



AUSTRALIAN VINTAGE LTD

ABN 78 052 179 932

11th November 2015

Company Announcements  
Australian Securities Exchange

## **VINEYARD LEASE TERMINATION**

### **Key Points**

- Long term lease from Belvino of Del Rios Vineyard terminated effective 31 December 2015
- Termination payment of \$4.9 million plus the write off of vineyard running costs and other costs totalling \$8.9 million
- Net cash flow benefit of \$35.0 million over the remaining 8 year lease term

### **Lease Termination**

Australian Vintage (ASX: AVG) today served notice on Belvino Investments No. 2 Pty Ltd (Belvino) to terminate the lease of the Del Rios Vineyard (the Lease) situated in Kenley Victoria. The effective date of termination is 31 December 2015.

The Lease term was due to expire after the 2023 Vintage but was terminated early by the Company under provisions in the Lease which provided an election to exit early in the event of a natural disaster which resulted in a specified reduction in the yield from the Vineyard in any vintage year.

The termination comes after a dispute between the Company and Belvino about the interpretation of the relevant provisions of the Lease. The dispute was ultimately determined in the Company's favour by a unanimous decision of the NSW Court of Appeal in September 2015. Following the decision of the Court of Appeal an independent expert determined that the Company was entitled to terminate the Lease.

### **Benefits to Australian Vintage Limited**

The early termination of the Lease delivers a material financial benefit to the Company. Based on the 2015 average price paid for grapes in the region that the Del Rios vineyard is located, the net cash benefit of termination is \$35 million over the lease term. This cash benefit takes into account the payment of a \$4.9 million termination payment and the write off of \$8.9 million in vineyard and other costs. Excluding the termination and the write off of costs, the future cost savings is \$48.8 million. Payback period for the termination payment of \$4.9 million is 1 year.

Neil McGuigan, CEO of the Company said "whilst the cash benefits will be immediate, it will take a couple of years for the benefits to flow through to our profit result. We have been working on this for almost two years and the end result delivers a significant benefit to our Company and our shareholders".

### **ENDS**

### **Further information**

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