AUSTRALIAN VINTAGE LTD

ABN 78 052 179 932

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AUSTRALIAN VINTAGE FULL YEAR RESULT TO 30 JUNE 2014

Key Points

- Net Profit after tax up 49% to $10.5 million versus $7.1 million
- Revenue up 3% to $214.8 million versus $208.5 million prior year, reflecting higher Australasia/North America sales offset by lower bulk sales
- McGuigan branded sales grew by 11%
- Net Debt of $111.8 million compared to $142.1 million as at 30 June 2013. Gearing at 39%
- Signed long term strategic China - wide distribution agreement with COFCO, Wine and Spirits Co Ltd - a subsidiary of China's largest food processing, Manufacturing and Trader, COFCO
- Signed agreements for the Sale of the Yaldara winery for $15.5 million
- Extended the existing banking facility out 3 years to October 2017
- 2014 vintage down 19% to 124,000 tonnes
- Final fully franked dividend of 2.2 cents per share. The Dividend Reinvestment Plan remains suspended
- We have continued our extraordinary show success in both the domestic and international markets

Australian Vintage (ASX: AVG) today reported a full year net profit result of $10.5 million.

Australian Vintage Limited ('AVL') Chief Executive Neil McGuigan stated that "the growth in Net Profit is very pleasing. The low vintage was a major challenge as it negatively impacted our processing margins and the income we generate from our vineyards.

Our branded business continues to strengthen, driven by ongoing and sustainable growth in our key brand, McGuigan.

The recently signed distribution agreement with COFCO Wine and Spirits Co Ltd will see AVL, through its core brand, McGuigan Wines, become the strategic partner for Australian wine within the COFCO Wine and Spirits business. This exciting development will give AVL a distribution footprint in China which will provide a platform to grow sales across the whole McGuigan portfolio. This co-operation will allow AVL to truly build its brand equity in this exciting market".

Revenue/Margins

Overall our revenue for the year was up 3% due mainly to increased branded sales in Australia, New Zealand, Asia and North America.

Australasia/North America packaged sales were up 11% on last year with an increase in our bottled sales of 15% and an increase of 2% in our cask sales. Sales of our McGuigan brand increased by 25% in FY14, following on from 21% growth in the previous financial year.

Within the Australasia/North America packaged segment every division recorded increased sales.

Division	**Increase in Sales**
Australia	10%
New Zealand	7%
Asia	15%
North America	25%

UK/Europe packaged and bulk sales were down by 1.4% on last year. Whilst Bottled sales were in line with last year, private label sales declined by 56% as we continue to focus on branded sales. The improved sales mix of our branded sales together with favourable exchange rate movements over the 12 months have resulted in total contribution being 17% up on last year. In terms of contribution, bottled contribution increased by 97% or $2.9 million and bulk wine contribution declined by $2.3 million.

Australasia/North America bulk and processing sales were down by 8% due to reduced contract processing and reduced bulk wine sales. The contribution from this division was down $4.6 million due to reduced bulk wine sales and reduced margin from contract processing.

Revenue by Segment

	Full Year Ended 30/06/14 $000	**Full Year Ended 30/06/13 $000**	**Variation $000**	**%**
Australasia/North America Packaged	88,855	79,903	8,952	11
UK/Europe	87,560	88,847	(1,287)	(1)
Cellar Door	7,538	6,843	695	10
Australasia/North America bulk & processing	27,018	29,524	(2,506)	(8)
Vineyard	3,782	3,432	350	10
	214,753	**208,549**	6,204	3

EBIT and Net Profit

EBIT was $23.8 million compared to $24.1 million in the previous year. The 1% decline was due to the reduced contribution from bulk sales to North America and the lower margin from contract processing (total negative impact was $4.6 million). Offsetting this was the significantly improved contribution from the Australasia/North America Packaged ($2.7 million), UK/Europe ($0.6 million) and the Cellar Door ($0.5 million) segments. The vineyard segment was down $0.2m due to the impact of the poor vintage on SGARA (down $0.5 million).

Net profit improved by $3.5 million due mainly to lower finance costs.

Segment Results

Results Summary

	12 Months to 30 June 2014 $'000	30 June 2013 $'000	Change $'000	%
Australasia/North America Packaged	7,956	5,214	2,742	53%
UK/Europe	3,903	3,350	553	17%
Cellar Door	1,213	708	505	71%
Australasia/North America bulk and processing	3,384	8,000	(4,616)	-58%
Vineyards	3,237	3,485	(248)	-7%
Total	19,693	20,757	(1,064)	-5%
Finance costs	(9,139)	(13,910)	4,771	-34%
Interest received	447	312	135	43%
Profit Before tax	11,001	7,159	3,842	54%
Tax	(3,331)	(2,144)	(1,187)	55%
Net Profit	7,670	5,015	2,655	53%
Impairment of Water Licences		(901)	901	-100%
Adjustment to provision for onerous contracts	4,106	4,223	(117)	-3%
Tax	(1,232)	(1,267)	35	-3%
Total impairment and provision for onerous contracts adjustments	2,874	2,055	819	40%
Total Net Profit	10,544	7,070	3,474	49%
EBIT before impairment and provision for onerous contracts adjustment	19,693	20,757	(1,064)	-5%
EBIT after impairment and provision for onerous contracts adjustment	23,799	24,079	(280)	-1%

Balance Sheet

As a result of our recent capital raising our debt has decreased by 21% to $111.8 million. Gearing has decreased from 59% as at 30 June 2013 to a comfortable 39% as at 30 June 2014.

Whilst our inventory has increased over the last 12 months, the long term inventory position is comfortable. From 2016 onwards AVL has a number of significant onerous and above market priced grower contracts that expire. The expectation is to replace these growers with fair market priced grape contracts. Whilst the accounting benefits will take some time to flow through, the cash benefits of this will flow through immediately.

Outlook

Australian Vintage Chairman, Ian Ferrier, said "the business continues to focus on its 3 core strategies of growing branded business, growing export and maintaining low cost position".

During the last 12 months we have achieved a successful $40 million (net) capital raising with good institutional and retail support, continued to grow our key brands and have recently announced the sale of the Yaldara winery for $15.5 million. We remain focused on improving our business even though trading conditions remain tough.

The recently announced distribution agreement with COFCO gives me confidence that our growth in our branded business will continue to flourish.

The recently extended bank facility to October 2017 confirms the banks confidence in our business.

The low 2014 vintage and the resultant higher cost of our 2014 wine will create some short term challenges. At this stage and subject to normal 2015 vineyard yields and forecast FX, we expect our 2015 profit to be slightly above the 2014 result. We will further update the market on our 2015 profit forecast at our Annual General Meeting in November.

Further information

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