AUSTRALIAN VINTAGE LTD

Company Announcements
Australian Securities Exchange

25th November 2020

AVG AGM Addresses and Presentation

Australian Vintage Limited (ASX: AVG) will today address shareholders at its Annual General Meeting to be held virtually, commencing at 2.00 pm Australian Eastern Daylight Saving Time.

Attached is a copy of the addresses to be delivered by Mr. Richard Davis, Chairman, Mr. Craig Garvin, Chief Executive Officer and Mr. Michael Noack, Chief Financial Officer and presentation material.

This information will provide shareholders an update on the company's financial performance and key strategies.

This announcement was authorised for release by the AVG Board.

Further information

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AUSTRALIAN VINTAGE LTD

2020 Annual General Meeting
Chairman's Address – Richard Davis

Normally my AGM presentation would cover the company's financial results together with an overview of the industry and finally a comment on the outlook. The CEO's address focused on brands, marketing initiatives, awards and of course the odd video.

With the changing of the guard we decided we would change the format to give shareholders more visibility to our management team. Today you will hear from our CEO Craig Garvin who will share more details about the Company's financial performance and key strategies going forward, followed by our CFO Michael Noack who will address our financial position, followed by two videos by Jeff Howlett and Julian Dyer covering the Australian and UK markets.

I am happy to report that the performance of our company continues to improve with a profit growth of 35% to $11.0 million in FY20. And as you will see later, we are forecasting for this momentum to continue with an expected strong growth in this financial year.

Given the strong financial result in FY20, the Company was pleased to declare a final dividend of 2.7 cents per share, up 35% on last year. This dividend was franked to 63%.

Financial year ended June 2020 has been a challenging year globally. The COVID-19 global pandemic has changed the lives of many of us with changed working conditions and the way we all live our lives. In Australia, the drought and bushfires have significantly impacted many communities. Our priority has been the welfare and safety of our staff, customers and suppliers.

Since the onset of COVID-19, the Company has been able to safely operate all aspects of the business. AVL has maintained the production of all our world class products and ensured that our business continuity plans were appropriate for the current circumstances. Importantly, other than some casuals at our cellar doors and some isolated instances we have been able to retain our workforce.

COVID-19 has had a mixed impact on our business with above industry increased sales through the major retail chains and reduced sales in our cellar door and on-premise businesses. As of today, it is only the UK operations that are affected following the second shut down. Notwithstanding this, sales remain strong in that market.

In addition to COVID-19 the company in FY20 had endured a change in the leadership with the appointment of Craig Garvin, frost although not as bad as that experienced in 2018, fires in the Adelaide Hills, the ongoing Brexit drama and more recently the challenging trade relations with China.

Through the outstanding efforts of all our staff we continued to operate and improve our business.

The Company recognises that good management of our social, environmental and governance responsibility is integral to our future growth and prosperity. It is not only important to underpin the reputation and competitive appeal of our brands, but also to evolve our culture with contemporary values. The success of this Company is underpinned by being sustainable in everything we do. Our strategies and activities include –

- The planned development of a climate change policy which will regularly monitor performance against set objectives;
- Adhering to product quality and safety standards and certifications to continue to produce exceptional quality wine;
- Good corporate governance and transparency. AVL complies with the ASX Corporate Governance Principles and Recommendations which set out recommended corporate governance practices for ASX listed entities;
- Effective risk management through the establishment of the Risk Management Committee which reviews the Risk Management Policy at least annually. This Policy provides guidance on the management risk in AVL and enforces our commitment to the management of risk to reduce uncertainty in the Company's financial performance;
- Minimising any adverse impacts of AVL's operations and products on the environment through compliance with environmental regulations, reducing and/or optimising resource use, waste reduction and monitoring environmental risk; and
- Monitoring water availability use and conservation through improved practices in our vineyards and wineries and investment in innovation and technology.

For the year ended September 2020, Australian export sales increased by 4% to $3.0 billion and volume decreased 0.4% to771 million litres. The average value of exports increased by 4% to $3.89 per litre. Export growth was particularly strong in the July to September 2020 quarter where value of exports increased by 23% compared to the same period in 2019. There was growth in most price points but the export growth was particularly strong at the low and high ends. This is consistent with trends around the world since COVID-19, with growth in premium wine continuing but also a resurgence in commercial and value wines.

