Australian Vintage Ltd

Trading update and capital structure initiatives

11 June 2024

AUSTRALIAN VINTAGE LTD

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- Non-IFRS financial information does not have a standardised meaning prescribed by Australian Accounting Standards and, therefore, may not be comparable to similarly titled measures presented by other entities, nor should they be construed as an alternative to other financial measures determined in accordance with Australian Accounting Standards. Investors are cautioned, therefore, not to place undue reliance on any non-IFRS/non-GAAP financial information and ratios included in this presentation.

Contents

AVG is a world-class consumer orientated business

- One of Australia's lowest cost wine producers of scale[1]
- Leader in product innovation and the 'no and low' emerging growth category[2]
- Flexible and diversified grape supply arrangements providing production agility
- Trusted long-term relationships with growers, suppliers and customers
- Majority Australian owned and listed on ASX for over 32 years[3]

AUSTRALIAN VINTAGE LTD

1. AVG conducts ongoing peer reviews against industry participants
2. AVG ranked best in class supplier for innovation by its UK customers (Advantage Survey, October 2023)
3. AVG listed on the Australian Stock Exchange in 1992

Even in a challenging environment, AVG achieved significant milestones in FY24

- ✓ Revenue in line with the prior year in a challenging market[1]
- ✓ Margin and underlying earnings improvement from brand growth, innovation and cost out measures
- ✓ Global leader in 'no and low' supported by our technology[2]
- ✓ New innovation range starting to take hold with additional innovation to be launched in 1H 2025 at higher margins[3]
- ✓ Achieved B-Corp certification[4]
- ✓ High confidence in strategic plan reinforced with sticky inflation
- ✓ Industry consolidation required despite talks with Accolade ceasing[5]

1. Comparison of 1H FY24 to 1H FY23, with FY24 total sales expected to be in line with FY23 subject to a normal vintage, FX and agricultural risk
2. McGuigan Zero is the number one ranked 'no and low' still wine brand in the UK and Ireland (Nielsen No Alcohol Total Market Still Wine report for the 52 weeks ending 20 April 2024)
3. New innovation, Not Guilty, is now ranked number six 'no and low' wine in the UK after only one year; launching in Canada and the USA 1H 2025 (Nielsen No Alcohol Total Market Still Wine report for the 4 weeks ending 20 April 2024)
4. Per the B Corp website, B Corp certified businesses are those that meet high standards of social and environmental performance, accountability and transparency
5. As announced to ASX on 26 February 2024, AVG had entered into preliminary discussions with Accolade Wines (Accolade) in relation to a potential merger. As subsequently announced to ASX on 27 May 2024, on 22 May 2024 AVG received correspondence from Accolade, via its advisors, that Accolade and its Senior Lender 'were not in a position to continue discussions further at this time'

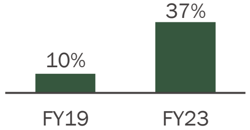
Strategic plan is positioning the business for long-term success

Creating a differentiated business through market leadership of emerging growth categories, premiumisation and sustainability

Winning market share

- AVG continues to win or maintain market share in key and emerging geographies[1]
  - Revenues flat despite a structurally declining wine market[2]
- Leading the wine category in targeted product innovation and a ‘consumer-first’ mindset[3]
- ~37% of total margin contributed by products that did not exist five years ago[4]

‘No and low’, premium brand margin, drinks / collaborations contribution[4]



‘No and low’ category leadership

- One of the fastest growing alternative wine categories globally[5]
- McGuigan Zero #1 ranked ‘no and low’ still wine brand in the UK and Ireland[6]
- New range of McGuigan Mid on shelf in the UK
- New innovation, Not Guilty, now #6 ranked ‘no and low’ wine in the UK after only one year; launching in Canada and the USA 1H 2025[7]

Strategic focus on premium brands

- AVG pillar brand revenue contribution has increased from 65% to 79%[8]
- Several successful premium brand launches in ANZ; UK to follow
  - CTZN, Australia’s first AI-curated wine in May 2024 (launching in Sainsbury’s September 2024)
  - Tempus One (launching in ASADA in September 2024)
  - Butcher’s Cellar (launching in Sainsbury’s in H1 2025)
  - McGuigan Gold

5 year CAGR of pillar brands[9]

Tempus Two +12%	Nepenthe +15%
Barossa Valley Wine Company +20%	McGuigan Wines +1%

