



AUSTRALIAN VINTAGE LTD



Strong Branded Growth  
Asset Base Restructured  
Improved Profitability

**2008 Full Year Results  
27 August 2008**

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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

**Overview**

**David Clarke**

**Business Review**

**Dane Hudson**

**Outlook**

**David Clarke**

**Questions**

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## Strong turnaround in challenging market

	Full Year Result	Change
<b>EBIT</b> (before Significant Items)	\$19.1m	↑ \$13.9 million
<b>NPAT</b> (before Significant Items)	\$5.5m	↑ \$8.2 million
<b>NPAT</b> (after Significant Items)	\$1.3m	↑ \$7.3 million

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# Delivered on strategy: Focus on profit vs sales

## 1. Build Exports and Brands

- ✓ Branded product sales up 10%
- ✓ Margins 7 points ahead of last year
- ✓ Non branded/bulk sales down

## 2. Maintain Low Cost Position

- ✓ Operating costs down 15%

## 3. Asset Base Restructured

- ✓ Sold assets in Griffith and Hunter Valley, yielding \$20 million
- ✓ Selling Loxton Winery for \$60 million; completion scheduled for September

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## Building brands and improving margins

\$M		2007	2008	Change
<b>Sales</b>	- Branded*	132.2	146.1	↑ 10.5%
	- Non Branded	39.0	25.6	↓ 34.4%
	- Bulk/Processing/Vineyard Income	115.5	93.3	↓ 19.2%
	<b>Total</b>	<b>286.7</b>	<b>265.0</b>	↓ 7.6%
<b>EBIT</b>	(before Significant Items)	5.2	19.1	+ 13.9m
<b>EBIT</b>	(after Significant Items)	0.5	13.1	+ 12.6m
<b>NPAT</b>	(before Significant Items)	(2.7)	5.5	+ 8.2m
<b>NPAT</b>	(after Significant Items)	(5.9)	1.3	+ 7.2m

\* Branded includes AVL own brands and exclusive labels (where trademarks owned by AVL)





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Business Review  
Dane Hudson

# Topics for Review

1. Market Overview
2. 07/08 Scorecard
3. Progress against Strategic Priorities

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# Significant change around the globe impacting Australian wine producers

## UK/Europe

- Weakening economy
- Retailers/consumers demanding value, in face of higher excise duty
- Greater focus on alcohol consumption

## North America

- Consumption growing, but so is local production and imports
- Australian brands struggling to hit value price points given strong AUD and have lost some momentum to other countries

## Asia

- Consumption growing
- Australian bulk pricing too high versus other wine countries
- Attractive pricing for Australian brands

