



AUSTRALIAN VINTAGE LTD



**Capital Raising  
September 2013  
Investor Presentation**

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AUSTRALIAN VINTAGE LTD



## 1. SUMMARY

# Summary

- Australian Vintage Limited ('AVL' or the 'Company') has endured a protracted downturn in the Australian wine industry, with the industry impacted by:
  - the high Australian dollar;
  - over-supply in the Australian market;
  - drought; and
  - higher taxes in key export markets such as the UK.
- To address these issues, the Board and Management have re-positioned the Company by:
  - focusing the Company's strategy on growing its higher margin branded products;
  - significantly reducing costs within the business to a sustainable level;
  - rationalising its asset base to "right-size" the business; and
  - improving the quality of its product
- AVL believes the business is now well positioned to take advantage of the improvements in industry conditions it expects to occur
- The Company has recently reported net profit of \$7.1m for the year to 30 June 2013 on revenues of \$208.5m and has provided guidance of an improvement in next year's net profit of somewhat in excess of a third on the 2013 result. The improvement is due to:
  - improved margins as a result of a 28% increase in 2013 vintage volumes;
  - renegotiated vineyard lease costs; and
  - the weakening of the Australian dollar against the pound and euro





# Summary

- As part of the next stage of re-positioning the business, AVL is undertaking a \$41.8 million capital raising at an offer price of \$0.42 to repay bank debt and significantly reduce gearing, consisting of:
  - an institutional placement of \$8.4m
  - an accelerated, non-renounceable, 3 for 5 entitlement offer of \$33.4m consisting of
    - an institutional offer of approximately \$18.5m; and
    - a retail offer of approximately \$14.9m
- The entitlement offer is fully underwritten
- Following the raising, AVL:
  - will reduce gearing to 36.5% (Net debt:Equity);
  - will extend its current banking facilities to September 2015;
  - will achieve reduced margins on its banking facilities; and
  - expects total interest savings of approximately \$5m per annum (before tax)







AUSTRALIAN VINTAGE LTD



## 1. AVL BUSINESS SUMMARY

# AVL Business Summary

- AVL is one of Australia's largest wine producers and most admired wine businesses
- Scale
  - crushes approximately 150,000 tonnes of grapes per annum – approximately 8% of the total Australian wine crush
  - sells almost 85m litres of wine into domestic and international wine markets
  - operates wineries with 158,000 tonne capacity in the Hunter Valley, the Sunraysia and the Barossa Valley
  - has approximately 2,900 planted hectares over 11 owned and leased vineyards
  - operates production facilities that can package 1.5m casks (16 litre cases) and 6m cases of 750mL bottles (9 litre cases) per annum
  - sells the largest branded red wine SKU by volume in Australia (McGuigan Black Label) (Aztec Scan Data)
- Success
  - McGuigan is the world's 14<sup>th</sup> most admired wine brand (UK publication Drinks International)
  - McGuigan brand has had award success across the world including being named 'International Winemaker of the Year' at the International Wine & Spirit Competition three times in the last five years – the only winery to have ever won the award three times



# AVL Segments

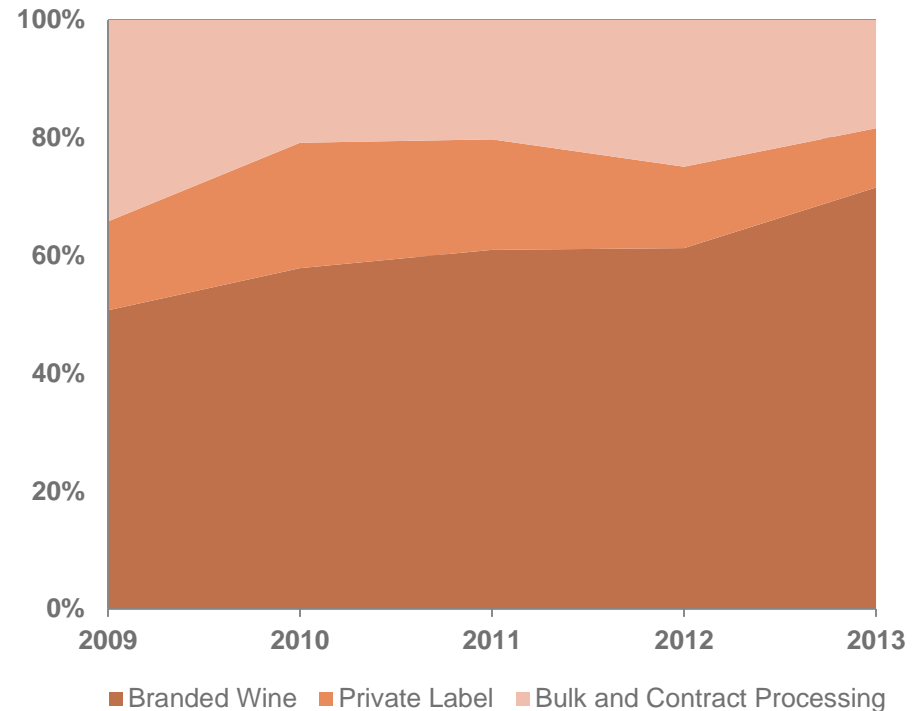
Segment	Description	Key Customers	FY13 Revenue
Australasia / North America Packaged	Packaged wine within Australia, New Zealand, Asia and North America through retail and wholesale channels	Woolworths / Coles / Independent liquor outlets	\$79.9m
UK / Europe	Packaged and bulk wine in the United Kingdom and Europe through retail and distributor channels	Tesco, Sainsburys, Morrisons	\$88.8m
Cellar Door	Wine direct to the consumer through a number of cellar doors	Retail	\$6.8m
Australasia / North America bulk wine and processing	Bulk wine, concentrate and winery processing services throughout Australia, New Zealand, Asia and North America	Orlando, Gallo	\$29.5m
Vineyards	Vineyard management and maintenance services within Australia	Various and include's SGARA profit	\$3.5m
<b>Total</b>			<b>\$208.5m</b>



# AVL Brands

- AVL's strategy has been to focus on its strong brand portfolio
  - brands provide protection from 'commodity' pricing of wine
  - the McGuigan brand is ranked the World's 14<sup>th</sup> most admired wine brand (UK publication 'Drinks International')
- AVL brands have been growing significantly in the last 3 years with the focus being that the wine must be the hero
  - branded wine sales now represent over 70% of total sales, up from 50% in 2009

