



AUSTRALIAN VINTAGE LTD

ABN 79 052 179 932

**Annual General Meeting of Shareholders  
Chairman's Address, Sydney  
Wednesday 26 November, 2008**

Welcome to the 2008 Annual General Meeting of Australian Vintage Limited.

My name is Ian Ferrier and I will be chairing today's meeting. Unfortunately our Chairman, David Clarke, is unwell and unable to attend today's meeting. He sends his apologies.

Nick Greiner retires as a Director at this meeting and on your behalf and on behalf of the Directors I would like to thank him for his contribution to the company over the last 15 years.

This is the first annual meeting of shareholders under our new name, Australian Vintage Limited. Since the formation of McGuigan Wines in 1991, the number of brands in our business has grown rapidly.

As well as McGuigan, today we market wines under the Miranda, Yaldara, 'M', Tempus Two and Nepenthe names. As a result, last year, we began looking at our corporate name to see if it was still suitable.

In January this year we decided to bring all of our businesses and products under the one corporate umbrella, Australian Vintage limited. I'm pleased to say our initial feedback to our new corporate name from the trade, employees and investors has been positive.

*Another difficult year*

In what was a very difficult year, Dane and his team have delivered a solid result. The 2008 year was one of the most challenging experienced in the Australian wine industry.

The Australian harvest was 50 per cent higher than forecast, with similarly large harvests in many new and old world wine countries.

The Australian dollar was comparatively high during the year.

In the UK and Australia, retail consolidation continued combined with more aggressive competition from both old and new world winemakers.

In late 2007 we saw the beginning of the sub prime crisis which quickly grew to slow northern hemisphere economies.

The major issue for Australian wine companies on the cost side was the shortage of water and the increasing cost of securing adequate supplies.

In summary a multitude of issues.

### Delivered on strategy focus on profit vs sales

When Dane joined the company he worked closely with the Board and the senior management to determine the necessary response to an ever changing wine market.

Our focus in the past year or so has been on brands and margins versus volume avoiding the era of “profitless prosperity” most producers have faced.

### Snapshot of results

While overall sales were down 7.6 per cent our focus on brand versus volume saw branded sales up over 10 per cent.

Earnings before interest and tax and significant items were up \$14 million while net profit before significant items improved by \$8.2 million to \$5.5 million, a strong turnaround from 2007.

While these are solid results and a big improvement from last year, your directors believe, that given the current conditions where liquidity is tight, that it was not prudent to pay a dividend.

We are actively managing our business to meet the challenges the next 18 months will bring and in recognition of the new reality facing the wine industry.

### Outlook

In fact, we think the market may be even more difficult in 2009 than it was in 2008.

The size of the 2009 vintage will be critical as will the effect of the drought and water purchase on volumes, quality and costs.

The supply and demand imbalance will maintain downward pressure on wine prices.

Internationally, global economic conditions will put pressure on margins.

The United Kingdom’s recent unexpected duty increase of 11p per bottle will place additional pressure on sales and margins in our biggest export market.

The lower Australian dollar will assist our export sales.

In Australia, we expect further volatility in the market as our competitors make decisions about assets, brands and stock.

### Strategic Review

However, we don’t see any prospect of the industry going back to the way it was. This means that the changes we have put in place at Australian Vintage are only the beginning, and to move forward we need to continue to respond to these changes.

Your Board has initiated a review of our strategies and assets to ensure we are in the best possible shape to meet the challenges we face.

We are looking at cost efficiencies, asset utilisation, our brands and all aspects of our business.

We expect to finish the review by March next year.

Let me emphasise that your company is in good shape. The strategies have delivered positive results and we continue to work hard and re-evaluate our priorities and strategies in this challenging time.

**Ian Ferrier**  
**26 November 2008**