

Australian Vintage Limited
Annual General Meeting
28 November 2012

Chairman's address

Good afternoon ladies and gentlemen.

A warm welcome to the 2012 Annual General Meeting of Australian Vintage and thank you for joining us.

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.

Before I give you some detail about our financial results I wanted to share with shareholders the good news announced about six weeks ago that McGuigan Wines was named the world's best white winemaker for the second time in four years at the International Wine Challenge in London. McGuigan edged out two French wineries to take the ultimate worldwide prize. To have won this award in 2009, be nominated in 2010 and then win again in 2012 is a huge honor, and something that we should all be very proud of and shareholders should be very proud of.

And only two weeks ago McGuigan Wines was crowned International Winemaker of the Year at the International Wine and Spirits Competition in London. This is the third time in four years that McGuigan has won the world's best winemaker title. We are the only producer in the competition's 43 year history to have won three times.

So congratulations to you Neil and to your winemakers.

Financial Results

So moving to the 2012 financial results.

Shareholders will know that a modest dividend has again been declared following last year's dividend. The 2.6 cent fully franked dividend represents the Board's confidence in the positive direction the company is continuing to take.

The financial strength of Australian Vintage continues as a result of strategies and actions that management has taken over the past five years.

The tough conditions being faced by the wine industry continue and recovery will be protracted. The Board and management will continue to take a conservative and cautious approach while at the same time taking advantage of any opportunities presented by these challenges.

We remain confident about the business and management's ability to respond to market conditions and deliver profitable returns into the future.

We have taken advantage of our enhanced reputation as a low cost premium wine producer and continue to control cash flow and expenditure.

Net profit (after significant items) was up 8% to \$7.1 million.

There has been a continuation of profitability. Our cash flow from operating activities was \$10.6 million compared to \$1.3 million last year. The Company's net debt has been reduced by \$31.9 million to \$129.1million and bank funding has been secured for a further two years.

Whilst the core business continues to improve, the 2011/2012 result was impacted negatively as a result of lower vineyard yields and reduced processing margins.

Vintage yields and market

The 2012 vintage of 1.6 million tonnes was in line with 2011 and represents the five year average. The expectations are that the 2012 vintage will be an exceptional one in terms of quality.

Overall our grape production is currently close to balance with total sales. However, the Australian industry is vulnerable to returning to oversupply if there are higher future yields from current vineyard bearing areas.

The national average grape price for vintage 2012 increased 11% reversing a decade long downward trend. Production costs increased during the year across all areas of the business – electricity, water, transport, wages and administration. We echo the sentiment of many Australian businesses that this is adding pressure to business, to households and to the economy.

For our company there has been little movement in retail selling prices to offset these increased costs.

Globally there are predictions of a short term world wine shortage with some analysts forecasting production falling to its lowest level in 37 years due to bad weather in wine growing regions in Europe. For example, France's harvest was affected by winter drought, hailstorms and a heat wave, which is expected to see production fall 20%.

While this is good in the short term for countries like Australia the world wine industry still faces structural oversupply that needs to be managed over the long term.

Uncertain global economic conditions remain, particularly in Europe and the United Kingdom and we expect that many countries in the world face years of little or no growth in their economies. There are some signs that North America may be stabilising. In general, countries in the Asian region continue to grow but at slower levels than in the past with China forecasting growth at 7 - 8 per cent.

The Asian region is important to Australia as populations move into the middle class creating long term opportunities.

Our focus is on remaining competitive and profitable in all markets.

Managing the environment

We continue to deal with financial and industry challenges.

70% of our export sales are in foreign currencies, predominantly the GBP. As a result the Company's exposure to exchange rates is significant. The average weighted GBP in FY 11/12 was 65 compared to 62 in the previous year. This resulted in a negative impact on all foreign currency sales of \$3.9 million and had a negative impact on EBIT of \$2.6 million.

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

So strategically shareholders can expect to see more of the same:

- Quality production of great wines that people increasingly recognise– not only in Australia but in the UK, increasingly in Europe, Canada and key growth markets in Asia such as China.
- Innovation in wine making practices that reduce our production costs and deliver new and interesting products to consumers.
- And finally we will continue to be very disciplined in cash and financial management.

The Australian Vintage team at all our sites in Australia and globally continue to work hard with great passion for our products and in maximising Australian Vintages' potential for the benefit of all stakeholders.

On your behalf I would like to thank them all for their contribution. And I would also like to thank you and all of our shareholders for your support not just in the past year but over the past five years as the company has undergone the transformation necessary to be competitive.

Outlook

Let me touch on the vintage and where we see 2013.

This year's average yield was 11 tonnes per hectare which was below the 13 tonnes per hectare achieved between 2004 and 2006.

If Australia's planted vineyard area returned to producing 13 tonne yields the vintage would be around 1.9 million tonnes – sending us back to oversupply – suffice to say the industry remains vulnerable to future imbalance.

Competition remains fierce across Australia and in overseas markets. The dominance of retail chains continues to pressure our marketing, varieties and pricing.

Compounding our foreign exchange issue is retail price deflation which has seen wine prices lag the CPI since 2005. So we must remain vigilant about our costs and opportunistic about sales opportunities that are profitable.

Sales for the 6 months to December 2012 are expected to be down 6% year on year. The decline is mainly in lower margin products such as casks. Our profit to December 2012 is expected to be lower than last year as a consequence of higher grape costs from the lower 2012 vintage. But I am pleased to advise that, based on normal vintage conditions, we expect our full year profit to be in line with last year.

We will respond to all challenges by operating the business flexibly and looking for opportunities in the volatility.

The Board is confident that the company has the right people, the right assets and financial platform to respond to the challenges in the near term and has prepared the business to be able to deliver better returns for shareholders in the long term as conditions improve.

Ian Ferrier, Chairman
Australian Vintage Limited
28 November 2012