## Proportion of branded sales (in \$)



# AVL Brands - McGuigan



**BLACK LABEL**



**BIN SERIES**



**EXPRESSIONS**



**FOUNDERS SERIES**



**SHORTLIST**

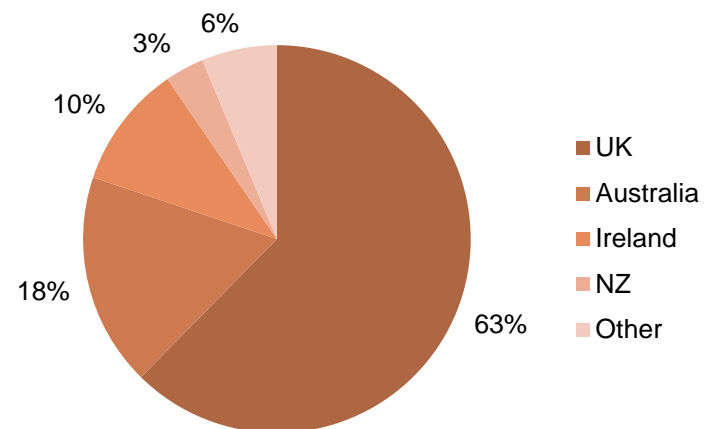


**HANDMADE**

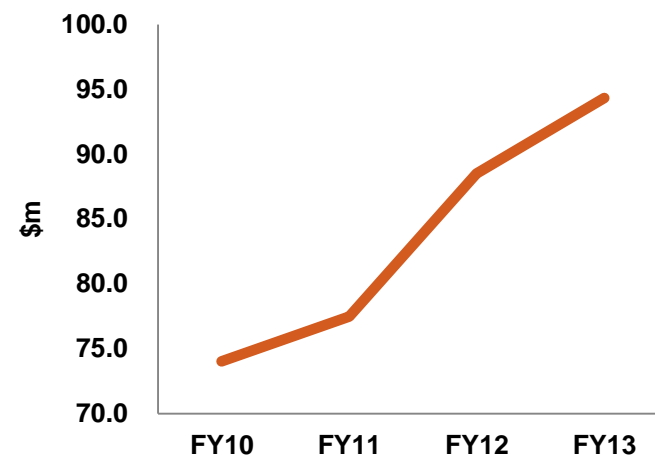


**FARMS**

## FY13 Sales Volume by Region



## Sales



AUSTRALIAN VINTAGE LTD

# AVL Brands – Tempus Two



**VARIETAL  
RANGE**



**PEWTER  
RANGE**

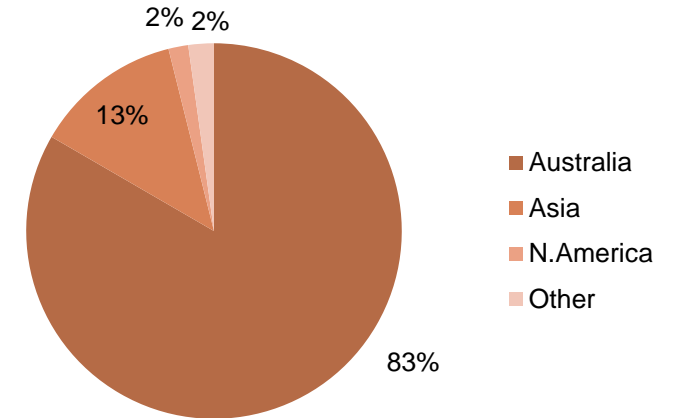


**COPPER  
RANGE**

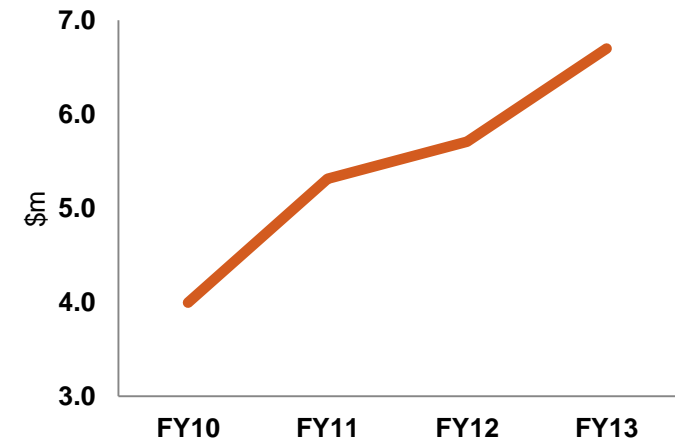


**UNO**

## FY13 Sales Volume by Region



## Sales



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# AVL Brands– Nepenthe



TRYST BY NEPENTHE

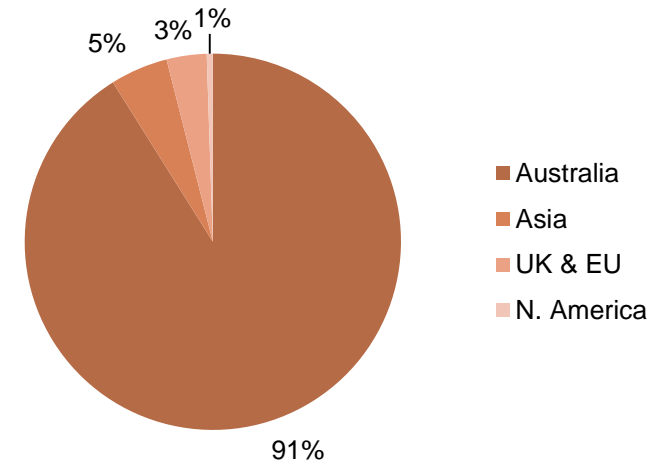


ALTITUDE

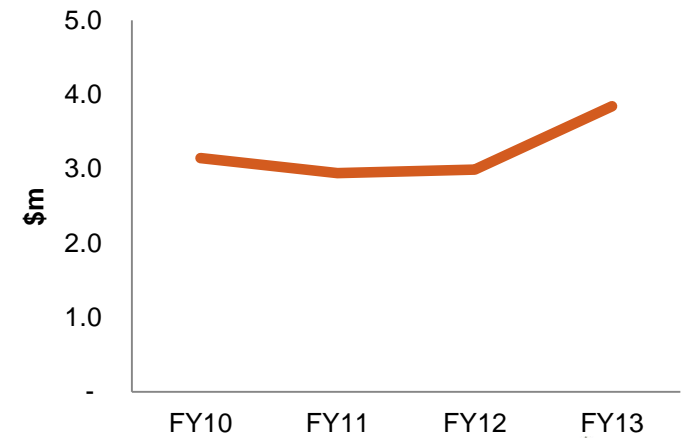


PINNACLE

## FY13 Sales Volume by Region



## Sales



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# AVL Brands - Global Success



## International Winemaker of the Year 2012 – International Wine & Spirits Competition

The only winery in the competition's 43 year history to have been awarded 'world's best' three times.

39 wines entered | 39 medals received – an unprecedented 100% strike rate

## White Winemaker of the Year 2013 – International Wine Challenge

Third time in five years.

International Semillon Trophy | Australian White Wine Trophy |  
Hunter Valley Semillon Trophy – Bin 9000 Semillon 2005

## Australian Wine Producer of the Year 2012 - International Wine & Spirits Competition

Third time in four years.

International Semillon Trophy – Bin 9000 Semillon 2004.

**(IWSC commenced in 1969 and is arguably the most prestigious wine show in the world together with the International Wine Challenge (IWC) and the Decanter Wine Awards).**

With further success across all markets...

- McGuigan Black Label Red is the #1 selling branded red wine by volume in the Australian market.
- McGuigan Wines is ranked as the #2 Australian brand and #14 *most admired wine brand in the world* by leading UK drinks publication Drinks International ahead of Wolf Blass, Château Lafite, Jacob's Creek, Robert Mondavi, Haut-Brion, Oyster Bay and Wyndam Estate.
- McGuigan Wines is the #7 global wine brand in the UK market – up from 153<sup>rd</sup> just over eight years ago (Nielsen Grocery Scantrack).
- McGuigan Wines is the #1 global wine brand in Ireland market on the strength of the Black Label and Black Label Reserve ranges and innovative marketing initiatives such as McGuigan City Vineyard Dublin.
- Winemaker Peter Hall was recognised as Hunter Valley Winemaker of the Year in early 2013.
- McGuigan Bin 9000 Semillon 2005 was awarded the prestigious title of Champion White Wine of Show at the International Wine Challenge 2013. More commonly referred to as *the best white wine of the competition*, the wine triumphed over each and every variety and style of white wine entered in the show.
- McGuigan Bin 9000 Semillon 2007 won Australian Single Varietal White Wine under £15 Trophy at the Decanter World Wine Awards 2013 in London.



AUSTRALIAN VINTAGE LTD

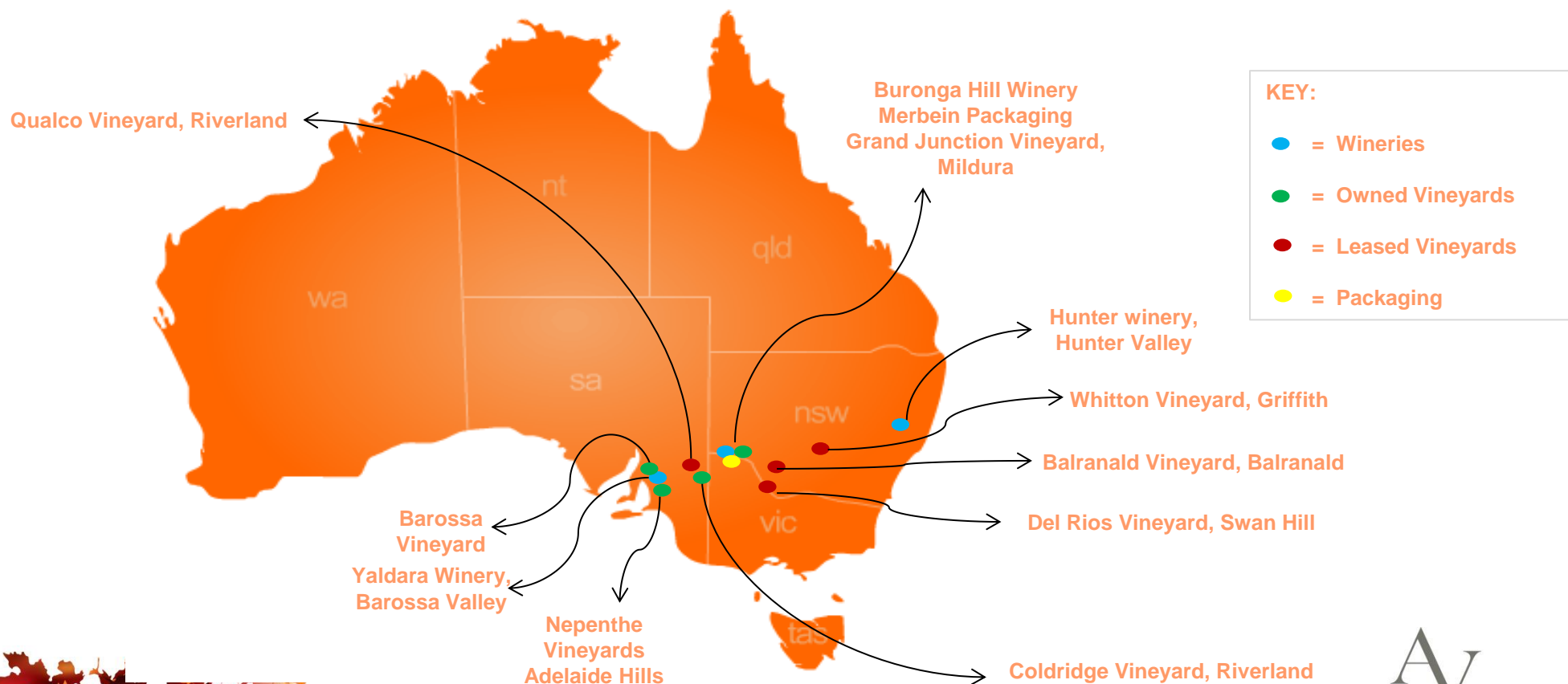
# AVL Brands – Global Success

Brand	Award		
McGuigan	Trophy - International Winemaker of the Year	International Wine & Spirits Competition	
	Trophy - Australian Producer of the Year	International Wine & Spirits Competition	
	Trophy - White Winemaker of the Year	International Wine Challenge	
	Trophy - Champion White Wine of Show	International Wine Challenge	Bin 9000 Semillon 2005
	Trophy - Australian White Wine	International Wine Challenge	Bin 9000 Semillon 2005
	Trophy - Hunter Valley Semillon	International Wine Challenge	Bin 9000 Semillon 2005
	Trophy - International Semillon	International Wine & Spirits Competition	Bin 9000 Semillon 2004
	Trophy - Australian Single Varietal White Wine under £15	Decanter World Wine Awards	Bin 9000 Semillon 2007
	Gold 'Best in Class'	International Wine & Spirits Competition	Farms Shiraz 2009
	Gold 'Best in Class'	Cairns Wine Show	Bin 9000 Semillon 2007
	Gold 'Best in Class'	International Wine & Spirits Competition	Bin 9000 Semillon 2004
	Gold	International Wine & Spirits Competition	Bin 9000 Semillon 2005
	Gold	Cairns Wine Show	Hand Made 2010
	Gold	International Wine Challenge	Hand Made 2009
	Gold	International Wine Challenge	Shortlist Semillon 2007
	Gold	Cairns Wine Show	Shortlist Chardonnay 2012
	Gold	Melbourne Wine Show	Bin 9000 Semillon 2012
	Gold	Royal Hobart Wine Show	Shortlist Semillon 2007
	Gold	Hong Kong IWSC	Shortlist Semillon 2007
	Gold	Decanter World Wine Awards	Bin 9000 Semillon 2006
Tempus Two	Trophy - Best Semillon Blend	Perth Royal Show	Varietal Semillon Sauvignon Blanc 2012
	Trophy - Best Semillon Blend	Riverina Wine Show	Varietal Semillon Sauvignon Blanc 2012
	Gold	International Wine Challenge	Copper Zenith Semillon 2005
	Gold	International Wine Challenge	Copper Zenith Semillon 2009
	Gold	International Wine Challenge	Copper Zenith Semillon 2010
Nepenthe	Trophy - Best Australian Sauvignon Blanc £10+	Decanter World Wine Awards	Altitude Sauvignon Blanc 2011
	Gold		
	5* Winery	Royal Hobart Wine Show James Halliday Wine Companion	Late Harvest Riesling 2010



