



AUSTRALIAN VINTAGE LTD



ANNUAL GENERAL MEETING  
25 NOVEMBER 2009

# Disclaimer

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Before making an investment in Australian Vintage, the investor or prospective investor should consider whether such an investment is appropriate to their particular investments needs, objectives and financial circumstances.



# Today's Agenda

**Performance Summary**

**Ian Ferrier**

**Business Update**

**Dane Hudson**

**Formal Proceedings**

**Ian Ferrier**





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# A fundamental imbalance in the industry

## SUPPLY

- Australia is making 20-40 million cases excess to demand – on top of a stock pile of up to 100 million cases
- 17% of vineyard capacity is uneconomic
  - Great Southern collapse
  - Over \$700m worth of vineyards for sale
  - Public wine companies writedowns almost \$2 billion over last 2 years

## DEMAND

- Australia's total export value down 10% for second year running
- Australian dollar very high vs historical levels
- Impact of GFC hasn't helped demand

**Imbalance and environment is forcing transformational change**



# 2009: AVL faced up to new reality and outperformed the industry

- **Strategic plan on track**
  - Asset and grape supply restructuring almost complete
  - Costs down by \$16 million
- **AVL sales outperform industry**
  - Sales up 9% versus last year to \$288.3 million
  - Export and branded sales strong
- **Good progress on cash flow and debt reduction**
  - Operating cash flow +\$17.7 million
  - Debt (net of cash) of \$145.2m; down 15% from Dec 08 peak
  - New 2 year facility agreed with bank
- **Underlying profit \$4.3 million**
  - EBIT \$16.5m, down 13.8% before significant items
  - NPAT loss of \$123.6m after significant items



# Opportunities in merger with Constellation Australia/UK

- Constellation Brands Limited, a world leading wine company
  - 100+ brands, 150+ countries
  - Largest wine company in Australia and UK
  - 25 million case Australian business
  - UK and Europe: 5 of top 10 selling brands
  - World class mainstream brands: Hardys, Banrock Station, Berri, Stanley
- If the merger goes ahead there are benefits for Australian Vintage and industry
  - Cost savings in production assets
  - Provides a natural hedge to GBP with large UK bottling facility
  - Long term brand growth
- Merger mechanics
  - Potential likely purchase part of Constellation's Australian and UK assets with script
  - Constellation may become large but non-controlling shareholder
  - Discussion outcomes clearer late December



# Outlook

- Industry remains challenging
  - Oversupply continuing
  - High Australian dollar
  - Competitor asset actions, including sales of written down stock
- Trading in Q1 in line with expectations
- Targeting +100% NPAT growth in FY2010, assuming no further deterioration in FX





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BUSINESS REVIEW  
DANE HUDSON

# Topics for Review

1. Market Overview
2. Progress against Strategic Priorities



## Supply Demand Imbalance continued...

### Vintage Crush versus Industry Sales (M Litres)

Financial Year	2004	2005	2006	2007	2008	2009
Prior Year						
Vintage Crush	1,125	1,425	1,425	1,425	1,050	1,350
Industry Sales	995	1,087	1,171	1,245	1,136	1,181
Annual Oversupply	130	338	254	180	(86)	169
Theoretical Cumulative Oversupply	130	468	722	902	816	987

It is this ongoing issue that led to AVL's  
\$175m write-down...



## Provisions were driven by industry oversupply and review of asset values

	Pre-Tax Writedown (\$m)
Provision for onerous grape contracts	76.6
Inventory impairment adjustment	66.5
Impairment of goodwill and other intangibles	12.5
Revaluation of vineyards	9.5
Other	9.4
	<b>174.5</b>