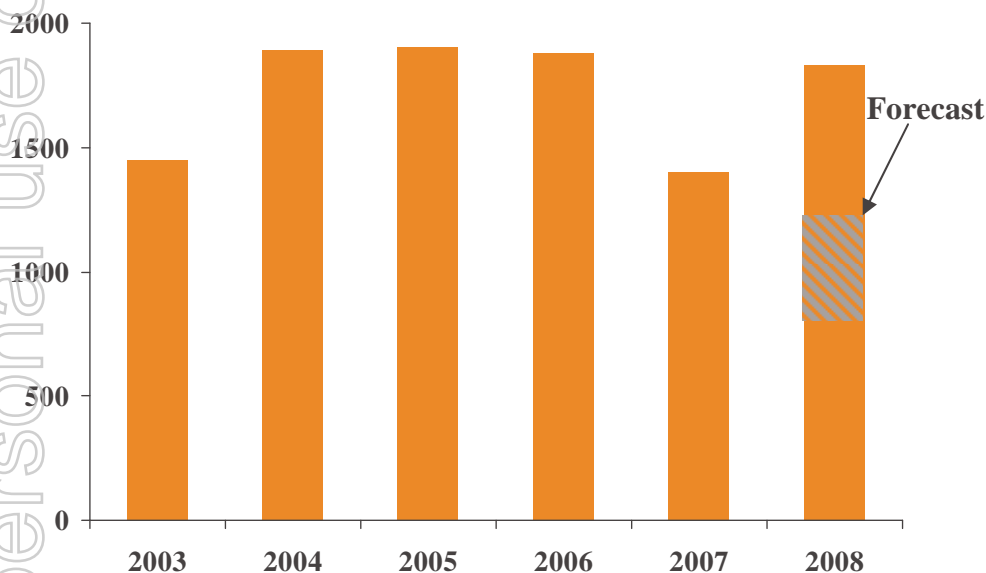
## New Zealand

- Record 2008 Vintage forcing down prices
- Australian wines continue decline

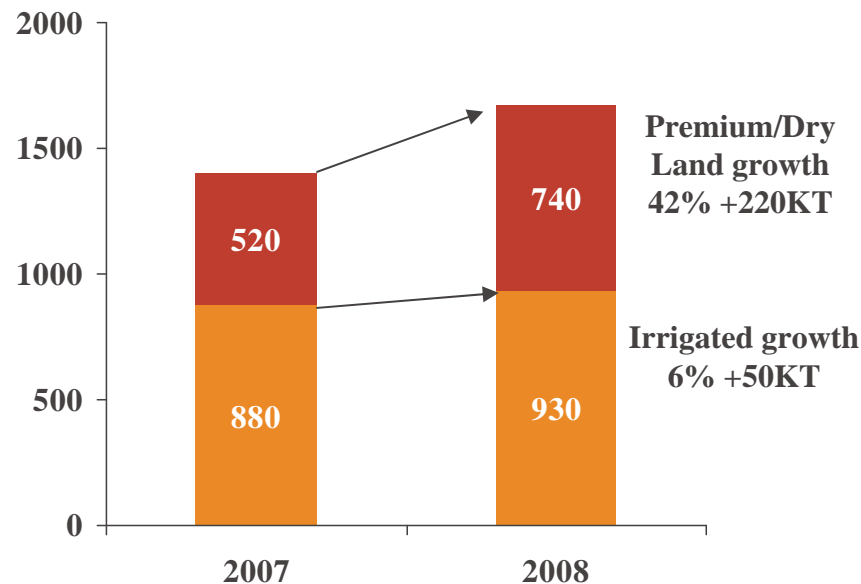


# Vintage 2008 significantly higher than expected, driven by growth of premium grapes

Australian Grape Harvest (Tonnes '000s)



Source: Australian Wine and Brandy Corporation, August 2008



Sources: ABARE as WFA does not provide tonnage by region. Note ABARE total is 160,000 tonnes below WFA

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## Industry headwinds remain

- Vintage 2008 significantly higher than expected
- Softening demand for Australian wine for the 12 months to July 08
  - Export sales down 12% or 96 million litres
    - Bulk volume 32% below last year
    - Packaged volume down 3% for year; but 14% for second half
  - Domestic consumption down 4.8% or 22 million litres
    - However imported wine up 56%; now 11% by volume
- Drought and water availability will remain an issue through next vintage
- Australian dollar still high vs historical levels
- Competitor actions creating uncertainty

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# AVL financial scoreboard: Strategies improving profitability

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\$'000	Results 2007	Results 2008	Change vs PY	Change vs PY in Constant Currency**
Branded wine division	4,221	7,292	3,071 →	+4,661
Private Label wine division	1,588	(1,071)	(2,659)	
Bulk wine and processing	(3,557)	6,830	10,387	
Vineyards	601	5,119	4,518	
Unallocated*	(12,323)	(16,647)	(4,324)	
<b>Total</b>	<b>(9,470)</b>	<b>1,523</b>	<b>10,993</b>	
Tax impact	3,526	(179)	(3,705)	
<b>Net Profit/(Loss)</b>	<b>(5,944)</b>	<b>1,344</b>	<b>7,288 →</b>	<b>+8,401</b>

\*Unallocated results include finance costs and significant items

\*\*Using average 07 FX rates



## Delivered solid cash flow from operating activities

\$M	2007	2008	
Receipts from customers	305.5	304.5	
Payments to suppliers and employees	(285.8)	(281.7)	
Interest and other finance costs	(9.8)	(11.8)	
Income tax (paid) / refunded	(2.2)	2.2	<b>Change</b>
<b>Total (before water and one-off items)</b>	<b>7.7</b>	<b>13.2</b>	<b>+ \$5.5m</b>
Water	-	(9.2)	
Reorganisation of overseas distributors	-	(4.4)	
	<b>7.7</b>	<b>(0.4)</b>	<b>- \$8.1m</b>

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## Strategy scoreboard: Significant progress achieved across whole business

### Strategic Priorities

### Recent Results

- **Grow Export and Build (and Buy) Defendable Brands**



- Export branded sales +22%
- Domestic branded sales -3.7% but margins up +10 points
- Introducing new innovative brands
- Reducing reliance on speculative bulk wine sales