# AVL Asset Portfolio

<b>Wineries</b>	Buronga Hill (145,000 tonne capacity), Yaldara winery (12,000 tonne capacity), Hunter winery (1,000 tonne small boutique winery)
<b>Owned Vineyards</b>	Coldridge (474Ha), Grande Junction (404ha, 240Ha planted), Nepenthe (84Ha across 3 vineyards), Yaldara (47Ha)
<b>Leased Vineyards</b>	Del Rios (905Ha), Qualco (589Ha), Balranald (463Ha), Whitton (97Ha)
<b>Production</b>	Merbein (1.5M casks pa (16L cases) , up to 6M cases of 750ml bottles pa (9L cases))



# AVL Asset Portfolio

- AVL has “right-sized” its operations in recent years and now believes it has an optimally sized network of wineries, production facilities, owned and leased vineyards
- AVL has undertaken surplus asset sales
  - Griffith winery (20,000 tonne winery)
  - Loxton winery (90,000 tonne winery)
  - Cowra vineyards (309 hectares)
  - other smaller operations
- Current gross value of fixed assets (including biological assets) of \$126.4m



# AVL Cost Control

- AVL has significantly reduced its cost base in recent years
- During 2013, AVL renegotiated the terms of its leased vineyards with Belvino (formerly Challenger Wine Trust)
  - annual lease costs to reduce \$4.5m (32% savings)
  - Belvino to contribute \$1.25m towards the upgrade and maintenance of vineyards
  - Belvino to purchase an additional \$2.2m of water entitlements AVL can use
- Other key initiatives have included
  - improved packaging efficiencies
  - moving bottling offshore to the UK
  - administration overhead reduction of \$2.2m
  - ongoing reduction in vineyard running costs





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### 3. AVL 2013 RESULT

## AVL FY 13 Result Summary

- FY13 Result reflected low volume 2012 vintage of 120,000 tonnes
  - increased average cost per litre
  - acquired \$6m of bulk wine to meet requirements
- Exchange rates remained at historically high levels during the year
- Despite these difficult trading conditions, net profit maintained at \$7.1 million
  - EBIT of \$24.1m versus \$23.4m in FY12
- Fully franked dividend maintained at 2.6 cents per share
- Successful renegotiation of vineyard leases resulting in an annual cash saving of \$4.5 million per annum plus other benefits
- Net Debt increased by \$13.0 million to \$142.1 million due to increase in inventory (up \$19.7 million) as a result of the strong 2013 vintage of 153,000 tonnes
- 2013 vintage will result in a reduction in our 2013 average cost per litre and will favourably impact FY14 and FY15 results





# Impact of Foreign Exchange Movements

- AVL's exposure to exchange rates is significant:
  - 68% of total export sales in GBP
  - 9% in Euro
  - 2% in CAD
- Level of GBP hedging has reduced from 36.5m (GBP) in June 2012 to 10.0m (GBP) as at 30<sup>th</sup> June 2013. EURO hedging has declined by 1.5m EURO to 2.7m EURO over the same period.
- The average weighted A\$:GBP in FY13 was 65.7 compared to 65.0 in the previous year resulting in a negative impact in GBP foreign currency sales of \$0.5m
- The average weighted A\$:Euro in FY13 was 81.1 compared to 77.2 in the previous year resulting in a negative impact on Euro foreign currency sales of \$0.5m
- A\$:GBP is 57.4 and A\$:Euro is 67.30 (as at 30 August 2013)
- Looking forward, in the absence of price changes, it is estimated that:
  - a movement of 1 GBP in the GBP:A\$ impacts the pre tax earnings by approximately \$0.60m p.a.
  - a movement of 1 Euro in the EURO:A\$ impacts pre tax earnings by approximately \$0.15m p.a.



# Sales Summary

	Dollar Sales (\$'000)		
	FY12	FY13	% Change
<b>Australasia/North America packaged</b>	79,371	79,903	1
<b>UK/Europe</b>	97,302	88,847	(9)
<b>Cellar Door</b>	6,913	6,843	(1)
<b>Australasia/North America bulk wine and processing</b>	40,550	29,524	(27)
<b>Vineyards</b>	3,826	3,432	(10)
<b>Total Sales</b>	227,962	208,549	(9)
<b>Litres Sold ('000)</b>	131,403	109,515	(17)

- Overall sales performance reflected:
  - reduced cask wine & bulk sales
  - A\$ impact
  - offset by improved branded sales
- UK/Europe sales down 8.7%
  - reduced low margin bulk wines (6%)
  - A\$ impact (1%)
- Australasia / North America bulk wine revenue down \$11m
- Branded sales continue to grow
  - McGuigan brand sales up 10%
  - Tempus Two up 26%
  - Nepenthe up 18%



# Results Summary

\$'000	Change			
	FY12	FY13	\$'000	%
Australasia/North America packaged	6,353	5,214	(1,139)	(18)
UK/Europe	7,098	3,350	(3,748)	(53)
Cellar Door	885	708	(177)	(20)
Australasia/North America bulk wine and processing	7,562	8,000	438	6
Vineyards	1,466	3,485	2,019	138
Total	23,364	20,757	(2,607)	(11)
Impairment of water licences	-	(901)		
Gain on provision for onerous contracts	-	4,223		
EBIT	23,364	24,079	715	3
Finance costs	(14,751)	(13,910)		
Interest received	325	312		
Profit (before tax)	8,938	10,481	1,543	17

- Core business improving but result impacted negatively due to poor 2012 vintage
- Australasia/North America segment contribution declined by \$1.1m
  - reduced cask sales (\$0.3m) and the impact of higher 2012 vintage costs (\$0.7m)
- UK/Europe segment contribution declined by \$3.7 million
  - higher 2012 vintage costs (\$1.5m)
  - reduced low margin bulk sales (\$0.5m)
  - A\$ impact (\$0.7 m)
  - reduced profit in Ireland (\$1.0m)
- Vineyard contribution improved \$2.0m
  - mainly as a result of higher crop levels from owned vineyards



# Cashflow from Operating Activities

\$m	FY12	FY13
<b>Operating Activities</b>		
Receipts from customers	241.4	223.5
Payments to suppliers and employees	(217.7)	(217.2)
Interest and other costs	(13.3)	(10.9)
Other	0.2	0.3
Net cash from operating activities	10.6	(4.3)
<b>Investing &amp; Financing Activities</b>		
Capital Expenditure	(5.3)	(4.3)
Proceeds from sale of assets	26.1	1.3
Dividends (net of DRP)	(2.3)	(3.1)
Loan payment received	2.3	0.2
	20.8	(5.9)

- FY13 Cashflow impacted by:
  - \$6m bulk wine purchase
  - yet to gain full benefit from leased vineyard cost savings
  - increase in inventory due to the large 2013 vintage
- Non-cash items include
  - non-cash gain on provision for onerous contracts
  - interest unwind on onerous contracts
  - majority of onerous contract provisions expected to run down over the next 4 years



# Cashflow from Operating Activities

- FY13 cashflow was materially impacted by:
  - the purchase of \$6m of bulk wine during the year
  - the large 2013 vintage resulting in increased inventory
  - unfavourable exchange rates.
- The impact of these items was estimated as follows:

	Improvement on 2013 \$m
The 2013 cash flow was impacted by the purchase of \$6.0m of bulk wine due to the lower 2012 vintage.	\$6.0
Full year benefit of reduced vineyard leases (includes other benefits)	\$3.2
Fx benefits (based on bloomberg average forecast and expected sales forecasts)	\$5.0
	\$14.2



# Financial Position

(\$m)	30 June 2013
<b>Assets</b>	
Trade & Receivables	35.6
Inventories	172.2
Plant and equipment	93.2
Other	142.8
	443.8
<b>Liabilities</b>	
Borrowings	143.1
Other	59.8
	202.9
Net Assets	240.9
No. of Shares (m)	132.7
Net Asset/Share	\$1.82
<b>Net tangible asset/share</b>	<b>\$1.11</b>

- Net borrowings increased by \$13.0 million
  - increase in inventory (up \$19.7 million) due to larger 2013 vintage
- Gearing (net debt to equity) currently 59%
- NTA per share of \$1.11





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## 4. OUTLOOK



# Outlook

- Industry
  - will remain challenging but there are signs that industry conditions are improving
  - grape production is moving towards balance
  - global demand has grown faster than supply for the past six years
  - competition remains fierce across Australian and overseas markets
  - the recent decline in the A\$ should improve conditions in the Australian wine industry
- Australian Vintage
  - continued growth in core brands is very pleasing and we expect this growth to continue. This is and will remain our key strategy
  - low 2012 vintage impacted margins but with the 2013 vintage volumes up by 28% we expect our margins to improve as we sell wines from the 2013 vintage
  - expect that the higher 2013 vintage throughput will improve our cash flow as future requirement for bulk wine will be substantially less.
  - largest export markets are the UK and Europe and with the favourable movement in the GBP and the Euro, we expect the contribution from our export business to improve
  - the renegotiated vineyard leases will immediately improve cash flow with the accounting benefits flowing through from 2014



