

McGuigan Simeon Wines Limited  
Interim results to 31 December 2005

Weathering the (competitive) storm  
22 February 2006

# Today's agenda

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Financial results

David Clarke

Operational review

Brian McGuigan

Outlook

David Clarke

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# First half 2005-06:

- **Sales sustained, profits down in tough half year**
  - Revenues - 6%
  - NPAT -51% (ignoring December 2004 significant items)
  - Cash flow from operations (pre-tax) up \$8.4 million
- **Results impacted by:**
  - Reduced margins
  - Oversupplied Australian market
  - Continued good export sales and UK/Europe growth
  - Improved cost control
- **Dealing with challenges**
  - Significant supply imbalance
  - Intense retail competition
  - Managing costs and prices

# Leaner times after 14 years of consistent sales and earnings growth

	6m to 31 Dec 2005 \$m	6m to 31 Dec 2004 \$m		Growth %
Revenue	161.7	171.7	▼	6%
EBIT	13.5	23.0	▼	41%
NPAT*	6.2	12.5	▼	51%
Cash Flow**	6.4	(2.0)		
EPS* (basic)	5.40 cents	11.22 cents	▼	52%
Dividend	5.00 cents	10.25 cents	▼	51%

\*Excluding significant items

\*\* From operating activities and before tax

# Sales categories mixed – good export growth, weaker local market

Six months to 31 December	2005 \$m	2004 \$m
Export bottled sales (branded)	27.6	32.9
Export bottled sales (bulk)	39.8	26.5
Export bulk sales	22.4	21.2
Domestic branded sales	43.0	52.6
Domestic bulk sales	6.5	14.2
Cellar door	3.3	3.6
Vineyard Management & Development	10.4	12.6
Other	8.7	7.9
<b>Total</b>	<b>161.7</b>	<b>171.5</b>
<b>Total volume sold (million litres)</b>	<b>65.1</b>	<b>61.7</b>

# Resilience in tough market confirms the McGuigan Simeon strategy

- Diverse revenue sources underpin sales
  - bulk and bottled product,
  - local and export markets
  - total sales volume increased by 5%
- Innovative marketing and good customer relations
- Low cost producer, reducing costs further
- Enhanced scale of operations
- Balance growth and investment in business:
  - Acquisitions like Merbein increase efficiencies
  - Producing more from existing facilities – capacity creep
- Synergies still emerging from acquisitions
  - Low embedded cost base
  - Improved productivity, lower expenses

# MGW is not standing still awaiting market and margins recovery

- McGuigan Simeon is not waiting for the cyclical upturn
- Continuing to drive sales while reducing costs
  - Sales volumes continue to improve
  - Export volumes increased by 24.3%
  - Share of Australian export volumes for the six months increased 13% to 10.5%
- Scale and diversity deliver operating efficiencies
- Strong financial position with gearing at 48%
- Balancing growth and investment to lower risk
- Positioned for opportunities beyond the downturn

# Operational review

## Brian McGuigan

# Half Year Features:

- Supply and demand imbalance continued
- Competition intense across domestic and export markets
- Margins under pressure in all categories
- Industry rationalisation and consolidation
- Sales volumes and reduced costs, increased efficiencies
- Grape contracts and purchase costs
- Merbein packaging facility on target for June operations

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# Maintaining our existing strategy:

- Scale and flexibility
- Geographic and product diversity
- Production efficiency
- Customer responsive
  - Production
  - Products
  - Brands
  - Packaging
- Strong customer/distributor partnerships
- Increased sales with margin protection where possible
- Focus on costs across the company

