

FINAL**Chairman's speaking notes
Australian Vintage Limited Half year results 27 February 2008**

GOOD AFTERNOON LADIES AND GENTLEMEN AND WELCOME TO THIS PRESENTATION OF THE 2008 FIRST HALF RESULTS FOR AUSTRALIAN VINTAGE LIMITED.

I'D ALSO LIKE TO WELCOME THOSE OF YOU JOINING US BY TELEPHONE.

MY NAME IS DAVID CLARKE...I'M THE CHAIRMAN OF AUSTRALIAN VINTAGE AND I'M SURE YOU ALL KNOW OUR CEO DANE HUDSON.

ALSO HERE TODAY IS OUR CFO, MIKE NOACK; CAMERON FERGUSON, OUR HEAD OF DOMESTIC SALES AND MARKETING; AND SAMANTHA BRAGG OUR MARKETING LEADER.

I SHOULD SAY AT THE OUTSET THAT AUSTRALIAN VINTAGE IS OF COURSE ONLY THE NEW NAME FOR MCGUIGAN SIMEON WINES.

AFTER SHAREHOLDER APPROVAL IN LATE JANUARY WE FORMALLY CHANGED OUR CORPORATE NAME TO AUSTRALIAN VINTAGE LIMITED ON THE 14TH OF FEBRUARY AND OUR CODE ON THE ASX IS NOW AVG.

THIS WAS A VERY IMPORTANT STEP FOR THE COMPANY, UNIFYING OUR BUSINESSES AND ALL OF THE BRANDS WE NOW OWN AND REPRESENT UNDER ONE CORPORATE STRUCTURE.

LET ME NOW TURN TO TODAY'S AGENDA.

AS USUAL...I WILL GIVE YOU A BRIEF OVERVIEW OF THE RESULTS AND I WILL THEN ASK DANE TO PROVIDE DETAIL ABOUT OUR PERFORMANCE, BENCHMARKED AGAINST OUR STRATEGIES AND DIRECTION.

HE WILL ALSO PROVIDE SOME FURTHER INSIGHT INTO THE NUMBERS.

WHEN DANE HAS FINISHED I WILL COME BACK AND TALK ABOUT THE OUTLOOK AND THEN WE WILL OPEN UP THE BRIEFING FOR QUESTIONS.

FIRST LET ME SAY THAT THIS IS A VERY IMPORTANT RESULT FOR AUSTRALIAN VINTAGE.

WE BELIEVE IT DEMONSTRATES THAT THE AUSTRALIAN WINE INDUSTRY HAS FINALLY BOTTOMED OUT AND THAT AS A COMPANY WE HAVE TURNED THE CORNER AND ARE STARTING TO SEE REAL MOMENTUM IN THE BUSINESS.

AFTER WEATHERING ONE OF THE MOST DIFFICULT PERIODS IN THE HISTORY OF THE AUSTRALIAN WINE INDUSTRY WITH RECORD OVERSUPPLY, INTENSE GLOBAL COMPETITION, RECORD LOW PRICES FOR WINE AS WELL AS THE HIGH DOLLAR, WE ARE FINALLY SEEING A RETURN TO BALANCE.

THE VERY LOW 2007 HARVEST HELPED THIS, AND THE 2008 HARVEST MAY ALSO HELP THE INDUSTRY TO RETURN TO BALANCE.

WE DON'T UNDERESTIMATE THE CHALLENGES THAT REMAIN IN 2008, BUT THIS RESULT GIVES US CONFIDENCE THE STRATEGIES WE HAVE PUT IN PLACE ARE RIGHT.

TO UNDERSTAND OUR HALF YEAR RESULTS IT'S IMPORTANT TO LOOK AT OUR STRATEGY.

SOON AFTER HE CAME ON BOARD, DANE TOOK THE DECISION TO WORK TOWARDS BUILDING A PREDOMINANTLY BRANDED BUSINESS WHERE WE ARE PREPARED TO FORGO VOLUME IN RETURN FOR MARGIN.

CHASING PURELY VOLUME MEANS BEING CONDEMNED TO PROFITLESS PROSPERITY AND TO DECLINING SHAREHOLDER VALUE.

SO VOLUME SALES ARE SLIGHTLY HIGHER BUT THEY ARE MUCH HIGHER WHERE IT MATTERS.

PLEASEINGLY WE HAVE RECORDED GOOD GROWTH IN OUR MARGINS – AND WE BELIEVE THESE ARE SUSTAINABLE. IN FACT PROFIT FROM BRANDED SALES IS UP MORE THAN 90%.

BRANDED SALES ARE UP 24 PER CENT ON THE BACK OF NEW DISTRIBUTION PARTNERSHIPS AND INCREASED MARKETING FOCUS.

OUR NEW DISTRIBUTION ARRANGEMENTS OUTSIDE AUSTRALIA ARE STARTING TO DELIVER RESULTS WITH EXPORTS IN THE UNITED KINGDOM, EUROPE AND ASIA GROWING STRONGLY.

BUT LIKE MANY OTHER AUSTRALIAN WINE COMPANIES OUR EXPORTS INTO AMERICA ARE DOWN.

HOWEVER WE ARE NOT PLANNING TO ACCEPT THIS.

WE ARE MAKING CHANGES TO THE WAY WE DO THINGS AND TO OUR BRANDS AND TO OUR RANGE.

ON AN OVERALL BASIS, OUR CASH FLOW WAS VERY STRONG...UP \$10.5 MILLION ON THE PREVIOUS CORRESPONDING PERIOD.