# Outlook

- AVL expects full year net profit after tax to improve by somewhat in excess of a third on the 2013 result of \$7.1m based on:
  - benefits of the much improved 2013 vintage
  - the weakening of the A\$
  - reduced vineyard lease costs
- Guidance is based on
  - normal vintage conditions
  - expected sales (based on historical sales patterns)
  - Bloomberg average forecasts for the GBP and the Euro

Any change to these assumptions could materially impact FY14 result
- Future excess cash flow will be used to reduce debt





AUSTRALIAN VINTAGE LTD



## 5. CAPITAL RAISING

# Offer Details

<b>Offer Size</b>	<ul style="list-style-type: none"> <li>Capital raising of approximately \$41.8 million (the “Offer”) to existing and new shareholders consisting of: <ul style="list-style-type: none"> <li>\$8.4 million placement to institutional, professional and sophisticated investors (“Institutional Placement”)</li> <li>\$18.5 million 3 for 5 Accelerated Non-Renounceable Entitlement Issue to eligible institutional and sophisticated investors/shareholders (“Institutional Entitlement Offer”); and</li> <li>\$14.9 million 3 for 5 Non-Renounceable Entitlement Issue to eligible retail investors/shareholders (“Retail Entitlement Offer”)</li> </ul> </li> <li>Total of up to 232.3 million shares on issue post the Offer</li> </ul>
<b>Offer Price</b>	<ul style="list-style-type: none"> <li>\$0.42 per fully paid ordinary share</li> <li>4.55% discount to last closing price of \$0.440 per share<sup>1</sup></li> <li>5.42% discount to 5 day VWAP of \$0.444 per share<sup>2</sup></li> </ul>
<b>Institutional Entitlement Offer</b>	<ul style="list-style-type: none"> <li>Institutional Entitlement Offer is open to eligible institutional investors on Wednesday, 11 September 2013; and</li> <li>Institutional Entitlements not taken up and entitlements of ineligible institutional shareholders will be placed into the Institutional Entitlement Offer shortfall bookbuild to be conducted on Thursday, 12 September 2013</li> </ul>
<b>Retail Entitlement Offer</b>	<ul style="list-style-type: none"> <li>Retail Entitlement Offer is open to eligible retail shareholders from Thursday, 19 September 2013 to 5:00pm Sydney time on Thursday, 3 October 2013</li> </ul>
<b>Ranking</b>	<ul style="list-style-type: none"> <li>New Shares issued under the Offer will rank equally with existing AVL shares.</li> </ul>
<b>Record Date</b>	<ul style="list-style-type: none"> <li>7.00pm Monday, 16 September 2013</li> </ul>
<b>Underwriting</b>	<ul style="list-style-type: none"> <li>Bell Potter Securities is the lead manger to the Offer and is underwriting the Entitlement Offer</li> </ul>

<sup>1</sup> Calculated with reference to AVL’s last closing price on 10 September 2013

<sup>2</sup> VWAP is the Volume Weighted Average Price calculated as at 10 September 2013



## Use Of Proceeds

- The net proceeds of approximately \$39.5m will be used to reduce net debt resulting in:
  - reduction in Gearing (Net Debt to Shareholders Funds) from 59% to 36.5% on a pro-forma basis as at 30 June 2013;
  - reduction in Net Debt from \$142.1 million to \$102.5 million on a pro-forma basis as at 30 June 2013; and
  - significant reduction in interest expense from reduced borrowings and reduced lending margin (approximately \$5 million pa pre tax)

OFFER PROCEEDS		
	Shares Issued (m)	Proceeds (\$m)
Institutional Placement	19.9	8.4
Institutional Entitlement Offer	44.1	18.5
Retail Entitlement Offer	35.5	14.9
Costs of the Offer <sup>1</sup>		(2.3)
	<b>99.5</b>	<b>39.5</b>

<sup>1</sup> Refer to the Retail Offer Booklet for full breakdown of the costs of the Offer



# Bank Facility, Interest Savings & Guidance

- Extended banking facility
  - assuming a successful offer, AVL's banker has agreed to enter into a revised banking facility with a term to September 2015
  - new facility negotiated with terms including a significantly lower margin
- Interest savings
  - AVL expect to save approximately \$3.8m in interest before tax in FY14 as a result of:
    - repayment of \$39.5m in net debt from Offer proceeds
    - reduced cost of debt from new banking facility
- FY2014 NPAT & EPS
  - on 23 August 2013 AVL said that FY14 NPAT would be “somewhat in excess of a third” greater than FY13
  - potential NPAT and EPS based on a one third increase and additional interest savings would be as follows:

	FY13 actual	FY14 estimate
NPAT	\$7.1m	\$9.4m <sup>2</sup>
Interest savings after tax		\$2.6m <sup>1</sup>
Adjusted NPAT	\$7.1m	\$12.0m
No. Shares on issue	132.6m	204.1m <sup>3</sup>
Earnings Per Share	5.3cents	5.9cents

<sup>1</sup> Based on 9 months FY14 and a 30% tax rate

<sup>2</sup> Assumes NPAT is at the lower end of guidance (ie 33% increase on FY13 NPAT of \$7.1m) – see ASX FY13 results presentation for more detail and assumptions

<sup>3</sup> Weighted average number of shares based on 9 remaining months in FY14



# Strengthened Balance Sheet

- Pro Forma FY13 Balance Sheet

	As at 30 June 2013 (\$m)	Impact Of Offer (\$m)	Pro Forma as at 30 June 2013 (\$m)
Cash and cash equivalents	1.0		1.0
Trade and other receivables	35.6		35.6
Inventories	172.2		172.2
Property, plant and equipment	93.2		93.2
Biological assets	33.2		33.2
Intangible assets	104.9		104.9
Other assets	3.7		3.7
<b>Total Assets</b>	<b>443.8</b>		<b>443.8</b>
Trade and other payables	33.0		33.0
Borrowings	143.1	(39.5)	103.6
Provisions	14.0		14.0
Deferred tax liabilities	10.8		10.8
Other liabilities	2.0		2.0
<b>Total Liabilities</b>	<b>202.9</b>	<b>(39.5)</b>	<b>163.4</b>
<b>Net Assets</b>	<b>240.9</b>	<b>39.5</b>	<b>280.4</b>
<b>Gearing</b>	<b>59%</b>		<b>36.5%</b>
<b>Net Tangible Assets (NTA)</b>	<b>146.8 <sup>1</sup></b>	<b>39.5</b>	<b>186.3 <sup>1</sup></b>
<b>Shares Out</b>	<b>132.7</b>	<b>99.5</b>	<b>232.2</b>
<b>NTA per share</b>	<b>\$1.11 <sup>1</sup></b>		<b>\$0.80 <sup>1</sup></b>

1. NTA is calculated as Net Assets + Deferred tax liabilities – Goodwill – Other Intangibles – Water Licences – Deferred Tax Assets



# Raising - Timetable

Event	Date
Trading halt	Wednesday, 11 September 2013
Institutional Placement and Institutional Shortfall bookbuild	Thursday, 12 September 2013
AVL shares are expected to recommence trading on ASX	Friday, 13 September 2013
Record Date for eligibility in the Retail Entitlement Offer	Monday, 16 September 2013
Settlement of New Shares under the Institutional Entitlement Offer and Institutional Placement	Thursday, 19 September 2013
Retail Offer Booklet to be dispatched to eligible retail shareholders	Thursday, 19 September 2013
Retail Entitlement Offer opens	Thursday, 19 September 2013
Allotment of New Shares issued under Institutional Entitlement Offer and Institutional Placement	Friday, 20 September 2013
Retail Entitlement Offer closes	Thursday, 3 October 2013
Settlement of Retail Entitlement Offer shares	Thursday, 10 October 2013
Trading of New Shares issued under Retail Entitlement Offer	Monday, 14 October 2013

Note: The above timetable is indicative only and subject to change. The Company reserves the right, subject to the Corporations Act and the ASX Listing Rules, to amend the indicative timetable set out above or to withdraw the Offer at any time





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## 6. KEY RISKS

# Key Risks

## Summary

Investors should be aware that there are risks associated with an investment in the Company. Activities of the Company and its controlled entities, as in any business, are subject to risks which may impact on the Company's future performance. There are a number of factors, both specific to the Company and of a general nature, which may affect the future operating and financial performance and position of the Company and the outcome of an investment in the Company. Some of these risks can be adequately mitigated by the use of safeguards and appropriate systems but many are beyond the control of the Company and its Directors and cannot be mitigated.

Prior to deciding whether to take up their New Shares under the Offer, Shareholders should read this entire Investor Presentation and review announcements made by the Company to ASX (at [www.asx.com.au](http://www.asx.com.au), ASX:AVG) in order to gain an appreciation of the Company, its activities, operations, financial position and prospects. Shareholders should also consider the summary risk factors set out below which the Directors believe represent some of the key specific and general risks that Shareholders should be aware of when evaluating the Company and deciding whether to participate in the Offer. The risk factors set out below are not intended to be an exhaustive list of all of the risk factors to which the Company is exposed. Shareholders should also have regard to their own investment objectives and financial circumstances and should seek professional guidance from their stockbroker, solicitor, accountant or other professional advisor before deciding whether to invest.

## Specific Risks

### Agricultural risk

AVL operates in the agricultural industry and grape supply is dependent upon annual weather conditions and water availability and supply. If there is adverse weather or a decline in water availability for AVL's owned leased, managed or third party vineyards, AVL's financial and operating performance could be materially adversely affected

### Foreign exchange rates and interest rates

Adverse movements in exchange rates may impact sales proceeds received, product costs and price competitiveness and may impact the operations and financial performance of AVL. Also, adverse fluctuations in interest rates, to the extent that they are not hedged, may impact AVL's financial performance.



# Key Risks

## Specific Risks (continued)

### **Global over production and the emergence of quality alternatives**

AVL competes in a global market. Global wine oversupply or over supply in other countries may adversely effect AVL's sales or impact its sale prices.

### **Consumer demand**

AVL's operating and financial performance is dependent on consumer demand for its products. If there is a decline in consumer demand for AVL's products, AVLs financial and operating performance could be materially adversely affected.