Leaders in sustainability

- The only ASX-listed Australian wine producer to achieve B Corp Certification[10]
- Retailers facing pressure to ensure sustainable practices throughout supply chains
- Competitive advantage for AVG; some UK retailers introducing ‘B Corp only’ sections

Certified B Corporation

1. AVG year-on-year market share gains, as reported to ASX on 21 February 2024, of 3% in Australia, 11% in Ireland, 5% in Canada and flat in the UK and Asia
2. Comparison of 1H FY24 to 1H FY23, with FY24 total sales expected to be in line with FY23 subject to a normal vintage, FX and agricultural risk
3. AVG ranked best in class for innovation by its UK customers (Advantage Survey, October 2023)
4. As announced as part of AVG’s FY23 full year results
5. The no alcohol still wine category grew at 11.0% and the low alcohol still wine category grew at 19.7% from 2023 to 2024 based on global retail sales value (IWSR Global Database, 2024)
6. Nielsen No Alcohol Total Market Still Wine report for the 52 weeks ending 20 April 2024
7. Nielsen No Alcohol Total Market Still Wine report for the 4 weeks ending 20 April 2024
8. Comparison of 1H FY20 to 1H FY24 as per AVG’s 1H FY20 and 1H FY24 reported results
9. As announced as part of AVG’s 1H FY24 half year results
10. Per the B Corp website, B Corp certified businesses are those that meet high standards of social and environmental performance, accountability and transparency

The wine industry is cyclical; conditions are currently challenging

A confluence of external shocks has created a unique set of challenges for market participants

Several forces have converged, creating challenging conditions…

- Large vintages[1]
- China export disruption[2]
- Cost hyperinflation[3]
- Irrational competitor pricing[4]

Oversupplied market with limited ability to protect margins[5]

…the Australian wine industry has emerged from several periods of oversupply

~Mid 1980's
- Evolving consumer tastes
- 'Vine pull scheme'

~ 2007 - 2011
- Currency appreciation
- Global Financial Crisis

~ 2021 - today
- Global pandemic
- Trade tariffs

1. The Australian red wine crush in 2021 was the largest for at least 15 years and exceeded the 10-year average at the time by 31% (Wine Australia, National Vintage Reports)
2. On 26 March 2021, China announced anti-dumping and countervailing duties on wine imported from Australia (Department of Agriculture, Fisheries and Forestry)
3. COVID-19 caused severe disruption to global supply chains and has contributed to elevated sea freight and energy costs (amongst other costs)
4. The company believes that some of its competitors are selling inventory at uneconomic prices
5. The Australian red wine inventory to sales ratio for FY23 was 2.57x, which at the time was 45% above the 10-year average (Wine Australia, November 2023)

Active measures have been taken to protect and enhance the resilience of the business

Thorough evaluation and execution of initiatives to enhance operating efficiency and generate internal liquidity

Cost-out program	▪ $9 million of recurring cost removed from the business since July 2023[1] ▪ Continuing to explore opportunities to further optimise an already lean cost structure ▪ One of Australia's lowest cost wine producers of scale[2]
Capital unlock from asset base	▪ ~$70 million of asset sales completed or contracted over the last two years; ~100% uplift on book values[3] ▪ Non-core assets continuing to be assessed for potential divestment, with medium term opportunities identified ▪ Market conditions not conducive for an inventory-led liquidity strategy
Supply chain optimisation	▪ Negotiated exit from an uneconomic vineyard lease, with potential for further opportunities[4] ▪ Proactive management of grape supply to ensure inventory remains in balance ▪ Re-tendering of AVG's UK bottling contract, securing new provider at a materially lower cost (vs incumbent proposal)
Consolidation opportunities being considered	▪ Strategic review announced in July 2023 ▪ Transformational opportunities identified[5] ▪ AVG remains ready to participate in any industry consolidation[5]

1. Cost saving is on an annualised basis and net of inflation
2. AVG conducts ongoing peer reviews against industry participants
3. Includes the sale and leaseback of Coldridge and Grande Junction announced to the ASX on 2 December 2022
4. As announced to the ASX on 8 May 2024, AVG has reached an agreement to surrender its Balranald Vineyard lease, effective 26 June 2024, subject to completion of the sale of the vineyard. If the transaction completes, it is expected to generate a $12.6 million cash flow benefit over the remaining 7-year lease term
5. As announced to ASX on 26 February 2024, AVG had entered into preliminary discussions with Accolade Wines (Accolade) in relation to a potential merger. As subsequently announced to ASX on 27 May 2024, on 22 May 2024 AVG received correspondence from Accolade, via its advisors, that Accolade and its Senior Lender 'were not in a position to continue discussions further at this time'