China remains the largest market for wine sales and third by volume.

The UK market remains the largest market by volume.

The total estimated crush for 2020 was 1.52 million tonnes,12% below the 2019 harvest and 13% below the 10 year average of 1.75 million tonnes. It was the smallest crop since 2007. A smaller crop was anticipated due to the dry conditions compounded by bushfires as well as isolated frost, hail, and flood events. Yields in inland regions such as the Riverland were less affected than other regions due to the availability of water. Yields in the inland region were down 4% while remaining regions were down 34%.

With the tightening of supply in Australia together with a low vintage we have seen grape prices across all regions increase by 5% with Riverland reds increasing by 15% to $685 per tonne.

In terms of what this company's upcoming vintage is looking like I can report that the recent weather has been kind and our vineyards are looking the best they have for some time. Whilst we have had some frost on a couple of our vineyards, the recently purchased frost fans have worked well and prevented any substantial crop loss. Water availability has improved in the inland regions and as a result the cost of water has reduced. So, at this stage we are looking at a good yield from our vineyards which will ensure good utilisation of our wineries and reduce the need to purchase bulk wine in the future years.

As you would be aware the Chinese Ministry of Commerce is undertaking a Anti-Dumping and Countervailing duty investigation into Australian wine exports into China. Whilst AVL's business into China is less than 2% of our total sales, it is concerning to the Australian wine industry. AVL remains committed to the China market with the support from our China based distribution partner. AVL has fully cooperated with the investigation and we remain confident that diplomacy by both Governments will ultimately prevail allowing Australian Vintage Limited to trade freely in what is or will be the world's biggest market.

On behalf of the Board, I would like to thank the people at Australian Vintage, led by Craig, for delivering a result that was 35% up on last year, while demonstrating resilience in a highly competitive and challenging market.

We are proud of our staff who are committed to delivering against our long term strategy.

I will now hand over to Craig Garvin to provide a more detailed breakdown of business performance over the last financial year and our priorities and focus for FY21 and beyond.

Chief Executive Officer' Address – Craig Garvin

Thankyou Richard and welcome to all our shareholders joining us today.

Before I provide some insight on the FY20 result I would like to share some of my thoughts on this company.

As you are all aware I have now been with the business for 12 months and during that time I have concluded that this company has great operational capability, makes world class wine, has great brands and above all, a great board and leadership and management team. The passion and focus of this business is outstanding. Going forward my aim is to build on the wonderful brands that we have by continuing to improve our mix of business by market, focus on our portfolio of brands and increase consumer investment to maintain the recent sales growth momentum.

Despite the challenges faced during the year, Australian Vintage Limited was able to report a 35% improvement in profit. In the year ended 30 June 2020, Net Profit after tax improved to $11.0 million. This result was achieved even after taking into account the higher cost from the 2019 vintage ($2.3million), higher water costs and fire ($2.9 million), cellar door closures during the year ($0.7 million) and restructure costs ($0.8 million). This result demonstrates the business improvement achieved in difficult conditions and gives confidence in terms of future performance.

Earnings per share improved by 35% to 3.8 cents per share and the Return on Capital Employed (ROCE) improved by 18% to 5.1% (before the impact of the new accounting standard on leases - AASB16).

We are well advanced in our plans to become a consumer lead portfolio business. As such it is pleasing that we were able to grow our brands 8% over prior year. Three of our four pillar brands grew double digit in a very challenging global market. During the second half of the year, AVL customer growth was ahead of its competition, again reflecting its consumer focus and brand activation.

The performance of our operations has been particularly pleasing. Despite the industry suffering declines in grape production across the total Australian wine sector, AVL has been able to improve its yield. This, combined with our excellent assets, sets the Company up well when combined with our focussed portfolio approach.

Our Asian and North American markets have been underperforming and not consumer focussed. A complete review of the leadership group and strategy has been done and the necessary changes made. The board and management team have worked together closely on the strategic plan and are confident of our ability to deliver future growth.

Now moving onto our performance by Segment.

Australasia/ North America EBIT decline by $2.4 million to $5.5 million. Whilst the Australian division contribution increased by 18%, Asia and North America division reported a decline in contribution.

