



Blaxland Vineyards Limited



Grower Seminars
September 2011

Wine Industry Overview

- 2011 Crush – 1.62m Tonnes (same as 2010)
- 2011 wine made – 1.1 Bn litres (but 200ml low grade)
- Total sales 1.2Bn litres;
 - (Export sales – 780ml, Domestic Sales 460ml)

BUT – Exchange rate at historical high

Export Sales 2008 - \$2.68bn Now under \$2bn

AND we sell 60ml more!

Impact of Exchange Rate

	1995	2000	2005	2011
US Dollar	0.71	0.51	0.74	1.03
GB Pound	0.45	0.36	0.44	0.63
FOB Case - \$10 retail equivalent	\$40	\$48	\$36	\$26
Wine Company Gross Profit	40%	50%	30%	20%

Export Sales Trends

- UK Flat
- USA/Canada slowing
- China – very large growth (from small base)
- Europe declining

Global oversupply seems to be over. Steady export market – just exchange rates an issue

Domestic Sales Trends

- Multiple retailers dominate – and getting stronger
- Move to house brands continues – and may reach 50% in time (same as grocery)
- Imports are up – supermarket buyers are knowledgeable
- Volumes outside of supermarkets are LOW, and costs of delivery/support are HIGH
- Conclusion – decide where you fit!

Vineyard Plantings

- 2007 – 174,000 hectares planted
- 2011 – 156,000 hectares planted

- 1980 – Worldwide plantings – 10.2m ha
- 2007 – Worldwide plantings – 7.8m ha

- World wine consumption growing 2% p.a.

Blaxland Status Report

Vintage 2011

- Tough season across most regions – high rainfall, high disease pressure, high spray costs to protect
- Barossa – Good crops (up 30% on 2010)
- Adelaide Hills – Good crops (up 34% on 2010)
- Limestone Coast – Bad year (crop down 30% AND disease issues)
- Blaxland made 3.1 ML of wine from 2011 unsold grapes (100% financed by Blaxland)

2011 Vineyard Results

	THV ₁	THV ₂	SMV	OMV	Total
Crop (tonnes)	2,292	1,428	1,145	2,331	7,196
Sold as Grapes	1,573	1,093	439	63	3,168
Made into wine	719	335	706	2,268	4,028
Litres ('000)	503	234	494	1,700	2,931
Tonnes 2010	1,864	958	854	3,362	7,038

Tanunda Hill 1

- 69% sold under contract
- 20 % made into wine under Joint Ventures
- 11% made into wine and is being sold currently

Tanunda Hill 2

- 77% sold as grapes
- 7% made into wine under Joint Venture
- 16% made into wine and is being sold currently

St Magnus

- 50% sold as grapes
- 28% made into wine under Joint Venture
- 22% made into wine and being sold currently

Old Mundulla (1)

- Entire crop rejected by AVL – normally 50% sold as grapes per contract and balance made into wine under JV with put option back to AVL
- Crop reduced by 30% to 2,331 tonnes due to disease
- 97% of 2011 crop made into wine
- Currently being sold as bulk

Old Mundulla (2)

- 5 more years on contract to run
- Normal crop 3,200 tonnes
- 1,600 tonnes sold per grape contract
- Balance has put option to AVL (all upside to growers)
- 2010 profit repeats in a “normal” year
- Preparing documents for MIS extension to run concurrent with the grape contract to 2016

ACTION PLAN!!!

- The global oversupply, reduced grower contracts and adverse trading margins meant the grape grower was going to be most affected
- In 2009 Blaxland started its move away from being 100% MIS compliance.
- In 2010 Blaxland moved into bulk wine trading
- In 2011 Blaxland employed new sales staff and a winemaker
- In 2012 Blaxland will sell bottled wine and own distribution infrastructure

Action Plan (2)

- In 2010 1.8ml of wine was made – all but 30kl has been sold
- In 2011 BVL has employed a winemaker – who now markets grapes and wine to major customers
- 2 winemaking and sales JV's were signed – more to follow
- In the next month BVL will acquire a SA based wine distributor
- We have developed several new wine labels for overseas and local sales

St Magnus Action Plan (1)

- Vineyard most affected by oversupply
- Sauvignon Blanc hit by New Zealand imports
- White wines harder to export
- Therefore – we MUST create a bottled wine market.
Target 30,000 cases
- 4 initiatives underway.....

St Magnus Action Plan (2)

- First Fleet label into USA
- Buy SA distributor for local sales and label creation
- Form Joint Venture for sale of House Brand to supermarket
- Formed Joint Venture with commercial winery to provide their premium wines

Other Initiatives

- Joint Ventures:
 - Major Barossa Winery
 - Overseas winery investors (China)
 - NSW distribution
 - Contract processing wineries
- New target customers:
 - UK and US supermarkets
 - Direct Mail companies

First Fleet

Fresh & Easy Stores
USA

Tanunda Hill reds
St Magnus Whites



L B B
X A A
A L L
D N D

S† MAGNUS
Chardonnay — 2010

ADELAIDE HILLS
AUSTRALIA

The take home message

- We are facing the challenges of the marketplace with strong and positive actions
- We have moved into winemaking and sales
- We are building an excellent team to take the business into its next stage of development
- These initiatives should underpin the individual asset values by more secure down-stream wine sales – not just grapes
- Forming strategic alliances with large wine partners