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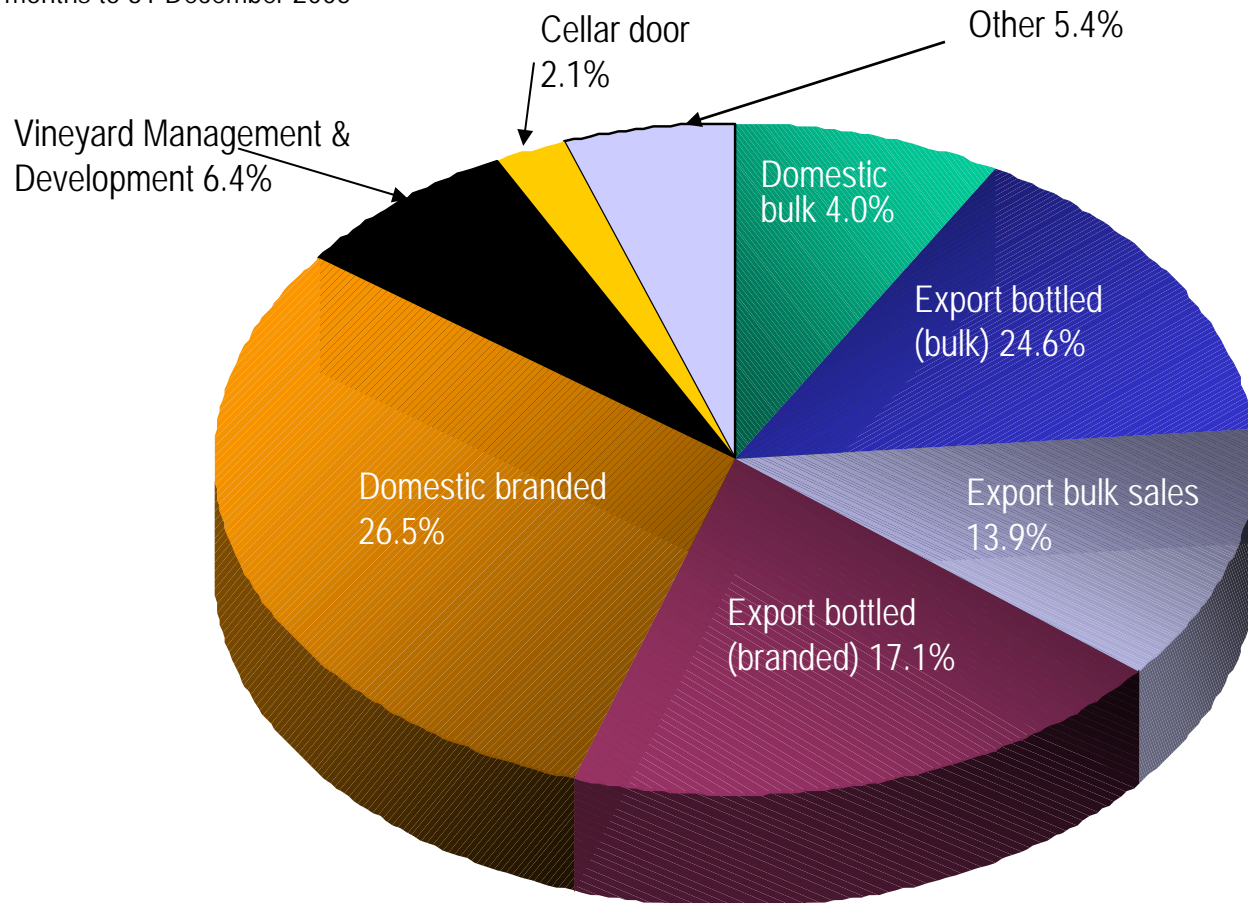
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# Product diversity reduces risk: Creates earnings stability

Total sales \$161.7 million

## Sales breakdown

\$ for 6 months to 31 December 2005



# Intense competition hits Australian sales

## Australian sales

	Six months to 31 December			%
	2005	2004		
	\$m	\$m		
Domestic branded <small>(includes Cellar door)</small>	46.3	56.2	▼	18
Domestic bulk	6.5	14.2	▼	54
Total	52.8	70.4	▼	25

## Australian story

- Sales weaker in both categories
- Domestic branded sales impacted by rebalancing wholesaler inventories
- Market oversupply
- Intense competition in retail market
- Bulk sales also hit
- Continue to compete in all segments
- Full bottled product range
- High quality wine
- Continued innovation

# Growth in export sales

## Export sales

	Six months to 31 December			%
	2005 \$m	2004 \$m		
UK	66.3	51.6	▲	28
North America	11.6	15.9	▼	27
New Zealand	4.8	6.1	▼	21
Other	7.1	7.0	▲	1
<b>Total</b>	<b>89.8</b>	<b>80.6</b>	<b>▲</b>	<b>11</b>

## Export Story

- Export sales growth continued
- Markets mixed
- UK's continued good growth
- US market tough
- New Zealand competitive
- Bulk in bottled sales role

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# Already one of the world's most efficient producers...