- Our Australian business performed above expectation and showed improved profit performance over last year. Pleasingly all pillar brands grew and reinforced our strategic intent of a "portfolio of brands". Sales of the McGuigan brand grew by 3% and Tempus Two grew by 42%. Despite the on-premise sales declining due to COVID-19, the

Australian business delivered an EBIT result of $4.9 million, $0.7 million up on last year. The combination of consumer focus with retail partners, innovation and strong cost control all contributed to the positive result in very challenging circumstances.

- New Zealand EBIT was down $0.2m due to COVID-19 closure which is a positive result given the shutdown. Recent months have shown significant growth over prior year with our brand focus strategy.
- As a result of COVID-19 and the new management of our key Chinese distributor focusing on reducing working capital, Asia sales were significantly down 40%, resulting in a decline in EBIT of $1.9 million. The company does not expect significant sales to mainland China in the near future due to the potential of a tariff on all Australian Wine sold to China.
- The company has addressed its marketplace strategy in North America and expects, in the long term, improvements in sales following a disappointing decline of 18%. North America EBIT contribution was down $1.0 million.

UK/Europe reported a 6% EBIT growth to $11.9 million. The UK performance was exceptional with sales volumes up against an industry trend, during the financial year, that showed total Australian wine sales volumes to the UK declining by 2%. In the UK, sales of the McGuigan brand increased by 13% through an improved mix of sales, volume increases and targeted marketing. Sales of our higher priced McGuigan Black Label and Reserve ranges increased by 23%. The Tempus Two brand has also performed well in the UK, with sales up 34% from a low base. The company will continue to invest in the UK market with increased marketing spend planned for FY21 and a strong Tempus Two campaign seeing the introduction of new ranging in major retail.

Cellar Door reported a 75% EBIT decline to $0.2 million. With Cellar doors closed for part of the year, sales declined by 16% to $7.9 million, but is to be expected during COVID-19. During the lockdown period we refurbished our McGuigan Cellar door and you can see pictures of the refresh McGuigan Cellar Door in this year's Annual report.

Australasia/North America Bulk and Processing EBIT improved by $1.1 million due mainly to increased contract processing of grapes.

Vineyard Segment EBIT improved by $3.0 million due to the improved 2020 vintage. Against last year total yield was up 25% or 10,200 tonnes and is an outstanding result. This demonstrates our core competency of vineyard management.

Over the last 3 years the Company has invested heavily in various capital projects, including $11 million on a new packaging line and various long-term investments in winemaking, including a $9 million premium winery at our Buronga winery facility. These investments have contributed to the improved efficiency in our production facilities and set up a solid base from which to grow.

The strategic intent of our business will see significant investment and focus on our key pillar brands, McGuigan, Tempus Two, Nepenthe and Barossa Valley Wine Company.

Innovation remains a key strategy to the success of this company and recently we introduced McGuigan Zero which is a non-alcoholic wine. Due to the technology we have, the quality of this non-alcoholic product is exceptional and is reflected in the fact that it is now the leading non-alcoholic drink in one of the large supermarkets.

Putting the consumer at the heart of everything we do will see marketing and advertising expenditure increase by 20% in FY21 as we deploy a more targeted approach to brand marketing in our various key markets. To support this, we will be investing in our Cellar Doors, Digital Technology and People Talent Development as we move toward world class consumer engagement. Over the next 6 months we will see a major redevelopment of our Nepenthe Cellar Door in the Adelaide Hills.

The operational capability of the business is a core strength and the wine we make is world class. As we drive branded growth across our key markets and create a consumer driven business, we will ensure our customer partnerships globally are developed to ensure we leverage the capital investments made. The last 9 months have been challenging however, our business has performed very strongly which gives us confidence moving forward. The changes we have put in place are starting to deliver solid results. We believe that we have put in place the right structural changes and strategy to ensure continued improvement.

The future looks promising based on the recent growth of our key brands. We will continue to improve our mix of business by market, focus on our portfolio of brands and increase consumer investment to maintain the recent sales growth momentum.

With China representing less than 2% of our total forecast FY21 sales, we do not see the recently announced investigation into anti- dumping and countervailing duty, materially impacting our FY21 earnings.