Trading update and outlook

Near-term conditions likely to remain challenging; margin pressure is expected; Strategic Review to continue

FY24 trading update

- FY24 total sales is expected to be in the range of $257 – 261 million, in line with FY23 but lower than expectations[1]
  - Sales in key markets, ANZ and the UK, in line with the previous year, with the UK experiencing strong sales growth in May
- FY24 underlying EBITDAS is expected to be in the range of $29 – 31 million, up 11% on pcp[2]
- In the absence of the equity raising, net debt was expected to be in the range of $70 –75 million as at 30 June 2024
  - Higher than the $43 – 50 million previously expected[3]
  - Primarily driven by:
    - Lower than expected sales and increased inventory
    - Persistent cost inflation
    - Timing of receivable collections
  - Liquidity requirements are typically higher from July to October due to grower payments, but additional support from NAB and equity raising significantly strengthens AVG's liquidity position
- AVG expects to record a $38 million impairment charge against goodwill in FY24[4] due to the low share price of AVG

1. FY23 reported revenue of $258.6 million. FY24 total sales estimate is subject to a normal vintage, FX and agricultural risk
2. Underlying EBITDAS range for FY24 is presented on a post AASB-16 basis and is subject to a normal vintage, FX and agricultural risk
3. As announced to ASX on 21 February 2024 (at the time stated to be subject to a normal vintage, FX and agricultural risk)
4. Preliminary estimate subject to the completion of AVG's full year audit

Outlook

1. Market remains volatile and difficult to predict
2. Rebalancing of supply and demand to take time
3. Excess stockpiles are likely to influence competitor pricing strategies in the near-term
4. Input cost inflation remains elevated and is expected to be detrimental to margins
5. Sales mix expected to be temporarily reweighted to support inventory cash conversion
6. AVG continues to believe sector consolidation is logical and is ready to participate

Looking ahead

Disciplined execution of strategy and pursuit of opportunities with the potential to unlock shareholder value

- Focus on brands, premiumisation and innovation
- Maintain discipline on cost base and pricing
- Export market diversification including South East Asia
- Identify transaction opportunities with potential to unlock shareholder value
- Board refresh program

Board refresh program

AVG announces the following proposed changes to its Board of Directors

- Richard Davis to retire from the Board at completion of the equity raising
- John Davies to be appointed Interim Chair at completion of the equity raising
- Naseema Sparks will not be seeking re-election at the upcoming AGM
- AVG is progressing discussions with a candidate for appointment as a Non-Executive Director
- Peter Perrin to remain acting Chief Executive Officer (CEO) pending appointment of a permanent CEO for which an extensive global search has commenced (as announced to ASX on 3 May 2024)

Overview of capital structure initiatives

AVG is executing a comprehensive capital structure reset to protect the company amidst a challenging industry cycle

Comprehensive funding package providing increased liquidity and financial flexibility

Equity raising

- Equity raising of up to ~$19.9 million:
  - ~$5.5 million institutional placement (Placement)
  - ~$9.5 million 2 for 7 accelerated, non-renounceable entitlement offer (Institutional Entitlement Offer)
  - ~$4.9 million 2 for 7 non-renounceable entitlement offer (Retail Entitlement Offer)
- For the purposes of this presentation, the equity raising is defined as the Placement and Institutional Entitlement Offer of ~$15 million (Equity Raising)
- Equity Raising will be conducted at a fixed price of $0.20 per new share (Issue Price), representing a discount of:
  - 35.9% to TERP[2] of $0.312 as at 22 May 2024[2]
  - 42.0% to the closing price of $0.345 as at 22 May 2024[3]
  - 73.5% discount to AVG's pro-forma NTA per share of $0.755[4]
- Net proceeds from the Equity Raising will be used to provide AVG with increased liquidity and working capital

Debt facility increase and extension

- Credit-approved terms agreed in principle with existing financier, National Australia Bank (NAB), for additional support
  - Extension of $15 million of existing debt capacity due to expire at the end of July 2024 (extension to Nov-26)
  - Additional $15 million of short-term debt capacity, with $5 million repayable in Nov-24 and $10 million in Nov-25
  - Increased covenant flexibility
- Credit-approved terms remain subject to negotiation and execution of binding long-form documentation[5]