### **Retailer relationships**

Any adverse change in AVL's existing relationships with key distributors and retailers could have a material adverse impact on its operations and financial performance.

### **Debt covenants**

The Company's ability to meet its debt covenants is dependent on its ability to produce and sell inventory, to manage its cash flow and to operate the business in a sustainable manner. If any of these criteria are not satisfied, there is the risk that funding covenants may not be met. This would give lenders the right to take action under the facility agreements which could have an adverse impact on the Company.

### **Competition**

The wine industry is highly competitive. The actions of competitors can affect the Company and if competitive action becomes severe, the result could have an adverse impact on the Company.

### **Supply chain disruptions**

AVL has established an extensive and reliable supply chain that allows it to procure and deliver products to customers in a timely and efficient manner. Disruption to any aspect of this supply chain could have a material adverse impact on AVL's operational and financial performance



# Key Risks

## Specific Risks (continued)

### **Litigation and disputes**

Legal and other disputes may arise from time to time in the ordinary course of operations. Any such dispute may impact on earnings or affect the value of AVL's assets.

### **Counterparty risk**

The Company deals with many counter-parties, including customers, suppliers, sub-contractors, builders and other service providers. If any of these parties fail to meet their contractual obligations, the result could have an adverse impact on the Company.

### **Loss of key personnel**

AVL's success depends to an extent on its key personnel, in particular its management team. These individuals have extensive experience in, and knowledge of, AVL's business. The loss of key personnel and the time taken to recruit a suitable replacement(s) or additional personnel could adversely affect the Company's future financial performance.

### **Financial performance differs from estimates**

AVL makes estimates and assumptions when formulating its guidance. These estimates and assumptions are continuously and rigorously evaluated and refined and based on historical experience, research and critical judgement on future events. As an element of uncertainty is inherent in formulating guidance, actual performance of the Company may differ from that guidance.



# Key Risks

## General Risks

### Stock market fluctuations

The value of the New Shares will be determined by the share market and will be subject to a range of factors beyond the control of the Company and the Directors. Share market fluctuations in Australia and other stock markets around the world may negatively affect the value of the New Shares. Factors that may influence the investment climate in stocks may not relate to actual performance of the Company and may include general economic outlook, changes in government fiscal, monetary and regulatory policies, movements in commodity prices, exchange rate movements, interest rates, inflation and political developments.

### Lack of liquid market for shares

There can be no guarantee that an active market in the shares will develop or continue or that the price of the shares will increase. If a market does not develop or is not sustained, it may be difficult for investors to sell their shares at a price that is attractive to them or at all. There may be relatively few, or many potential buyers or sellers of the shares on ASX at any time. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their shares. This may result in Shareholders receiving a market price for their shares that is less or more than the price that Applicants paid under the Offer.

### Insurance

It is not always possible to obtain insurance against all risks and AVL may decide not to insure against certain risks as a result of high premiums or other reasons. The occurrence of an event that is not fully covered, or covered at all, by insurance, could have a materially adverse effect on the Company's financial position.

### Disruption to Business Operations

The company's activities are subject to a range of operational risks. Such operational risks include equipment failures, IT system failures, external services failure (including energy or water supply), industrial action or disputes and natural disasters. While the Company will endeavour to take appropriate action to mitigate these operational risks or to insure against them, one or more of these risks may have a material adverse impact on the performance of AVL.



# Key Risks

## General Risks (continued)

### General economic conditions

Both Australian and world economic conditions may negatively affect AVL's performance. Any slow down in economic conditions or factors such as the level of production in the relevant economy, inflation, currency fluctuation, interest rates, taxation legislation, supply and demand and industrial disruption may have a negative impact on the Company's costs and revenue. These changes may adversely affect the Company's financial performance and/or financial position.

### Accounting Standards

Changes in accounting standards or the interpretation of those accounting standards that occur after the date of this presentation may adversely impact on AVL's reported financial performance and/or financial position.

### Legal and Regulatory Changes

The operating activities of the Company are subject to extensive laws and regulations. These relate to labour standards, taxes, occupational health, waste disposal, transportation, safety and other matters. Compliance with these laws and regulations increases the costs of operating activities. As legal requirements change frequently, are subject to interpretation and may be enforced to varying degrees in practice, AVL is unable to predict the ultimate cost of compliance with these requirements or their effect on operations. Furthermore, changes in regulations and policies and practices could have an adverse impact on the Company's future cash flows, earnings, and financial position.







AUSTRALIAN VINTAGE LTD



## 7. INTERNATIONAL SELLING RESTRICTIONS



# International Selling Restrictions

This document does not constitute an offer of new ordinary shares ("New Shares") of the Company in any jurisdiction in which it would be unlawful. New Shares may not be offered or sold in any country outside Australia except to the extent permitted below.

## European Economic Area - Finland

The information in this document has been prepared on the basis that all offers of New Shares will be made pursuant to an exemption under the Directive 2003/71/EC ("Prospectus Directive"), as amended and implemented in Member States of the European Economic Area (each, a "Relevant Member State"), from the requirement to produce a prospectus for offers of securities.

An offer to the public of New Shares has not been made, and may not be made, in a Relevant Member State except pursuant to one of the following exemptions under the Prospectus Directive as implemented in that Relevant Member State:

- to any legal entity that is authorized or regulated to operate in the financial markets or whose main business is to invest in financial instruments;
- to any legal entity that satisfies two of the following three criteria: (i) balance sheet total of at least €20,000,000; (ii) annual net turnover of at least €40,000,000 and (iii) own funds of at least €2,000,000 (as shown on its last annual unconsolidated or consolidated financial statements);
- to any person or entity who has requested to be treated as a professional client in accordance with the EU Markets in Financial Instruments Directive (Directive 2004/39/EC, "MiFID"); or
- to any person or entity who is recognised as an eligible counterparty in accordance with Article 24 of the MiFID.

## Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies Ordinance (Cap. 32) of Hong Kong (the "Companies Ordinance"), nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO).

No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.



# International Selling Restrictions

## Mauritius

In accordance with The Securities Act 2005 of Mauritius, no offer of the New Shares may be made to the public in Mauritius without the prior approval of the Mauritius Financial Services Commission. Accordingly this offer is being made on a private placement basis only and does not constitute a public offering. As such, this document has not been approved or registered by the Mauritius Financial Services Commission and is for the exclusive use of the person to whom it is addressed. The document is confidential and should not be disclosed or distributed in any way without the express written permission of the Company.

## New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Securities Act 1978 (New Zealand).

The New Shares in the entitlement offer are not being offered or sold to the public in New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of New Shares is being made in reliance on the Securities Act (Overseas Companies) Exemption Notice 2013 (New Zealand).

Other than in the entitlement offer, New Shares may be offered and sold in New Zealand only to:

- persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money; or
- persons who are each required to (i) pay a minimum subscription price of at least NZ\$500,000 for the securities before allotment or (ii) have previously paid a minimum subscription price of at least NZ\$500,000 for securities of the Company ("initial securities") in a single transaction before the allotment of such initial securities and such allotment was not more than 18 months prior to the date of this document.

## Singapore

This document and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, may not be issued, circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of the Company's shares, (ii) an "institutional investor" (as defined in the SFA) or (iii) a "relevant person" (as defined in section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.



# International Selling Restrictions

## United Kingdom

Neither the information in this document nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended ("FSMA")) has been published or is intended to be published in respect of the New Shares. This document is issued on a confidential basis to "qualified investors" (within the meaning of section 86(7) of FSMA) in the United Kingdom, and the New Shares may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) received in connection with the issue or sale of the New Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of FSMA does not apply to the Company.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 ("FPO"), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investments to which this document relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

## United States

This document may not be released or distributed in the United States. This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. Any securities described in this document have not been, and will not be, registered under the US Securities Act of 1933 and may not be offered or sold in the United States except in transactions exempt from, or not subject to, registration under the US Securities Act and applicable US state securities laws.





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## APPENDIX A GLOBAL WINE INDUSTRY

