



AUSTRALIAN VINTAGE LTD



ANNUAL GENERAL MEETING
26 NOVEMBER 2014

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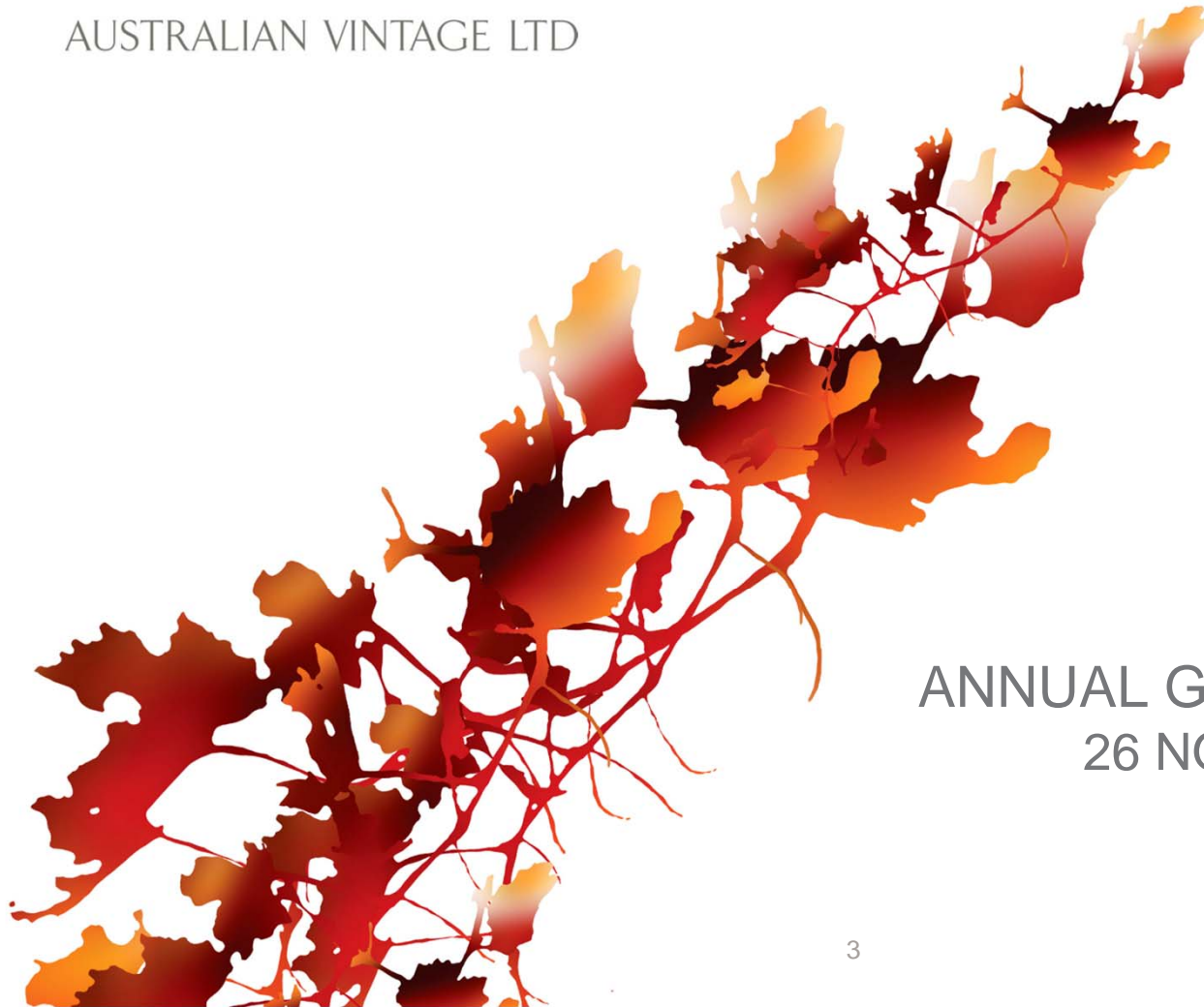
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Today's Agenda