Sustainability is fundamental to AVL as we strive to be world class in water management, renewables and our Carbon Footprint. As a key step forward our major wine processing facility in Australia is powered by 100% renewable energy sources including an onsite solar farm.

AVL has now adopted a much more in-depth data rich culture. Measurement of staff engagement, consumer brand awareness, customer partnership health and a balanced scorecard approach are all examples of management's focus on driving world class performance and sustainability.

Continuous improvement is at the core of our culture and FY20 has seen our company improve its results significantly. Brand performance, Staff Engagement, Safety and Customer Satisfaction have all seen year on year improvement as part of our Balanced Scorecard approach. Our values of –

- **W**ork collaboratively with integrity
- **I**nnovative and courageous
- **N**imble and responsive; and
- **E**mpowered and accountable

are key to our strategic success and it is great to see them being lived every day.

The future looks promising based on the recent growth of our key brands. We have some challenges in Asia and North America, but believe that our strategies are now in place to achieve long term growth in these markets.

Our improved sales momentum and contribution mix continues with a very positive start to FY21.

The improved 2020 vintage resulted in an increased throughput at our Buronga Hill Winery which together with improved packaging efficiency at our Merbein facility, will result in a $3 million reduction in our FY21 costs when compared to FY20.

For the first quarter of FY21 our total sales were up 20% against last year. In Australia and UK, we continue to see strong performance through retail channels where our 4 key brands have grown by 27%. Together with improved production efficiencies generated from the 2020 vintage our Net Profit after tax for the first quarter is up significantly.

For the full year and based on current exchange rates, a normal vintage, no further deterioration in the various economies due to COVID-19 and no unfavourable impact from Brexit, we are expecting our net profit after tax to be in the range of $18.0 million to $20.0 million. This reflects an improvement of between 67% and 85% on last year.

On the back of this improved forecast FY21 result, operating cash flow will improve and together with a forecast decline in FY21 capital spend and bulk wine purchases, we should see a significant improvement in our free cash flow.

I will now hand over to Mike Noack, our CFO, who will provide further details on our financial position, including cash flow and Return on Capital Employed.

AUSTRALIAN VINTAGE LTD

Chief Financial Officer's Address – Mike Noack

Thankyou Craig and hello to all our shareholders.

What I will to cover this afternoon are three key metrics that show how our business has improved over the last 5 years –

- Cash Flow from Operating activities
- Total Net Borrowings
- Return On capital Employed

As you can see from the slide our reported cash flow from operating activities has improved from $6.5 million in FY16 to $22.3 million in FY20. Whilst the FY20 operating cash flow was lower than the previous year due to the higher than expected level of bulk wine purchased, the general trend indicates that we have consistently achieved well over $20 million in operating cash flow in the last 3 years. For this coming year we expect the operating cash flow to be above $30 million due to improved business performance and ongoing improvement in managing our working capital. Managing our cash has been a key focus for this business and will continue to be so.

Over the last 5 years our net borrowings have decreased from a high of $101.4 million as at 30 June 2016 to $67.3 million as at 30 June 2020. That is a decrease of $34.0 million or 34% over the 5 year period. Whilst the decline in borrowings was assisted by a $16.5 million share placement back in 2017, we did spend $62.0 million on capital and $11.9 million on paying dividends after taking into account the dividend investment plan.

Key debt related financial ratios that assess the financial wellbeing of a business have all been improving -

- The Leverage Ratio (Debt to EBITDA), which is a good indicator of our ability to repay our borrowings, has dropped from a high of 4.3 to 2.6 and
- The debt to equity ratio has decreased from 38% to 22%.

With improved performance and a reduction in our FY21 capital spend, we should again see our debt decrease this coming financial year.

And finally, to one of the key metrics that we use to drive our business – Return on Capital Employed. This ratio is used to assess a company's profitability and capital efficiency. Over the last 5 years we have seen our Return on Capital average around 4.1% with the last 2 years averaging 4.4%. The company has spent significant amounts on capital over the last three years and subject to normal agricultural risks, we expect the benefits from these investments to flow through over the next few years. Our long term goal is high single digit returns and as advised to the market back in August of this year, this year's target is for a 48% growth which means a return on capital of 6.6%.