1. All references to the Equity Raising and associated metrics on this page and throughout this presentation assumes 100% take-up of both components of the Equity Raising (but without accounting for the impact of the Retail Entitlement Offer). The Equity Raising is not underwritten and there is no minimum subscription, meaning that there is no guarantee that the Equity Raising will be fully subscribed. If the Equity Raising is not fully subscribed, all associated metrics (including TERP, net debt, liquidity, leverage and NTA per security) could change materially. On announcement of the results of the Equity Raising, the Company will provide an update on the relevant metrics to show actual impact of the Equity Raising (if take-up is less 100%)
2. TERP stands for theoretical ex rights price, which represents a weighted average theoretical share price based on the number of AVG shares on issue and closing share price as at 22 May 2024 and the number of new AVG shares issued at the Issue Price under the Equity Raising. There is no certainty that AVG shares will trade on ASX at TERP post completion of the Equity Raising. TERP is referenced for illustrative purposes only
3. Last trading day for AVG shares on ASX prior to being placed in halt prior to market open on 23 May 2024
4. Pro-forma adjusted as at 31 December 2023. Refer to slide 23 for calculation details
5. AVG has been advised by NAB that the proposed amendments to AVG's existing debt facilities, as summarised in this presentation, have been approved by the relevant NAB internal committees, however, remains subject to the negotiation and execution of binding long-form documentation. The credit approved terms do not represent a binding funding commitment from NAB, and NAB has made no such representation to AVG

Strengthened balance sheet

Reset of debt to more appropriate levels to withstand market volatility and meet forward liquidity requirements

Pro forma as at 31 December 2023

$53.7 million Net debt[1]	$54.6 million Available liquidity[2]	1.8x Net debt / EBITDAS[5]
Reduction of $14.0 million (from $67.7 million)	**Increase of $29.0 million** (from $25.6 million)[3]	**Reduction of 0.5x** (from 2.3x)[6]
In the absence of the Equity Raising, net debt was expected to be in the range of $70 – 75 million as at 30 June 2024	*In the absence of the Equity Raising, available liquidity was expected to be ~$18 – 23 million as at 30 June 2024*[4]	*In the absence of the Equity Raising, net debt / EBITDAS was expected to be ~2.4x as at 30 June 2024*[7]

Provides AVG with financial flexibility to navigate challenging industry conditions and better positions the business to capitalise on future growth opportunities, including any potential sector consolidation

1. Net debt of $67.7 million as at 31 December 2023, pro-forma adjusted for Equity Raising proceeds of $14 million (net of transaction costs of approximately $1 million)
2. Cash and undrawn debt of $15.6 million as at 31 December 2023 (excluding $6 million of bank guarantee facilities), pro-forma adjusted for a $10 million increase in debt capacity secured on 1 May 2024 (which was originally scheduled to expire in July-24), the Equity Raising proceeds of $14 million (net of transaction costs of approximately $1 million) and a new $15 million debt facility
3. Cash and undrawn debt of $15.6 million as at 31 December 2023 (excluding $6 million of bank guarantee facilities), pro-forma adjusted for a temporary $10 million increase in debt capacity secured on 1 May 2024
4. Total available debt facilities as at 30 June 2024 of $93.4 million (representing $89.4 million as at 31 December 2023, less $6.0 million of bank guarantee facilities as at that date, pro-forma adjusted for a temporary $10 million increase in debt capacity secured on 1 May 2024) less the forecast net debt range of $70 – 75 million as at 30 June 2024
5. Calculated using the mid-point of FY24 forecast underlying EBITDAS range of $29–31 million (post AASB-16) and pro-forma net debt calculated in accordance with footnote 1
6. Calculated using the mid-point of FY24 forecast underlying EBITDAS range of $29–31 million (post AASB-16) and net debt of $67.7 million as at 31 December 2023
7. Calculated using the mid-point of FY24 forecast underlying EBITDAS range of $29–31 million (post AASB-16) and the mid-point of the forecast net debt range of $70–75 million as at 30 June 2024

