



AUSTRALIAN VINTAGE LTD
ABN 79 052 179 32

ASX RELEASE
22nd August, 2012

**AUSTRALIAN VINTAGE IMPROVES PROFIT, REDUCES DEBT
2.6 CENTS DIVIDEND DECLARED**

Key points

- Sales up 2.1% to \$228.0 million with a strong performance from the UK / Europe
- Net Profit up 8% to \$7.1 million
- Cash Flow from operating activities at \$10.6 million compared to \$1.3 million last year
- Net debt reduced by \$31.9 million to \$129.1 million
- Dividend of 2.6 cents per ordinary share fully franked, payable 19 November 2012

Australian Vintage (ASX: AVG) today reported a full year net profit (after significant items) of \$7.1 million, and significantly reduced borrowings.

Australian Vintage chief executive Neil McGuigan said: "In February our Chairman said that the Company intended to focus on reducing debt and tightly managing our working capital. We have made good progress in these areas and further strengthened the Company's financial position.

"Cash flow from operating activities was up \$9.3 million to \$10.6 million due in part to reduced bulk wine purchases during the year. Net debt is down to \$129.1 million, compared to \$161 million as at June 2011 as a result of the sale of Loxton Winery in August 2011 to TWG Australia II Pty Ltd.

"Our strengthened capital management position follows asset sales and costs reduction programs over the past few years and builds on our mission statement of making quality wines and building brands that our customers know and love.

"We were honoured to be named for the second time in three years as 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 producing the best Semillon in the world. The McGuigan brand again jumped in popularity and demand, with volumes worldwide increasing by 17% to 2.4 million cases.

"The Australian dollar's continued strength, the economic uncertainty in our major markets and the ongoing grape and wine oversupply conditions in the industry continue to challenge the Company.

"The quality from this year's vintage is excellent and our winemakers say 2012 has potential to be a stand-out vintage like 2004. It is expected that the total Australian industry yield from this year's vintage will be around 1.66 million tonnes which is higher than previous years despite some regions reporting lower yields. Overall, production is in line with sales but we see some danger signs for oversupply if higher yielding vintages continue.

“The full year result demonstrates that we are meeting the ongoing challenges facing our industry.

“Most rewarding is the fact that we can pay our shareholders an increased dividend of 2.6 cents per share.”

Sales

Overall, sales in the period were steady, 2.1% above last year in dollar terms and 6.1% in volume terms.

Australasia/ North America packaged sales were slightly below last year due to reduced lower margin cask sales.

UK/Europe sales were up 1%. This is an outstanding result given the record high dollar and depressed and uncertain economic conditions in the region and is the result of brand development and marketing effort.

Australasia/North America bulk wine and processing sales grew 20% due to a significant increase in bulk wine sold to the US.

Vineyard revenue improved 9% due to increased vineyard management income. Cellar door revenue remained steady. The Company believes further growth in this segment is possible over time based on stronger tourism and marketing initiatives.

Our brands continue to deliver very strong growth and this remains a key focus in our strategic direction. Overall the McGuigan brand grew 23% in Australia and 12% in export markets which is an outstanding result and builds on the momentum of 2011. Tempus Two also grew and Nepenthe maintained sales. Our premium brands have development and grown on the back of the awards won and targeted marketing focus in 2012. This is something that the business intends to extend in the coming year. Some lower margin cask and private label sales declined during the year.

Our investment in marketing wine in Asia and China continues as a long term market development strategy.

	Year ended 30/06/2012	Year ended 30/06/2011	
	\$000	\$000	%
Sales by segment			
Australasia/North America packaged	79,371	82,033	(3)
UK/Europe packaged & bulk	97,302	96,811	1
Cellar door	6,913	6,975	(1)
Australasia/North America bulk & processing	40,550	33,876	20
Vineyards	3,826	3,522	9
Total	227,962	223,217	2

EBIT and Net profit

EBIT declined by \$5.9 million due mainly to below average crops from our owned vineyards resulting in a \$4.1 million reduction in the fair value of grapes picked. In addition the contribution from the Australasia/Nth America Bulk and Processing segment was down due to lower processing margins, higher costs of running Austflavour from the Loxton Winery and one off costs associated with the sale of the Loxton winery. The Austflavour business has now been re located to the Buronga winery. Australasia/North America EBIT improved \$0.7 million on the back of increased branded sales.

Our brand and marketing effort has seen UK EBIT grow by 32% even after allowing for the unfavourable movement in foreign currency. This growth has been achieved by retaining our sales base and extending our range of products into higher priced categories. Total export sales in GBP now represent more than 60% of total exports. The high AUD continues to dampen our results negatively impacting EBIT by \$2.2 million. The Company maintains a conservative hedging policy on forward sales.

Our cellar door contribution was disappointing reflecting reduced visitor numbers and lower margin sales identifying a need for increased attention and improvement.

Net profit improved by 8% to \$7.1 million due to the \$3.6 million of significant items (after tax) incurred in 2010/2011.

Net profit

	Year ended 30/6/2012 \$000	Year ended 30/6/2011 \$000	Variation	
			\$000	%
Australasia/North America packaged	6,353	5,694	659	12
UK / Europe packaged & bulk	7,098	5,366	1,732	32
Cellar door	885	1,219	(334)	(27)
Australasia / North America Bulk & processing	7,562	11,762	(4,200)	(36)
Vineyards	1,466	5,238	(3,772)	(72)
EBIT	23,364	29,279	(5,915)	(20)
Unallocated (mainly finance cost)	(14,426)	(15,953)	1,527	10
Significant Items	-	(6,677)	6,677	N/A
Profit before expenses	8,938	6,649	2,289	34
Income Tax (expense)/benefit	(1,871)	(3,106)	(1,235)	40
Income tax on Significant Items	-	3,021	(3,021)	N/A
Profit	7,067	6,564	503	8

Outlook

Australian Vintage Chairman, Ian Ferrier, said "The business is lean, in it's assets and in it's costs. However the Company has built and enhanced its brands and continues to deliver great wine. There is a real momentum that has seen the Company perform in the most competitive markets and at a time when the industry is facing difficult challenges and global restructuring.

The UK market will remain fragile and will impact global markets and we do not expect any change in conditions for the foreseeable future. In Australia the industry and competition is tough. In our current financial year, ending June 2013, we will face volatility and uncertainty which will continue to impact on export sales and profitability.

During the year we renewed funding for the next two years.

"The Board resolved to pay a fully franked dividend of 2.6 cents per share, payable on 19 November 2012. The Record Date to establish shareholder dividend entitlements is 22 October 2012. The Company's Dividend Reinvestment Plan (DRP) will operate for the dividend payable on 19 November 2012. Shares issued under the DRP will be at a 2.5% discount to the weighted average market price of all Company shares sold on the ASX during the 5 business days after the Record Date.

"I would like to acknowledge Neil McGuigan, his management team and all of the staff of Australian Vintage who continue to face the challenges with innovation and effort. They remain passionate about making great quality wine that has been recognised with a significant haul of international and national awards which is extending brand recognition, increasing sales and delivering bottom line benefits.

"We do not see any significant profit growth given the market and industry conditions in the next year. However the Company is well positioned and continues to meet the challenges it faces.

ENDS

Further information

Neil McGuigan
Chief Executive Officer
02 4998 7400

Mike Noack
Chief Financial Officer
08 8172 8333