- **Modern wine industry is about operational scale**
- **Buronga Hill and Loxton are the two most efficient, low cost and technologically advanced wineries in world**
- **Merbein acquisition provides scale in packaging, lowering costs**
- **It brings savings, efficiency and reliability gains in:**
  - **Bulk wine freight**
  - **Finished goods freight**
  - **Finished goods storage and despatch**
  - **Bottling / packaging of wines**
- **Continue to drive costs down, lift productivity and focus on grape supply**

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# ...with a continued drive for efficiencies

- Expanding sales domestically and globally
- Targeting overheads and reducing expenses
  - Any expense increases related sales and front-line activities
  - Administration (back office) expenses reduced from 4% of revenues to 2.6% for the half year
- Reducing grape costs and supply
- Consolidating functions at Merbein
- Stock and working capital management
- Further improving relationships with customers

# Re-emphasising our priorities...

- **Sales, Sales, Sales, and market development**
  - Increased sales of all products
  - Greater opportunities in USA distribution
  - New products for domestic and export markets
- **Costs, costs, costs, and efficient production**
  - Continual improvement to underlying cost base
  - Better operational efficiencies and cost savings
  - Managing stock levels
  - Lowering grape costs
  - Integrating Merbein bringing cost savings
  - Monitoring Industry restructuring

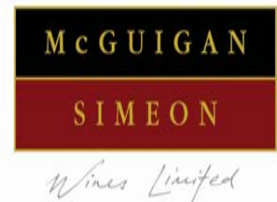
# ...in a tough operating environment

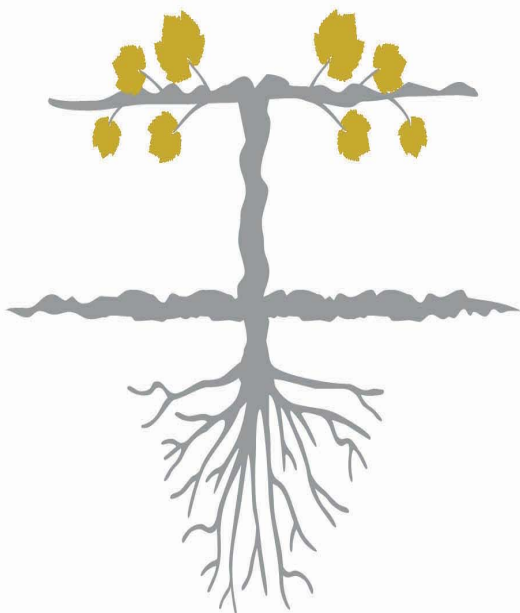
- Trading conditions are very tough
- All markets are highly competitive, domestic and export
- Vintage 2006 expected to be in line with large 2005
- A vintage and outlook update will be provided in May 2006
- Industry consolidation at all levels may generate further opportunities for MGW

# Outlook:

## Six months to June 2006

- **Competitive markets**
  - Trading environment in bottled wines will continue to be very tough
  - January sales were significantly up on January 2005
  - Tough environment for 18 months to 2 years
- **Earnings**
  - Difficult to forecast vintage any time; worse when market is tough
  - Profit guidance will be given in May 2006 after vintage is completed.
  - But 30/70 first half/second profit ratio remains roughly valid
- **Dividend**
  - Technical accounting issues limited interim payout to 5 cents a share
  - It should not be read as an indication of the likely final dividend payout
- **Strong company, well positioned**
  - McGuigan Simeon model produces positive result in tough market
  - Improved cash flow and industry-low stock levels a credit to management





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