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M c G U I G A N
S I M E O N
W I N E S L I M I T E D



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McGUIGAN SIMEON WINES LIMITED

ASX ANNOUNCEMENT AND PRESS RELEASE

Strong sales, intense competition but industry returning to balance.

Interim results for the six months ending December 31, 2006

• Revenue	\$ 156.6 million	down 3%
• EBIT	\$ 4.9 million	down 62%
• NPAT	\$ 0.6 million	down 90%
• Gearing	45%	
• No interim dividend		
• Earnings per share	0.49 cents	down 91%

McGuigan Simeon Wines Limited today released its results for the six months ending December 31, 2006.

Key points

- Wine sales in line with last year and reflect strong performance in brands and export. Vineyard revenue down 50% on last year.
- Results affected by oversupply and bitter competition.
- Net debt reduced by \$18.4 million, when compared to Dec 2005.
- NPAT \$0.6 million, in line with forecast. Includes a \$2.2 million pre tax deduction for the cancellation of Grand Junction vineyard development
- No interim dividend.
- \$25 million acquisition of South Australian based Nepenthe Group, funded by an institutional private placement.
- FY operating profit target is in the range of \$6 million to \$9 million. As usual we will provide an update in our post vintage briefing.

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Operational review

Sales

- Wine sales increased by 2% over the same period last year.
- Volumes of Australian branded sales increased by 18% but sales were impacted by a mix in shift to lower value wines and lower margins. Much of the excess stock, written off in previous periods, has been cleared.
- Private label and bulk wine margins are depressed and the market remains extremely competitive.

Export

- Export branded volumes improved 14% to 715,000 cases and underpinned McGuigan's result.
- Sales into UK/Europe were up 2% (on a like-for-like basis excluding the change in sales reporting).
- Sales into North America were up by 8% to \$12.2 million. For the first time, McGuigan has appointed a US based executive responsible for the North American market. Anticipate this will improve the performance of our own brands.
- Significant growth of 163% was achieved with sales into Asia driven by dedicated account management. Branded sales volume up 25%.

Comments

"This six months has been characterized by good sales of export and domestic branded wine, offset by lower vineyard income and lower margins," McGuigan Simeon Wines Ltd Chairman, David Clarke said today.

"However the strategy we have in place is positioning us well for the new reality of the wine industry. We are focused on exports, particularly to the UK, USA and Asia and on building our branded portfolio.

"The purchase of Nepenthe fills an important gap in our product range at a price point where we have been traditionally weak.

"While cash flow for the half was negative \$10.5 million, cash flow on a 12 month basis was \$28.9 million, up \$24.2 million on 2005 result of \$4.6 million. 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.

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“The next 12 to 24 months will remain very challenging. Looking at the current industry and market conditions, in particular the low 2007 vintage and the expected low 2008 vintage, we anticipate a significant increase in wine costs.

“Given this half year’s result, the Board determined that it was prudent not to pay an interim dividend.”

Chief Executive Dane Hudson said: “We are and will continue to respond tactically to the current challenges in the market.”

“We have made good progress reducing excess wine stock and bedding down Merbein packaging.

“Our strategic initiatives have yet to be reflected in our financial results.

“In our export markets we have signed a strategic alliance with WaverlyTBS in the UK to grow and drive sales, appointed a new US based executive responsible for the North American market and we are getting clear traction from our newly formed export focused sales team.

“Our strategic priorities remain the same. We need to grow exports; we need to build and buy defendable brands, and we need to continue to drive productivity gains.

“We have achieved good growth in Australian branded sales on the back of a focused effort and major research project that is now complete. We have a number of brand strategies ready to implement over the next six to 12 months.

“The purchase of Nepenthe Group will strengthen our brand offering in the key premium category range and we have the added skills of Managing Director, James Tweddell, to assist and grow brand strength across the group.

“We don’t underestimate how difficult the next two years will be for McGuigan and the rest of the industry” Mr Hudson said. “However I am confident that our strategic actions will make us a company that has sustainable growth options.

Placement

To fund the acquisition of Nepenthe Group, the company will undertake an institutional private placement, by way of bookbuild, of approximately \$25 million. It is expected that the placement will be priced overnight, with settlement scheduled to take place on Monday 5 March 2007.

In addition, we intend to offer all eligible shareholders the opportunity to participate in a share purchase plan that will allow them to maintain their holding in the company.

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Outlook 2007

“Prices are strengthening but the market remains extremely competitive,” said Mr Clarke. “This year’s vintage will challenge McGuigan Simeon with higher costs and margin pressure into next year. Unless there is good rain, 2008 will be very difficult for everyone in the industry.

“We continue to caution that there are downside operational and market risks that could impact our targets. Our operating profit target is in the range of \$6 million to \$9 million.”

“The vintage will increase costs in the short term and margin pressure will continue in 2007/2008. If there is a positive in this environment it is that the industry is likely to return to balance more quickly than anticipated.”

ENDS

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