McGuigan Simeon Wines Limited
Annual results presentation for year ended June 30, 2006
Chairman David Clarke comments
23 August 2006

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Good Afternoon ladies and gentlemen.

Welcome to the 2006 McGuigan results presentation.

For those of you who haven't met our new chief executive let me formally introduce Dane Hudson. Dane joined us in February and is already making a significant difference at one of the worst times for the wine industry in Australia.

Also here today is Mike Noack our CFO.

This afternoon I want to briefly run you through the financials. I'll then ask Dane to give you his views of the business and how our operations are performing and then I'll come back and update our outlook.

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First I want to say how disappointed all of us are at having to report our first real loss in the company's history and how sorry we are that we had to increase the write-off since our announcement in May.

Let me give you some background to both those events.

I don't need to tell you that the Australian wine industry is going through one of the most difficult periods in its 200 year history.

We don't believe we are yet at the bottom of the cycle. In fact unless the 2007 vintage is low yielding, we don't think that we will see an upturn before 2009.

The basic issue for everyone in the wine industry is simple. There is just too much wine being produced around the world. Producers in every wine growing country are trying to sell their wine to the same group of big buyers.

The result is that there is continuing strong downward pressure on prices.

On top of the oversupply, retail consolidation means even more pricing power for retailers.

As you've seen in the media, many Australian producers are battling to survive.

The reality is that only low cost big producers and a number of small boutique growers will get through this cycle.

Given the dependence that Australian producers have on export markets, we are competing not just with other Australian producers, but with other new and old world countries.

For instance, the U.S. vintage was 50% above 2005. So U.S. producers are now competing with us in many prime export markets.

Yet we do believe there are some significant opportunities opening up for companies like McGuigan Simeon.

The good news is that the global wine market is growing. Consumption is increasing and McGuigan is in a very strong position to compete in the major overseas markets.

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Looking at our results you will see that volumes (particularly export and contract volumes) were up 10%.

Revenue was down reflecting a drop in turnover from vineyard contracting, as well as lower Australian domestic sales.

Compounding the problem in Australia was another big vintage. That meant (after three years of record vintages) that Australia has, we believe, almost a billion litres in excess wine. While we were comfortable with our stock levels in December, the size of this year's vintage simply put even more pressure on bulk wine prices.

When we announced that we would write down stocks in May, we gave you our best indication based on our estimate of where the market was.

After that announcement we undertook a detailed review of market conditions.

Dane will take you through some of the outcomes of that review but it became clear that prices were still moving down, as companies tried to clear stock.

What has also became clear was that prices have moved down even further over the last six weeks.

Clearly, given the importance of the bulk wine market to us, we needed to adjust down the value of our stocks even further to reflect that new reality.

This was the first ever stock write down in our history.

Before the stock write down our net profit was $17.5 million.

However the company remains in a sound financial position.

We have increased cash flow by over $32 million and that has enabled us to cut debt by $23 million.

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So what all this means is that in one of the worst crises the industry has ever faced, McGuigan Simeon is in reasonable financial shape, despite the pressure and the state of competition.

Cash flow is very strong and our gearing has come down.

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To sum up the 2006 financial year:

- The result was very disappointing, particularly having to increase the stock write down
- However given where the industry is, we are in good financial shape, and there are some very real opportunities in this market
- Cash flow is very strong
- Export sales are up
- We have successfully integrated Merbein; and
- The transition from Brian to Dane has gone as well as we could have possibly hoped.

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Let me now give you our view of the year ahead.

As I said earlier we don't see any upturn in the cycle before 2009.

What we need to do is to continue to focus on those things we can control - to continue to drive down costs and to build on the core strengths of the company.

We will take those opportunities that deliver profitable growth.

While it would be a very brave move to confidently predict earnings in this market, we are targeting financial performance similar to this year's, excluding significant items.

But we are very cautious, particularly given the weakening in the market over the last six to eight weeks. If anything, we see more risk on the downside.

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