- **Maintain Low Cost Position**



- Winery costs \$3m below prior year
- Increased grape purchase flexibility by exiting 80 grower contracts
- Sold/selling underutilised assets realising \$80 million

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# Branded strategy is working

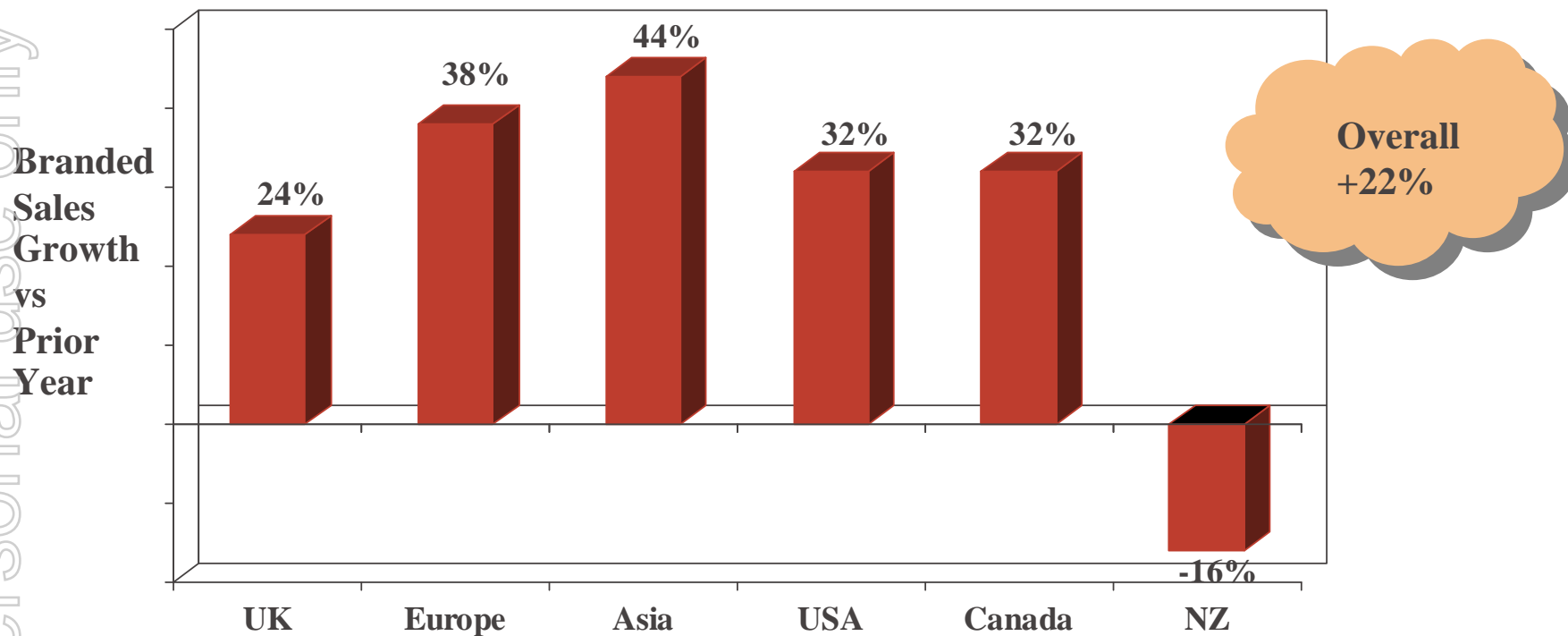
## Full Year Branded Sales

	Case Sales ('000)			Dollar Sales (\$'000)		
	2006/07	2007/08	% Change	2006/07	2007/08	% Change
<b>Total Export Branded</b>	1,664	1,928	+16	69,107	84,610	+22
<b>Australian Branded</b>	2,149	1,776	-17	63,822	61,456	-4
<b>Total</b>	<b>3,814</b>	<b>3,705</b>	<b>-3</b>	<b>132,929</b>	<b>146,068</b>	<b>+10</b>

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## Branded exports up in key markets



- Core relationships remain strong around the world
- METRO partnership in early days, but orders have commenced

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## North America performance improving

- Relationship with Gallo strong, although Black Swan sales soft
- Past year have focused on restructuring distribution partners; like UK in 06 and 07
- Branded sales up 32%
- Bottled private label sales growing; focusing on price points +US\$9

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# UK branded momentum should continue, however anticipate lower private label sales and margins