Equity raising details

Offer structure	▪ Total equity raising of up to ~$19.9 million: – ~$5.5 million institutional placement (Placement) – ~$9.5 million 2 for 7 accelerated, non-renounceable entitlement offer (Institutional Entitlement Offer) – ~$4.9 million 2 for 7 non-renounceable entitlement offer (Retail Entitlement Offer) ▪ Up to approximately 99.7 million new fully paid ordinary shares to be issued (Offer Shares), representing ~39.5% of the existing shares on issue
Issue price	▪ $0.20 per new fully paid ordinary share, representing a: – 35.9% discount to TERP[1] of $0.312 as at 22 May 2024 – 42.0% discount to the closing price of $0.345 as at 22 May 2024 – 73.5% discount to AVG's pro-forma NTA per share of $0.755[2]
Institutional Offer and Placement	▪ The Institutional Entitlement Offer and the Placement will be conducted on 11 and 12 June 2024 ▪ Entitlements not taken up and those of ineligible shareholders will be placed into an institutional shortfall bookbuild and sold at the Issue Price
Retail Entitlement Offer	▪ Retail Entitlement Offer to open on 18 June 2024 and close at 5.00pm AEST on 2 July 2024 ▪ Only eligible shareholders with an address on Australian Vintage's share register as at 7.00pm AEST 13 June 2024 in Australia or New Zealand may participate in the Retail Entitlement Offer
Record Date	▪ 13 June 2024 (7.00pm AEST)
Use of proceeds	▪ Net proceeds from the Equity Raising will be used to increase liquidity, providing AVG with enhanced financial flexibility to help navigate challenging industry conditions and continue to execute on its Strategic Plan
Ranking	▪ New fully paid ordinary shares (Offer Shares) will rank equally with existing shares on issue
Settlement	▪ Settlement of New Shares issued under the Placement and Institutional Entitlement Offer on 20 June 2024 ▪ Settlement of New Shares issued under the Retail Entitlement Offer on 8 July 2024
Lead Manager	▪ E&P is acting as Sole Lead Manager to the Equity Raising

1. TERP stands for theoretical ex rights price, which represents a weighted average theoretical share price based on the number of AVG shares on issue and closing share price as at 22 May 2024 and the number of new AVG shares issued at the Issue Price under the Equity Raising. There is no certainty that AVG shares will trade on ASX at the TERP post completion of the Equity Raising. TERP is referenced for illustrative purposes only
2. Pro-forma adjusted as at 31 December 2023. Refer to slide 23 for a calculation

Sources and uses of funds

Net proceeds from the Equity Raising will be used to provide increased liquidity and working capital capacity, providing AVG with enhanced financial flexibility to help navigate challenging industry conditions and continue to execute on its strategic objectives

Sources	A$m
Equity Raising	~$15 million
Total sources of funds	**~$15 million**

Uses	A$m
Working capital and liquidity headroom	~$14 million
Transaction costs[1]	~$1 million
Total use of funds	**~$15 million**

1. Transaction costs are an estimate

Equity raising timetable

Events	Dates
Lodgment of Prospectus and capital structure initiatives and equity raise presentation	Tuesday, 11 June 2024
Institutional Offer and Placement bookbuild	Wednesday, 12 June 2024
Announcement of results of the Institutional Offer and Placement	Thursday, 13 June 2024
Australian Vintage shares recommence trading	Thursday, 13 June 2024
Entitlement Offer Record Date (7.00pm AEST)	Thursday, 13 June 2024
Retail Entitlement Offer opens (Prospectus despatched along with Entitlement and Acceptance Forms to eligible retail shareholders)	Tuesday, 18 June 2024
Settlement of New Shares issued under the Institutional Offer and Placement	Thursday, 20 June 2024
Allotment and trading of New Shares issued under the Institutional Offer and Placement	Friday, 21 June 2024
Retail Entitlement Offer closes (5.00pm AEST)	Tuesday, 2 July 2024
Settlement of New Shares issued under the Retail Entitlement Offer	Monday, 8 July 2024
Allotment of New Shares under the Retail Entitlement Offer	Tuesday, 9 July 2024
Commencement of trading of New Shares issued under the Retail Entitlement Offer	Wednesday, 10 July 2024

Note: The timetable is indicative only and subject to variation. AVG reserves the right to alter the timetable at its absolute discretion and without notice, subject to the Listing Rules, Corporations Act and other applicable laws