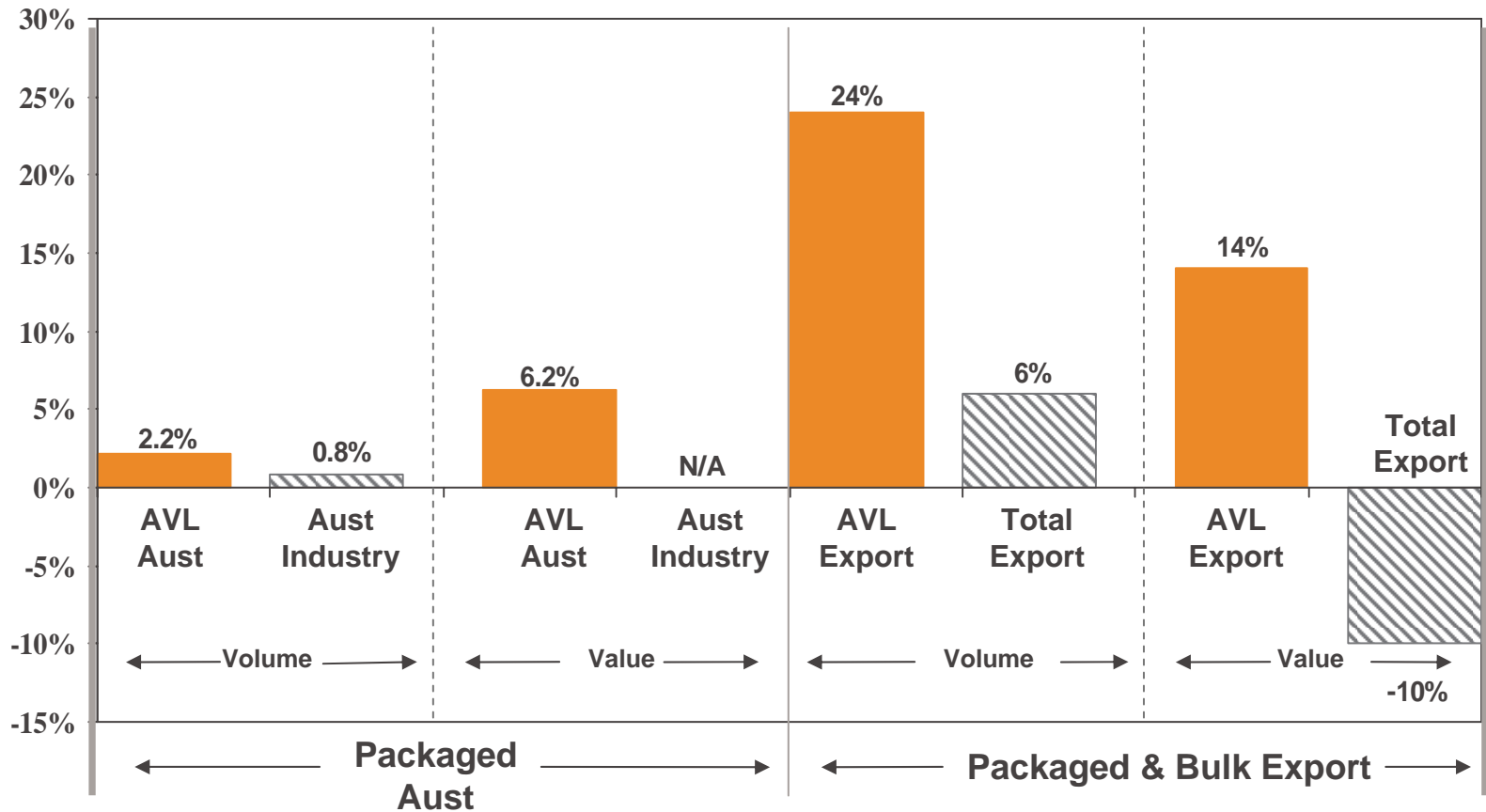
**AVL has been transforming its business since 2006 with an overriding objective to become a great commercial wine company with strong cash flow, solid production base and flexible supply**

<b>Strategic Priority</b>	<b>08/09 Progress</b>
1. Grow Export Sales and Build Defendable Brands	<ul style="list-style-type: none"> <li>✓ Grew export sales 14% over prior year versus Australian industry decline of 10%</li> <li>✓ Branded product sales up 3%</li> </ul>
2. Restructure Asset Base and Maintain Low Cost Position	<ul style="list-style-type: none"> <li>✓ Exited vineyard arrangements and third party grower contracts reducing intake from 90,000T in V06 to less than 25,000T in V11</li> <li>✓ Significant restructuring with cash costs reduced by over \$16 million on annualised basis</li> </ul>



# FY09 Sales: AVL outperforms industry

AVL Net Sales for 2008/09 versus 2007/08



# Branded strategy on track

## Full Year Branded Sales

	Case Sales ('000)			Dollar Sales (\$'000)		
	2007/08	2008/09	% Change	2007/08	2008/09	% Change
<b>Export Branded</b>	1,801	2,112	+17%	80,594	87,236	+8%
<b>Australian Branded</b>	1,743	1,521	-13%	60,737	58,910	-3%
<b>Total</b>	<b>3,544</b>	<b>3,633</b>	<b>+3%</b>	<b>141,332</b>	<b>146,146</b>	<b>+3%</b>