- Private label margins under pressure
  - Weak UK economy and currency
  - March 07 excise duty increase of 14p/bottle
  - Sharp value price points critical to retailers
- However branded future very positive
  - 24% sales growth in 07/08
  - Revamped McGuigan brand yielding growth
    - Moved from 45<sup>th</sup> to 27<sup>th</sup> largest “Off Premise” wine brand in UK
    - 25<sup>th</sup> largest in supermarkets with 138% growth  
(*Off Licence News July 08*)
  - Broad retailer acceptance and new listings with McGuigan Classic and Discover ranges

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# Australian business profit well up on last year

- Traded off sales versus margin: GM +10pts above last year
- Growth of brand McGuigan
  - Black Label +17%; highest in at least six years
  - New higher priced ranges contributing to sales and shifting mix
- Nepenthe EBIT contribution \$1.3 million above last year
- Tempus Two contributing solidly
- Achieving greater success in Private Label with sales up 45%

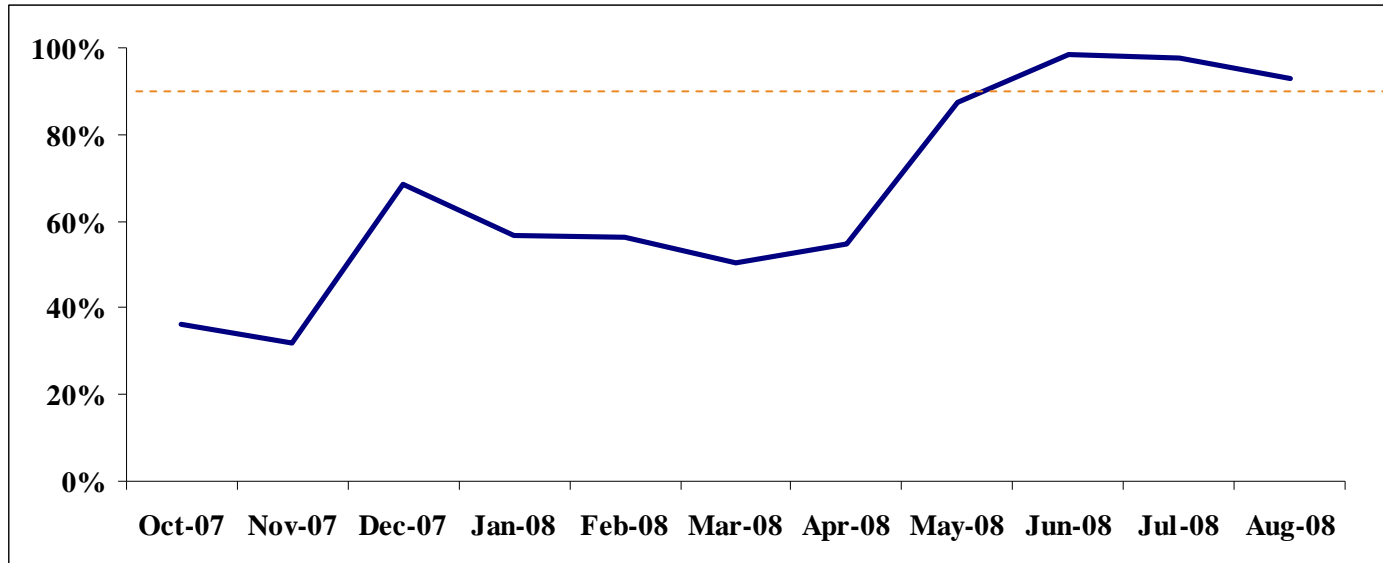
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# Australian performance enhanced by double digit sales growth with chains through better operations and appealing consumer promotions