INTERESTINGLY, IF WE HAD NOT BOUGHT ANY WATER RIGHTS, OUR PRE-TAX OPERATING CASH FLOW WOULD HAVE BEEN A VERY HEALTHY \$19.1 MILLION HIGHER THAN LAST YEAR.

DANE AND MIKE AND THEIR TEAM DESERVE GREAT CREDIT FOR THESE INITIATIVES.

AS I SAID BEFORE, THE UNDERLYING PERFORMANCE OF THE COMPANY DEMONSTRATES THAT MOMENTUM IS BUILDING.

OUR GROSS PROFIT WAS UP 21 PER CENT TO \$29.2 MILLION.

AT THE SAME TIME WE HAVE REDUCED OUR NET DEBT AND GEARING IS AT A COMFORTABLE 43 PER CENT.

TURNING TO THE KEY FINANCIALS, YOU CAN SEE THAT THERE IS A SHIFT IN OUR SALES MIX TOWARDS HIGHER VALUE BRANDED WINES.

THE IMPACT OVERALL FOR US IS THAT WHILE WE SOLD LESS WINE IN TERMS OF VOLUME, WE RECEIVED MORE \$ FOR IT.

OUR EARNINGS BEFORE INTEREST, TAX AND SIGNIFICANT ITEMS REACHED \$10.4 MILLION.

SIGNIFICANT ITEMS INCLUDED ONE – OFF COSTS ASSOCIATED WITH TRANSFERING OUR PACKAGING OPERATIONS TO MERBEIN, THE SALE OF THE GRIFFITH WINERY AND REORGANISING SOME OF OUR OVERSEAS DISTRIBUTION ARRANGEMENTS.

NET PROFIT AFTER TAX AND SIGNIFICANT ITEMS WAS 8 PER CENT HIGHER THAN THE PRIOR CORRESPONDING PERIOD AT \$0.64 MILLION.

AND WE REMAIN COMMITTED TO REINSTATING A DIVIDEND AS SOON AS IT IS PRUDENT AND PRACTICAL TO DO SO.

THESE RESULTS DEMONSTRATE THAT THE UNDERLYING PERFORMANCE OF THE BUSINESS IS IMPROVING AND THAT OUR STRATEGIES ARE STARTING TO FLOW THROUGH TO THE FINANCIAL RESULTS DESPITE THE WINE INDUSTRY'S ONGOING PROBLEMS.

IN OUR VARIOUS MARKETS, WE ARE SEEING SOME MODEST INCREASE IN PRICES AS A RESULT OF SMALLER THAN NORMAL VINTAGES IN 2007 AND 2008.

THERE CONTINUES TO BE A VERY COMPETITIVE MARKET ENVIRONMENT IN BRANDED WINES BUT WE ARE SEEING MORE SUSTAINABLE PRICING.

WE INTEND TO CONTINUE TO DEVELOP AND SUPPORT OUR BRANDS AND THIS WILL BE A FOCUS IN THE NEXT 12 TO 18 MONTHS.

AUSTRALIAN WINES CONTINUE TO BE VERY WELL RESPECTED INTERNATIONALLY BUT THE AUSTRALIAN DOLLAR AND INTENSE COMPETITION FROM NEW WORLD WINE PRODUCERS WILL CONTINUE TO POSE CHALLENGES.

OVERALL WE EXPECT TO CONTINUE TO GROW OUR EXPORT BUSINESS THROUGH OUR NEW RELATIONSHIPS AND THROUGH NEW DISTRIBUTION CHANNELS.

EXPORTS REMAIN A KEY PLANK IN OUR ONGOING GROWTH STRATEGIES.

LET ME NOW TURN TO THE OUTLOOK FOR THE INDUSTRY AND FOR OUR OWN COMPANY.

AS I SAID EARLIER, WE EXPECT VINTAGE 2008 TO BE BROADLY IN LINE WITH VINTAGE 2007, ALTHOUGH THE DROUGHT AND WATER RESTRICTIONS HAVE HAD AN IMPACT.

AS YOU KNOW WE ALSO PURCHASED WATER FOR OUR OWN VINEYARDS AND EXPECT TO CROP AT NORMAL LEVELS THIS SEASON.

ANECDOTEDLY WE KNOW THAT MANY GROWERS BOUGHT WATER TO ENSURE ADEQUATE CROP LEVELS.

INDUSTRY ESTIMATES OF THE CROP VARY BETWEEN 1.2 AND 1.4 MILLION TONNES.

IN THIS CONTEXT, WE WILL BE ABLE TO PROVIDE FURTHER CLARITY ON QUANTITY AND QUALITY AFTER VINTAGE IN LATE MAY / EARLY JUNE.

TO SUM UP

WE THINK THAT THIS RESULT DEMONSTRATES THAT THE INDUSTRY IS NO LONGER IN CRISIS.

MORE IMPORTANTLY, IT DEMONSTRATES THAT OUR STRATEGIES ARE WORKING AND THAT THERE IS MOMENTUM BUILDING IN THE BUSINESS.

EARLY INDICATIONS ARE THAT VINTAGE 2008 WILL BE BROADLY IN LINE WITH 2007 AND THAT THE MARKET IS RESPONDING WITH SOME SMALL IMPROVEMENTS IN PRICING AND MARGINS.

OUR UNDERLYING PERFORMANCE GIVES US CONFIDENCE THAT WE WILL ACHIEVE OUR PREVIOUSLY STATED GUIDANCE OF A SMALL PROFIT FOR THE 2008 FULL YEAR.

THANK YOU LADIES AND GENTLEMEN.