# Brand McGuigan achieved solid growth driven by focus on quality and consumer promotions

## Brand McGuigan Performance

Total Sales = \$59m  
YOY Case Growth = 15%  
YOY Net \$ Sales Growth = 8%

### Key Awards:

**Neil McGuigan:** Best White Winemaker in the World, 2009 International Wine Challenge

**Shortlist Chardonnay 2007:** 3 trophies at 2009 International Wine Challenge

**Shortlist Shiraz 2006 and 2007:** Best in Class at 2009 Pacific Rim Wine Challenge

**Shortlist Cabernet Sauvignon 2006:** Top 5 Cabernet Sauvignon of the Year by Winestate Magazine



# Brand Nepenthe also achieved good growth assisted by major awards in UK Decanter Wine Show

## Brand Nepenthe Performance

YOY Case Growth = 5%

YOY Net \$ Sales Growth = 2%

### Key Awards:

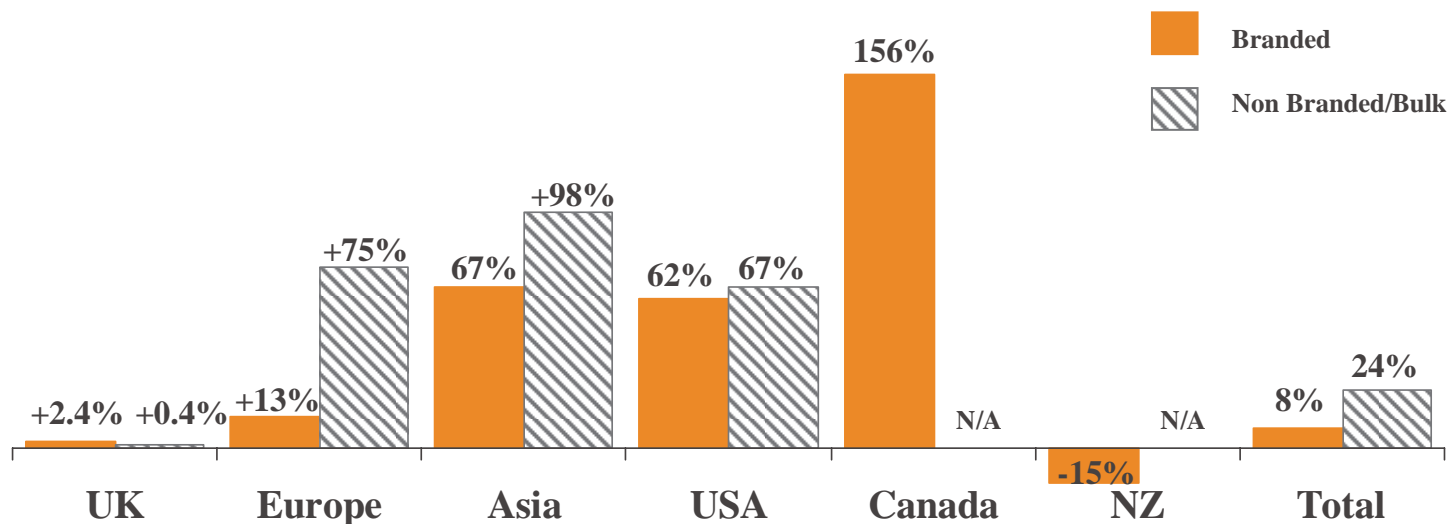
**Ithaca Chardonnay 2007:** Trophy for Best Chardonnay in the World at 2009 Decanter Awards

