AUSTRALIAN VINTAGE LTD
ABN 78 052 179 932

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AUSTRALIAN VINTAGE HALF YEAR RESULT TO 31 DECEMBER 2013

Key Points

- Net Profit after tax $4.0 million versus $3.3 million prior period
- Operating Revenue down 4% to $104.8 million versus $109.5 million prior year, reflecting lower UK/Europe sales and lower bulk sales
- Cash Flow from operating activities positive $0.6 million versus negative $2.7 million in the prior period
- Net debt of $106.4 million versus $136.5 million as at December 2012. Gearing at 38%
- Contribution from McGuigan branded sales continue to grow

Australian Vintage (ASX: AVG) today reported a half year net profit of $4.0 million.

AVL Chief Executive Neil McGuigan stated that "the half year result has been impacted by the reduced US bulk wine sales and margin.

Our branded business continues to grow and what is really pleasing is the continued growth of our McGuigan brand.

Vintage has started and the early signs are that crop levels may be down with quality very good. We will provide the market with an update once vintage has been completed".

Sales/Margins

Overall our sales for the period were down by 4% due mainly to reduced bulk wine sales into North America and UK/Europe.

Australasia/North America packaged sales were up on last year with an increase in our bottled sales of 15%, predominantly driven by the McGuigan brand, partially offset by a 15% decline in our cask sales. Sales of our McGuigan Black Label brand went up by 29% in Australia.

Sales to Asia are marginally down for the period in both volume and dollar sales.

The exchange rates, particularly the GBP, have moved favourably over the 6 month period and resulted in the margin from UK/Europe segment being slightly up on last year.

Sales By Segment

	Half Year ended 31/12/13	Half Year ended 31/12/12	Variation	
	$000	$000	$000	%
Australasia/North America packaged	45,848	42,528	3,320	8
UK/Europe packaged and bulk	46,014	51,616	(5,602)	(11)
Cellar Door	3,678	3,475	203	6
Australasia/North America bulk & processing	7,174	9,771	(2,597)	(27)
Vineyards	2,090	2,134	(44)	(2)
	104,804	109,524	(4,720)	(4)

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EBIT and Net Profit

EBIT was $11.3 million compared to $11.9 million in the previous year. The 5% decline was due mainly to the reduced contribution from bulk sales to North America (down $1.7 million on last period) and the lower adjustment to the provision for onerous contracts (down $0.3 million). Partially offsetting this was the improved contribution from the Australasia/North America packaged ($0.4 million) and Cellar Door ($0.3 million) segments and the impairment of water licences ($0.9 million) that occurred in the prior period.

Net profit improved by $0.7 million due mainly to reduced interest cost partially offset by the lower EBIT.

Segment Result

	Half Year ended 31/12/13 $000	Half Year ended 31/12/12 $000	Variation $000	%
Australasia/North America packaged	3,998	3,593	405	11
UK/Europe packaged and bulk	2,792	2,733	59	2
Cellar door	611	350	261	75
Australasia/North America bulk & processing	(337)	1,402	(1,739)	(124)
Vineyards	94	250	(156)	(62)
Total	**7,158**	**8,328**	**(1,170)**	**(14)**
Finance costs	(5,534)	(7,002)	1,468	(21)
Interest received	134	180	(46)	(26)
Profit before income tax expense	1,758	1,506	252	17
Income tax	(598)	(391)	(207)	53
Net Profit	**1,160**	**1,115**	**45**	**4**
Impairment of water licences	-	(901)		
Adjustment to provision for onerous contracts *(note)*	4,106	4,423		
Tax	(1,232)	(1,327)		
Total impairment and provision for onerous contracts adjustment (after tax)	**2,874**	**2,195**	**679**	**31**
Total Net Profit	**4,034**	**3,310**	**724**	**22**
EBIT before impairment and provision for onerous contracts adjustment	7,158	8,328	(1,170)	(14)
EBIT after impairment and provision for onerous contracts adjustment	11,264	11,850	(586)	(5)

Note: Due to the expected improved margins from favourable FX movements and an increase in branded sales, some grower contracts were no longer considered onerous and consequently $4.1 million was written back to the half year to December 2013 profit. The $4.4 million in the previous period relates to the adjustment to the provision as a result of the negotiated reduction in vineyard lease payments.

Outlook

Australian Vintage Chairman, Ian Ferrier, said “the continued growth of our brands is very pleasing. The recent capital raising of $39.5 million (net) has reduced our gearing to a comfortable 38% compared to 58% at the same time last year and we have extended our bank facility to October 2015 at lower margins.

The 2014 vintage has started and there are signs that the frost and recent heat have impacted negatively on vineyard yields. However, it is still too early to accurately predict yield forecasts. As per usual, we will provide the market with a trading and vintage update at the completion of vintage.

As in previous years, no interim dividend will be paid.

We remain confident that our 2014 result will be significantly better than last year and in line with market expectation. Vintage conditions are likely to negatively affect SGARA, but we believe this will be offset by the favourable adjustment to the provision for onerous contracts".

ENDS

Further information

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