Appendix 1: Pro-forma balance sheet – as at 31 December 2023

$m	31 December 2023	Equity Raising (net proceeds)	Goodwill impairment[5]	31 December 2023 (pro forma)
Cash & equivalent	9.8	14.0	-	23.8
Receivables	61.5	-	-	61.5
Inventories	210.5	-	-	210.5
Plant and equipment	98.5	-	-	98.5
Goodwill / intangible assets	45.3	-	(38.0)	7.3
Other assets	69.8	-	-	69.8
Total assets	**495.5**	**14.0**	**(38.0)**	**471.5**
Payables	39.9	-	-	39.9
Borrowings	77.5	-	-	77.5
Other liabilities	81.7	-	-	81.7
Total liabilities	**199.1**	**-**	**-**	**199.1**
Net assets	**296.4**	**14.0**	**(38.0)**	**272.4**
Shareholders equity	**296.4**	**14.0**	**(38.0)**	**272.4**
Net debt[1]	**67.7**	-	-	**53.7**
Available liquidity ($m)[2]	**25.6**	-	-	**54.6**
Net debt / EBITDAS (x)[3]	**2.3x**	-	-	**1.8x**
NTA per share (cents / share)[4]	**92.4**	-	-	**75.5**

*Numbers may not sum due to rounding

1. Calculated as borrowings of $77.5 million less cash of $9.8 million as at 31 December 2023, pro-forma adjusted for Equity Raising proceeds of $14 million (net of transaction costs of approximately $1 million)
2. Calculated as cash and undrawn debt of $15.6 million as at 31 December 2023 (excluding $6 million of bank guarantee facilities), pro-forma adjusted for a $10 million increase in capacity secured on 1 May 2024 (which was originally scheduled to expire at the end of July 2024), Equity Raising proceeds of $14 million (net of transaction costs of approximately $1 million) and a new $15 million debt facility. Refer to the next slide for a reconciliation of available liquidity
3. Calculated using the mid-point of FY24 forecast underlying EBITDAS of $29–31 million (post AASB-16) and net debt (calculated in accordance with footnote 1)
4. Represents net tangible assets per share. Net tangible assets calculation excludes goodwill/intangibles and deferred tax assets but includes right of use assets and liabilities (noting some of these items are not individually disclosed in the balance sheet above). Pro-forma position adjusted for the impacts of the Equity Raising
5. AVG expects to record a $38 million impairment charge against goodwill in FY24. $38 million is a preliminary estimate subject to the completion of AVG's full year audit

Appendix 2: Pro-forma liquidity – as at 31 December 2023

$m	31 December 2023	$10m increase debt facilities (May-24)[2,4]	Equity Raising (net proceeds)	New $15m debt facility[4]	31 December 2023 (pro forma)
Debt (drawn)					
Bank overdrafts	-	-	-	-	-
Bank facilities[1]	77.5	-	-	-	77.5
Total debt	**77.5**	**-**	**-**	**-**	**77.5**
Cash and cash equivalents	9.8	-	14.0	-	23.8
Net debt	**67.7**	**-**	**(14.0)**	**-**	**53.7**
Undrawn bank overdrafts	5.0	-	-	-	5.0
Undrawn bank facilities[1]	0.8	10.0	-	15.0	25.9
Available liquidity[3]	**15.6**	**10.0**	**14.0**	**15.0**	**54.6**
Total bank overdraft	5.0	-	-	-	5.0
Total bank facilities[1]	78.4	10.0	-	15.0	103.4
Total facilities	**83.4**	**10.0**	**-**	**15.0**	**108.4**

* Numbers may not sum due to rounding

1. Excludes $6 million of bank guarantee facilities
2. $10 million increase in debt capacity secured on 1 May 2024 (which was originally scheduled to expire at the end of July 2024)
3. Calculated as cash and undrawn debt of $15.6 million as at 31 December 2023 (excluding $6 million of bank guarantee facilities), pro-forma adjusted for a $10 million increase in capacity secured on 1 May 2024 (which was originally scheduled to expire at the end of July 2024), Equity Raising proceeds of $14 million (net of transaction costs of approximately $1 million) and a new $15 million debt facility
4. AVG has been advised by NAB that the proposed amendments to AVG's existing debt facilities, as summarised in this presentation, have been approved by the relevant NAB internal committees, however, remains subject to the negotiation and execution of binding long-form documentation. The credit approved terms do not represent a binding funding commitment from NAB, and NAB has made no such representation to AVG

Appendix 3: Key risks (1 of 4)

- This Appendix 3 discusses some of the key risks associated with an investment in AVG. A number of risks and uncertainties may adversely affect the operating and financial performance or position of the Company and in turn affect the value of the Company's shares.