Performance Summary

Ian Ferrier

Business Update

Neil McGuigan

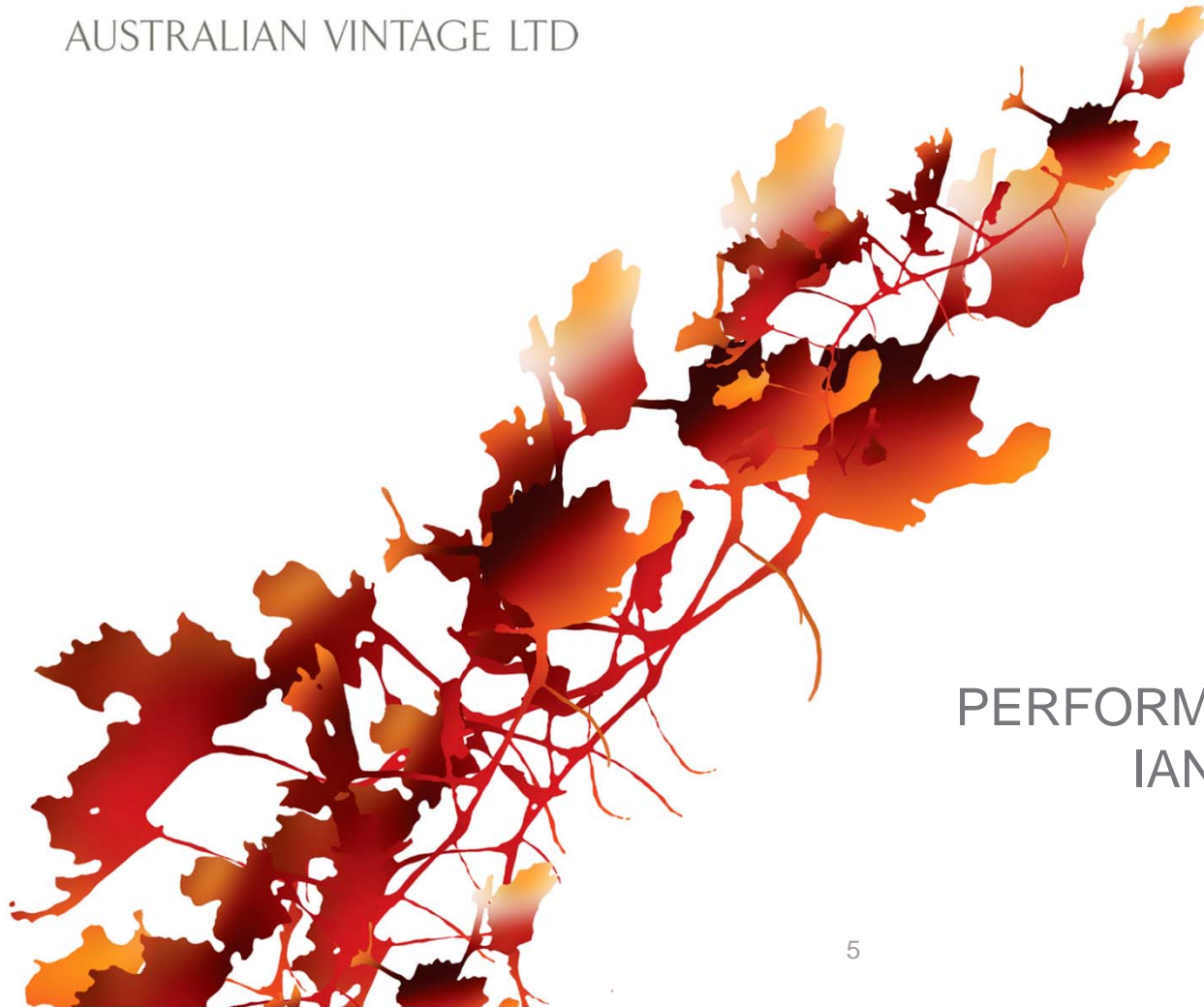
Formal Proceedings

Ian Ferrier





AUSTRALIAN VINTAGE LTD



PERFORMANCE SUMMARY IAN FERRIER

Your company

1. One of Australia's largest wine producers

- Crushes 140,000 tonnes a year – 8% of total Australian crush.
- Sells 80 million litres of wine.
- 2,900 planted hectares in 11 vineyards.
- Production facilities capable of producing 1.5m casks and 6m cases of bottled wine.
- Produces one of the most popular red wines in Australia.
- McGuigan is the 2nd most popular Australian brand in the UK.
- McGuigan named International Winemaker of the Year three times.