# World Industry Conditions

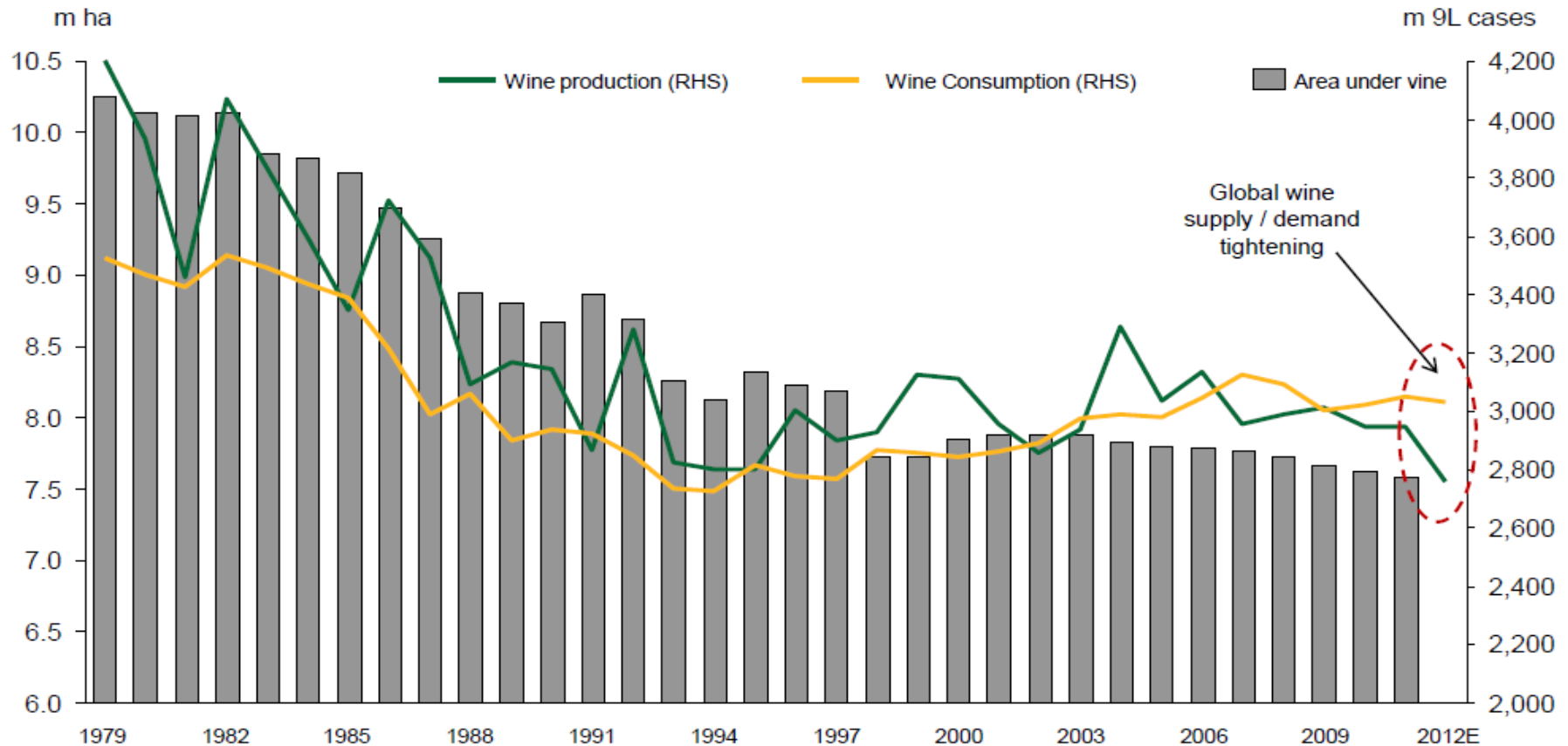
1. We believe the industry globally is moving towards balance and entering a new phase of its supply/demand cycle.
  - Oversupply is decreasing - Global output fell from 26,400 million litres in 2011 to 24,800 million litres in 2012. The 2012 vintage was the smallest since 1975.
  - Consumption is increasing - It has been outpacing production for more than six years, and global inventories are now 7,500 million litres below the highs reached in 2006, a drop of approximately 40%.
2. Alongside the cyclical change, global production and consumption patterns are shifting. Producers in Europe have dropped significant capacity as their populations begin to consume less wine, and production around the Pacific is increasing as Pacific markets including the US and China grow. This is a process that will continue to play out over the coming decade.

(Sources: International Organisation of Vine and Wine, Rabobank Wine Quarterly)



# World Industry Conditions (continued)

## Global Wine Supply and Demand



Note: Provisional 2011 data, 2012 estimates; Area under vine covers all grapes

\* Consumption figures include c.333m 9L cases of wine used in the production of fortifieds and industrial applications

Source: International Organisation of Vine and Wine (OIV)



# World Industry Conditions - Summary

1. The global wine industry is cyclical, partially due to the slow supply response.
2. The industry cycle is currently moving towards supply/demand balance.
3. Global area under vine continues to decline.
4. Global consumption growth is beginning to increase after years of decline.
5. Asia-Pacific has become the new growth area as European markets shrink.
6. Consolidation in the retail sector and dominance by major companies continues to provide challenges to the industry.







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## APPENDIX B AUSTRALIAN WINE INDUSTRY



## 2013 Vintage

1. The quality of the 2013 vintage was very good with some parcels of wine arguably higher in quality than the exceptional 2012 vintage.
2. The Australian industry crush increased by more than 10% to 1.83 million tonnes. The 2012 crush was 1.66 million tonnes.
3. The 2013 crush is 100,000 tonnes above the average for the past 6 years of 1.73 million tonnes.
4. The increased crop resulted from the absence of major events such as disease or flooding.
5. The large 2013 vintage reminds the Australian wine industry that the production potential of the Australian industry remains too high.



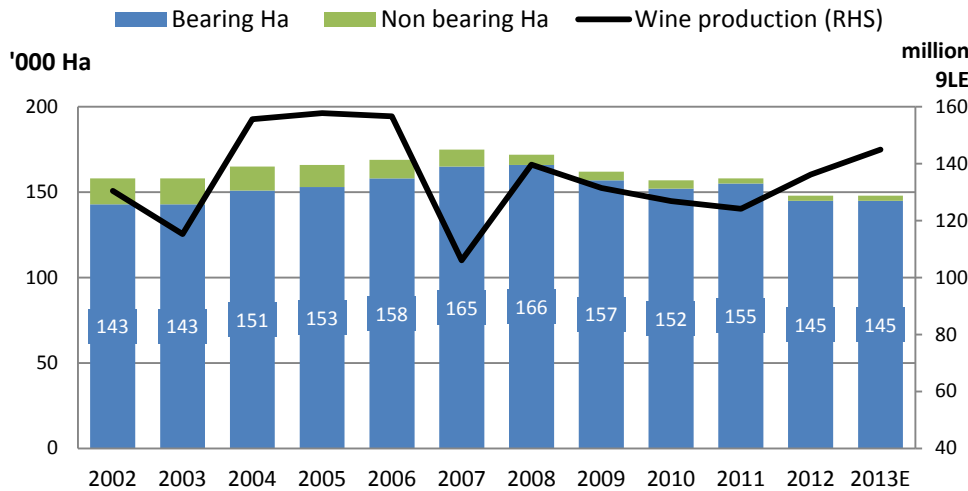
## 2013 Vintage (continued)

6. Although the 2013 vintage is above expectations the long term outlook is that the supply and demand will continue to move towards balance.
7. The high AUD, which has negatively impacted profitability of wine companies, has recently reduced by around 13%. This movement should improve the profitability of export wine sales.
8. The wine industry continues to face challenges but there are signs that industry conditions are improving.