**Altitude Sauvignon Blanc 2008:** Trophy for Best Australian Sauvignon Blanc under £10 at 2009 Decanter Awards



# Export sales growth around the world and well ahead of Australian wine industry

AVL Net Sales  
Growth vs  
Prior Year



Change in Value of  
Australian Wine  
Exports



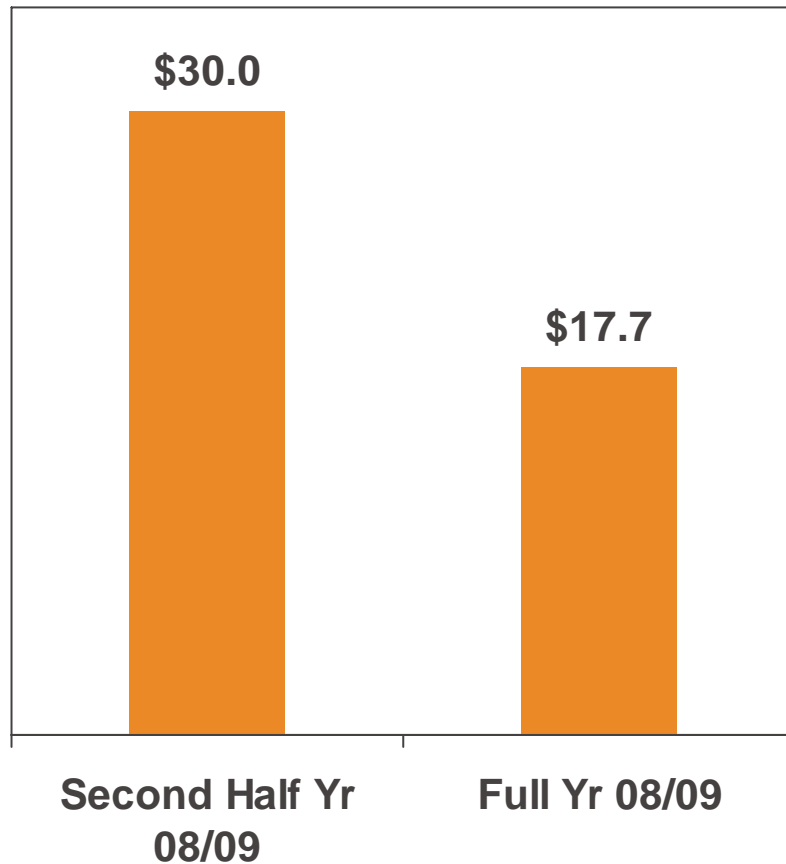
# Achieving third strategy of maintaining low cost position and leveraging assets

- Winery costs \$3.1m below last year and \$6m below 2006/07
- Annualised headcount, discretionary and other costs cut by \$7m
- Inventory now in balance with stock/sales ratio 1.1 to 1 versus the industry average of around 1.7 to 1
- Orlando contract winemaking arrangement renegotiated and will remain at up to 50,000T through end of V2014



# Delivered strong cash flow from operating activities and reduced our level of debt from December 2008 peak

Operating Cash Flow (\$m)



Level of Debt Net of Cash (\$m)



# AVL's restructuring almost complete and close to vision

	2005/06	2009/10
<b>Vineyard &amp; 3<sup>rd</sup> Party Growers</b>	<ul style="list-style-type: none"> <li>Total tonnes crushed <b>232KT</b></li> </ul>	<ul style="list-style-type: none"> <li>Forecast tonnes to be crushed <b>150KT</b></li> </ul>
<b>Wineries and Production</b>	<ul style="list-style-type: none"> <li>Tower Estate Winery investment</li> <li>Hunter Estate 5KT</li> <li>Griffith Winery and Packaging 18KT</li> <li>Tempus Two 0.3KT</li> <li>Buronga Hill 130KT</li> <li>Nepenthe (purchased 07) 1KT</li> <li>Loxton 90KT</li> <li>Yaldara 10KT</li> </ul> <p style="text-align: right;"><b><u>Total Capacity 254KT</u></b></p> <ul style="list-style-type: none"> <li>Packaging across 7 sites</li> </ul>	<ul style="list-style-type: none"> <li>Hunter Valley 2KT</li> <li>Buronga Hill 130KT</li> <li>Yaldara/Barossa Winery 10KT</li> </ul> <p style="text-align: right;"><b><u>Total Capacity 142KT</u></b></p> <ul style="list-style-type: none"> <li>Loxton Winery sold or mothballed</li> <li>Predominant Australian packaging at Merbein. UK packaging to create natural currency hedge.</li> </ul>
<b>Sales and Marketing</b>	<ul style="list-style-type: none"> <li>Branded sales 43% of total revenue and McGuigan brand in decline</li> </ul>	<ul style="list-style-type: none"> <li>Branded sales approx 60% of total revenue and McGuigan brand growing for 3<sup>rd</sup> year in row.</li> <li>New products solid contributors.</li> </ul>