Australian Vintage Grows Profit

1. Net Profit increased by 49% to \$10.5 million.
2. Revenue up 3% to \$214.8 million, reflecting higher Australasia/North America sales.
3. Fully franked dividend at 2.2 cents per share.
4. A smaller vintage at 124,000 tonnes compared to 153,000 tonnes in 2013 resulting in an increase in 2014 average cost per litre.
5. EBIT of \$23.8 million compared to \$24.1 million last year.
6. Net Debt of \$111.8 million compared to \$142.1 million at June 2013.
7. Gearing (net debt to equity) at 39% compared to 59% as at June 2013.



Strong growth in Branded Sales

1. Total revenue up 3% to \$214.8 million due mainly to the ongoing improvement in branded sales offset by reduced bulk wine sales and reduced contract processing.
2. Australasia/North America packaged sales up 11% to \$88.9 million with Australian bottled sales up 15% and low margin cask sales up 2%.
3. UK/Europe sales were marginally down \$1.3 million or 1%. Bottled sales were in line with last year and low margin private label sales were down 56%.
4. Australasia/North America bulk wine revenue was down \$2.5 million due to reduced bulk wine sales and lower processing tonnes.
5. In terms of total Branded Sales, sales of the McGuigan brand grew by 11% and Tempus Two by 12%. Nepenthe sales declined by 9% after a 18% growth in FY13.



Highlights and Key Points

1. The Australasia/North America packaged contribution increased by 53% to \$8.0 million. McGuigan branded sales 25% higher in Australia.
2. The UK/Europe segment contribution improved by 17% to \$3.9 million. The contribution from bottled sales increased by 97%, but much of the benefit was eroded by bulk sales.
3. The Cellar Door segment continued to improve with contribution up by 71% to \$1.2 million on the back of increased investment and focus.
4. The Australasia/North America bulk wine and processing segment contribution was \$4.6 million lower due to reduced profitable bulk wine sales and reduced margin on contract processing.
5. Gearing reduced from 59% to 39% due to the recent capital raising. Cash Flow from operating activities was negative \$3.6 million, an improvement of \$0.7 million on last year. Working Capital increased by \$17.8 million due to additional inventory.
6. Bank facility extended by 3 years to October 2017 reflecting our banks confidence in the business.



Highlights and Key Points (continued)

7. Signed a long term, strategic China – wide distribution agreement with COFCO Wine & Spirits Co Ltd – a subsidiary of China's largest food processing, manufacturing and trader, COFCO.
8. Signed contracts for the sale of the Yaldara Winery. The Sale of this winery was settled earlier today (26th November 2014) for \$15.5 million.



Global and Australian Market Conditions

Global conditions remain challenging:-

1. 2014 global wine production is 6% down on last year, returning to an average level (Organisation Internationale de la Vigne (OIV) – press release ‘Global Economic Vitiviniculture Data’).
2. Total Australian vintage has been estimated at 1.7 million tonnes, 7% down on the previous year. The decline was primarily due to frost that occurred in certain regions in October 2013.
3. The Australian dollar has weakened over the last 12 months against major currencies. Forecasts expect the Australian dollar to continue to weaken. This should help improve margins on export sales and open up other sales opportunities.



Global and Australian Market Conditions (continued)

4. Australian 2014 Vintage - Wine quality from dry land vineyards is outstanding and the quality from irrigated regions is equal to the outstanding 2013 vintage.
5. Total domestic market wine sales have increased by 14% to 609.5 million litres. Sales of Australian wine was relatively flat at 455.1 million litres with the balance of 154.4 million litres representing imported wine (Wine Sales in Australia – Quarterly Report: June 2014 prepared by the Winemakers' Federation of Australia).



Outlook

- Global industry conditions remain challenging.
- Further weakening of the AUD should improve margins and create other profitable opportunities.
- Competition remains fierce across the Australian and overseas markets.
- The low 2014 vintage has resulted in a higher cost of wine which has, and will continue to impact margins in the short term.
- Our reputation as a quality branded wine company continues to grow with higher branded sales in Australian and overseas markets.
- Sales for the 4 months to the end of October 2014 are encouraging and stronger than last year.
- Distribution agreement with COFCO will enhance our presence in China.