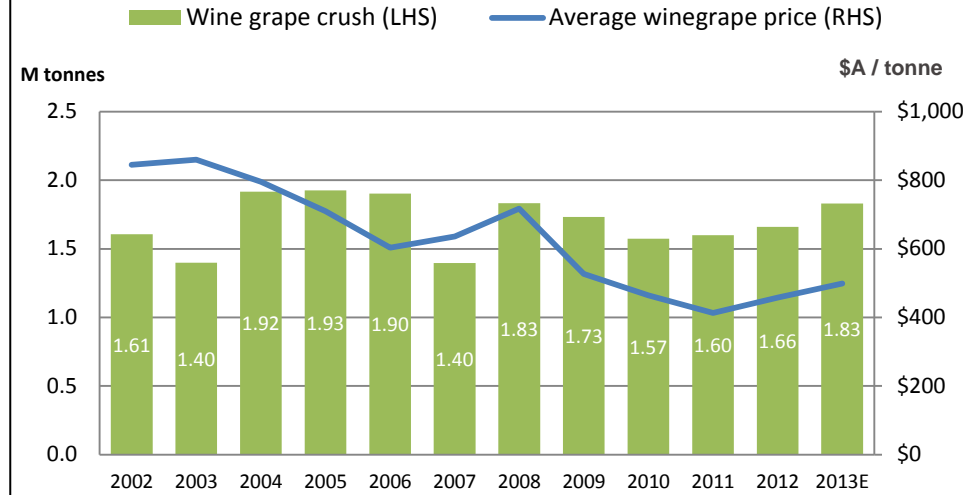


# Australian Wine Industry - Snapshot

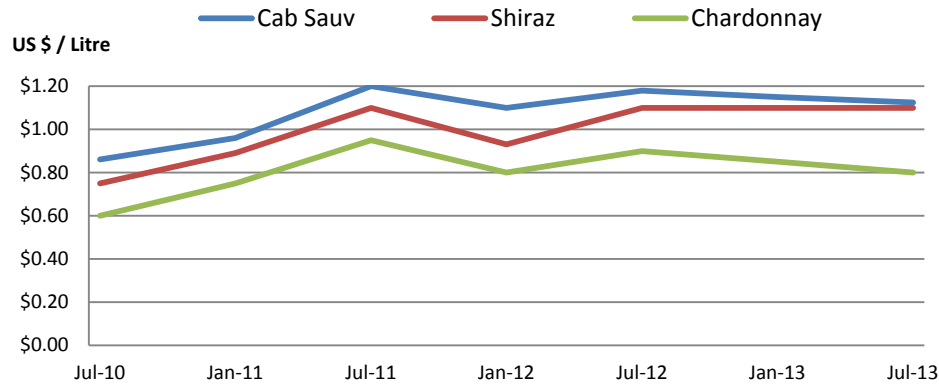
## Vineyard Area and Wine Production



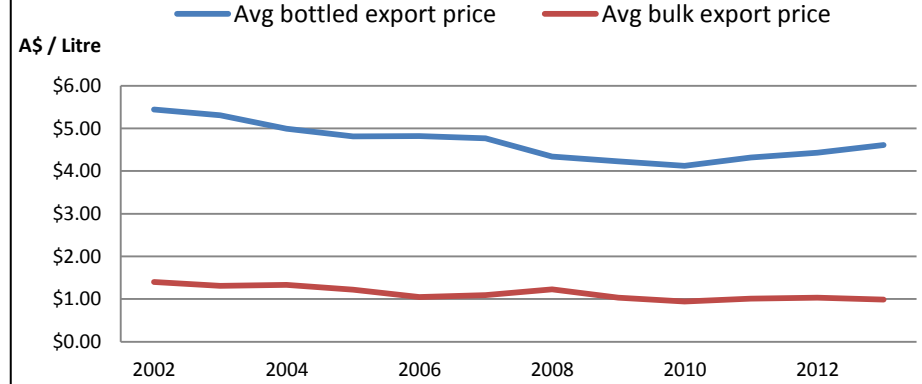
## Wine Grape Crush & Average Price



## Average Bulk Wine Prices



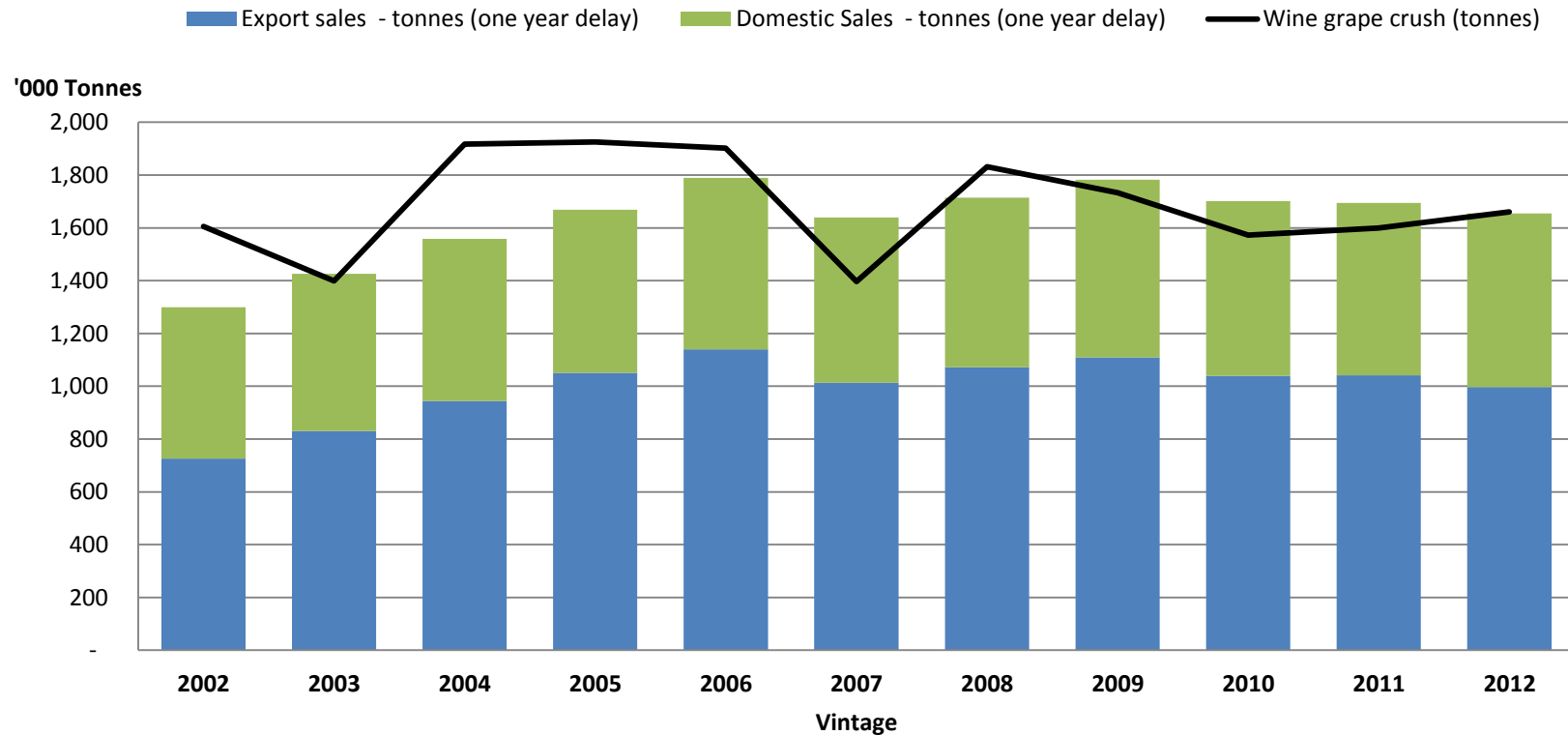
## Average Export Prices



Source: Wine Australia, Ciatti Company

# Australian wine – Supply and Demand

- Australian wine production and sales have been balanced for past 4 years



Assumptions:

- 1.All data for year ended 30 June.
- 2.Domestic and Export sales per year converted to tonnes using average extraction rate of 700 litres per tonne.
- 3.Sales delayed by one year – e.g. Tonnes produced in 2002 compared on graph to domestic and export wine sold in 2003 etc

Source: Wine Australia

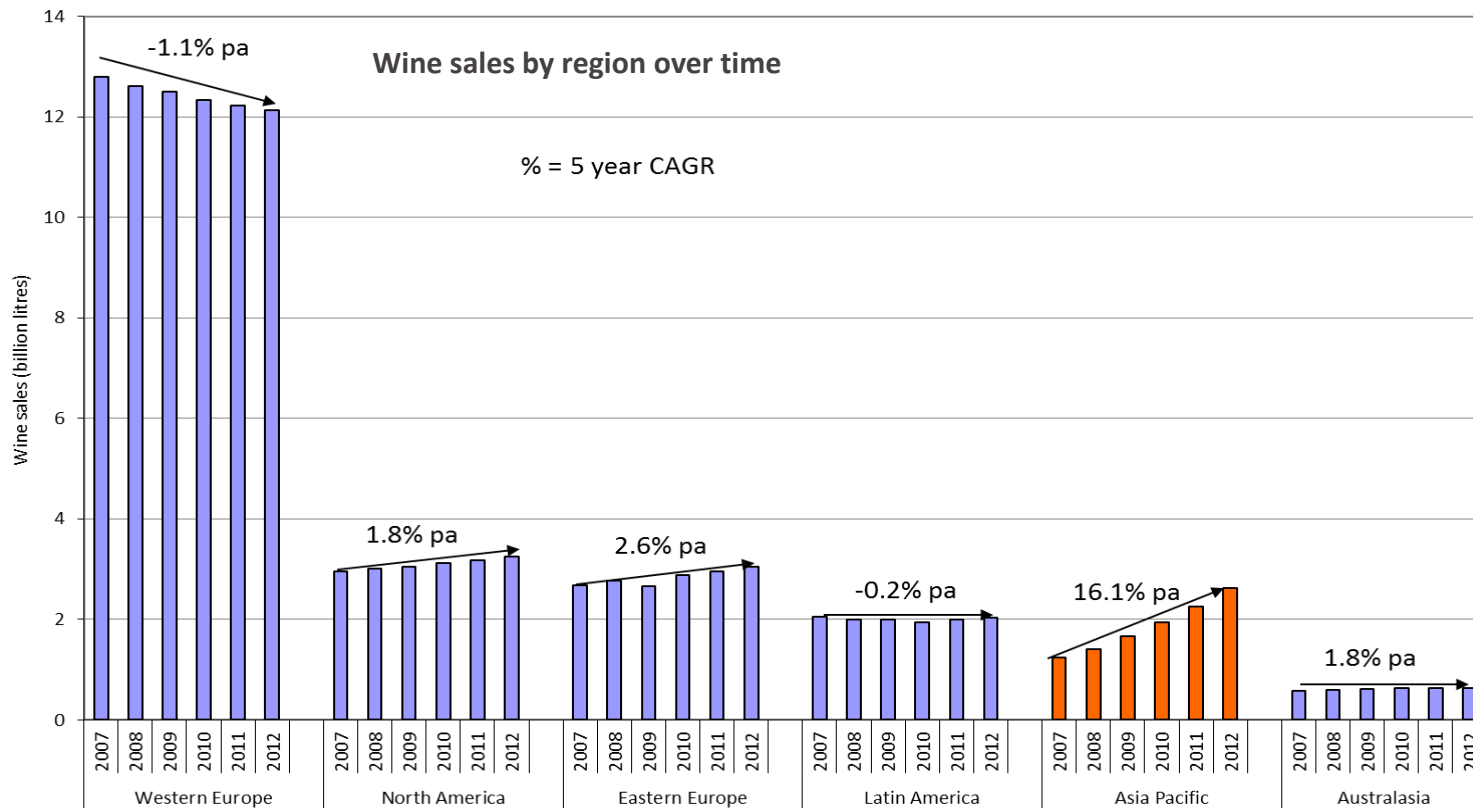


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# Key Markets for Australian Wine

## Asia Pacific is the fastest growing region

- Asia Pacific (China, Malaysia, Japan, Hong Kong, Korea, etc.) growing at the fastest rate
- Western Europe in decline
- Eastern Europe has recovered since GFC
- Australasia (Australia, New Zealand) is flat