## Delivered in Full on Time with Coles Liquor Group

**DIFOT  
Monthly  
Average**



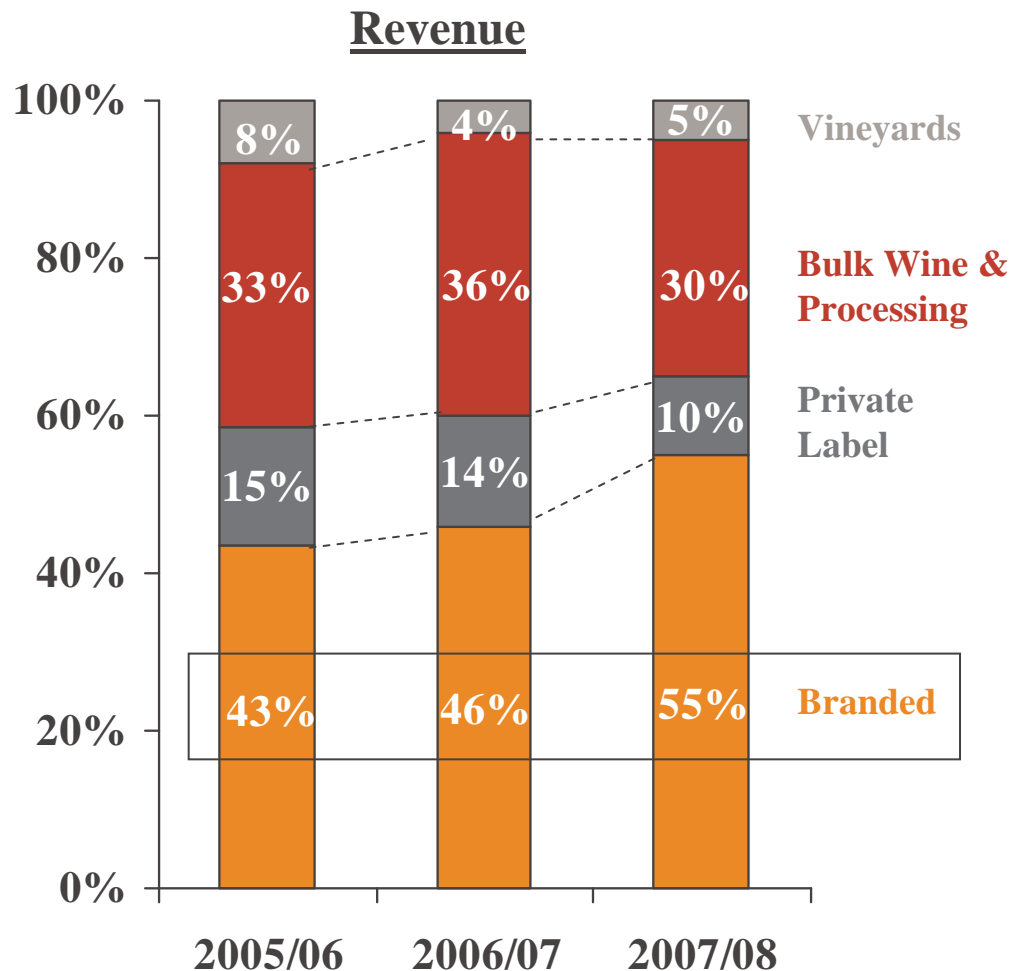
**Target  
86%**

**Black Label and  
beer promotion  
doubled  
previous record**



# Achieving stated objective of growing branded sales as percentage of total business

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

- Controlled winery costs in a smaller than average vintage
  - Loxton Winery costs \$2 million below last year, on higher tonnage
  - Buronga Hill cost \$1 million below last year
- Obtained 15,000 incremental tonnes of contract processing
- Captured price increases on some contract processing agreements
- Profit from bulk wine sales and processing up \$10.4 million on prior year in spite of utilisation well below optimum
  - Vintage 08 tonnage 188KT vs 155KT in V07, and 232KT in V06

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## ... And exiting under-utilised assets

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	Cash	
<b>Loxton Winery</b>	\$60m	\$3m non-refundable deposit received. Remainder to be received Sept 08
<b>Hunter Assets and Griffith Winery</b>	\$20m	
	<b>\$80 million</b>	



# Innovation critical to AVL's sales and profit momentum

- Participate in high growth segments
- Market research based new products and repackaging
- Offer truly differentiated products
- Execute unique UK/Australia promotions

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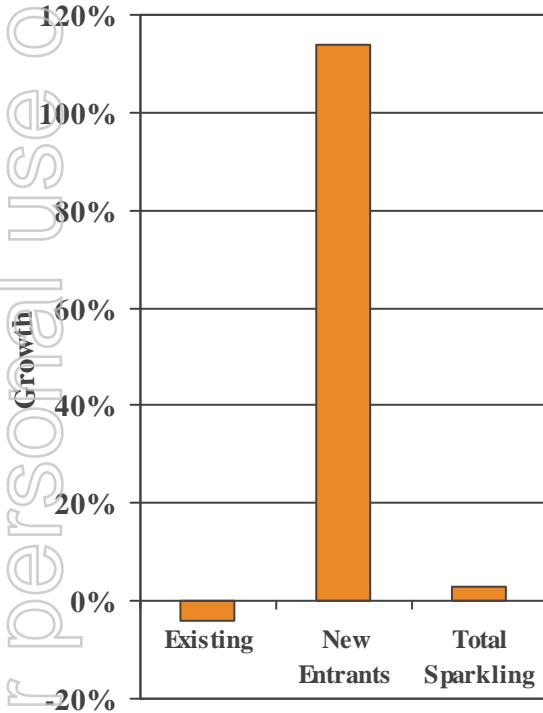