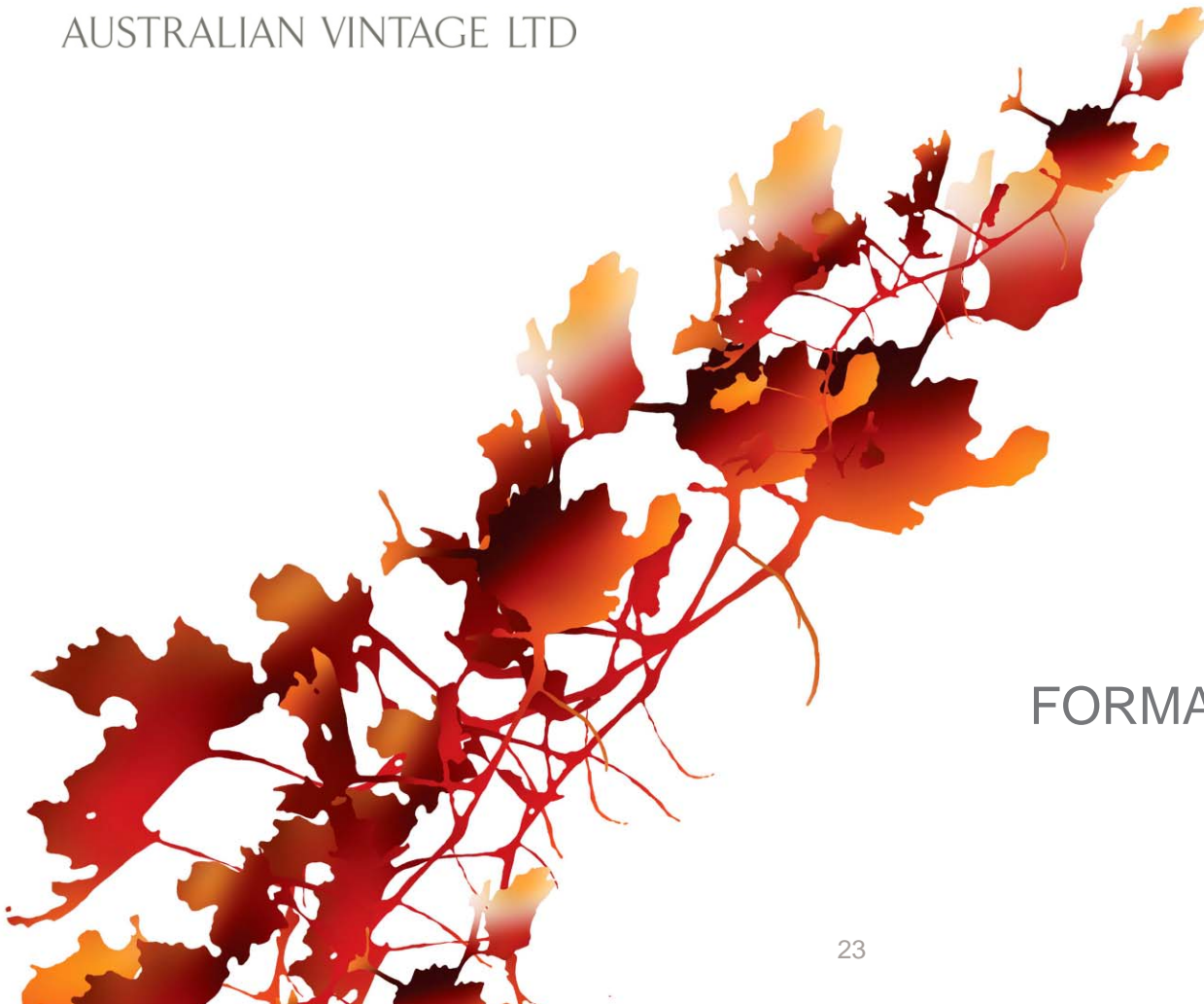
## In summary

1. Australian wine industry undergoing structural transformation
2. AVL has successfully faced up to new industry model
3. AVL outperforming the industry
4. AVL delivered on commitments:
  - sales targets
  - cash flow commitment
  - debt reduction
5. Now structurally well positioned for the future





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FORMAL PROCEEDINGS  
IAN FERRIER