Source: Euromonitor International

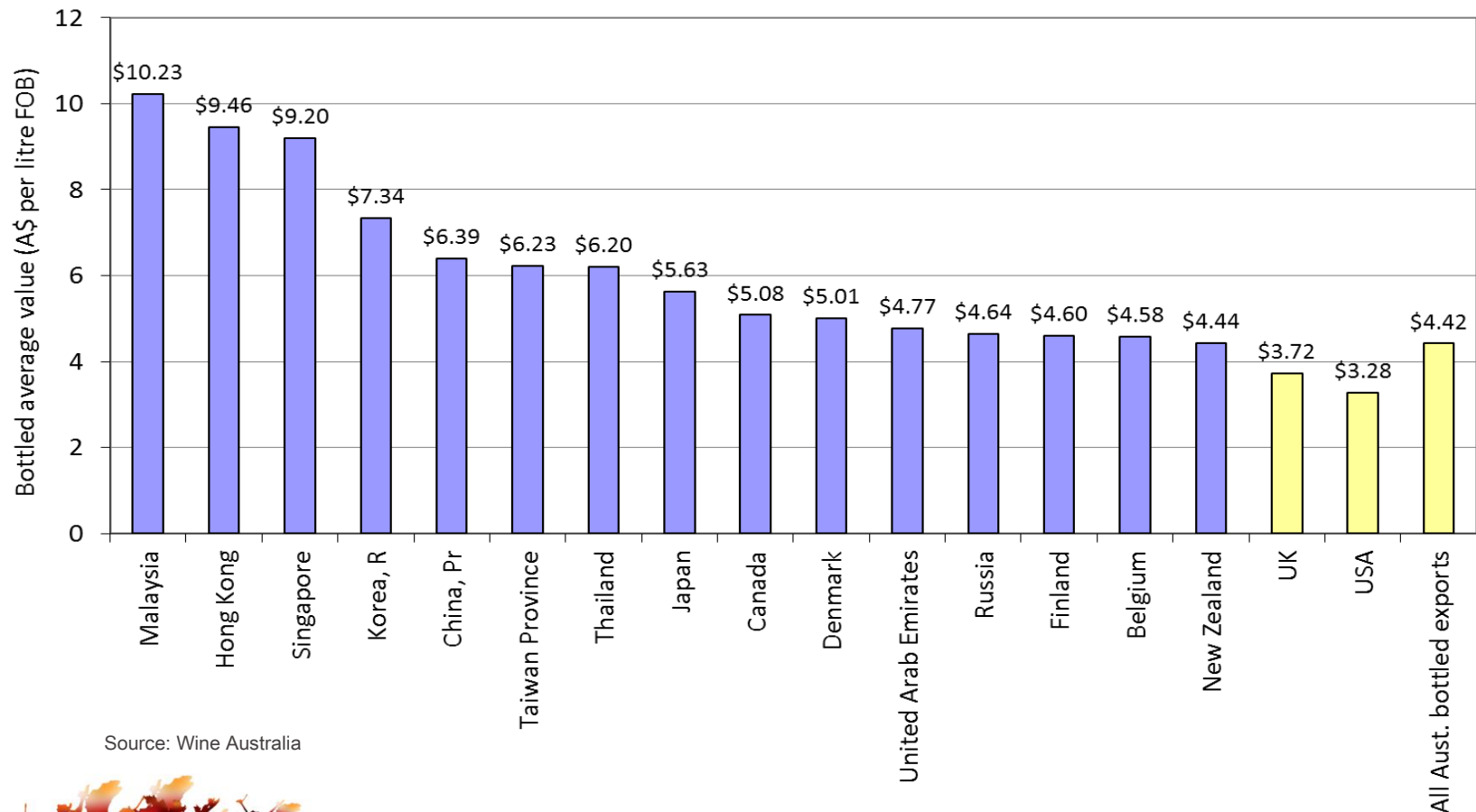


# Key Retail for Australian Wine (continued)

## Bottled exports – higher average A\$/L to Asia

- Of the destinations where Australia ships more than 1 million litres of bottled wine, the top 8 highest average values per litre were achieved in Asian markets
- Bottled exports to our two biggest destinations, the US and the UK, posted below average values per litre

**Average value per litre of Australian bottled exports by destination (more than 1 million litres)**

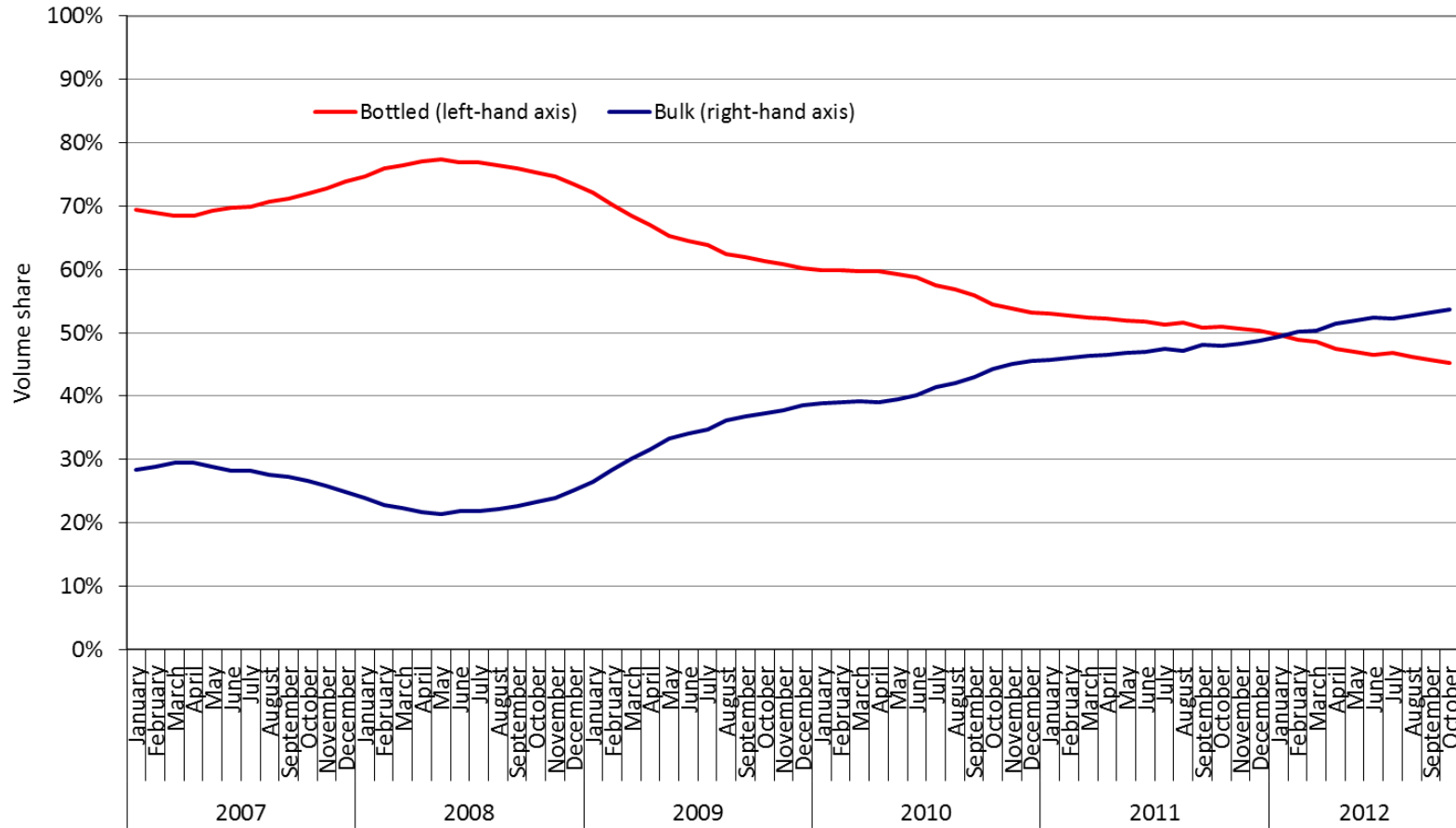


Source: Wine Australia



# Bottled exports vs. Bulk exports

Volume of Australian bottled and bulk shipments over time



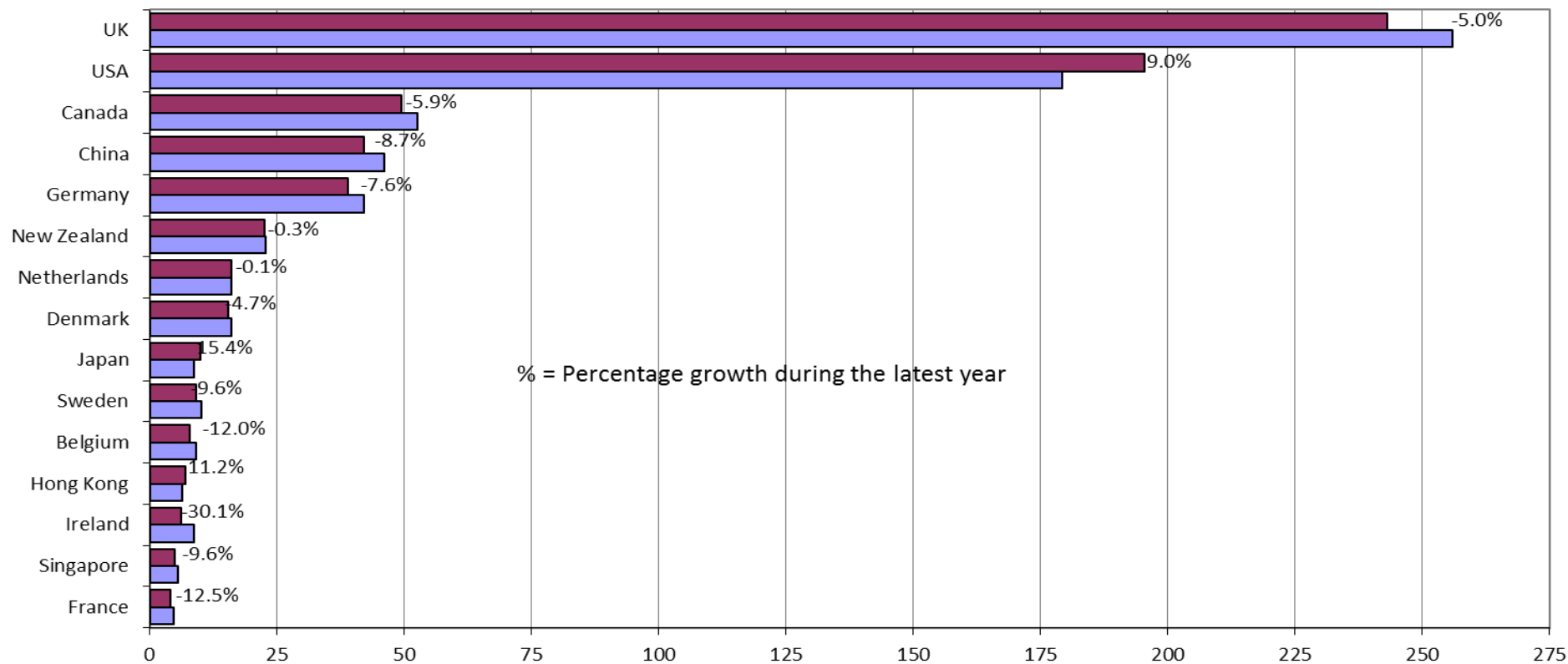
Source: Wine Australia

- Bulk exports now exceed bottled exports
- Australian wineries sending bulk overseas for packaging, mainly the UK.



# Exports by top 15 destinations

Volume (million litres) for MAT September 2012



	France	Singapore	Ireland	Hong Kong	Belgium	Sweden	Japan	Denmark	Netherlands	New Zealand	Germany	China	Canada	USA	UK
MAT Sep 2012	4.1	5.0	6.1	7.0	7.9	9.1	10.0	15.4	16.1	22.6	38.9	42.2	49.5	195.4	243.1
MAT Sep 2011	4.7	5.5	8.8	6.3	9.0	10.1	8.7	16.1	16.1	22.7	42.1	46.2	52.6	179.3	256.0

Source: Wine Australia