Ends

Australian Wine Industry

EXPORTS

- 12 months to September 2020, Australian export sales increased by 4% to $3.0 billion and volume decreased 0.4% to 771 million litres
- Export growth particularly strong in the July to September 2020 quarter with value of exports increasing by 23%
- COVID-19 has caused a resurgence in commercial and value wines
- China remains the largest market by sales dollar and the UK remains largest market by value

2020 VINTAGE

- 2020 vintage was 1.52 million tonnes, 12% below the 2019 harvest and 13% below the 10 year average
- Dry conditions, bushfires, isolated frost, hail and flood events contributed to the low 2020 vintage
- Average grape prices increased by 5%. Riverland reds increased by 15%

FY20 Performance Highlights

Improved performance through challenging trading conditions

TOTAL SALES

$267.1 million ⬇ 1%

4 Key Brand Sales

$174.5 million ⬆ 8%

EBIT

$19.2 million ⬆ 18%

ROCE*

5.1% ⬆ 18%

NPAT

$11.0 million ⬆ 35%

EPS

3.8 cps ⬆ 35%

OPERATING CASH FLOW

$22.3 million ⬇ 6%

NET BORROWINGS

$67.3 million ⬇ 7%

ROCE – (Return on Capital Employed) based on pre AASB16 adjustment. After AASB16 adjustment - 4.5%.

FY20 Performance by Segment

Australasia/North America

- 30% EBIT decline to $5.5 million
- Australian business performed well with EBIT up 18%
- New Zealand business EBIT down $0.2 million
- Asia sales down 40% with EBIT declining $1.9 million
- North America EBIT down $1.0 million

Cellar Door

- 75% EBIT decline to $0.2 million
- Cellar Doors closed for part of the year

UK/Europe

- 6% EBIT growth to $11.9 million
- McGuigan brand increased by 13%

Australasia/North America Bulk/Processing

- EBIT increased $1.1 million due to additional processing

Vineyards

- EBIT improved $3.0 million
- Improved yield from vineyards, up 10,200 tonnes

Key Future Strategies

Increased investment and focus on our key pillar brands, McGuigan, Tempus Two, Nepenthe and Barossa Valley Wine Company

Innovation such as the recently introduced McGuigan Zero

Putting the consumer at the heart of everything we do

- increased advertising expenditure
- targeted approach to brand
- investing in Cellar Doors, digital technology and people talent development

Customer partnerships globally are developed to ensure we leverage the recent capital invested

Sustainability - strive to be world class in water management, renewables and carbon footprint.

Outlook

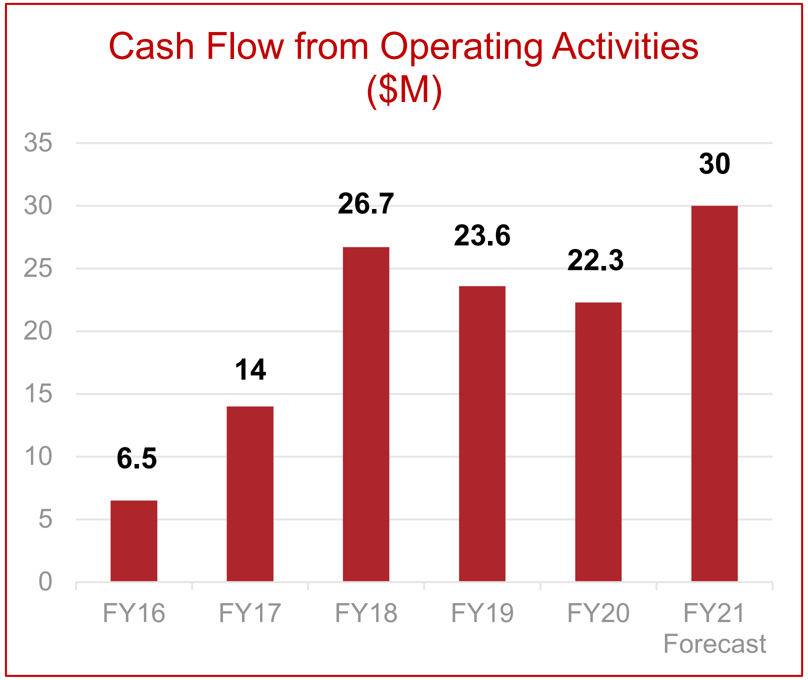
- First quarter of FY21 total sales up 20%
- 4 key brands have grown 27% in the first quarter
- Operating Cash flow to improve