# Accounts

**“To consider and receive the Financial Report, the Directors’ Report and the Auditor’s Report of the Company for the year ended 30 June 2009.”**



## Resolution 1:

- **To consider and if thought fit, pass as an ordinary resolution:**
- *“That Richard Davis is elected as a director of the Company.”*



## Resolution 2:

- **To consider and if thought fit, pass as an ordinary resolution:**
- *“That Ian Ferrier is re-elected as a director of the Company.”*



## Resolution 3:

- **To consider and if thought fit, pass as an ordinary resolution:**
- *“That Brian McGuigan is re-elected as a director of the Company.”*



## Resolution 4:

- **To consider and if thought fit, pass as an ordinary resolution:**
- *“That the Remuneration Report of the Company for the year ended 30 June 2009 be adopted.”*



## Resolution 5:

- **To consider and if thought fit, pass as an ordinary resolution:**
- *“That for the purposes of Listing Rule 10.17 of the Australian Securities Exchange Listing Rules and Rule 109.1(1)(a) of the Company’s Constitution, the Company hereby determines that the maximum total amount of cash fees that the Company may pay to its non-executive directors as remuneration for their ordinary services as directors is \$350,000.00 per annum.”*





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# Proxy position Resolution 1:

- Resolution 1:
- That Richard Davis is elected as a director

Total votes lodged	For	Against	Open
64,409,277	62,427,553	615,628	1,366,096
	96.9 %	1 %	2.1 %



## Proxy position Resolution 2:

- Resolution 2:
- **That Ian Ferrier is re-elected as a director**

Total votes lodged	For	Against	Open
64,421,359	58,617,102	4,436,361	1,367,896
	91.0 %	6.9 %	2.1 %



## Proxy position Resolution 3:

- Resolution 3:
- **That Brian McGuigan is re-elected as a director**

Total votes lodged	For	Against	Open
64,434,847	58,646,064	4,450,312	1,338,471
	91.0 %	6.9 %	2.1 %



## Proxy position Resolution 4:

- Resolution 4:
- That the Remuneration Report of the Company for the year ended 30 June 2009 be adopted

Total votes lodged	For	Against	Open
64,343,474	61,485,128	1,496,047	1,362,299
	95.6 %	2.3 %	2.1 %



## Proxy position Resolution 5:

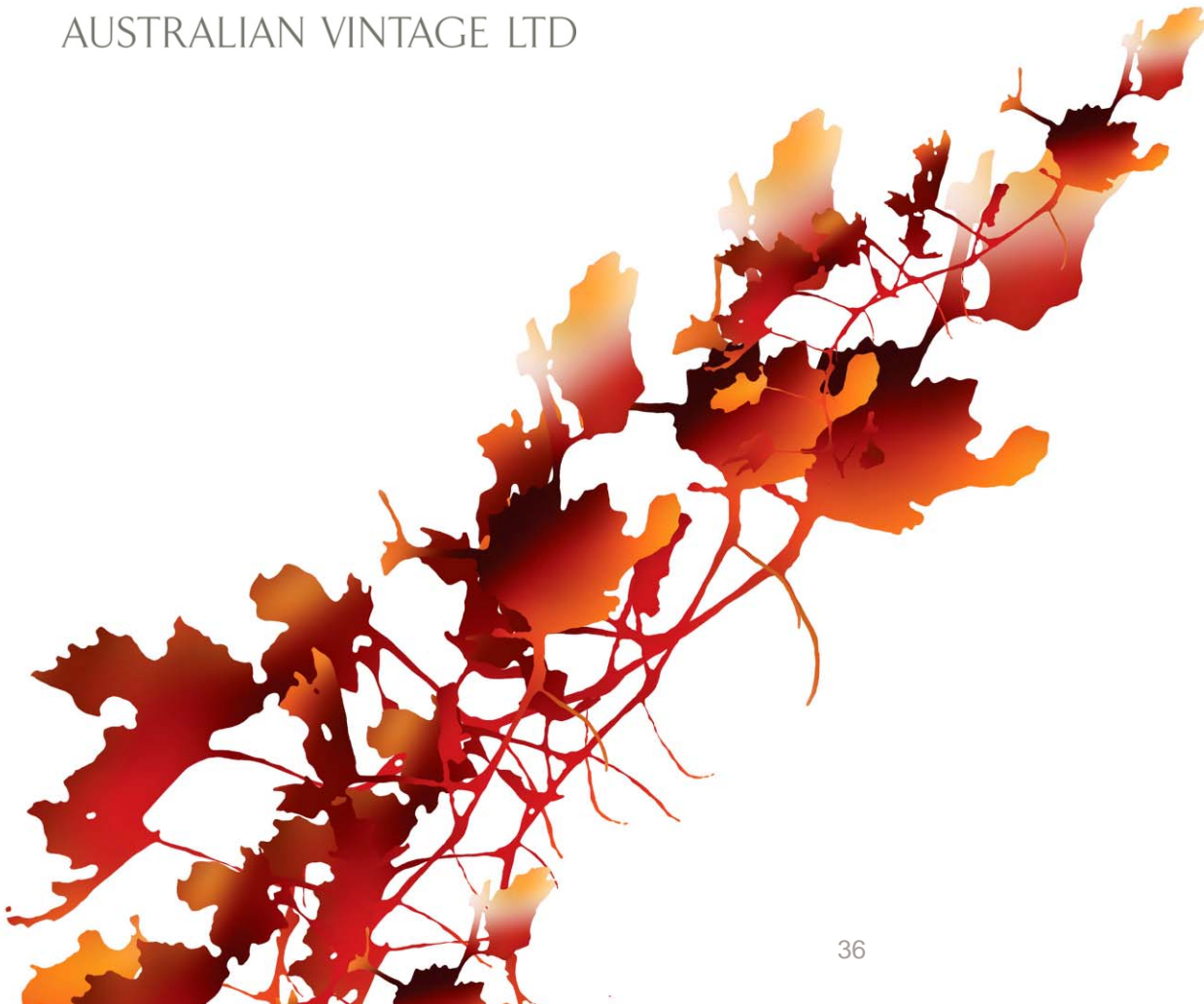
- Resolution 5:
- **That for the purposes of Listing Rule 10.17 of the Australian Securities Exchange Listing Rules and Rule 109.1(1)(a) of the Company's Constitution, the Company hereby determines that the maximum total amount of cash fees that the Company may pay to its non-executive directors as remuneration for their ordinary services as directors is \$350,000.00 per annum."**