# M

is an example of our new capabilities

## Solidly Researched



## Professional Presentation



## Retailer Acceptance

Agreed listings in  
over 3,000 stores  
in two months



## Billyrock cans off to solid start



*"Those cheerful Aussie iconoclasts did it again, breaking another taboo by packaging wine in cans. Fortunately, the resulting product is right up to standard with no signs of having sacrificed quality or flavour."*

*The latest I have tasted are good as or better than many bottled wines in the \$11-\$14 range. Best of all, cans are the most convenient and practical option for many summer activities. This form of packaging is durable, compact and weighs much less than bottles..."*

Sean Wood, The Chronicle Herald  
Halifax, Nova Scotia, 7 Aug 08

Listings: Canada, METRO EU stores, China, Singapore,  
US shipments commencing September

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# London City Vineyard





## Key takeaways

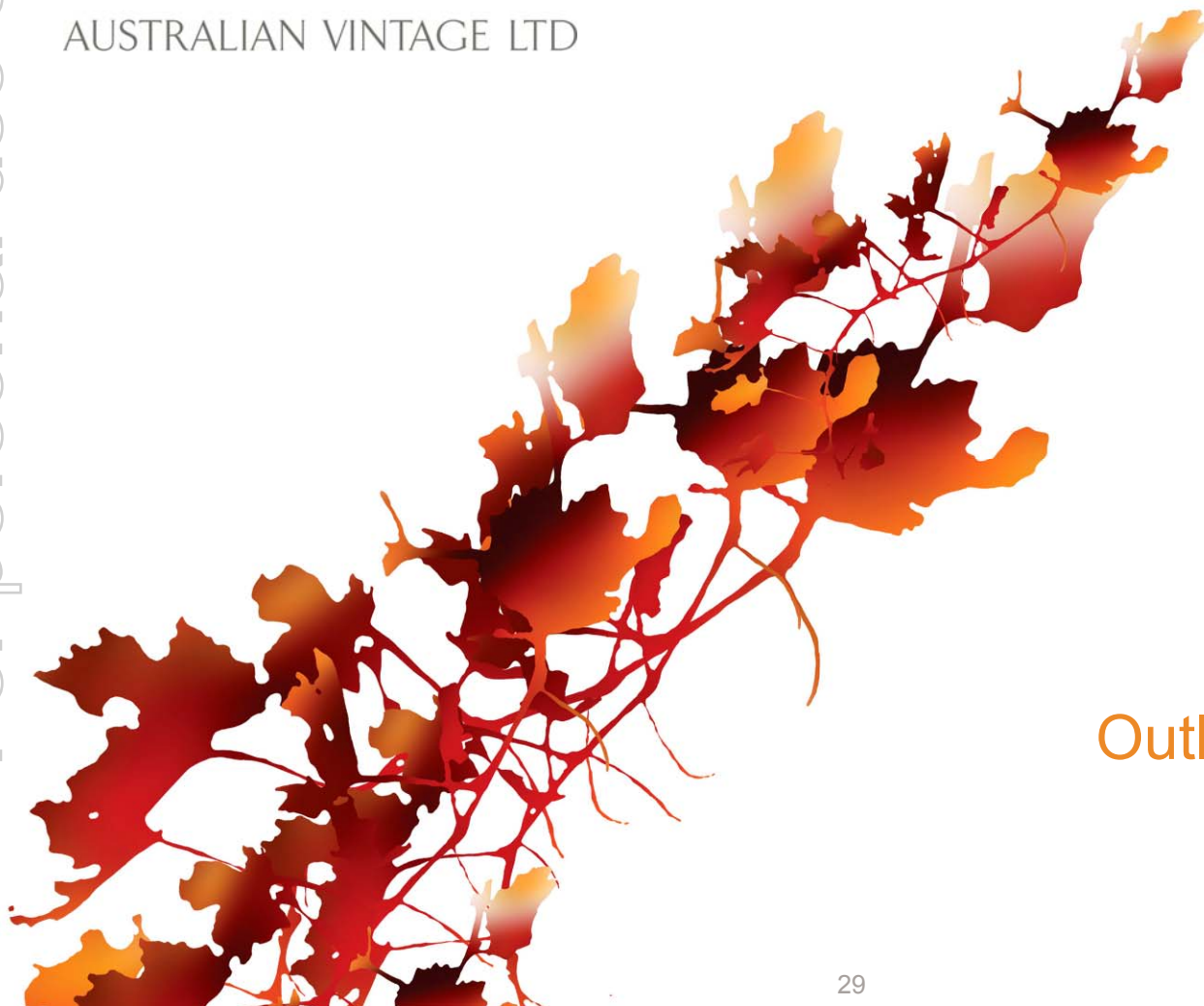
1. Strong turnaround in challenging market
2. Delivered on strategy
3. Delivered on margins
4. Strengthened financial position
5. Market difficult but winning with innovation