Outlook (continued)

- \$15.5m Yaldara winery and brand sale delivered a net profit after tax of \$5.4 million.

Offsetting this one off profit will be:

1. Accelerated write off of incentive payments to overseas customers which we can no longer support; and
2. Legal costs associated with a vineyard lease dispute.

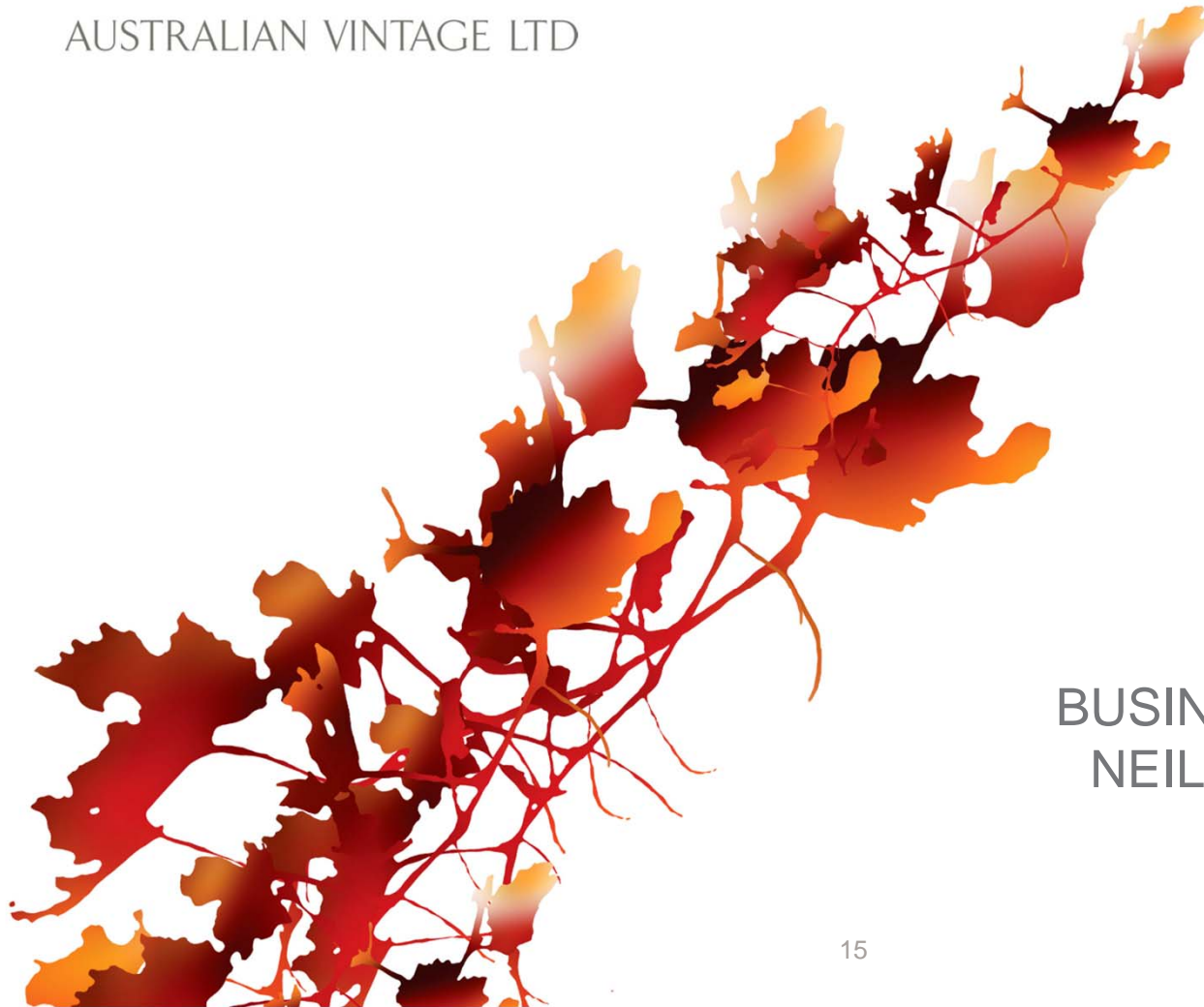
Overall, positive \$1.8 million.