Total votes lodged	For	Against	Open
63,225,537	60,907,803	2,211,676	106,058
	96.3 %	3.5 %	0.2 %



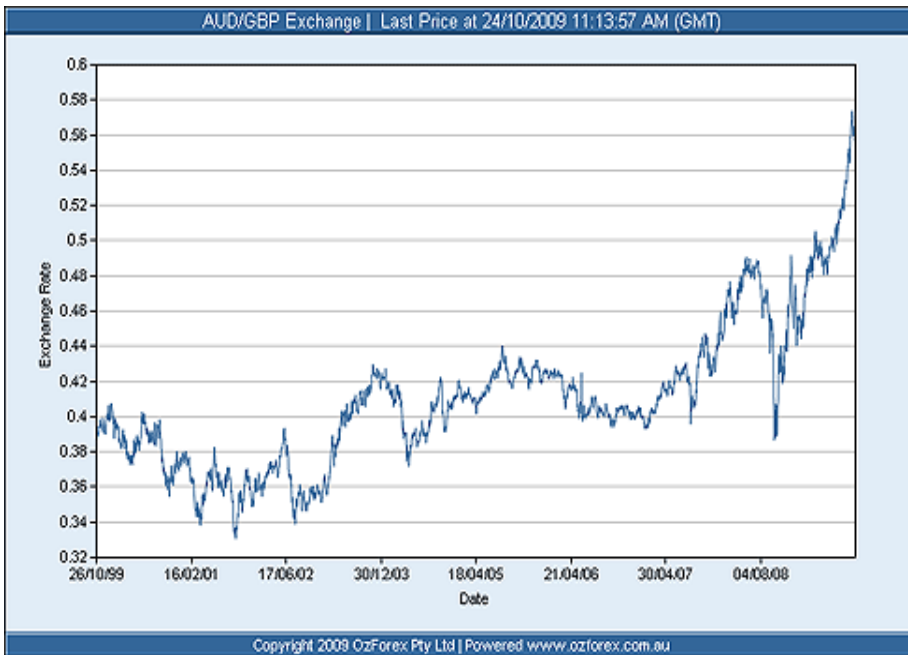


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# FX a challenge

## AUD vs GBP (last 10 years)



## AUD vs USD (last 10 years)