- These include specific risks associated with an investment in AVG and general risks associated with any investment in listed securities. The risks and uncertainties described below are not an exhaustive list of the risks facing AVG. Potential investors should carefully consider whether the Offer Shares offered are a suitable investment having regard to their own personal investment objectives and financial circumstances and the risks set out below.

- The principal risk factors include, but are not limited to, the following:

Company-specific risks

a) Climate change

Climate change is expected to impact on AVG increasingly in terms of regulation and associated costs, posing the following risks:

i. restrictions on access to water and energy whilst working within possible carbon price and emission reduction targets;
ii. the ability to effectively respond to climate related change impacts that could have adverse effects on business performance;
iii. third party suppliers' ability to respond to climate change impacts;
iv. consumer awareness and retailer requirement for sustainability strategies that could impact listings and sales offtake;
v. rising temperatures in the inland growing regions and the impact that may have on vine and grape performance; and
vi. global sourcing strategies to mitigate high emission freight.

b) Challenging global shipping environment

The disruption in the global shipping environment is having an impact on the reliability of supply and the cost of that supply. The cost impost on the business is significant thereby impacting on margins and profitability.

c) Grape supply

The Company's ability to fulfil demand, in particular growing demand for wine, is restricted by the availability of grapes. Climate change, agricultural and other factors, such as disease, pests, extreme weather conditions, water scarcity and competing land use, create increased risk that the Company will be unable to fulfil demand.

To the extent that any of the foregoing impact the quality and quantity of grapes available to the Company for the production of wine, the financial prospects of operations could be adversely affected, both in the year of harvest and in future periods.

There is also a current Australian oversupply of red grapes, caused by the build-up of bulk red wine originally produced for the Chinese market and which was unable to be sold into China following the imposition of tariffs on Australian wine. This has led to AVG's competitors selling bulk wine below market prices and production cost, impacting on prices able to be obtained by AVG for its private label and own brand contracts, as well as impacting AVG's retail sales due to competitor brands being sold at artificially low prices.

d) Global Hyper-inflation

The ongoing conflicts in the Ukraine and Middle East are driving higher energy and fuel costs across the globe, directly impacting AVG's global bottling operations and cost of distribution. Coupled with increased staffing costs, increased consumables, and increased inflation the cost of doing business is increasing

Appendix 3: Key risks (2 of 4)

e) Share price lower than net tangible assets

The share price has been lower than the net tangible assets per share, tracking in line with overall ASX market movements. This places AVG as a takeover target with a potential risk that fair value will not translate in the transaction.

f) Brand reputation

The strength of the Company's portfolios of brands is key to the success of the business. As a brand-led organisation, managing the reputation of brands is critical to the Company's ongoing success.

Failure to protect and effectively manage brands could have significant reputational and financial repercussions.

g) Recruitment of CEO and retention of key leadership and talent

The Company's ability to deliver on strategic targets is reliant on attracting and retaining experienced, skilled and motivated talent in core functions such as winemaking, sales, marketing and finance. The Company is currently in the process of recruiting a new Chief Executive Officer. The Company's future performance will likely be impacted by its ability to recruit a suitable candidate to that role.

h) Risk of decline in the sub $10 product category

Global demand for the sub $10 category in wine is in decline. As the Company sells some of the McGuigan branded products in this category there is a risk to revenue if this is not mitigated.

Current oversupply and strategic business uncertainty in competitors has resulted in unsustainable short-term pricing in bulk and low end categories.

i) Changing laws and government regulations

The Company operates in a highly regulated industry in many of the markets in which it makes and sells wine. Each of these markets have differing regulations that govern many aspects of the Company's operations, including taxation, production, manufacturing, pricing, marketing, advertising, distribution and sales of wine.

Remaining compliant with and abreast of changes to such regulations requires diligent and ongoing monitoring by the business. Additionally, changes and additional regulations can significantly impact the nature of operations.

j) Significant business disruption

The Company’s scope of operations exposes it to a number of business disruption risks, such as environmental catastrophes, natural and man-made hazards and incidents or politically motivated violence.

Significant business disruption could result in the Company’s sites or employees being harmed or threatened, loss of key infrastructure, inventory shortages or loss, customer dissatisfaction, or financial and reputation loss.

k) Foreign exchange

The Company is exposed to foreign exchange risk from a number of sources, namely from the export of Australian produced wine to offshore markets. Foreign exchange rate movements impact the Company's earnings.