- We remain confident that our brands will continue to grow and that we can achieve sustainable sales growth. Subject to normal 2015 vineyard yields and forecast FX, we expect our 2015 net profit (after tax and one off items) to be slightly above the 2014 result. We expect our cash flow will show a major positive turnaround compared to 2014.





AUSTRALIAN VINTAGE LTD



BUSINESS REVIEW
NEIL MCGUIGAN

1. AVL's Business Strategies

- Growing and strengthening our distribution channels in the China / Asia region, UK and North America.
- Building sales and profitability of our core brands both domestically and internationally.
- Reviewing and decreasing our cost base.
- Creating new products for developing and emerging markets



2. FY14 Scorecard

- **Growing and strengthening our profitable distribution channels in the China/Asia region, UK and North America.**
 - Signed a 10 year distribution agreement with COFCO Wine and Spirits in China.
 - Increased resources and opened a Hong Kong office to capitalise on other Asia opportunities.
 - Increased distribution footprint to all major UK Supermarkets.
 - Added resources to the UK independent sales channel.
 - Consolidated new distribution agreement with Canadian distributor.



2. FY14 Scorecard (cont.)

- **Building sales and profitability of our core brands both domestically and internationally.**

Domestically

McGuigan Brand grew by 25%.

“Black Label Red now the No 1 bottled red wine in Australia”

Tempus Two Brand grew by 11%.

Internationally

Canada – Black Label Shiraz is the largest selling 750ml wine in Nova Scotia. During February and May and again recently it has outsold its competitors to be the largest selling Australian wine in British Columbia.

UK - McGuigan Brand grew 4%. The McGuigan brand is now the 6th largest selling brand in the market and McGuigan is now the number 2 Australian brand in the UK on the back of the Black Label range growing at 8.5% on last year.



2. FY14 Scorecard (cont.)

- **Reviewing and decreasing our cost base**
 - Continuing to review long term grape supply leases/contracts to decrease grape cost.
 - Raised \$40.8m in Capital Raising which was used to repay debt.
 - Sold the Yaldara Winery for \$15.5m
 - Investment in solar energy at Buronga Hill Winery to reduce power costs.



2. FY14 Scorecard (cont.)



Buronga Hill Winery



2. FY14 Scorecard (cont.)

- **Creating appropriate new products for developing and emerging markets.**
 - Release of the McGuigan super premium red called “The Philosophy”.
 - Miranda is a second tier brand which focuses on lower alcohol and reduced alcohol alternatives.
 - Continue to innovate in sparkling wine and in the sweeter red wine area.



How a \$150 wine makes \$10 plonk better

THE AUSTRALIAN

BLAIR SPEEDY THE AUSTRALIAN MAY 22, 2014 1:03PM



Neil McGuigan: "It's not hard to make a \$10 bottle of wine — and that's the problem." Picture: Mark Calleja Source: News Limited

IF Tony Abbott is having difficulty selling the idea that poor people will benefit from new costs and scrapped business taxes, he might like to take a lesson from winemakers.

Launching his company's new \$150-a-bottle "The Philosophy," a 2010 blend of cabernet sauvignon and shiraz from South Australia's Eden and Clare valleys, chief executive Neil McGuigan offered a winemaker's take on trickle-down economics.

NEWCASTLE
HERALD
WEBSITE OF THE YEAR

WINE: Pick of top shelf reds

By JOHN LEWIS

July 8, 2014, 9 p.m.



The Sydney Morning Herald

Executive Style

What to buy for dad

— Hide thumbnails



McGuigan Philosophy

This claret-style wine lifts the bar for the entire McGuigan label. Made from a blend of cabernet sauvignon and shiraz sourced from the outstanding 2010 vintage of the Eden and Clare Valleys, it's a wine to enjoy this Father's Day in the future.

RRP: \$150. From www.mcguiganwines.com.au

News on the vine

McGuigan's top drop

INTERNATIONALLY awarded Australian winery, McGuigan Wines, has released its most premium wine to date — a super premium 2010 Cabernet Sauvignon Shiraz known as The Philosophy.

Handcrafted in a traditional claret style, the wine represents the vision and drive of McGuigan winemakers and is the culmination of four generations of McGuigan family winemaking.