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Outlook for 2008/09

# Outlook

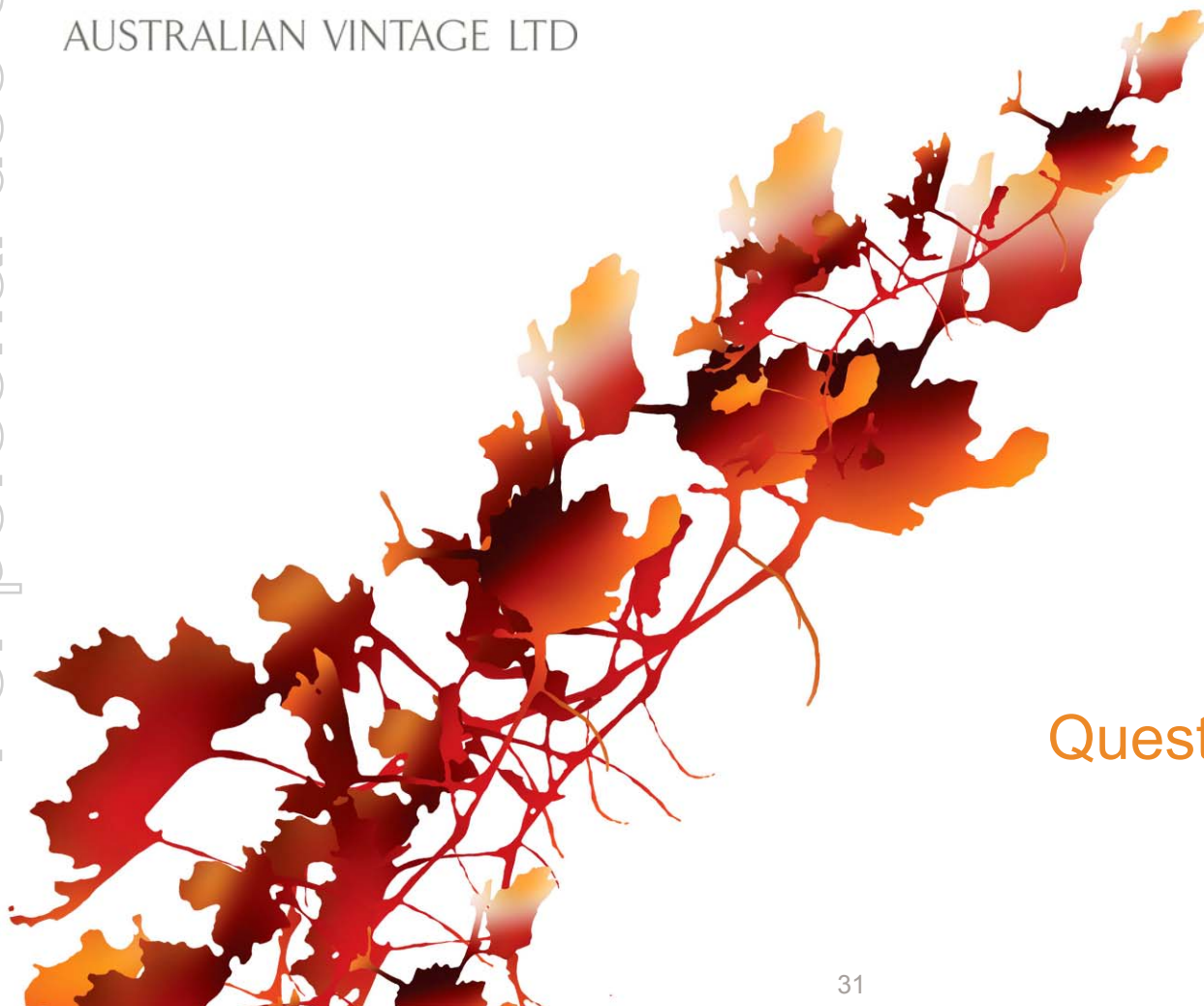
- Market remains challenging
  - High Australian Dollar
  - UK economy – 35% of total AVL sales
  - Competitor asset actions, including sales of written down stock
- Real uncertainty for Vintage 09 due to drought
  - 2007/08 water investment will impact 08/09 profit increasing wine costs by approximately \$7 million
- Budgeting to deliver small profit growth on FY09

