



AUSTRALIAN VINTAGE LTD

ABN 79 052 179 932

30 January 2009

Australian Vintage strategic review update:

- Announced impairments estimated to be around \$120 million after tax
- Domestic and export sales in the first half of the 2009 financial year are above last year

Dramatic shifts in valuations across every aspect of the wine industry have seen Australian Vintage Limited today announce impairments estimated to be around \$120 million after tax.

The announcement comes as a result of the strategic review into every aspect of its business which Australian Vintage committed to perform at its Annual General Meeting in November last year.

“With the ongoing challenges in the Australian wine industry, the global economic slowdown and price pressure from overseas customers, we began a comprehensive review of our brands, strategies, costs and assets to position the company for the new reality in the market,” Chief Executive Dane Hudson said today.

“While we expect the review to be completed by late February it became obvious that we needed to make adjustments. Overall Australia’s wine production exceeds wine sales by about 30% and so our grape supply contracts and prices needed to be adjusted. Stock valuations are also impacted and with an industry wide 11% fall in export volumes in 2008 and Australian domestic consumption down 5%, we took the decision to reduce the value of some of our stock.

“Put simply in Australia the industry remains structurally imbalanced with over production and excess capacity. In 2008 we saw Australian wine companies write-down the value of assets by more than \$1 billion.”

The impairment will include provisioning for:

- the cost of grape purchases;
- stock value adjustments to take account of recent market conditions, and
- existing asset values and intangibles which have been completely reviewed and in some cases reduced.

.../2

Preliminary findings of the review also include:

- Significant progress made in repositioning Australian Vintage and in growing profitability in its branded sales;
- Production costs continue to improve as a result of asset rationalisation, and
- Expected benefits from Australian Vintage's innovation and development program with a number of attractive new products to be launched in the near future

The final phase of the strategic review is exploring product rationalisation, market opportunities and business structure.

First half performance

“Although the ongoing oversupply issue has ensured a very competitive landscape with distributors and retailers pushing for the best deal on price, our sales have been solid in a tough market,” said Dane Hudson.

“Sales in the first half of the 2009 financial year are above last year for both Australia and our export business, which is very pleasing, particularly given the extremely soft UK market. Our total branded sales were 8% above last year.

“This is above industry trends and confirmation that the steps we took three years ago to reposition the business are helping us weather the extreme conditions we now face. It is a credit to our entire workforce that we have maintained positive sales momentum despite the headwinds in our major markets and the ongoing tough conditions in Australia as producers look to reduce excess stock. We are determined to continue to work in the industry, with our suppliers and our customers to deliver sustainable, profitable wines and return value to our shareholders.

Australian Vintage will provide full details of the review outcome, sales and financial performance and its market development initiatives at the end of February.

Further information:

Dane Hudson
Chief Executive Officer
02 8345 6323

Mike Noack
Chief Financial Officer
08 8172 8333