MGW Half Year Results Presentation
Tuesday 27 February 2007

Chairman's comments

Good afternoon ladies and gentlemen and welcome to the 2007 interim results briefing for McGuigan Simeon Wines.

My name is David Clarke and with me here today is McGuigan's chief executive Dane Hudson and our chief financial officer, Mike Noack.

I don't need to tell you that the wine industry is going through a very tough time. However, neither the global industry nor the Australian industry will go back to where it was before. It will never be "business as usual" again.

Today we are going to review our half year with you but I'm also going to ask Dane to spend some time taking you through our strategy to deal with a very different operating environment.

Let me give you a quick overview of our results.

Here the story is simple: sales were ok ...margins were weak.

What was pleasing was that McGuigan performed solidly in branded products and export. This was offset by lower vineyard income, lower margins and losses in bulk wine.

While cash flow from operations for the half was negative $10.5m, cash flow on a 12 month basis was $28.9m, up $23.8m on the 2005 result of $4.6m. Net debt is down by $18.4 million dollars and net debt to equity is three points better at 45% compared to 48% for December 2005.

Bitter competition, excess stocks and production across the world saw pricing power very firmly in the hands of the retailers and saw our net profit down to just $594,000.

The important takeaway here is that there are now many players in the bulk wine market and <u>that</u> has implications for our strategy.

Looking at a breakup of sales, the drop in bottled private label primarily reflects two issues – timing changes on promotions with Tesco and the Gallo Black Swan product moving from Bottled to Bulk.

The drop in vineyard income reflects our decision not to go ahead with Grand Junction as well as the relinquishment of management rights on a second vineyard.

The obvious highlight was branded volume growth of 16%.

We think that Vintage 2007 will be down by around 40%, maybe more which will help bring the industry back to balance. The good news is it will reduce oversupply but on the other hand it will increase our costs.

To sum up:
The strategy we discussed with you last year is unchanged and starting to gain traction.

Our export business continues to grow, branded sales are increasing but costs are also increasing, so we are working really hard to drive them down even further.

As Dane will explain we believe now is the time to be making selective investments in growth.

Dane

Outlook:

Thank you Dane

Looking forward to the balance of the year, we see a number of trends.

Prices are strengthening but the market remains intensely competitive.

There is still an overhang of stock globally.

Vintage 07 will lead to a higher cost of grapes which will continue to pressure margins through to the first half of 2007/08.

We see international and branded growth continuing but we also see a major risk in Australia if the drought continues.

Thank you