Appendix 3: Key risks (3 of 4)

l) Potential for Dilution

In the future, the Company may elect to issue Shares or other securities. While the Company will be subject to the constraints of the ASX Listing Rules regarding the issue of Shares or other securities, shareholders may be diluted as a result of such issues of Shares or other securities.

m) Debt refinancing

While credit-approved terms have been agreed in principle with the Company's existing financier for additional support, there is a risk that the Company and NAB may not agree and execute long-form facility documentation, or that conditions imposed under those facilities may not be satisfied to enable the Company to draw down on those funds.

n) Industry consolidation

The anticipated consolidation of the Australian wine industry may not occur, or the Company may not have an opportunity to participate in that consolidation. As such, the Company may not be able to counter the current challenging cyclical conditions, including oversupply, cost hyperinflation and irrational competitor pricing via consolidation.

o) Supplier risk

AVG's business relies on a number of domestic and international suppliers across its supply chain. Any increase in pricing, alteration to payment terms or a damaged relationship with a key supplier may result in higher costs, impacts to the Company's cash flow or the Company's ability to source required supplies on a timely basis. In such scenarios, the Company would be required to absorb those higher costs or pass them on to customers (which may result in a reduction in demand and/or profitability).

Appendix 3: Key risks (4 of 4)

General risks

p) Economic

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's activities, as well as on its ability to fund those activities.

p) Market conditions

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

i. conflicts which may affect International trade and supply lines such as the conflicts in Gaza and Ukraine;
ii. general economic outlook;
iii. introduction of tax reform or other new legislation;
iv. interest rates and inflation rates;
v. changes in investor sentiment toward particular market sectors;
vi. the demand for, and supply of, capital; and
vii. terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and healthcare stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

q) Litigation risk

While the Company is not currently engaged in any litigation or disputes, it remains exposed to possible litigation and dispute risks including environmental claims, occupational health and safety claims, trademark infringement and employee claims. Further, the Company may be involved in disputes with other parties in the future, which may result in litigation. Damages claimed under such litigation may be material or may be indeterminate, and the outcome of such litigation may materially impact on the Company's operations, financial performance and financial position. Defence and settlement costs can be significant, even in respect of claims that have no merit, and can divert the time and attention of management away from the business. In addition, the adverse publicity surrounding such claims may have a material adverse effect on the Company's business and prospects

r) Cyber security

Data/information security is essential to protect business critical intellectual property and privacy of data. Continuing advances in technology, systems and communication channels mean increasing amounts of private and confidential data are now stored electronically. This, together with increasing cyber-crime, heightens the need for robust data security measures.

- The list of risk factors in Appendix 3 ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Offer Shares. Any Offer Shares issued pursuant to the Offer carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those securities.

Appendix 4: Foreign Selling Restrictions (1 of 2)

- 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. In particular, this document may not be distributed to any person, and the New Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

Hong Kong

- WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, 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"). Accordingly, this document may not be distributed, and the New Shares may not be offered or sold, in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

- 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. 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.

New Zealand

- This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the "FMC Act").

- The New Shares are not being offered to the public within New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the Financial Markets Conduct (Incidental Offers) Exemption Notice 2021.

- Other than in the entitlement offer, the New Shares may only be offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) to a person who:
  - is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
  - meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
  - is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
  - is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
  - is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

Appendix 4: Foreign Selling Restrictions (2 of 2)

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 13 of the Securities and Futures Act 2001 of Singapore (the "SFA") or another exemption under the SFA.

- This document has been given to you on the basis that you are an "institutional investor" or an "accredited investor" (as such terms are defined in the SFA). If you are not such an investor, 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 in Singapore. On-sale restrictions in Singapore 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.

Cayman Islands

- No offer or invitation to subscribe for New Shares may be made to the public in the Cayman Islands or in any manner that would constitute carrying on business in the Cayman Islands.

Finland

- This document has not been, and will not be, registered with or approved by any securities regulator in Finland or elsewhere in the European Union. Accordingly, this document may not be made available, nor may the New Shares be offered for sale, in Finland except in circumstances that do not require a prospectus under Article 1(4) of Regulation (EU) 2017/1129 of the European Parliament and the Council of the European Union (the "Prospectus Regulation").

- In accordance with Article 1(4)(a) of the Prospectus Regulation, an offer of New Shares in Finland is limited to persons who are "qualified investors" (as defined in Article 2(e) of the Prospectus Regulation).