As in previous years my intention is to provide shareholders with a summary of our performance during the year as well as what we see as the challenges and opportunities for Australian Vintage. I will then ask Neil McGuigan to update you on the business activities. We will then move to the formal proceedings.

2011 results and performance

The highlight for shareholders is the welcome return of the dividend, the first since the industry plummeted into crisis five years ago. The Board acknowledges that 2.5 cents fully franked is small compared to historical dividends but it is a positive step and reflects three things.

The first is the financial strength of Australian Vintage as a result of strategies and actions that management have taken over the past four years.

Paradoxically, the second is how tough the conditions are in the wine industry and how protracted any recovery will be. The Board will continue to take a conservative and cautious approach.

The third is the confidence the Board has in the business and in management's ability to respond to market conditions and deliver profitable returns into the future.

Let me highlight two points in our results:

- Before significant items net profit was up 72 per cent to \$10.2 million
- As you may know we did sell Loxton Winery during the year and were required to take an impairment charge. So after all significant items are accounted for, Australian Vintage recorded \$6.6 million in net profit.

The sale of Loxton Winery is one of the last major steps in our cost reduction journey. It realised \$25 million net and was used to pay down debt. But more importantly it creates a much lower cost platform for the business and gives management much more flexibility into the future. And the benefits of that flexibility will flow to the bottom line in the current financial year.

This financial platform gave the Board confidence to reinstate the Dividend Reinvestment Plan. And from my discussions with shareholders I know many shareholders will welcome this.

Our sales breakdown demonstrates the benefits of the strategic decision we took three years ago to develop and grow our brands. While we sold less wine overall, we achieved higher sales of higher value and higher margin branded wines both in Australia and in our exports. This is despite the very competitive market and a high Australian dollar.

I've asked Neil to give you some more detail about our wine innovation and the new markets we are now selling into, but as an overall comment, the quality of our wines and the reputation of our brands continue to grow. This was recognised by a record number of prestigious awards in Australia, the UK and Europe.

Australian vintage and market

The 2011 Australian vintage at an estimated 1.6 million tonnes was higher than expected, though we are seeing some relief in the historic oversupply. Wine supply and grape production is decreasing and excess stock levels are falling which does give us hope that the industry will return to economic viability sooner rather than later.

In fact some pockets of wine in Australia are seeing some price increases.

However, uncertain global economic conditions remain and they are having an effect on our marketing and our markets. The progress that we have made this year mean we are cautiously optimistic that we can be competitive and profitable. This does not negate the very strong head winds that the Australian wine industry continues to face. The strong Australian dollar negatively impacted 2011 revenues of \$225.8 million by \$14.4 million.

In this environment Australian Vintage managed its cash, reduced debt and agreed funding for a further two years with our financiers. Cost control has been very pleasing. I mentioned earlier that we sold the underutilised Loxton Winery. We also sold Lenswood winery and the adjacent vineyard for \$2 million and continued to exit contracts with third party growers that are uncompetitive.

Australian Vintage has demonstrated it can successfully create new quality wines that consumers appreciate worldwide as the best in their class. But doing that under tight financial controls is what has made the management and operations teams one of the most respected in the Industry.

Strategy and Outlook

Strategically you will see more of the same from Australian Vintage:

- Quality production of great wines that people increasingly recognise and request – not only in Australia but in the UK, and increasingly in Europe. And we continue to look for new markets with some of our wines this year destined for India, China, and Indonesia.
- And with that tight cash and financial management.

All that sounds easy but it represents a great effort by everyone in the company in Australia and globally who has worked hard with great belief in Neil and in Australian Vintages' potential. On shareholder's behalf I would like to thank them all for their contribution.

Let me outline where we see 2012.

While there are signs that the industry is slowly moving to balance in supply and demand, the conditions remain volatile and challenging. We will have to deal with the overhang of years of oversupply in Australia and how companies choose to release excess stock into the market. Competition globally is fierce and the way wine is sold and marketed is in a transformational phase with the growing influence of retail chains impacting marketing, varieties and pricing.

Financial instability globally is impacting individual countries differently – but the repercussions in terms of consumer confidence, foreign exchange, orders and pricing are directly impacting the industry. Our trading results for the first four months of the 2012 financial year are above last year. But given the uncertainty and volatility and its impact on our business it would be foolish to make any forecast at this stage for the full year.

We will respond by operating the business flexibly and looking for opportunities in the volatility. A world leading cost base is critical. We intend to build on our export markets and have in place a number of brand and product programs that build on 2011 launches. In Australia we see no signs of market growth but we will maintain our markets and margins. We are focused on reducing debt and holding positive cash.

In these conditions the Board is confident that the company has the right people, the right assets and financial platform to perform.

Ian Ferrier
Chairman, Australian Vintage Limited
23 November 2011