Speaking about The Philosophy — which was more than a decade in the making — Neil McGuigan, chief winemaker, McGuigan Wines, said when I first re-joined the business, I put a challenge out to the McGuigan winemaking team to create a true, icon wine for our brand.

"My philosophy on making wine is simple. Every day you need to have the ambition to craft a super-premium wine; it channels the energy and focus to be on quality at every step of the process and pretty soon that attitude flows across your entire portfolio.

The Philosophy is made from the two red varieties that made Australian red wine famous — namely cabernet sauvignon and shiraz — and uses premium fruit from the Eden and Clare Valley districts in South Australia.

It has a complex nose with blueberry fruits, mocha and vanilla — showing power, refinement, elegance and incredible length on the palate, with pronounced fine grain tannins and solid longevity.

FOOD: Wagyu steak

RATING: 96/100

RRP: \$150



Miranda Wines: The 'Better For You' Category Leader

SUMMER FRESH

- Alcohol removed wines
- Less than 0.5% alcohol



SUMMER TONE

- 5.5% alcohol
- 60% lower in alcohol*



SUMMER LIGHT

- 8.5% alcohol
- 33% lower in alcohol*



*Compared to a standard 750ml bottle of wine of 13.5% alcohol/volume.

WWW.MIRANDAWINES.COM AVAILABLE WHEREVER THE SUN SHINES

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the
forbidden
red

3. Work In Progress

a) Wine Quality and Innovation

The Show results for the three key brands have been very pleasing again this year. Here are some of the highlights –

MCGUIGAN AWARDS

- Runner up White Winemaker of the Year at the International Wine Challenge in London – 2014.
- Hunter Valley and Australian Semillon Trophy – Bin 9000 Semillon 2007 – International Wine Challenge 2014.
- International Trophy for Best White Single Varietal under £15 – Shortlist Semillon 2007 – Decanter World Wine Awards 2014.
- Best Semillon Trophy – McGuigan Bin 9000 Semillon 2007 – International Wine and Spirit Competition 2013.
- Best Syrah Trophy – Handmade Shiraz 2010 – Hong Kong International Wine and Spirit Competition 2013.
- 5* Winery – James Halliday Australian Wine Companion 2014. Total of 9 wines scoring over 93 points including: Bin 9000 Semillon 2013 (93 points), The Shortlist Riesling 2013 (94 points), Farms Shiraz 2011 (94 points), Shortlist Shiraz 2011 (94 points).



3. Work In Progress (cont.)

a) Wine Quality and Innovation (cont.)

NEPENTHE AWARDS

- Trophy – Best Sauvignon Blanc in show – Nepenthe Petraea Sauvignon Blanc 2013 – Royal Queensland Wine Show 2014.
- Trophy – Altitude Pinot Noir 2012 – Hong Kong International Wine and Spirit Competition 2013.
- 5* Winery – James Halliday Australian Wine Companion 2014. Total of 8 wines scoring over 90 points including: Altitude Chardonnay 2012 (94 points), Pinnacle Ithaca Chardonnay 2012 (95 points), Pinnacle Petraea Sauvignon Blanc 2012 (95 points).

TEMPUS TWO AWARDS

- Trophy – Zenith Semillon 2005 – Hong Kong International Wine and Spirit Competition 2013.
- Sweet International Trophy – Pewter Botrytis Semillon 2009 – Decanter Asia Wine Awards 2013.
- 5* Winery – James Halliday Australian Wine Companion 2014. Total of 4 wines scoring over 91 points including: Pewter Semillon 2013 (94 points), Pewter Cabernet Sauvignon 2012 (91 points), Uno Shiraz 2011 (96 points).



3. Work In Progress (cont.)

Five Key Points:

- * 2007 McGuigan Shortlist Semillon
 - David Clarke Trophy at Sydney Wine Show 2014
 - Best Single White Variety under £15 at Decanter wine Awards 2014
- * 2013 McGuigan Barossa Valley Montepulicano
 - Trophy in Adelaide Wine Show – Best “other” varietal
 - Trophy in Rutherglen 2014 Wine Show – Best “other” varietal
 - Trophy in Cowra 2014 Wine Show – Best “other” varietal
- * 2013 Nepenthe Petraea Sauvignon Blanc
 - Trophy in Brisbane for best Sauvignon Blanc of Show
- * Tempus Two James Halliday results
 - Tempus Two achieved a 5 star winery rating plus received 4 wines over 91 points.
 - Uno Shiraz received 96 points.
- * 2006 McGuigan Bin 9000
 - 2014 IWSC London Best Semillon in the World Trophy



