



AUSTRALIAN VINTAGE LTD

ABN 79 052 179 932

ASX RELEASE
25 November, 2009

**AUSTRALIAN VINTAGE ANNUAL GENERAL MEETING:
“OUTPERFORMS INDUSTRY; STRUCTURAL CHANGE UNDERWAY”**

Australian Vintage Limited Chairman, Ian Ferrier, told the company’s annual general meeting in Sydney today that Australian Vintage had outperformed the industry in the 2009 year with good sales growth in a falling market for Australian wine.

He said the wine industry faced major structural imbalance with Australia producing 20-40 million cases of wine that is excess of demand, on top of an existing surplus stockpile that has built up over previous vintages.

“We moved earlier than some to cope with the challenges and over the past two years have transformed our asset and cost base. Our 2009 sales were up 9%, bucking the trend of falling demand for Australian wines generally. We made good progress in reducing our debt and turning around cash flow and we agreed a new two year debt facility with our lenders.

“We completed a review of the entire business which confirmed AVL’s strategic direction but demonstrated the need to take an impairment charge to reflect the new reality of the wine industry and valuations of grape contracts, stock and assets. Our underlying profit performance was \$4.3 million which was creditable in the environment,” Mr Ferrier told shareholders.

Chief Executive, Dane Hudson said “In the past two years we’ve cut costs by \$16 million by exiting grape purchase agreements, wineries and operations that were not economical in the current environment. At the same time we’ve increased sales despite the high Australian dollar and the financial crisis which impacted worldwide demand.

“We haven’t compromised the quality of our brands or the quality of our wines with Nepenthe and McGuigan wines winning two of the most prestigious international awards available including “Best Chardonnay in the World”.

Discussions with Constellation

“Discussions with Constellation regarding a possible combining of part of their Australian and UK operations with AVL continue,” said Mr Ferrier. “It is too early to say whether discussions will lead to a transaction as there are a number of material issues that remain outstanding.

“But from the discussions to date and given crippling supply demand imbalance, transactions like this are what is needed for the industry to return to sustainable production and returns.

“I can’t be definitive but our discussions at this stage are focussed on a deal where Australian Vintage would purchase part of Constellation’s business with Australian Vintage shares and existing AVL shareholders would hold the controlling interest in the combined business.

“There is no guarantee that discussions will result in a deal and the Board will only pursue it if we can see long term benefits for AVL.

“We will update shareholders as discussions progress, or if they are terminated.

Outlook

“The 2009 Vintage was again higher than demand. In our view production is 30% higher than it needs to be. We expect that there will be growers and winemakers unable to survive another year of uneconomic production.

“Lower demand, the strong Australian dollar, and the impact of the global financial crisis will impact sales and margins of Australian wine here and overseas.

“It’s hard to predict how the industry will respond to the structural crisis. We anticipate volatility as competitors make decisions about assets, brands and stock. AVL is confident that we have production at the right volume and cost to meet the conditions.

Our trading in the first four months has been solid, however the soaring Australian dollar has impacted export margins. We continue to target doubling our after tax profit (before significant items) in the 2010 financial year, assuming the Australian dollar does not strengthen further.” Ian Ferrier said

ENDS

Further information

Dane Hudson
Chief Executive Officer
02 8345 6323

Mike Noack
Chief Financial Officer
08 8172 8333