

HD **FED:Winemaker predicts challenging times**

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AUSTRALIAN MELBOURNE, Nov 26 AAP - The **company** behind McGuigan wines expects challenging times ahead, due to fierce competition at home and overseas and higher prices because of a low vintage.

Australian Vintage chairman Ian Ferrier says margins should be improved by further falls in the Australian dollar, but the currency had not dropped as much as he expected.

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"Competition remains fierce across the Australian and overseas markets," Mr Ferrier told the **company**'s annual general meeting.

"The low 2014 vintage has resulted in a higher cost of **wine** which has, and will continue to impact margins in the short term."

Australian Vintage's brands include McGuigan, Miranda, Nepenthe and Tempus Two.

Mr Ferrier said the **company**'s sales for the four months to the end of October 2014 were encouraging, with demand and growth stronger than last year.

But margins remained tight.

"We remain confident that our brands will continue to grow and that we can achieve sustainable sales growth," Mr Ferrier said.

"Subject to normal 2015 vineyard yields and forecast FX (foreign exchange rates), we expect our 2015 net profit (after tax and one-off items) to be slightly above the 2014 result."

Mr Ferrier said a recently-signed distribution agreement with COFCO **Wine** & Spirits in **China**, and Australia's free trade agreement with **China** which will see a phase-out of tariffs on **wine** imported into **China**, made Australian Vintage confident of long-term success there.

Enhancing the **company**'s presence in **China** would require a lot of hard work, and progress was likely to be slow at the start, he said.

"For the medium to long term, we are very optimistic about the potential of the **China** market," Mr Ferrier said.

Australian Vintage also announced the **sale** of the Yaldara winery and **brand** for \$15.5 **million**, which resulted in a profit of \$5.4 **million**.

After the write-off of incentive payments made to overseas customers and legal costs associated with a vineyard lease dispute, Australian Vintage expects to reap \$1.8 **million** from the Yaldara **sale**.

Australian Vintage booked a 49 per cent increase in net profit to \$10.5 **million** in the 2013/14 financial year.

Shares in Australian Vintage closed steady at 41 cents.

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