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Questions & Answers

# Back up





# Sales Segment Performance

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Segment Revenue (\$'000)	2006/07	2007/08	% Change
Bottled wine division – branded / casks	132.2	146.1	↑ 10.5
Bottled wine division – private label	39.0	25.6	↓ 34.4
Bulk wine and processing	104.0	79.2	↓ 23.8
Vineyards	11.5	14.1	↑ 22.6
<b>Total of all segments</b>	<b>286.7</b>	<b>265.0</b>	<b>↓ 7.6</b>

Geographic Wine Sales (\$'000)	2006/07	2007/08	Change
Australia	135.6	131.8	↓ 2.8
Export	151.1	133.2	↓ 11.9



## Additional Information – Significant Items to 30 June

	<b>2007</b> \$'000	<b>2008</b> \$'000
<b>Profit on disposal of winery and vineyard assets</b>	-	3,054
<b>Stock valuation adjustment</b>	-	(1,759)
<b>Impairment of property, plant &amp; equipment</b>	(2,472)	-
<b>Costs associated with the re-organisation of overseas distribution agreements</b>	-	(5,056)
<b>Costs associated with exiting Grande Junction Development</b>	(2,220)	-
<b>Prior Year international rebate claim</b>	-	(658)
<b>Costs associated with re-organisation of domestic distribution operations</b>	-	(1,535)
<b>Significant items before tax</b>	<b>(4,692)</b>	<b>(5,954)</b>
<b>Applicable Tax</b>	1,408	1,768
<b>After Tax</b>	<b>(3,284)</b>	<b>(4,168)</b>

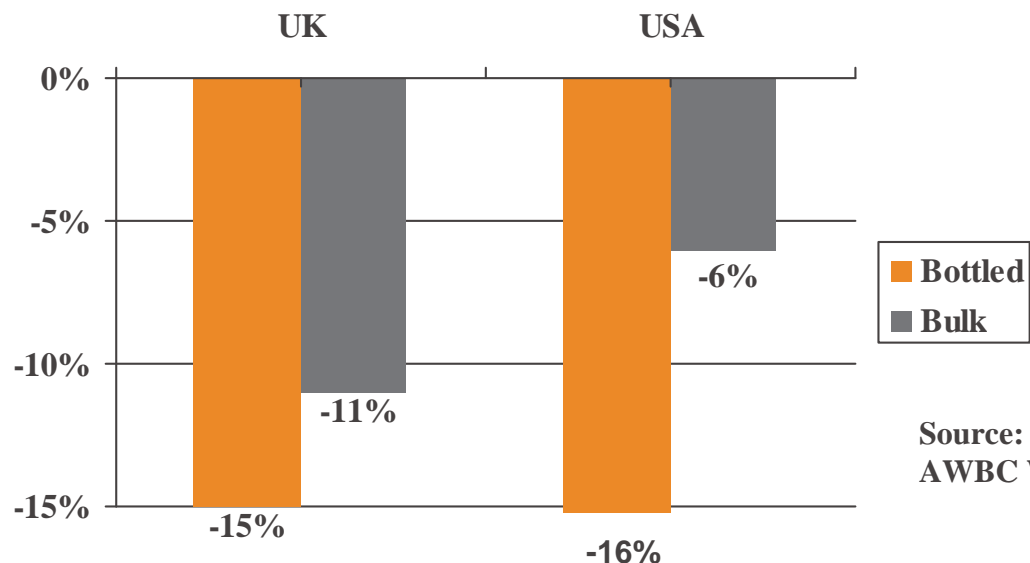
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# Demand for Australian wine softening

- Export sales down 12% or 96 million litres
  - Bulk volume 32% below last year
  - Packaged volume down 3% for year; but 14% for second half

## Change in Year on Year Volume for Jan-Jun 08 vs 07



Source: WFA June 08 Release;  
AWBC Wine Export Report June 08

- Domestic consumption down 4.8% or 22 million litres
  - However imported wine up 56%; now 11% by volume