3. Work In Progress (cont.)

b) Building relationships with all key retailers worldwide

- AVL relationships with key retailers in the UK and in Australia have not been stronger.
- Working closely with our retail partners is essential to ensure that our sales and marketing proposals are in keeping with the changing demands of the consumer.
- In co-operation with a key retailer we are developing a “Gen Y” brand in an attempt to be the first wine brand to tap into this demographic.

c) Re connecting with the consumer

- Having engaging and co-operative relationship with our retailer partners is incredibly important but our work doesn't stop there.
- We must re-energise and double our efforts to ensure the consumer doesn't see wine as a fast moving consumable goods.
- What are we doing to make this happen
 - i. Cellar door / Clubs
 - ii. Digital activity
 - iii. Branded promotional activities



3. Work In Progress (cont.)

Examples of Branded Promotional Activities include:

McGuigan

- 'Win an Alfa Romeo' national independent sales promotion.
- Sponsorship of the St George Illawarra Dragons NRL team, increasing brand awareness and sales.
- Promotion of UK Masterchef John Torode association through Tesco, Sainsbury and Morrison in the UK.
- Exclusive 'Win a Jeep' promotion conducted nationally in BWS.
- Launched new look McGuigan website with full e-commerce capabilities.
- Sponsorship of the Port Adelaide Football Club, increasing brand awareness and sales.

Tempus Two

- Sponsorship of Mercedes Benz Fashion Week Australia (MBFWA) as the Official Wine Partner, increasing nationwide brand awareness.
- Leveraging of MBFWA sponsorship to partner with Australian design duo, Aje, for both media and consumer events.
- Sponsorship of Portsea Polo and Victorian Polo Club to raise brand awareness in Victoria
- Sponsorship of Time Out Bar & Restaurant Awards to drive distribution in the On Premise in Sydney and Melbourne
- Pewter Hero Store campaign to engage 25 top independent retailers and increase sales of Pewter Series
- Nationwide Varietal Glassware promotion (buy two bottles of Tempus Two and receive a Twin Pack of stemless wine glasses)
- Launch of an on premise exclusive range, the Silver Series.

Nepenthe

- Sponsorship of the AAMI Kooyong Classic tennis in Melbourne
- Participation at Noosa Food & Wine Festival, one of Australia's largest food & wine festivals
- Association with well-known Australian chef and TV personality Lyndey Milan, resulting in the inclusion of Nepenthe in an episode of 'Lyndey Milan's Baking Secrets' TV series.



3. Work in Progress (cont..)

c) Re connecting with the consumer (cont.)

- Not being Fast moving consumable goods
- i. Winemaker involvement in the trade and with customers
- ii. Wine and Food engagement
 - * Lyndey Milan – Nepenthe
 - * John Torode – McGuigan made this “Vine to the Glass” video

d) Opportunities to increase branded sales

- USA
- Other Asian countries – Singapore, Malaysia, Japan
- Australian Independent Channel – retailers and On-Premise

e) Industry Discussions

- Wine Equalisation Tax (WET) rebate changes on bulk wine
- Signing of Free Trade Agreements (FTA) around the globe
- Rationalisation of production capacity
- Exchange Rate



Summary

- AVL has a very strong and experienced board that provide very clear strategies to management.
- AVL continues to review its cost base to ensure it is appropriate for the size of its business.
- AVL's branded business, private label, exclusive label business and contract winemaking services have the same level of quality commitment.
- AVL will continue to focus on our core brands and continue to make the "Wine the Hero"
- AVL will continue to evolve our wine styles, innovate with packaging and increase our category performance, particularly in sparkling wine, with low and reduced alcohol.
- AVL is focusing our marketing activities on distribution and execution close to the point of sale.
- AVL will continue to capitalise on existing markets, and increase investment in time and resources in emerging markets.
- We have a number of exciting initiatives and products that we will be released during FY15.
- We are totally convinced that our strategies are correct, and we are enthusiastic about the future of our company but we must remain patient.