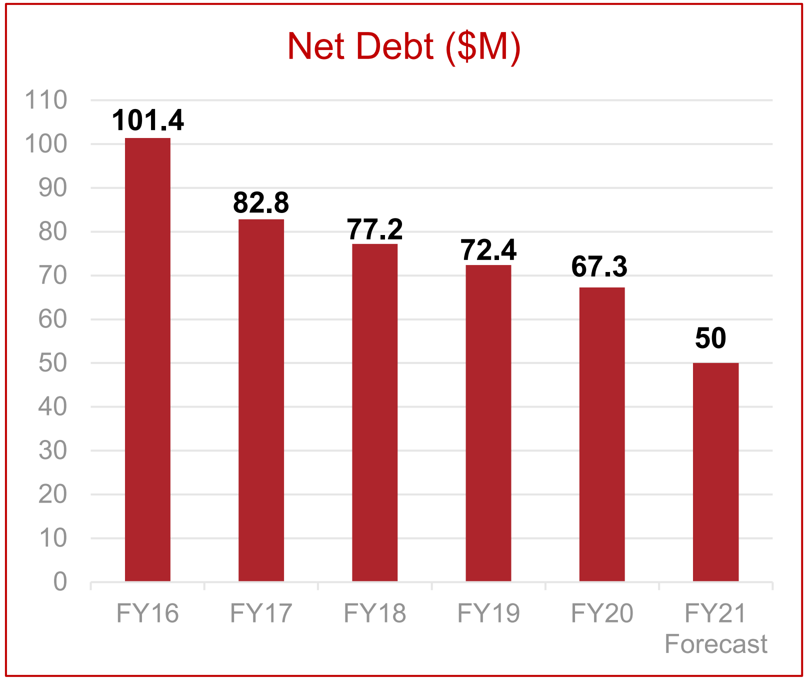
Based on:

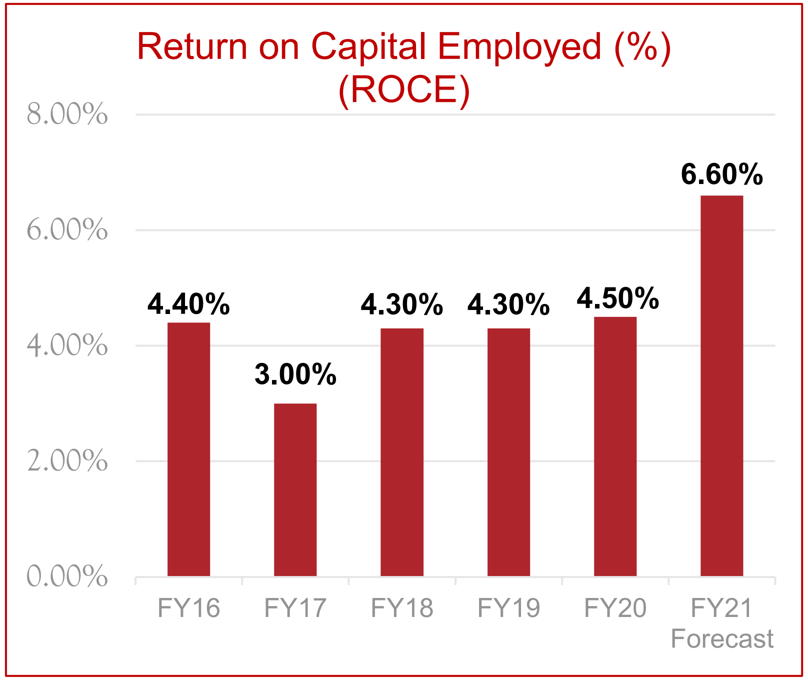
- Current exchange rates
- A normal vintage
- No further impact due to COVID-19
- No unfavourable impact from Brexit

Forecast FY21 net profit after tax to be in the range of $18.0 million to $20.0 million. Forecast reflects an improvement of between 67% and 85% on last year.

Improving Financial Position







From FY20 the impact of the new accounting standard on leases (AASB16) has reduced the calculated ROCE by about 0.5%